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

### Industry Indicators

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers in million</td>
<td>7.3</td>
<td>7.4%</td>
<td>6.8</td>
<td>6.0</td>
</tr>
<tr>
<td>thereof transfer</td>
<td>23,891</td>
<td>3.1%</td>
<td>22,164</td>
<td>14,553</td>
</tr>
<tr>
<td>Flight movements</td>
<td>51,910</td>
<td>6.5%</td>
<td>48,737</td>
<td>42,967</td>
</tr>
<tr>
<td>Seat occupancy in %</td>
<td>81.8%</td>
<td>0.0 pp</td>
<td>81.8%</td>
<td>82.4%</td>
</tr>
<tr>
<td>MTOW in million tonnes</td>
<td>2.0</td>
<td>6.0%</td>
<td>1.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Cargo in tonnes</td>
<td>18,498</td>
<td>4.6%</td>
<td>17,684</td>
<td>16,177</td>
</tr>
</tbody>
</table>

*2018 figures restated*

### Financial Indicators (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>100.2</td>
<td>8.7%</td>
<td>92.2</td>
<td>82.4</td>
</tr>
<tr>
<td>thereof Aviation</td>
<td>70.8</td>
<td>9.2%</td>
<td>64.8</td>
<td>58.3</td>
</tr>
<tr>
<td>thereof Non-Aviation</td>
<td>29.5</td>
<td>7.6%</td>
<td>27.4</td>
<td>24.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>54.4</td>
<td>15.5%</td>
<td>47.0</td>
<td>41.2</td>
</tr>
<tr>
<td>EBIT margin in %</td>
<td>54.2%</td>
<td>3.2 pp</td>
<td>51.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>63.2</td>
<td>16.0%</td>
<td>54.4</td>
<td>48.6</td>
</tr>
<tr>
<td>EBITDA margin in %</td>
<td>63.0%</td>
<td>4.0 pp</td>
<td>59.0%</td>
<td>59.0%</td>
</tr>
<tr>
<td>ROCE in %</td>
<td>27.1%</td>
<td>2.6 pp</td>
<td>24.5%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>33.9</td>
<td>11.9%</td>
<td>30.3</td>
<td>24.2</td>
</tr>
<tr>
<td>Cash flow from</td>
<td>49.0</td>
<td>33.1%</td>
<td>36.8</td>
<td>42.2</td>
</tr>
<tr>
<td>operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>129.0</td>
<td>14.6%</td>
<td>112.6</td>
<td>95.8</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>238.0</td>
<td>40.2%</td>
<td>169.8</td>
<td>182.9</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>19.9</td>
<td>135.2%</td>
<td>8.4</td>
<td>14.0</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>18.7</td>
<td>11.3%</td>
<td>16.8</td>
<td>13.4</td>
</tr>
<tr>
<td>Average employees for</td>
<td>379</td>
<td>11.5%</td>
<td>340</td>
<td>307</td>
</tr>
<tr>
<td>the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Stock Market Indicators

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares outstanding in</td>
<td>135.3</td>
<td>0.0%</td>
<td>135.3</td>
<td>135.3</td>
</tr>
<tr>
<td>million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P/E ratio</td>
<td>27.5</td>
<td>6.2%</td>
<td>25.9</td>
<td>26.4</td>
</tr>
<tr>
<td>Earnings per share in</td>
<td>0.251</td>
<td>12.1%</td>
<td>0.224</td>
<td>0.178</td>
</tr>
<tr>
<td>€</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Dividend per share</td>
<td>0.030</td>
<td>-75.0%</td>
<td>0.120</td>
<td>0.100</td>
</tr>
<tr>
<td>in € **</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Dividend yield in</td>
<td>0.4</td>
<td>-1.6 pp</td>
<td>2.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay-out ratio as a</td>
<td>12.0%</td>
<td>-41.5 pp</td>
<td>53.5%</td>
<td>56.0%</td>
</tr>
<tr>
<td>% of net profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market capitalisation</td>
<td>933.6</td>
<td>19.0%</td>
<td>784.7</td>
<td>635.9</td>
</tr>
<tr>
<td>in € million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock price as at year</td>
<td>6.90</td>
<td>19.0%</td>
<td>5.80</td>
<td>4.70</td>
</tr>
<tr>
<td>end in €</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock price: high in</td>
<td>7.95</td>
<td>24.2%</td>
<td>6.40</td>
<td>4.80</td>
</tr>
<tr>
<td>€</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock price: low in</td>
<td>5.75</td>
<td>22.3%</td>
<td>4.70</td>
<td>4.05</td>
</tr>
<tr>
<td>€</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market weighting in %</td>
<td>17.9%</td>
<td>1.6 pp</td>
<td>16.3%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

*2018 figures restated

**Reporting Year: Recommendation to the Annual General Meeting
## EBITDA & EBIT in € Million

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>63.2</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>54.4</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>47.0</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>48.6</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>41.2</td>
<td></td>
</tr>
</tbody>
</table>

## Revenue by Segment

- **Airport**: 70.6% (€70.8 Million)
- **Retail & Property**: 29.0% (€29.1 Million)
- **Other**: 0.4% (€0.4 Million)
Malta International Airport experienced another profitable year in 2019, maintaining a positive performance in both its aviation and non-aviation segments. These results have allowed the Company to invest further in the services provided to guests and the airport infrastructure. 2019 was also remarkable in that the airport received several votes of confidence in its performance; recognition which encourages us to continue pursuing our vision of offering the best airport experience in Europe.

Traffic through Malta International Airport grew significantly in 2019, increasing by 7.4% to reach 7.3 million passenger movements by the end of the year. According to Airports Council International’s annual traffic report, our airport’s increase outpaced the average growth rate of our peer group, which stood at 3.0%.

This upswing in passenger numbers resulted from increased flight frequencies on our network and new route developments which broadened our connectivity with the European, African and Asian continents. Malta International Airport’s traffic development efforts and achievements were, in fact, acknowledged and highly commended at the World Route Development Forum 2019, in the presence of industry stakeholders from across the globe.

Increased passenger numbers carried with them increased pressures, especially on the terminal infrastructure with its current limitations, and brought about added responsibilities for the airport team. During the year under review, Malta International Airport continued to listen to its guests’ feedback, which streamed in through different channels, and took all the necessary initiatives to keep enhancing the airport experience in line with passengers’ needs and expectations. This enabled the Company to satisfy its key performance indicator of achieving a strong passenger satisfaction score of 4.36 for the second consecutive year on Airports Council International’s Airport Service Quality survey.

Being also responsible for running a profitable business that benefits key stakeholders, including airport employees and shareholders, the Company was pleased to announce that increased passenger numbers, together with efforts to diversify income through its non-aviation segment, resulted in improved profitability. Malta International Airport, in fact, registered growth of 11.9% over 2018 and closed the financial year with net profit which was just shy of €34 million. This put the Company on solid footing, enabling it to face stiff headwinds in 2020 as the Covid-19 pandemic brought air travel to a standstill.

In order to preserve its liquidity, given the prevailing uncertainty, the Company made drastic changes to its capital expenditure programme, announcing that it would be putting on hold investments including the Terminal Expansion Project, until it gained better visibility of the way ahead.

The Company’s focus, in relation to infrastructural investments, was narrowed to the completion of projects that were at an advanced stage when the Covid-19 pandemic hit. One of these projects, the construction of a €20 million multi-storey car park is envisaged to be inaugurated in late 2020 and continue to enhance the airport experience.

While the Company has implemented a number of cost-cutting measures to help it face challenging times, the continued trust and support of shareholders, partners and the airport team are crucial buoys during these trying times. I promise that the Company will continue doing its utmost to manage the impacts of this crisis and chart Malta International Airport’s course for recovery, bearing in mind the many stakeholders that are dependent on the Company’s success.
It-traffiku tal-ajru tal-Ajruport Internazzjonali ta’ Malta kiber b’mod sigifikanti fl-2019, billi żdied b’7.4% sabiex intilaħqu 7.3 miljun moviment ta’ passiġġieri sa tmiem is-sena. Skont ir-rapport annwali tat-traffiku ta’ Airports Council International, it-traffiku tal-ajruport tagħha, kiber b’rata aktar mgħaġġla mine dakk ta’ ajruport tal-istess daqa, b’dan il-grupp jirreġistra tkabbir medju ta’ 3.0%.


Sabiex tkompli tippreserva l-liqvidità tagħha, fi sfond ta’ inċertezza kbira, il-Kumpanija rrevediet il-programm ta’ nefqa kapitali tagħha, u ħabbret li ma kinitx ser taghtli bidu ghal certi investimenti ambizjużi bħall-Proġett tal-Espansioni tat-Terminal, li kien thhabbar f’Januar 2020, sakamm ikollha stampa aktar ċara ta’ kif ser tāvatolgi s-sitwazzjoni kurrenti.


Sabiex tkompli tippreserva l-liqvidità tagħha, fi sfond ta’ inċertezza kbira, il-Kumpanija rrevediet il-programm ta’ nefqa kapitali tagħha, u ħabbret li ma kinitx ser taghtli bidu ghal certi investimenti ambizjużi bħall-Proġett tal-Espansioni tat-Terminal, li kien thhabbar f’Januar 2020, sakamm ikollha stampa aktar ċara ta’ kif ser tāvatolgi s-sitwazzjoni kurrenti.


CEO’s Review

2019 brought the decade to a close: 10 years during which Malta International Airport’s traffic doubled to reach seven million passenger movements by the end of the year under review. While unprecedented passenger numbers presented new challenges for the operation, the Company retained a strong focus on the passenger experience, particularly by investing further in both the infrastructure and the team.

Malta International Airport welcomed 7,310,289 passengers last year, surpassing 2018’s record by over 400,000 passenger movements. Translating into growth of 7.4%, this encouraging traffic result was due in part to the Company’s ongoing efforts to address the country’s seasonal concentration of travel demand, by promoting the Maltese islands as a year-round destination. In fact, the fastest-growing month during the year under review fell within the shoulder and winter period, with December posting double-digit growth of 15.2%. Amongst the most crucial factors which contributed to this upturn in passenger traffic during the winter season was the revision of our airport’s incentive programme, aimed at attracting new airlines while simultaneously encouraging carriers on our network to further develop their services at our airport.

Our collaborative efforts with the government, the country’s tourism stakeholders and our partner airlines resulted in 20 new route developments in 2019, and a total of 129 destinations directly reachable from Malta International Airport during the year under review. Particularly noteworthy, and in line with our strategic endeavours to stimulate traffic from newer markets as our airport’s legacy markets neared maturity, was the increase in capacity on three of our Spanish routes, which led to 17% growth in passenger traffic from Spain. Moreover, the commencement of a daily operation by Qatar Airways from our airport in 2019 opened new windows of travel opportunity for locals, due to the airline’s extensive route network operated from its home base in Doha.

Malta International Airport’s value of service excellence continued to exist at the core of the Company’s vision. The commendable efforts of the entire airport team to deliver upon this promise of excellence to guests were noted by our passengers, as attested by their votes of confidence in Airports Council International’s Airport Service Quality (ASQ) survey for 2019. Our airport maintained a very high overall passenger satisfaction score of 4.36, going on to clinch the title ‘Best Airport in Europe’ in its size category for the second year running.

A solid financial performance for 2019 confirmed the sustainability of our revenue model, as our non-aviation activities continued to register substantial growth. In fact, Malta International Airport’s annual revenue grew by 8.7% over 2018, with revenue generated through our non-aviation segment, which includes the Company’s VIP product and SkyParks Business Centre, contributing over €29 million in 2019 alone.

The solid financial foundations which we have laid over the past years, thanks to a business model which prioritises long-term results over short-term gains, have been crucial in helping us sustain the challenging climate in which the global travel and tourism industry is currently operating. While the Company will see its multi-storey car park project through to completion by the end of the year, seeing as works progressed substantially in 2019, the Board is currently assessing the financial viability of other investment projects which
“As the outlook for the coming years remains uncertain, the Company will endeavour to strike the right balance between overcoming short-term challenges and achieving its long-term objectives.”


 CHAPTER I: INTRODUCTION

Rendikont tal-Kap Eżekuttiv

Alan Borg
CHIEF EXECUTIVE OFFICER


Alan Borg
KAP EŻEKUTTIV

‘Hekk kif il-futur ghalissa jidher li ser jibqa’ kkaratterizzat mill-incertezza, il-Kumpanija ser tkompli timmira li tilhaq bilanċ xieraq bejn l-isforzi taghha sabiex tindirizza l-isfidi immedjati u l-kisba tal-objetttivi taghha fit-tul.”

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Corporate Governance

Malta International Airport plc’s corporate governance structures are designed to ensure that suitable and appropriate checks and balances are in place.

The Board is composed of a maximum of five Non-Executive Directors and three Executive Directors. This balance is entrenched in the Company’s Memorandum and Articles, which require that the Chief Executive Officer is an ex ufficio director, and allow for two other senior Company Executives to sit on the Board.

The Board assigns specific responsibilities to a number of committees, notably the Executive Committee – headed by the Chief Executive Officer – and the Audit Committee, each of which operates under formal terms of reference. During the period under review, the Board of Directors met six times.

The members of the Board of Directors for the year under review were:

Mr Nikolaus Gretzmacher
Chairman

Mr Alan Borg
Chief Executive Officer

Mr Karl Dandler
Chief Financial Officer

Ms Rita Heiss
Non-Executive Director

Dr Cory Greenland
Non-Executive Director

Dr Wolfgang Koeberl
Non-Executive Director

Mr Florian Nowotny
Non-Executive Director

Dr Louis de Gabriele
Company Secretary

The Audit Committee is composed of three Non-Executive Company Directors. Its role is to monitor internal systems and related costs. During the period under review, it met seven times.

The Chief Executive Officer is accountable to the Company’s Board of Directors for all business operations.
Executive Committee

The Executive Committee is made up of the Chief Executive Officer (who heads the Committee), the Chief Financial Officer, and the heads of each department. On average, the Executive Committee meets thrice monthly.

The Heads of Department sitting on the Executive Committee during the year under review, were:

**Ing. Martin Dalmas**
Airport Operations

**Mr Patrick Murgo**
Security Services & Procurement

**Mr George Mallia**
Retail & Property

**Mr Ian Maggi**
Innovation & Technology

**Ms Tina Lombardi**
HR, Strategy & Marketing

**Ing. Kevin Alamango**
Technical Services

**Mr Thomas Wohlfahrtstätter**
Financial Control, Risk & Compliance

**Mr Alex Cardona**
Customer Services, Traffic Development & Administration
Our Company Strategy

The mission, vision, and values form the backbone of our strategy, which has been summarised to ensure that all the team clearly understand the Company’s goals and priorities.

During the year under review, the Company continued to work towards realising its vision; all the while allowing its core values to guide its day-to-day operations and decisions.

Strategy

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

Our mission is to offer our guests a valuable and unique experience. We believe that by delighting our guests and making their visit to the airport a memorable one, they are more likely to become loyal customers and promoters of our brand.

Guided by our vision to offer the best airport experience in Europe, we continue to invest in a well-designed, safe and efficient airport, which meets and exceeds the needs and expectations of our guests.

To ensure that our business model remains sustainable in the long term, we consistently seek to create new revenue streams and diversify our core aviation business. The Company is to continue investing in its retail and property segment, capitalising on the SkyParks Business Centre brand, and making our landside investment one of Malta’s top destinations.

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

Values

Integrity
We embrace the highest standards of integrity in all our actions particularly honesty and commitment.

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

Teamwork
We seek to build the success of this Company on the teamwork of our people and collaboration with our airport and tourism partners in order to satisfy the needs of our guests.

Service Excellence
We want our people to provide excellent service to each and every guest. We aim to be caring and meticulous in everything we do and continually seek to exceed our visitors’ expectations.

Our mission is to operate Malta’s airport in a sustainable manner, provide an enjoyable visitor experience and deliver value to our stakeholders.

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

CHAPTER II

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Malta International Airport’s Human Resources Team strives to attract and retain the best talent. In a bid to nurture existent potential and develop new skills, the HR team ensures that all employees are equipped with the necessary tools and assets to allow them to support the Company’s mission and work towards the realisation of its vision.

Employing an average of 379 employees in 2019, Malta International Airport’s workforce grew by 11.5% over the previous year. While the Company maintained its focus on targeting top talent, Malta International Airport also continued to strengthen its employee retention strategy, seeing the year-on-year turnover rate decrease by 2 percentage points to 7.3% in 2019. As of December 2019, 55% of the Company’s employees were employed on indefinite full-time contracts, while just over a third of the airport team was employed on a definite full-time contract.

- **Average age of employees**: 39 Years
- **Average length of service**: 10.32 Years
- **Turnover rate 2019**: 7.3%
- **Turnover rate 2018**: 9.3%
As our team grew to reach an average of 379 people, our commitment to delivering an excellent service to our guests remained unchanged. For this reason, the Company continued to invest in the professional development of its employees, encouraging them to uphold the Company’s core values when providing any services on behalf of Malta International Airport. This enabled the Company to realise its vision of offering the best airport experience in Europe.

The Company’s ongoing investment in enhancing the competencies and skills of its workforce translated into 11,908 hours of company-wide training in 2019, with each employee attending an average of 31 hours of training. A sizable share of the training total, namely 4,185 hours, was dedicated to safety, including First Aid and ergonomics courses. This was followed by professional training, which exceeded 3,900 hours.

The aforementioned training hours exclude 3,800 hours of internal theoretical, practical and familiarisation training, which were delivered to the Company’s Rescue and Fire-Fighting Services department. Further to this, the initial onboarding of the department’s seven new recruits entailed 2,240 hours of training, and the fire-fighting team as a whole clocked up over 4,000 hours of fitness training during the year under review.

Feedback is collected from employees upon completion of training, inviting respondents to rate the relevance of the training they would have received and suggest areas for improvement. The feedback collected in 2019 was encouragingly positive, seeing as 89% felt that the training they received was not only informative, but could also be applied directly to their day-to-day duties.
Employee wellbeing remains the cornerstone of Malta International Airport’s culture. For this reason, the Company invites all employees to participate in an annual employee survey to determine the level of satisfaction among team members, while gathering feedback and suggestions on how to further improve employee engagement.

88% of 2019’s respondents would recommend MIA as a good employer

In 2019, the Company registered a record survey response rate of 91%, receiving valuable feedback from 357 of its employees. The four indicators which were used to measure the quality of employees’ relationship with the Company were engagement, teamwork, communication and job satisfaction, all of which registered a notable improvement over the previous year. Of the four indicators, job satisfaction returned the highest scores, with 89% of respondents stating that they are willing to go above and beyond their call of duty to deliver an excellent service, and another 88% stating that they would recommend Malta International Airport as a good employer. The most significant progress was noted in the areas of company-wide communication, which reached an 83% satisfaction rate, while satisfaction with the Company’s employee wellbeing efforts reached 89%.

This strong improvement reflects the Company’s commitment towards prioritising the wellbeing of its workforce. Aspiring to build a workplace that not only promotes but more importantly supports a healthy lifestyle, Malta International Airport continued to bolster its wellbeing programme in 2019.

A substantial number of employees availed themselves of their free gym membership and 89% of the Company’s wellbeing allowance, which employees are entitled to under the most recent Collective Agreement signed in 2018, was utilised in 2019. The Company also provided a number of employees who needed mental health support during the year under review with free counselling sessions through the Richmond Foundation’s ‘Staff and Organisation Support’ Programme.
Airport Operations

The Guest Experience

In 2019, the airport team handled over 7 million passenger movements. Despite the busier operation, the Company continued to prioritise the guest experience throughout the year under review, equipping its team of front-liners with the skills and capabilities required to offer passengers a superior service throughout their airport journey. As direct interaction with Company representatives heavily influences guests’ perception of both the airport and the Maltese islands, the training offered to customer service employees revolved mainly around the delivery of an excellent service to all guests travelling through Malta International Airport.

The valuable contributions made by the airport’s workforce towards achieving Malta International Airport’s vision have allowed the Company to score consistently high ratings for the 34 key performance indicators, including terminal ambiance, courtesy of staff, and facilities, comprising the Airports Council International (ACI) Airport Service Quality (ASQ) survey. In 2019, Malta International Airport once again registered a high overall passenger satisfaction score of 4.36, and went on to be awarded the prestigious title ‘Best Airport in Europe’ within its size category for the second year running.

In order to address the very specific needs of passengers with autism, Malta International Airport launched a Journey Facilitation Programme in 2018 and went on to develop a visual guide as part of this programme in 2019. Between 2018 and 2019, the number of facilitation services delivered to passengers doubled, with the trained Customer Services team assisting more than 300 passengers over the course of the year.
Aerodrome Operations

To meet the increased traffic demands which were forecast for 2019, Malta International Airport worked in coordination with its partner airlines to allocate its aircraft slots by the first quarter of the year under review. Such preemptive measures were crucial for the Company to ensure that the required operational resources, namely gates and aircraft parking stands, were immediately available on the scheduled day of operation of all flights. Amongst the most significant operational challenges faced by the Company and its ground-handling partners during the year under review was the airport’s summer schedule offering increased connections which required enhanced multi-stakeholder cooperation, tactical coordination and planning.

In 2019, the Operations and IT Departments jointly worked on the implementation of a new state-of-the-art Airport Management System (AMS) which significantly transformed tactical planning methodology and control of aircraft and passenger operations. Replacing a system which was previously dependent on manual intervention, the new platform allows for the automation of important processes, such as flight information processing, while also facilitating the allocation of aerodrome and terminal resources and elevating the information shown on the airport’s Flight Information Display screens. The installation of the AMS has enabled Malta International Airport to deliver services of higher quality with increased efficiency through the creation of a channel which connects different airport systems and streamlines communication with the airport’s stakeholders.

Malta International Airport’s Aerodrome Operations Unit maintained its focus on monitoring airport operations and the continuity of ramp services at airside, whilst simultaneously ensuring that safety procedures were observed throughout. Important safety-related findings were recorded in the Company’s Safety Management System, providing a solid foundation for the planning and delivery of further safety training, the dissemination of safety advisory alerts and the compilation of a trend analysis. All of this continued to enhance the levels of operational safety at Malta International Airport, in line with its commitment to the negative impact which such incidents may have on critical landside and airside operations through a centralised dashboard. To further improve operational efficiency, Malta International Airport also deployed a new Baggage Reconciliation System which has provided airport partners, including ground handlers, airlines and destination airports, with new infrastructure to prevent the mishandling of checked-in luggage. The Company has also upgraded the hold baggage screening conveyor system, refitted all the reclaim belts and introduced an additional reclaim belt.

Airfield Investments

The Company’s sustained investment in modern technology has allowed for further development of the airport’s infrastructure in an effort to accommodate a higher air service demand and ensure Malta International Airport’s ability to meet and exceed passengers’ expectations. In 2019, the Company saw through various investment projects aimed at further improving the airfield infrastructure, namely the completion of works on Taxiway E and the rehabilitation of Apron B, which was completed in the first quarter of 2020.

Meteorological Services

Malta International Airport’s Meteorological Office shares meteorological observations at the airport, as well as any relevant weather advice which ensures the safety and efficiency of air traffic operations, to aircraft flying within the Malta Flight Information Region and the Malta Air Traffic Services, amongst other entities.

With innovation and safety remaining at the heart of the Company’s operations, Malta International Airport upgraded the technology being used by the MET Office for the provision of weather services, launching an Automated Weather Observing System (AWOS) in November 2019. This new system, coupled with the installation of more sensitive field sensors, is providing meteorologists with more accurate, real-time data through the precise monitoring and measurement of local weather elements which may impact aerodrome activity.

Emergency Preparedness

Training and preparedness exercises are the cornerstone of crisis management within an airport environment and are critical for a prompt, successful response in the case of an emergency. For this reason, Malta International Airport carried out several partial emergency exercises in 2019, in collaboration with various stakeholders, including the Civil Protection Department (CPD) and the Armed Forces of Malta (AFM), to practise effectively enacting the Airport Emergency Response Plan (AERP), which has recently been reviewed and aligned to the guidance published by the European Aviation Safety Agency (EASA).

The plan offers guidance on providing assistance in a number of different emergency scenarios developing both within and outside the aerodrome, whilst limiting the negative impact which such incidents may have on operations. Malta International Airport also assumes a supporting role in the case of aircraft accidents happening at sea or on land.

Innovation

The year under review saw the full implementation of the Company’s Airport Management System, through a joint effort put in by the Company’s Operations and IT departments, enabling the airport team to control critical landside and airside operations through a centralised dashboard. To further improve operational efficiency, Malta International Airport also deployed a new Baggage Reconciliation System which has provided airport partners, including ground handlers, airlines and destination airports, with new infrastructure to prevent the mishandling of checked-in luggage. The Company has also upgraded the hold baggage screening conveyor system, refitted all the reclaim belts and introduced an additional reclaim belt.

As the Company shifted its focus towards further digitisation of its manual processes, it continued to invest in state-of-the-art technologies, to ensure that the transition to automation is not only as seamless as possible for the airport team but also of minimal disruption to airport guests.

In fact, as part of Malta International Airport’s wider innovation programme, the Company completed a CCTV system upgrade, which enhanced video capture in circumstances of low visibility, and committed to the installation of a more advanced Public Announcement System, which is due to be completed in 2020. This step forward will pave the way for an entirely voice automated, multilingual system to be rolled out within the airport in 2021.

In 2019, the Company also proceeded with the implementation of a Building Management System as well as a fire detection system upgrade, which are both slated for completion in 2020. A Computerised Maintenance Management System, aimed at providing a structured way for facilities personnel to schedule maintenance works and calls for assistance throughout the airport campus, was also implemented towards the end of the year. This system has allowed the airport’s team of technicians to be more mobile, whilst enabling all members of staff to report any faults observed with more ease and efficiency.
CHAPTER IV: AIRPORT OPERATIONS

Malta International Airport’s Rescue and Fire-Fighting Services

The Rescue and Safety department is responsible for ensuring the safety of airport operations. In 2019, the company received additional training opportunities for its fire and rescue team by making their training more effective.

In line with the aforementioned standards, Malta International Airport launched a call for offers for the procurement of three firefighting vehicles in the last quarter of 2018, which were subsequently awarded in 2019. The vehicles will be upgrading the airport’s response vehicle fleet, which currently consists of three Rosenbauer FL 6×6 fire trucks and a Rosenbauer Rapid Intervention Vehicle. The first response vehicle, a Rosenbauer Panther 8x8 fire truck, was delivered in summer 2020.

The Company is looking to invest further in the growth and development of its fire and rescue team by making additional training opportunities available to fire-fighters.

Health and Safety

Malta International Airport affirmed its commitment to the safety of both its guests and its employees by offering training in First Aid and Automated External Defibrillator (AED) use to the entire airport team in 2019. Following the installation of 15 emergency evacuation chairs at strategic points around the terminal, 17 employees received specialised training on how to use an evacuation chair. The training followed by these team members also allows them to train other colleagues on how to help persons with reduced mobility evacuate the terminal building safely in case of an emergency. In addition to this, security personnel were equipped with travel-sized First Aid kits, stocked with gloves, swabs, plasters, motion sickness bags and CPR face masks, to allow for a more rapid intervention when an incident occurs on airport grounds.

To engage the airport team in actively promoting and monitoring safe work practices, the Company invited all employees who regularly use computer screens whilst on duty to perform an interactive workplace risk assessment online. Any issues which were flagged through the system, such as the need for monitor stands or document holders, were addressed and rectified by the Company’s Health and Safety department. The Company also procured new fall-arrest harnesses for the airport’s team of technicians who regularly work at heights.

In light of the planned and ongoing construction projects around the airport campus, the Company took measures to ensure that the airport’s stringent safety standards are also upheld on construction sites, namely by installing evacuation alarms and introducing an emergency evacuation procedure for employees involved in construction projects. In addition to this, evacuation drills continued to be carried out regularly during the year throughout the entire campus including the main terminal building, SkyParks, the airport’s main car park, and the multi-storey car park.

Security

Given that the screening of both passengers and their belongings plays a critical role in aviation security, the Company undertook a €2.5 million investment in the procurement of two state-of-the-art Computed Tomography (CT) hold baggage scanners at Malta International Airport, which will significantly enhance the detection of threats within checked-in baggage. The first CT scanner was installed in the last quarter of 2019, while the installation of the second scanner commenced in the first quarter of 2020.

Plans to reduce manual operations and improve the efficiency of security processes were executed through the launch of an online visitor pass system during the year under review. Each security pass requested by airport visitors must now be printed, scanned and verified against a personal identification document by a member of the airport security team. While manual checks continue to be carried out around the terminal, the digital system has enabled the Company to heighten security controls and collect important data.

The Company, in collaboration with AVSEC Malta, worked on the set-up, and subsequent launch in the first quarter of 2020, of an online system through which stakeholders can submit airport security pass applications on behalf of their employees or representatives.

Cybersecurity

Whilst embracing digitisation and automation, Malta International Airport remains aware of the growing threats posed by technology to information security. For this reason, the Company enrolled in a three-year cybersecurity programme in 2018 to ensure that Malta International Airport’s computerised systems are protected from any form of cyberattack or data theft. As the Company works towards becoming fully certified by 2021, it will build on the foundations laid throughout 2019 and continue to train members of the airport team to recognise and immediately report threats.

Risk Management

The Company implemented a comprehensive Risk Management Framework in 2015, which encompasses, amongst others, Malta International Airport’s Risk Management Policy and Procedures. These important documents permit the Company’s various departments to effectively manage and mitigate risk exposure on a systematic basis and, consequently, safeguard the assets and interests of the Company and its stakeholders.

The airport’s primary champion for risk identification and control is the Risk Management Committee, which convenes several times per year to discuss recent developments and review the Company’s risk management approach. Moreover, the Committee ensures that all departments are directly involved in the Company’s risk management process.

The Risk Management Committee is also entrusted with formulating, assessing and reviewing the airport’s Risk Management Framework, which has been consistently reviewed and improved upon throughout the past years. In 2019, another comprehensive review was conducted, and additional features were introduced in order to ascertain that risk exposure can be addressed even more effectively.

The Company, in collaboration with AVSEC Malta, worked on the set-up, and subsequent launch in the first quarter of 2020, of an online system through which stakeholders can submit airport security pass applications on behalf of their employees or representatives.
Traffic Highlights

- **2019**
  - PASSENGER MOVEMENTS: 7,310,289
  - GROWTH: 7.4% growth

- **2018**
  - PASSENGER MOVEMENTS: 6,808,177
  - GROWTH: 7.4% growth

**Passenger Movements by Month:**
- JAN: 381,550 (+4.1%)
- FEB: 391,430 (+2.9%)
- MAR: 477,653 (+1.3%)
- APR: 477,538 (+10.5%)
- MAY: 443,246 (+4.8%)
- JUN: 685,410 (+8.8%)
- JUL: 721,545 (+5.6%)
- AUG: 759,646 (+8.4%)
- SEP: 707,409 (+7.8%)
- OCT: 646,285 (+8.8%)
- NOV: 493,201 (+8.7%)
- DEC: 477,309 (+15.2%)

**Steady Growth:**
- JAN: 365,995
- FEB: 359,455
- MAR: 359,455
- APR: 591,283
- MAY: 636,858
- JUN: 643,246
- JUL: 694,401
- AUG: 631,410
- SEP: 721,545
- OCT: 707,409
- NOV: 646,285
- DEC: 453,741
## Business Mix

<table>
<thead>
<tr>
<th>Carrier</th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Cost</td>
<td>4,005,158</td>
<td>3,593,272</td>
<td>11.5%</td>
</tr>
<tr>
<td>Flag</td>
<td>3,086,064</td>
<td>3,023,867</td>
<td>2.1%</td>
</tr>
<tr>
<td>Charter</td>
<td>218,811</td>
<td>189,093</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

The figures presented on pages 38 and 39 are for scheduled and charter flights only.

### Passenger Movements from Top 5 Markets

<table>
<thead>
<tr>
<th>Rank</th>
<th>Market</th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>United Kingdom</td>
<td>1,710,613</td>
<td>1,673,067</td>
<td>37,546</td>
<td>2.2%</td>
<td>23.4%</td>
</tr>
<tr>
<td>2nd</td>
<td>Italy</td>
<td>1,446,069</td>
<td>1,398,857</td>
<td>47,212</td>
<td>3.4%</td>
<td>19.8%</td>
</tr>
<tr>
<td>3rd</td>
<td>Germany</td>
<td>895,922</td>
<td>821,904</td>
<td>74,018</td>
<td>9.0%</td>
<td>12.3%</td>
</tr>
<tr>
<td>4th</td>
<td>France</td>
<td>449,935</td>
<td>405,946</td>
<td>43,989</td>
<td>10.8%</td>
<td>6.2%</td>
</tr>
<tr>
<td>5th</td>
<td>Spain</td>
<td>375,639</td>
<td>320,120</td>
<td>55,519</td>
<td>17.3%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

### Top 5 Airlines

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Ryanair</td>
<td>2,823,271</td>
<td>2,439,915</td>
<td>383,356</td>
<td>15.7%</td>
</tr>
<tr>
<td>2nd</td>
<td>Air Malta</td>
<td>2,095,569</td>
<td>2,034,472</td>
<td>61,097</td>
<td>3.0%</td>
</tr>
<tr>
<td>3rd</td>
<td>EasyJet</td>
<td>408,273</td>
<td>391,206</td>
<td>17,067</td>
<td>4.4%</td>
</tr>
<tr>
<td>4th</td>
<td>Wizz Air</td>
<td>387,487</td>
<td>351,475</td>
<td>36,012</td>
<td>10.2%</td>
</tr>
<tr>
<td>5th</td>
<td>Lufthansa</td>
<td>317,099</td>
<td>310,246</td>
<td>6,853</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

### Top 5 Flag Carriers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>2nd</td>
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<td>317,099</td>
<td>310,246</td>
<td>6,853</td>
<td>2.2%</td>
</tr>
<tr>
<td>3rd</td>
<td>Turkish</td>
<td>164,058</td>
<td>164,452</td>
<td>(394)</td>
<td>-0.2%</td>
</tr>
<tr>
<td>4th</td>
<td>Alitalia</td>
<td>135,211</td>
<td>129,121</td>
<td>6,090</td>
<td>4.7%</td>
</tr>
<tr>
<td>5th</td>
<td>Emirates</td>
<td>108,717</td>
<td>117,654</td>
<td>(8,937)</td>
<td>-7.6%</td>
</tr>
</tbody>
</table>

### Top 5 Low-Cost Airlines

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airline</th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Ryanair</td>
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<tr>
<td>3rd</td>
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<td>387,487</td>
<td>351,475</td>
<td>36,012</td>
<td>10.2%</td>
</tr>
<tr>
<td>4th</td>
<td>Jet2</td>
<td>140,964</td>
<td>124,711</td>
<td>14,253</td>
<td>11.2%</td>
</tr>
<tr>
<td>5th</td>
<td>Vueling</td>
<td>68,917</td>
<td>63,762</td>
<td>5,155</td>
<td>8.1%</td>
</tr>
</tbody>
</table>
Traffic Development

During the year under review, Malta International Airport welcomed 7,310,289 passengers, establishing 2019 as the airport’s tenth year of uninterrupted growth. The airport celebrated the arrival of its seven millionth passenger for 2019 during the second week of December, reaching the traffic milestone only two years after welcoming a record-breaking six million passengers in December 2017.

Record passenger movements were observed every month throughout 2019, contributing to an overall increase in traffic of 7.4% over the previous year. Standing at 81.8%, the passenger load factor for 2019 remained in line with that of the previous year, while an enhanced flight schedule owing to a heightened demand for air travel resulted in a growth of 6.5% in aircraft movements.

December registered the highest growth, with passenger movements increasing by 15.2%, followed by April (+10.5%), June (8.8%) and October (8.8%). Unprecedented passenger traffic during the summer months culminated in October surpassing the 700,000-passenger movement mark for the first time.

These positive results can be attributed to increased seat capacity, as well as the airport’s improved connectivity. In fact, as of 2019, Malta International Airport’s route network spanned over 125 destinations in 43 countries, offering passengers more connections than ever before.

As the Maltese islands continued to consolidate their position as a year-round destination, Malta International Airport faced greater interest from numerous carriers looking to increase their service frequency on key routes or extend their summer routes to the shoulder season.

The airport’s top three markets remained unchanged, making up over 50% of Malta International Airport’s market share. However, the Spanish market also continued to post strong results, registering 17.3% growth over 2018 by end year. A solid 18.6% year-on-year growth led Barcelona to become the fastest-growing Spanish route on Malta International Airport’s network in 2019.

This positive performance was undoubtedly driven by increased capacity on the airport’s Barcelona route, as well as the extension of two new routes from Seville and Malaga into the first quarter of 2019. Other contributors to the Spanish market’s success included increased capacity on both the Madrid and Valencia routes in the second quarter of the year, as well as the inauguration of a new route operated by Ryanair from Santiago de Compostela in October.

Competitiveness

While airport charges for airlines operating to and from Malta International Airport have remained unchanged since 2006, the airport’s incentive programme was revised during the year under review. Among the airport’s new airline incentive schemes are reduced parking fees and other initiatives aimed at attracting intercontinental routes and enhancing Malta International Airport to continue to enhance the year-round connectivity of the Maltese islands.

Route Development Strategy in the Current Scenario

The various successes and traffic milestones achieved during the past years were the result of the evolution of an effective route development strategy prioritising the achievement of sustainable growth whilst addressing seasonality.

Malta International Airport has always worked in tandem with government, through the Ministry for Tourism, and the Malta Tourism Authority on a long-term strategy for the Maltese islands.

The current scenario, dominated by travel restrictions, low consumer confidence and overall uncertainty is presenting significant challenges for the entire aviation industry. Malta International Airport remains committed to working with local tourism stakeholders, as well as with its partner airlines, to gradually rebuild the island’s route network and restore connections which have been lost as a result of the Covid-19 pandemic.

Recovery to pre-Covid figures is expected to take a number of years, not only for Malta International Airport but also for aviation stakeholders across the globe, with certain shifts in travel trends, such as a preference for domestic travel, likely to emerge over the short term.

Despite these changes, Malta International Airport will continue to work towards reaching a balanced business mix in terms of flag carriers and low-cost carriers with the aim of maintaining a diverse route network as well as various options to suit the needs of travellers.
During the year under review, the Company continued to invest in its retail and property segment in line with its diversification strategy.

Developments within this segment include the continuation of works on the multi-storey car park project, the publication of a call for proposals for the SkyParks 2 development, the introduction of a better food offering at the La Valette lounge, and the opening of a new outlet at departures. Revenue stemming from the activities within this segment grew by 7.6% over the previous year, with the airport’s VIP products registering the most noteworthy percentage increase of 15.6% within the said segment.

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La Valette Club

As passenger traffic continued its upward trend, Malta International Airport’s primary focus remained to offer its guests the best airport experience in Europe. In line with this vision, the past few years have seen the Company enhance its VIP product, La Valette Club, expand its VIP client range to a broader travel audience and tailor its services to the passengers’ needs.

La Valette Club offers three membership tiers, these being the Traveller, Club and High Altitude memberships, all of which offer guests access to the airport’s departures and arrivals luxury VIP lounges, together with a host of other benefits. Discerning airport guests may also opt to travel through La Valette’s VIP terminal, which is separate to the main terminal building, affording enhanced levels of comfort, convenience and privacy. In the year under review, La Valette Club unveiled an elevated food offering, which features a wider selection of foods catering for guests with particular dietary requirements or allergies.

Cargo Village

In 2019, Malta International Airport commenced works aimed at scaling up the airport’s cargo handling capabilities by expanding its current cargo village. Surfacing works were carried out on a car park for the area, which is expected to accommodate 330 vehicles.

The Company has also been laying the groundwork for the planned 350-square-meter extension for the international logistics company DHL’s warehousing infrastructure, to meet the demands of increasing air cargo volume. Malta International Airport has also entered into a long-term agreement with logistics companies and agents, giving the green light for the creation of additional warehouse space measuring 900 square meters.

Parking Facilities

To meet the growing demands for both short-term and long-term parking facilities within the airport’s vicinity, Malta International Airport set in motion the construction of a new multi-storey car park in the first quarter of 2019. With an investment of €20 million, the multi-storey car park project will introduce 1,300 covered parking spaces on the airport campus by the end of 2020 while providing airport-based car rental companies with additional operating and office space.

As Malta International Airport looks towards becoming carbon neutral in the future, the Company will be investing in a 1,000 kWp photovoltaic system, which will be installed on the roof of the new parking facility so as to help the Company honour its pledge of reaching carbon neutrality by 2050. The car park will be opened on a phased basis, with full operations being reached later in the year.

The Company upgraded the airport’s parking system during the year under review, and will be looking into introducing additional functionalities, which will increase the system’s operational efficiency, in 2021.

SkyParks

Investing further in its growing property portfolio, the Company issued a call for expressions of interest for the provision of architectural services for the SkyParks 2 development in 2019, with a firm of local architects being chosen to create a creative concept of the building.

In January 2020, the Company issued a call for proposals for a hotel operator, setting into motion the next phase of the SkyParks project. With an estimated footprint of 1,400 square meters and a minimum rating of 4 stars, the nine-floor hotel will be the only one of its kind within the airport’s vicinity.

The fuel station which currently stands in the area earmarked for development will be relocated to another site on the airport campus within the coming years. The architect entrusted with this relocation project was chosen in 2019.

Dining and Retail Outlets

Fashion accessories brand Parfois opened its first outlet at Malta International Airport’s departure lounge in February. Meanwhile, the airport’s Hugo Boss retail outlet closed its doors in 2019, making space for a new seating area at departures. The area, which is equipped with different types of seating, improved the airport’s seating capacity by 10%. As Sandella’s Café on Level -1 also closed its doors, the Company finalised plans for a Food Court upgrade, aimed at further enhancing the airport’s food offering at landside.

To keep pace with an increasingly experiential retail world, the Samsonite outlet at landside was refurbished, with the revamped Maltese flagship store being unveiled towards the beginning of December. The full redesign provided the outlet with a sleek and fresh new look, better displaying Samsonite’s products and offering clients new services including luggage personalisation.

In line with the airport’s strategy for improved space utilisation, the airside area previously occupied by a Swarovski outlet, which ceased operation in February 2020, has provided the airport with additional operational space.

The Impact of Covid-19

The Company’s retail and property activities were heavily impacted by the Covid-19 pandemic, especially during the country’s partial lockdown between March 2020 and June 2020.

In order for the airport’s landside outlets to be able to reopen safely once restrictions were eased, the Company divided the terminal into zones, with some of the outlets remaining accessible to non-travelling visitors and others being accessible only to travelling guests.

With an aim to drive footfall to the airport and landside outlets, two hours of free parking are being offered with every visit to Malta International Airport.

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The Company upgraded the airport’s parking system during the year under review, and will be looking into introducing additional functionalities, which will increase the system’s operational efficiency, in 2021.

SkyParks

Investing further in its growing property portfolio, the Company issued a call for expressions of interest for the provision of architectural services for the SkyParks 2 development in 2019, with a firm of local architects being chosen to create a creative concept of the building.

In January 2020, the Company issued a call for proposals for a hotel operator, setting into motion the next phase of the SkyParks project. With an estimated footprint of 1,400 square meters and a minimum rating of 4 stars, the nine-floor hotel will be the only one of its kind within the airport’s vicinity.

The fuel station which currently stands in the area earmarked for development will be relocated to another site on the airport campus within the coming years. The architect entrusted with this relocation project was chosen in 2019.

Dining and Retail Outlets

Fashion accessories brand Parfois opened its first outlet at Malta International Airport’s departure lounge in February. Meanwhile, the airport’s Hugo Boss retail outlet closed its doors in 2019, making space for a new seating area at departures. The area, which is equipped with different types of seating, improved the airport’s seating capacity by 10%. As Sandella’s Café on Level -1 also closed its doors, the Company finalised plans for a Food Court upgrade, aimed at further enhancing the airport’s food offering at landside.

To keep pace with an increasingly experiential retail world, the Samsonite outlet at landside was refurbished, with the revamped Maltese flagship store being unveiled towards the beginning of December. The full redesign provided the outlet with a sleek and fresh new look, better displaying Samsonite’s products and offering clients new services including luggage personalisation.

In line with the airport’s strategy for improved space utilisation, the airside area previously occupied by a Swarovski outlet, which ceased operation in February 2020, has provided the airport with additional operational space.

The Impact of Covid-19

The Company’s retail and property activities were heavily impacted by the Covid-19 pandemic, especially during the country’s partial lockdown between March 2020 and June 2020.

In order for the airport’s landside outlets to be able to reopen safely once restrictions were eased, the Company divided the terminal into zones, with some of the outlets remaining accessible to non-travelling visitors and others being accessible only to travelling guests.

With an aim to drive footfall to the airport and landside outlets, two hours of free parking are being offered with every visit to Malta International Airport.
Malta International Airport has set out a number of key objectives aimed at ensuring that the Company conducts its business responsibly. The strategy which the Company has adopted in this regard is two-fold.

Internally, the Company’s commitments encompass the monitoring and management of Malta International Airport’s social, economic and environmental impacts, which are managed by a Corporate Responsibility (CR) Committee. To ensure that these impacts are managed in a transparent manner, Malta International Airport became the first Maltese company to adopt the Global Reporting Initiative’s (GRI) standards in writing, publishing an annual sustainability report which is also made available to the public. Selected sustainability disclosures reported here are independently audited.

Malta International Airport also holds its connections with neighbouring communities to heart. For this reason, it has continued to invest in projects which benefit its neighbouring villages, contributing to local non-profit causes and investing in the heritage of the Maltese islands through the Malta Airport Foundation. The independent non-profit organisation has launched several large-scale projects since its conception, with the first project to be taken on by the Foundation - the restoration of Torri Xutu - being completed and unveiled during the year under review.

As the Company implements its long-term corporate responsibility strategy, it will continue to take steps in its journey towards becoming a more responsible player on the Maltese stage.
The Malta Airport Foundation

Set up in 2014, the Malta Airport Foundation supports local projects aimed at preserving, conserving and promoting the heritage of the Maltese islands.

Throughout 2019, the Foundation continued to work hand in hand with local organisations towards the completion of several major projects, and sponsored events that showcase local talent, including the Valletta Film Festival and the annual Joseph Calleja Concert. Moreover, the Foundation continued to lend its support to its ambassador, Maltese soprano Nicola Said, who landed a number of important roles, with one of the more demanding being that of Lucia in Lucia di Lammermoor.

During the year under review, the Foundation unveiled a refreshed visual identity to mark the fifth anniversary since its establishment. In October 2019, the Foundation appointed a new chairman, Josef Formosa Gauci, who replaced outgoing chairman Frederick Mifsud Bonnici.

The Foundation Board during the year under review comprised the following members:

Frederick Mifsud Bonnici
Chairman
CEASED TO BE A MEMBER:
03.10.2019

Josef Formosa Gauci
Chairman
APPOINTED: 03.10.2019

Frank Salt
Co-Administrator

Dr Timothy Gambin
Co-Administrator

Kevin-James Fenech
Secretary to the Board of Administrators

The completion of the Torri Xutu restoration and boundary landscaping project

Torri Xutu, a watchtower dating back to the 17th Century, was restored to its former glory by the Malta Airport Foundation through an investment of €250,000.

Since its construction during the reign of Grand Master Lascaris, Torri Xutu played a crucial role in enabling the Knights of St John to defend the Maltese coastline in the 17th Century, and went on to lend itself to the Coast Police as an observation post when the Mediterranean was in the throes of combat during World War II. Having been the first watchtower to showcase a sturdier vaulted ceiling, Torri Xutu served as the prototype for the towers that were later built by Grand Master de Redin.

The restoration of the watchtower in Wied iż-Żurrieq, which was the first project to be taken on by the Foundation in collaboration with Din l-Art Ħelwa, was finalised during the year under review. Torri Xutu was reopened to the public in July 2019 upon completion of the challenging boundary landscaping works that needed to be carried out in the surroundings, which form part of Malta’s Natura 2000 network, to preserve the cliff garigue.

In line with its commitment to keep promoting this picturesque area in the southern region of the island, the Malta Airport Foundation supported the organisation of an outdoor cinema event in September 2019 which was backdropped by Torri Xutu. During this event, a selection of films produced by local and international up-and-coming film-makers were showcased, as well as one of the Foundation’s underwater documentaries Comino: A Secret Paradise.
The Phoenician Shipwreck Project brings Malta’s history to the surface

The Malta Airport Foundation is supporting the four-year excavation of a Phoenician shipwreck site dating back to 700 BC, which was discovered just off Xlendi in Gozo in 2007 at an impressive depth of 110 meters.

Recovered artefacts are currently on display at the Cittadella in Gozo, as part of an exhibition entitled Exploring the Phoenician Shipwreck off Xlendi Gozo, which offers visitors further information about the excavation and studies which are being carried out on the wreck.

In 2019, the Malta Airport Foundation shadowed the technical dive team in a bid to get a closer look at the project and capture footage of the lengthy preparations involved prior to every dive. The Foundation produced a behind-the-scenes video of the project, which has been shared on Malta International Airport’s social media channels as part of the outreach activities involved in acquainting the public with the Phoenician shipwreck expedition.

The Phoenician Shipwreck Project

The Malta Airport Foundation’s financial contribution to this wartime project amounted to €334,000, which enabled the restoration of a 20-metre-wide map used by NATO to plot Russian submarines’ movements in the Mediterranean, and the commissioning of two wax figures, representing distinguished wartime strategists Supreme Commander General Dwight Eisenhower and General Sir Bernard Montgomery.

The excavation, which is gradually being carried out by an international team of experts, marks the first time archaeological divers are operating at such depths, lending even more significance to this underwater expedition. State-of-the-art technologies are being used by the team to study the resting area of the oldest shipwreck to be discovered in the central Mediterranean, and to recover the historically significant artefacts it holds.

The series of interconnected underground war rooms featured heavily in the Island Under Siege instalment of National Geographic’s Buried Secrets of WWII series, which offered an exclusive look into the newly restored Combined Operations Room, while shedding light on several other underwater cultural heritage sites surrounding the Maltese Islands.

The Phoenician Shipwreck Project

The restoration of the Combined Operations Room within the Underground War Headquarters in Valletta, which was carried out in collaboration with Fondazzjoni Wirt Artna, neared completion in 2019. Original plans to open this underground war museum in Valletta in early 2020 have been put on hold due to the Covid-19 pandemic.

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A Partnership for Cleaner Seas

Committed to investing in the airport’s neighbouring villages, the Foundation partnered up with eNGO Žibel in 2018, to support the procurement of two sea bins in Marsascala and Marsaxlokk. The approval of these two sea bins, in fact, marked the roll-out of the Sea Bin Project in the southern region of the Maltese islands.

One of the two sea bins was installed in Marsascala in February 2020, while the second sea bin was installed in Marsaxlokk in August 2020.

Sea bins contribute to cleaner waters by catching waste such as microplastic and floating marine debris, and are also equipped with oil absorbing pads which help to rid the sea surface of floating oils and pollutants.

Through this partnership the Foundation is aiming at improving the quality of the waters that surround the island so that they can continue to support healthy marine eco-systems as well as be enjoyed by present and future generations, especially given that the sea is a very important aspect of Malta’s environmental heritage and its identity.

In-depth infrared scanning and the use of innovative 3-dimensional imaging technologies have enabled the researchers to study the various layers making up the triptych, allowing them to restore the masterpiece as faithfully as possible to its original state.

Research on the Triptych of the Madonna del Soccorso was completed in the first quarter of 2020, with the artwork being reinstated at the Mdina Cathedral Museum within a special framework, which is a first of its kind for the Maltese islands. The research work conducted on this painting was presented in February 2020 at the prestigious inaugural conference of the University of Cambridge’s Centre for Visual Culture (CVC), which brought together professionals working within the sphere of reconstruction methods and practices.
Performance Summary of the 2019 GRI Report

Malta International Airport is committed to achieving sustainable growth primarily through a business strategy which prioritises long-term results that benefit stakeholders over short-term gains.

As part of its efforts to operate in a sustainable manner and be a more responsible player, the Company also seeks to monitor and manage its economic, environmental and social impacts in line with the guidelines of the Global Reporting Initiative (GRI). The next pages present a summary of the Company’s performance in relation to these three pillars during the year under review, while the full sustainability report was made available on the Company’s website in September 2020.

Environmental Performance

Overview

Malta International Airport’s environmental efforts during the year under review were aligned to those being made by the wider aviation industry, with the airport going on to sign Airports Council International (ACI) Europe’s resolution to become a net zero carbon industry by 2050, in September 2019. The Company’s environmental targets for 2019 primarily revolved around energy management and climate change mitigation, with specific key performance indicators related to carbon accreditation, electricity and fuel consumption, and GHG emissions being set in this regard.

GOAL 1: IMPROVED ENERGY MANAGEMENT IN A BID TO CONTRIBUTE TO THE MITIGATION OF CLIMATE CHANGE

ENERGY & EMISSIONS INTENSITY

The top KPI within this category was the achievement of a further reduction in the Greenhouse Gas (GHG) emissions intensity. The Company was, in fact, successful in registering a noteworthy drop of 7.4% over 2018 in this regard, with the GHG emissions intensity standing at 0.74 kg of CO₂ per passenger at the end of 2019. This drop partly resulted from the Company’s energy-saving programme, whereby it is gradually replacing lighting, air-conditioning units and other equipment with more energy-efficient alternatives. These initiatives, together with the generation of 937,223 kWh of clean energy from the airport’s PV panels, led to a decrease of around 1% in the Company’s electricity consumption. This drop gains further significance when one takes into account the increase of 7.4% registered by passenger traffic.

FUEL CONSUMPTION

The Company’s fuel reduction goal was not met in 2019 due to the fact that while petrol consumption decreased by 8.9%, diesel consumption registered an increase of 26.3%. This noteworthy rise in diesel consumption was the result of several factors beyond the Company’s control, including the introduction of a temporary shuttle service for employees, a busier operation, and an increase in the fuel consumption of standby generators due to several power cuts in the last quarter of 2019 and more frequent test runs. In the meantime, the Company continued with the gradual execution of the vehicle replacement programme.

* The percentage increase in passenger movements for the purpose of sustainability calculations was taken to be that of 8.4%. This was calculated on the basis of schedule and charter passengers only, rather than schedule, charter and transit passengers, given that the latter do not contribute significantly to emissions.
December was the fastest-growing month of 2019

GOAL 2: BETTER WATER MANAGEMENT
During the year under review, the Company achieved an overall reduction of 8.5% in total water consumption. The volume of non-potable water consumed decreased by almost 24,000m$^3$ largely due to a series of repair works to address water leakages carried out between 2017 and 2019, which led to less water losses from irrigation. However, lower levels of precipitation measured in 2019 led to a decrease in rainwater harvesting, partly offsetting the latter achievement and resulting in an unmet rainwater harvesting KPI. In 2019, the Company’s total potable water consumption increased by 10,590m$^3$ largely due to a busier airport operation.

GOAL 3: BETTER RESOURCE AND WASTE MANAGEMENT
2019 saw the Company kick off a process aimed at better waste management, with the three main types identified being landfill waste, recyclable waste and hazardous waste, and the reduction of single-use plastic bottles. During 2019, Malta International Airport took several waste-reduction initiatives, including the removal of all plastic water bottles used during meetings, which contributed to the reduction of 4,740 kilos of plastic when compared to 2018.

CONCLUDING OBSERVATIONS
In May 2020, the Board of Directors approved the Company’s comprehensive Environmental Plan, and the Environmental Policy included therein. In this policy, the Company has formalised its commitment to addressing climate change through the management of its GHG emissions. A 998-kilowatt peak photovoltaic system, which was commissioned in the third quarter of 2019, is one of the eco-investments that will help the Company honour its commitment.

The Company is also planning to submit the application to progress to Level 2 – Reduction - of Airports Council International’s Airports Carbon Accreditation programme in the coming months. While the Company had originally set the target of lowering its GHG emissions intensity further to 0.73kg of CO$_2$ per passenger, it has now revised this target due to the Covid-19 pandemic and its impact on the airport’s traffic. The volatility of the current situation does not allow the Company to have sufficiently reliable data, however, a scenario-building exercise led it to establish two possible GHG emissions intensity targets, which are in the region of 2kg of CO$_2$ per passenger. These result from significant decreases in CO$_2$ emissions which are, however, offset by the substantial drops in passenger numbers.

Economic Performance

Overview
As an important player in the local tourism industry, Malta International Airport continued to work in tandem with key stakeholders towards the achievement of profitable, yet sustainable financial results generated through its aviation and non-aviation revenue streams. 2019 marked another year of financial growth for Malta International Airport, with the Company registering an increase of 8.7% in total revenue to surpass the €100 million mark.

GOAL 1: FURTHER INCREASE PASSENGER TRAFFIC IN THE SHOULDER MONTHS
Together with government, local tourism stakeholders and partner airlines, Malta International Airport forged ahead with its efforts of addressing seasonality by promoting the Maltese islands as an ideal year-round destination. Improved schedules and several new developments introduced during the year under review led to growth of 7.2% being posted in the winter and shoulder months, with the peak summer months seeing a marginally higher increase in passenger movements of 7.6%. The fastest-growing months of 2019 were December (+15.2%), April (+10.5%), June (+8.8%), and October (+8.8%). Three of these top performers were winter and shoulder months, in line with the airport’s strategy of stimulating further traffic in the off-peak season.

GOAL 2: AIM FOR A 70:30 REVENUE SPLIT BETWEEN THE AVIATION AND NON-AVIATION SEGMENTS RESPECTIVELY
In 2019, the Company’s aviation and non-aviation segments registered growth of 9.2% and 7.6% respectively. Revenue stemming from aviation activities, which reached €70.8 million, was largely driven by Malta International Airport’s traffic performance for the year under review, which was closed off with 7.3 million passenger movements. While non-aviation concessions and rents, including SkyParks Business Centre, were the top drivers of growth within the non-aviation segment, Malta International Airport’s VIP product registered the most noteworthy upswing (+15.6%) over 2018, reflecting passengers’ growing demand for luxury airport services. The aviation segment contributed 70.6% of total revenues, while the non-aviation segment’s contribution was of 29.4%, translating into a marginally higher share when compared to 2018.
The tireless work of the airport’s Traffic Development Team and the relevant stakeholders brought about improved year-round connectivity for the Maltese islands, with Malta International Airport enjoying direct connections to more than 125 airports in Europe, Africa and Asia during the course of 2019. In 2019, in fact, Malta International Airport welcomed a new airline and inaugurated 18 new routes, among other developments. These enhanced ties with Europe and further afield gather further significance in light of the fact that, according to The Airport Industry Connectivity Report 2019, a 10% increase in direct connectivity results in a 0.5% increase in Gross Domestic Product per capita.

CONCLUDING OBSERVATIONS

While 2020 started on a positive note in terms of traffic, with both January and February registering double-digit growth, the situation quickly changed towards the end of the first quarter. With the Covid-19 pandemic bringing the aviation industry to a grinding halt as well as much uncertainty, the Company was constrained to withdraw its original forecasts and announce the suspension of several investments until it gained better visibility of the way ahead. While the outlook remains uncertain, it is worth noting that the Company’s past financial performances and diversification strategy have enabled it to better navigate the uncharted waters of the Covid-19 pandemic.

Goal 1: Engage in Volunteering and Philanthropic Activities Benefiting the Local Community

Whilst the Company’s absolute priority is the wellbeing of airport stakeholders, most notably its employees, it also has the best interests of the wider community at heart. During the year under review, the Company’s Sports and Social Committee organised several fund-raising events, encouraging all employees to come together for a good cause. Through these events, the team raised €5,900 which were donated to Dar tal-Providenza, an organisation based in the south of Malta offering support services to people with disabilities and their families, and Noah’s Ark, an animal sanctuary. In addition to this, Malta International Airport is an important tourism stakeholder, the Company also engaged a number of student workers from the Institute of Tourism Studies to support the airport team during the busier summer months, while gaining invaluable insight into how a complex organisation such as an airport functions smoothly. In addition to these work opportunities, the Company facilitated a total of 19 airport visits for primary school children during the year under review.

Goal 2: Encourage Education within the Community

The Company believes that formal education coupled with hands-on work experiences greatly empower young people to make valuable contributions at the workplace upon embarking on their professional careers later on in life. In light of this, the Company offered several opportunities for apprenticeships and traineeships within its technical and operations departments as well as the Meteorological Office to students attending the Malta College of Arts, Science and Technology and the University of Malta. Given that Malta International Airport is an important tourism stakeholder, the Company also engaged a number of student workers from the Institute of Tourism Studies to support the airport team during the busier summer months, while gaining invaluable insight into how a complex organisation such as an airport functions smoothly. In addition to these work opportunities, the Company facilitated a total of 19 airport visits for primary school children during the year under review.

CONCLUDING OBSERVATIONS

While 2020 started 2020 with the introduction of an instant feedback system, which allows employees to publicly recognise colleagues and acknowledge their commitment to the Company’s values. While Covid-19 halted some of the Company’s plans in relation to its workforce, new initiatives such as live Q&A sessions with the CEO and work-from-home arrangements were welcomed by the team as indicated by the results of a Covid-19 employee survey which was run to gauge the level of satisfaction of the workforce with how the Company was handling the crisis.
The Covid-19 pandemic has dealt a blow of unprecedented proportions to the aviation industry worldwide, with both airlines and airports reporting huge losses in passenger numbers and revenues.

A report issued by Airports Council International World showed that the airport industry is anticipating a reduction of 58.4% in passenger numbers over 2019, equating to a loss of 5.6 billion passengers for 2020.

At Malta International Airport, passenger traffic decreased by 68.7% in the first half of 2020 when compared to the same period in 2019, as restrictions on air travel were imposed by the local authorities in order to rein in the spread of Covid-19. While Malta International Airport reopened to commercial flights in July following three months during which air traffic was at an almost complete standstill due to the aforementioned restrictions, the airport’s flight schedule remains limited.

Uncertainty, air travel volatility and low consumer confidence, as well as their adverse effects on Malta International Airport’s revenue generation capability, are expected to extend well into the coming months. For this reason, the Company reiterates that it does not have sufficiently reliable data to be able to provide dependable forecasts for 2020 in terms of passenger numbers and financial results.

Capital Expenditure, Investments and Shareholder Dividend

In an effort to preserve its liquidity in a climate dominated by uncertainty, in April 2020, the Company announced several measures aimed at maintaining its financial stability. Two of the measures announced included the decision to withhold the payment of shareholder dividend, and the revision of the Company’s original capital expenditure programme. With regard to the latter measure, Malta International Airport announced that it would be focusing on essential projects as well as the completion of other projects, which had reached an advanced stage when the Covid-19 pandemic struck, namely the multi-storey car park and the cargo village expansion.

While the Company had unveiled its plans for an ambitious investment of circa €100 million in a 5-star airport for the Maltese islands in January 2020, it reached a decision to put these plans on hold until it gained better visibility of how the Covid-19 situation would evolve.

In relation to its SkyParks 2 investment in a multi-purpose building housing high-quality offices, space for food and beverage establishments and commercial purposes, and a business hotel, the Company issued a call for proposals from potential hospitality partners to operate this hotel in the first quarter of 2020, before the outbreak of the Covid-19 pandemic impacted the Maltese islands. A number of bids that were received in relation to this call are presently being evaluated. Choosing a winning bid would constitute another step towards getting this project off the ground.
Financial Report

GENERAL INFORMATION
MALTA INTERNATIONAL AIRPORT P.L.C.

DIRECTORS
Mr Nikolaus Gretzmacher (Chairman)
Mr Alan Borg (Chief Executive Officer)
Mr Karl Dandler (Chief Financial Officer)
Ms Rita Heiss
Dr Cory Greenland
Dr Wolfgang Koeberl
Mr Florian Nowotny

COMPANY SECRETARY
Dr Louis de Gabriele LL.D.

REGISTERED OFFICE
Malta International Airport,
Luqa, Malta.
Tel. (+356) 21 249 600

COUNTRY OF INCORPORATION
Malta

COMPANY REGISTRATION NO.
C 12663

AUDITOR
Deloitte Audit Limited,
Deloitte Place, Mriehel Bypass,
Mriehel, Malta.

LEGAL ADVISORS
Camilleri Preziosi Advocates,
Level 2, Valletta Buildings,
South Street, Valletta, Malta.

Principal Activities

Malta International Airport p.l.c.’s (“The Company”) principal activities are the development, operation and management of Malta International Airport, for which the Company has a 65-year concession, which came into effect in July 2002.

The Company has three 100% owned operating subsidiaries; Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. Airport Parking Limited operates all the car parks situated on the land leased to Malta International Airport p.l.c., whilst Sky Parks Development Limited and Sky Parks Business Centre Limited run the SkyParks Business Centre building. The Company and these subsidiaries are together referred to as ‘the Group’.

Malta International Airport p.l.c. also has another 100% owned subsidiary, Kirkop PV Farm Limited, set up with the intention to explore opportunities in the generation of electricity using photovoltaic technologies. Kirkop PV Farm Limited, however, did not trade in 2019.

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Review of the Business

Traffic Development

Passenger traffic for 2019 totalled 7,310,289 passenger movements at Malta International Airport, reaching a new milestone and marking a decade of growth.

Translating into a noteworthy increase of 7.4% over 2018, this annual all-time high was observed in parallel with a 6.5% increase in aircraft movements together with a growth of 7.3% in seat capacity. Seat load factor remained unchanged from the previous year and stood at a healthy 81.8%. Cargo and mail handled throughout the year reached 18,498 tonnes, an increase of 4.6% over the previous year.

A total of 20 new routes were introduced in 2019, whilst a number of carriers increased frequency on existing routes or extended their schedules into the shoulder period. Ryanair carried the largest number of passengers in 2019, registering a 15.7% increase in passenger movements over the previous year. This growth was due to the airline basing an additional aircraft, its 6th, at Malta International Airport as from summer 2019 and introducing 11 new routes for the season as well as another 4 new routes in the winter season.

Passengers travelling with Air Malta accounted for 28.7% of total passengers in 2019. The carrier operated with a fleet of 10 aircraft throughout the year and introduced a new route to Cairo in summer 2019, which was extended into the winter schedule, together with another 2 routes.
Traffic Highlights

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Movements</td>
<td>7,310,289</td>
<td>6,808,177</td>
<td>502,112</td>
<td>7.4%</td>
</tr>
<tr>
<td>Aircraft Movements</td>
<td>51,910</td>
<td>48,737</td>
<td>3,173</td>
<td>6.5%</td>
</tr>
<tr>
<td>Seat Capacity</td>
<td>8,938,602</td>
<td>8,329,997</td>
<td>608,605</td>
<td>7.3%</td>
</tr>
<tr>
<td>Seat Load Factor</td>
<td>81.8%</td>
<td>81.8%</td>
<td>0 pp</td>
<td>0%</td>
</tr>
<tr>
<td>MTOW (in tonnes) *</td>
<td>1,976,569</td>
<td>1,864,610</td>
<td>111,959</td>
<td>6.0%</td>
</tr>
<tr>
<td>Cargo and Mail (in tonnes)</td>
<td>18,498</td>
<td>17,684</td>
<td>814</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

* 2018 restated

Operational Performance Indicators

Since 2005, Malta International Airport (MLA) has been participating in a survey developed and run by Airports Council International (ACI), which measures the quality of the service that airports provide to passengers. This survey, known as the ASQ (Airport Service Quality) survey, is carried out in more than 300 airports worldwide, covering more than half the world’s annual airline passengers. The objective of the survey is to measure passengers’ satisfaction while they are at the airport and provide the participating airports with research tools and management information to better understand the passenger experience with respect to the airport’s products and services.

Over the past 10 years, MLA has consistently ranked among the top 5 airports in Europe. In 2010 and 2011, MLA received the “Best Airport in Europe” award, whilst in 2018 the airport was awarded the “Best Airport in Europe” title in the 5-15 million passenger category.

The scores for the four quarters of 2019 are outlined below. The indicators are measured with a score from 1-5, with 5 being the highest mark. The overall average score for 2019 is identical to that of 2018, with a stronger performance being observed in the last three quarters following the completion of works in parts of the air terminal early in the year.

The Company’s target is that the airport will continue to rank within the top ASQ positions in Europe in the foreseeable future in line with the Company’s vision of offering the best airport experience in Europe, which delights airport guests.

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>4.27</td>
<td>4.50</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>4.36</td>
<td>4.26</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>4.39</td>
<td>4.37</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>4.43</td>
<td>4.37</td>
</tr>
<tr>
<td>Average for the year</td>
<td>4.36</td>
<td>4.36</td>
</tr>
</tbody>
</table>

Infrastructural Investments

The Group is committed to realising an ambitious programme of investments in its infrastructure to ensure that the airport can meet the current and future requirements of the business. Hence, the Group committed EUR 20 million to infrastructural development in 2019.

Works on the parking village project, which commenced in 2018, are well under way and scheduled for completion in 2020. This EUR 20 million project will introduce 1,300 covered car parking spaces on the airport campus, a centralised area of operation for car rental companies, and a tunnel linking to a walkway leading to the terminal building. During 2019, EUR 6.9 million were invested in this project.

Over EUR 5.5 million were invested in numerous projects in relation to new and upgraded equipment in the areas of operations, security and ICT in order to maintain the highest levels of safety, security and operational efficiency at all times. Another EUR 2.8 million went into terminal infrastructure improvements, ranging from an upgrade of the building management system to improvements in offices of tenants and switch rooms. On the airfield, the Company carried out investments that amounted to a total of EUR 2.5 million in 2019, aiming to ensure the resurfacing of Taxiway Echo as well as the continuation of pavement surface rehabilitation works on Apron 8 and Apron 9. Another EUR 0.8 million were invested into the first phase of a sizeable extension of the Cargo Village, which is scheduled for completion in 2020. In addition to this, in summer 2019, the Company commissioned a new photovoltaic (PV) farm with a capacity of 1 megawatt peak (MWp) for a total investment of EUR 0.8 million. Whilst this PV investment has more than tripled the airport’s capacity to generate renewable energy, the Company will continue exploring opportunities to expand further in this field.

In 2020, the Company will once again be committed to rolling out an ambitious programme of infrastructural investments, with capital expenditure expected to reach EUR 23 million. In addition to works leading to the completion of the parking village (EUR 10 million), the Company will be focusing its capital expenditure on other major projects such as the completion of the extended Cargo Village (EUR 2.8 million) and the relocation of the fuel station (EUR 1.7 million) to free up necessary space for the construction of SkyParks 2 in the coming years. Further investment will be dedicated to the ongoing improvements of airfield infrastructure and the terminal building as well as operations, security and ICT-related equipment.

In January 2020, the Company also unveiled its long-term vision for the airport, which entails an investment of approximately EUR 100 million in the years beyond 2020. This multi-year project will gradually expand the terminal building to eventually double its current footprint and will be focused on improving the passenger experience and airport processes at key points of the journey, most notably at the departure gates, check-in hall and the security screening area, but also in immigration areas and the food court. Eventually, this will enable the Company to handle further growth and offer a 5-star airport experience to its customers. In addition to the terminal expansion project, the Company is also embarking on other long-term investments such as the construction of a new aircraft parking stand, Apron X, which will ensure sufficient aircraft parking capacity for the long term, as well as the SkyParks 2 project, which will see the construction of a new business centre and a hotel within the airport campus.

Principal Risk and Uncertainties

The Board as a whole, including the Audit Committee members, consider the nature and the extent of the risk management framework and the risk profile that is acceptable to the Board. The Audit Committee periodically reviews the work carried out by the Company’s Risk Management Committee and evaluates the impact these risks pose to the Company’s strategic objectives.

The main strategic, corporate and operational risks and uncertainties identified during the year are listed below:

CHALLENGING AVIATION ENVIRONMENT

The market environment for airlines in 2020 and beyond is expected to remain difficult, particularly in view of an expected general economic slowdown across Europe, significant overcapacity in the European short-haul market as well as pressure on airline yields as a result of intense competition and oil price fluctuations. Additionally, the climate change movement gained strong momentum in 2019, leading to the aviation industry being under increased scrutiny, particularly in the European markets. Geopolitical tensions in the Middle East are causing additional uncertainty, especially with regards to the development of the oil price. The Company is mindful of such risks, both as a result of the possible downturns in passenger traffic, due to a potential economic slowdown, as well as scaled-down activities of airlines that operate to and from Malta. The Company will therefore continue to collaborate closely with all airlines and other key industry and local tourism stakeholders, always seeking to create a sustainable operating environment and to secure traffic from existing and new markets. Additionally, the Company will continue to closely monitor the situation in order to be better poised to react in an effective and timely manner and thereby minimize its economic and strategic risks.
SECURITY BREACHES AND THREATS
Civil aviation in general and airports in particular have always been susceptible to security threats due to them being considered as critical infrastructure and institutions of public interest. Malta International Airport is committed to continue to invest heavily in its security infrastructure and activities, to ensure that the airport environment remains safe and secure at all times. The airport works closely with the police and government security agencies to meet the high international standards required to respond to existing and potential security threats. The Company’s security facilities and processes are subject to periodic extensive internal and external audits by regulators, aviation security specialists and internal security teams, which regularly test the effectiveness of the Company’s surveillance, security screening, landside and airside security processes as well as staff training requirements.

DISRUPTION TO CRITICAL OPERATIONAL SYSTEMS
Potential disruptions as a result of a failure of critical ICT infrastructure, electricity supply for the terminal or the airfield as well as aviation accidents can lead to prolonged interruptions of operations. To address these issues, the Company has emergency response, crisis management and business continuity plans in place, which are regularly updated and tested to ensure a maintained ability to respond quickly and effectively to any disruptions to aerodrome or terminal operations. The Company is also adequately covered by an insurance programme which provides financial protection in case of major operational disruptions.

Employees
During the year under review, the Group employed an average of 379 employees; an increase of 11.5% over the previous year. In total, 386 persons were employed with the Group as at year-end, including 6 employees working with Airport Parking Limited and 3 with SkyParks Business Centre Limited. At 31 December 2019; the majority of the Group’s employees were employed on indefinite full-time contracts, whereas one-third were on definite contracts and 39 employed on a part-time basis. Employee turnover rate for the Group during the year was 7.3%.

Each year, the Group invests in its training programme for staff and management with the purpose of supporting their professional development as well as ensuring they are skilled enough and confident in responding to the requirements of the dynamic environment in which the Company operates. During 2019 alone, EUR 359,000 were dedicated to formal employee training, resulting in a total of 11,900 hours of training, or an average of 31 hours per employee. This figure excludes on-the-job training that was provided to the 58 employees who joined the Group during the year. The majority of training hours was related to safety, with over 4,000 hours of training conducted in this area.

Employee wellbeing was once again a priority for the Group with emphasis being made on promoting an active and healthy lifestyle. Whilst 89% of the wellbeing allowance was availed of, the Company also continued to promote mental wellbeing by offering counselling sessions in collaboration with the Richmond Foundation.

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
<th>+/−</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount - 31 December</td>
<td>386</td>
<td>357</td>
<td>29</td>
</tr>
<tr>
<td>Headcount - Average</td>
<td>379</td>
<td>340</td>
<td>39</td>
</tr>
<tr>
<td>FTE - 31 December</td>
<td>360</td>
<td>332</td>
<td>28</td>
</tr>
<tr>
<td>FTE - Average</td>
<td>355</td>
<td>322</td>
<td>33</td>
</tr>
<tr>
<td>Average age (in years)</td>
<td>39.0</td>
<td>38.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Length of service (in years)</td>
<td>10.3</td>
<td>10.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Share of women in workforce</td>
<td>35.5%</td>
<td>35.6%</td>
<td>-0.1 pp</td>
</tr>
<tr>
<td>Employee turnover rate</td>
<td>7.3%</td>
<td>9.3%</td>
<td>-2.0 pp</td>
</tr>
<tr>
<td>Training expenses (in EUR)</td>
<td>359,000</td>
<td>243,500</td>
<td>115,500</td>
</tr>
<tr>
<td>Reportable accidents</td>
<td>10</td>
<td>11</td>
<td>(1)</td>
</tr>
</tbody>
</table>

Corporate Responsibility
The directors are committed to the highest standards of Corporate Responsibility (CR), particularly in respect of the Company’s social, economic and environmental impact.

The Company’s internal and external CR initiatives underline the Company’s pledge to be a responsible stakeholder, and benefit not just its customers, partners, employees and shareholders, but the wider community as well. In 2019, the Company undertook several such initiatives aimed at mitigating or eliminating any negative impacts, whilst building on and enhancing positive ones. These initiatives and their outcomes are all reported in more detail, and in a transparent manner, in the Company’s sustainability report, which is compiled annually in accordance with the internationally recognised Global Reporting Initiative (GRI) standards and independently audited by PwC.

During 2019, the Company signed the Airports Council International (ACI) Europe’s resolution to become a net zero carbon emissions industry by not later than 2050. As part of its efforts to honour this commitment, in 2019, the Company commissioned a 1 MWp photovoltaic (PV) farm on the airfield, which has more than tripled the airport’s capacity to generate clean energy. Additionally, the Company commenced the process of preparing for Level 2 accreditation through ACI’s widely recognised Airport Carbon Accreditation Scheme in 2020 by setting out detailed environmental targets and action plans in order to continue reducing its carbon footprint.

The CR Committee, furthermore, continued to support good causes through its philanthropy fund and channelled sizeable contributions to the wider community through the Malta Airport Foundation; an independent organisation set up to invest funds in Malta’s touristic, cultural and environmental heritage. In July 2019, the foundation officially inaugurated the restored Torri Xutu tower in Wied l-Iż-Żurrieq. The Torri Xutu project entailed the complete restoration of the 17th century watchtower as well as the embellishment and landscaping of the surrounding area together with the local heritage NGO Din L-Art Ħelwa. Another project the Malta Airport Foundation is supporting, and which is nearing completion, is the restoration of Fondazzjoni Wirt Artna’s Combined Operations Room in Valletta, which is set to re-open its doors to the public in early 2020. The Combined Operations Room was Malta’s nerve centre during World War II and forms part of an underground military park. This project is another which highlights the Malta Airport Foundation’s commitment to invest in Malta’s history and heritage, thus making the island a more attractive destination for tourists and a richer place for locals.
Financial Performance

Financial Results
The financial results of the Group in 2019 were once again driven by another year of dynamic traffic development, in which a record 7.3 million passengers (+7.4%) travelled to and from Malta International Airport. The Group therefore continued to deliver a solid financial performance throughout the year, which together with the continued investment in the infrastructure will enable future financial sustainability and growth. During the year, revenue of the Group increased by EUR 8.0 million, from EUR 92.2 million in 2018 to EUR 100.2 million in 2019, translating into an increase of 8.7%. Revenues from the Airport segment were up EUR 6.0 million, from EUR 64.8 million to EUR 70.8 million, whilst revenues from the Retail and Property segment rose by EUR 2.0 million; from EUR 27.1 million to EUR 29.1 million.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of the Group increased by 16.0%; from EUR 2.0 million; from EUR 27.1 million to EUR 29.1 million. Marginal increases in operating costs, as a result of an increase in the number of passengers passing through the airport, were offset by reductions due to effects from the initial application of IFRS 16 Leases in the current reporting period (see above and Note 4), which led to a change in the accounting treatment of operating lease expenditure and therefore shifts out from other operating expenses (EUR 2.2 million).

Revenues from the Retail and Property segment totalled EUR 29.1 million (2018: EUR 27.1 million) and were thus growing at a rate of 7.6%, thereby slightly lowering the segment’s share of total revenues from 29.3% in 2018 to 29.0% in 2019. The remaining portion of EUR 0.4 million of revenues originated from the Other segment and remained unchanged from the previous year at a 0.4% share.

Staff Costs
Staff costs of the Group amounted to EUR 10.8 million in 2019, up EUR 1.1 million or 11.2% when compared to 2018. This increase was primarily a result of a higher headcount, which was necessary to maintain the high level of service to our customers as the number of passengers continued to increase.

Other Operating Expenses
Other operating expenses of the Group decreased by 7.3% on a year-by-year basis, from EUR 28.0 million to EUR 26.0 million. Marginal increases in operating costs, as a result of an increasing number of passengers passing through the airport, were offset by reductions due to effects from the initial application of IFRS 16 Leases in the current reporting period (see above and Note 4), which led to a change in the accounting treatment of operating lease expenditure and therefore shifts out from other operating expenses (EUR 2.2 million).

Comprehensive Income and Dividends
The financial results of the Group and the Company for the year ended 31 December 2019 are shown in the Statement of Comprehensive Income on page 85. Total comprehensive income of the Group for the year after taxation amounted to EUR 33.8 million (2018: EUR 30.4 million). Further to the net interim dividends paid of EUR 4,059,000 (Gross: EUR 4,600,000), the Board of Directors is recommending the payment of a final net dividend of EUR 0.10 per share (Gross: EUR 0.154) on all shares settled as at close of business on 13 April 2020, which dividend shall be paid not later than the 27 May 2020.

Revenues
Total revenue of the Group increased by 8.7% or EUR 8.0 million when compared to 2018, up from EUR 92.2 million to EUR 100.2 million. Representing EUR 70.8 million in income, aviation-related revenues remain the most important income stream of the Group, with the Airport segment constituting a share of 70.6% of total revenues (2018: 70.3%), showing an increase of 9.2% or EUR 6.0 million over the previous year.

Changes as a result of the adoption of IFRS 16
With effect from 1 January 2019, the Group has mandatorily adopted IFRS 16 Leases, which requires lessees to recognise most operating leases on-balance sheet. The initial application of IFRS 16 led to an increase of the balance sheet by EUR 45.7 million, with the Airport segment constituting a rate of 7.6%, thereby slightly lowering the segment’s share of total revenues from 29.3% in 2018 to 29.0% in 2019. The remaining portion of EUR 0.4 million of revenues originated from the Other segment and remained unchanged from the previous year at a 0.4% share.

Going Concern
After reviewing the Company’s budget for the next financial year and its other longer-term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Financial Key Performance Indicators

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>+/-</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>100.2</td>
<td>92.2</td>
<td>8.0</td>
<td>8.7%</td>
</tr>
<tr>
<td>thereof Aviation Revenue *</td>
<td>70.8</td>
<td>64.8</td>
<td>6.0</td>
<td>9.2%</td>
</tr>
<tr>
<td>thereof Non-Aviation Revenue *</td>
<td>29.5</td>
<td>27.4</td>
<td>2.1</td>
<td>7.6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>63.2</td>
<td>54.4</td>
<td>8.7</td>
<td>16.0%</td>
</tr>
<tr>
<td>EBITDA Margin (in %)</td>
<td>63.0%</td>
<td>59.0%</td>
<td>4.0 pp</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>54.4</td>
<td>47.0</td>
<td>7.3</td>
<td>15.5%</td>
</tr>
<tr>
<td>EBIT Margin (in %)</td>
<td>54.2%</td>
<td>51.0%</td>
<td>3.2 pp</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>33.9</td>
<td>30.3</td>
<td>3.6</td>
<td>11.9%</td>
</tr>
<tr>
<td>ROCE (in %) *</td>
<td>27.1%</td>
<td>24.5%</td>
<td>2.6 pp</td>
<td></td>
</tr>
<tr>
<td>Cash (incl. term deposits)</td>
<td>33.2</td>
<td>20.3</td>
<td>12.9</td>
<td>63.8%</td>
</tr>
<tr>
<td>Equity</td>
<td>129.0</td>
<td>112.6</td>
<td>16.4</td>
<td>14.6%</td>
</tr>
<tr>
<td>Balance Sheet Total</td>
<td>238.0</td>
<td>169.8</td>
<td>68.2</td>
<td>40.2%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>19.9</td>
<td>8.4</td>
<td>11.4</td>
<td>135.2%</td>
</tr>
<tr>
<td>Taxes on Income</td>
<td>18.7</td>
<td>16.8</td>
<td>1.9</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

* 2018 restated

Financial Risk Management
Financial risks of the Group and the Company identified during the year and their financial risk management objectives are outlined in detail in Note 37 of the financial statements.

Share Capital
The share capital of the Company is EUR 33,825,000 divided into three classes of shares as follows:

- **81,799,990 Ordinary ‘A’ Shares** representing approximately 60% of the total issued share capital;
- **54,120,000 Ordinary ‘B’ Shares** representing 40% of the total issued share capital; and
- **10 Ordinary ‘C’ Shares**.

All shares issued have a nominal value of EUR 0.25 and are fully paid up and allotted.

The ordinary ‘A’ Shares are admitted to the official list of the Malta Stock Exchange, whilst the ordinary “B” and ordinary “C” Shares are not admitted or traded on an exchange.

The Ordinary ‘A’ Shares and Ordinary ‘B’ Shares shall entitle their holders to the same rights, benefits and powers in the Company save for the transferability thereof. The Ordinary ‘A’ Shares shall be freely transferable whilst the Ordinary ‘B’ Shares were non-transferable for a period of fifteen (15) years from 26 July 2002, upon which date they automatically became fully and freely transferable without the need of any formality.
The Class ‘C’ Share is held by and, in terms of the Memorandum of Association, may only be held by the Government of Malta. It does not carry any right to receive dividends or assets on a winding up or other return of capital but entitles the Government of Malta to appoint members on the National Interest Matters Committee pursuant to article 58.10 of the Articles of Association of the Company.

Save for the above, there are no other restrictions attached to the shares of the Company.

No changes in the share capital of the Company were made nor did the Company acquire ownership of, or any rights over, any portion of its own share capital.

The following shareholders have an interest in more than 5% of the issued share capital of the Company:

- Malta Mediterranean Link Consortium Ltd
- Government of Malta
- VIE (Malta) Ltd

In terms of the Articles of Association, the CEO of the Company shall occupy one of the Executive Director positions. The other Executive Directors to be co-opted to the Board are the Chief Finance Officer and the Chief Commercial Officer.

Powers of Directors

The directors of the Company have all the powers necessary to manage and direct the Company. The Company is empowered to buy back any of its shares, subject to the limitations and restrictions at law and the listing rules. Subject to the authority of shareholders, to be given at five (5) year intervals, the directors are also empowered to issue further shares in the Company.

Directors

Appointment and replacement of directors

The Board of Directors of the Company is made up of a maximum of eight (8) directors. Five (5) directors are Non-Executive Directors and a maximum of three (3) directors, amongst whom is the CEO, are Executive Directors.

Any shareholder holding not less than 20% of the issued share capital of the Company having voting rights is entitled to appoint one director for each 20% shareholding by a letter addressed to the Company. In this respect, Malta Mediterranean Link Consortium Limited is entitled to appoint two (2) Non-Executive Directors and the Government of Malta is entitled to appoint one (1) Non-Executive Director. The remaining Non-Executive Directors are appointed by the shareholders in a general meeting pursuant to the Articles of Association.

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

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

- MR NIKOLAUS GRETZMACHER
  a non-beneficial interest
- MS RITA HEISS
  a non-beneficial interest
- DR. Cory Greenland
  a beneficial interest

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

Auditor

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

Outlook

Traffic Development

Looking ahead to 2020, Ryanair will extend its four new winter routes into the summer season and introduce a further two routes from Trapani and Brindisi. The airline will also increase frequencies on 9 existing routes. Additionally, both Air Malta and Eurowings will be introducing a new Stuttgart route in April 2020. This year will also see the introduction of low-cost airline Laudamotion, which forms part of the Ryanair group, operating from Vienna. In total, Malta International Airport is expected to be connected to over 125 destinations in 2020.

Further increases in seat capacity are also expected due to a number of carriers opting to operate with more environmentally friendly aircraft which offer additional seats when compared to the aircraft types that were previously operated. Growth in traffic will, however, be diluted by carriers which have withdrawn some routes from their schedule and a reduction in the cruise & fly operations.

The outlook for 2020 is positive, with the Company expecting an increase of 2-3% in passengers, translating into a total of approximately 7.5 million passenger movements.

Financial Performance

Based on the forecast traffic figures for 2020 above, total revenue of the Group for this year is expected to exceed EUR 102 million. EBITDA and Net Profit are projected to exceed EUR 64 million and EUR 35 million, respectively. Capital expenditure of the Group during the year is expected to reach EUR 23 million.

Approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

1 These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a director.
2 These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a director.
STATEMENT OF DIRECTORS’ RESPONSIBILITIES

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

In preparing the financial statements, the directors should:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF RESPONSIBILITY PURSUANT TO THE LISTING RULES ISSUED BY THE LISTING AUTHORITY

We confirm that to the best of our knowledge:

a) In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2019 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

b) In accordance with Listing Rules the Directors’ Report includes a fair review of the performance of the business and the financial position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Karl Dandler
CHIEF FINANCIAL OFFICER
OBO/DIRECTORS

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Malta International Airport p.l.c. (the “Company”) should endeavor to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the “Code”). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors’ and the Company’s commitment to a high standard of governance.

The Board of Directors (the “Board”) has carried out a review of the Company’s compliance with the Code for the financial year being reported upon, namely the year ended 31 December 2019.

General

The directors believe that good corporate governance is a function of a mix of checks and balances that best suit the Company and its business. Accordingly, whilst there are best practices that can be of general application, the structures that may be required within the context of larger companies are not necessarily and objectively the best structures for companies whose size and/or business dictate otherwise. It is in this context that the directors have adopted a corporate governance framework within the Company that is designed to better suit the Company, its business, scale and complexity whilst still ensuring proper checks and balances.

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company’s requirements and designed to ensure the existence of adequate checks and balances within the Company, whilst retaining an element of flexibility. In general, the directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company’s requirements.

This corporate governance statement (the “Statement”) will now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the directors believe that these have been adhered to. Where the Company has not complied with any of the principles of the Code, this Statement will give an explanation for non-compliance.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code’s main principles, and the Code Provisions.
Compliance with the Code

**Principle One: The Board**

The directors believe that for the period under review the company has generally complied with the requirements of this principle and the relative code provisions.

The Board is composed of members who are fit and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates too.

The Board is responsible for determining the Company’s strategic direction and organisational requirements, whilst ensuring that the Company has the appropriate mix of financial and human resources to meet its objectives and improve its performance. Throughout the period under review, the Board provided the necessary leadership in the overall direction of the Company and has adopted prudent and effective systems whereby it obtains timely information from the Chief Executive Officer (the “CEO”) as the head of the Executive Committee to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the Board. The Company has a structure that ensures a mix of Executive and Non-Executive Directors that enables the Board, and particularly the Non-Executive Directors to have direct information about the Company’s performance and business activities from the head of executive management that is also a director on the Board.

**Principle Two: Chairman and Chief Executive Officer**

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the Chairman. Whilst the CEO heads the Executive Committee, the Chairman’s main function is to lead the Board and set its agenda. The Chairman is also responsible to ensure that the Board receives correct, timely and objective information so that the directors can take sound decisions and effectively monitor the performance of the Company. The Chairman exercises independent judgement and ensures that, during Board meetings, there is effective communication with stakeholders as well as active engagement by all directors for the discussion of complex and/or contentious issues.

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

**Principle Three: Composition of the Board**

The full maximum complement of the Board, in line with Principle Three is of five (5) Non-Executive Directors and three (3) Executive Directors, a balance that is entrenched in the Company’s Memorandum and Articles of Association, which requires that the CEO is an ex officio director together with a maximum of two (2) other senior executives of the Company. The presence of top executives on the Board is designed to ensure that all the members of the Board, including Non-Executive Directors, have direct access at meetings of directors to the individuals having the prime responsibility for day-to-day operations and executive management of the Company and to the implementation of policies that allow effective discussion and the availability of all the information necessary to carry out their functions in the best possible manner.

The members of the Board for the year under review were:

<table>
<thead>
<tr>
<th>Director</th>
<th>Title</th>
<th>Director since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Nikolaus Gretzmacher</td>
<td>Chairman &amp; Non-Executive Director</td>
<td>2012</td>
</tr>
<tr>
<td>Ms Rita Heiss</td>
<td>Non-Executive Director</td>
<td>2015</td>
</tr>
<tr>
<td>Dr. Cory Greenland</td>
<td>Non-Executive Director</td>
<td>2015</td>
</tr>
<tr>
<td>Dr Wolfgang Koeberl</td>
<td>Non-Executive Director</td>
<td>2016</td>
</tr>
<tr>
<td>Mr Florian Nowotny</td>
<td>Non-Executive Director</td>
<td>2017</td>
</tr>
<tr>
<td>Mr Alan Borg</td>
<td>CEO and Executive Director</td>
<td>2012</td>
</tr>
<tr>
<td>Mr Karl Dandler</td>
<td>CFO and Executive Director</td>
<td>2014</td>
</tr>
</tbody>
</table>

Pursuant to generally accepted practices, as well as the Company’s Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company’s shareholders, except in so far as an appointment is made to fill a vacancy on the Board.

The Board normally meets every eight (8) weeks and as a matter of Board policy, a guideline was established whereby at its first meeting, meetings are scheduled for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Committees, notably the Executive Committee and the Audit Committee which operate under their respective formal terms of reference. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company’s expense.

For the purposes of Code Provision 3.2, requiring the Board to report on whether it considers each Non-Executive Director as independent in line with the requirements of that Code Provision, the Board considers each of the Non-Executive Directors as independent within the meaning of the Code.

Save for what is stated hereunder, none of the Non-Executive Directors:

(a) are or have been employed in any capacity by the Company;
(b) have or have had a significant direct or indirect relationship with the Company;
(c) receive significant additional remuneration from the Company;
(d) have close family ties with any of the executive members of the Board;
(e) have served on the Board for more than twelve consecutive years;
(f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company or any Company forming part of the same group; and
(g) have a significant business relationship with the Company.

Mr Nikolaus Gretzmacher, Ms Rita Heiss and Mr Karl Dandler have or have had a significant direct or indirect relationship with the Company.

Mr Koeberl as having the required skills, experience and integrity to retain their impartiality in acting as directors of the Company.

In terms of Principle 3.4, each Non-Executive Director has declared in writing to the Board that he/she undertakes:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the Company.

**Principle Four: The Responsibilities of the Board**

In line with the requirements of Principle Four, it is the Board’s responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development.

The Board believes that this responsibility includes the appropriate delegation of powers to management and the organization of the executive team in a manner that is designed to provide high levels of comfort to the directors that there is proper monitoring and accountability apart from appropriate implementation of policies. The Board delegates specific responsibilities to committees, which operate under their respective formal Terms of Reference.

**Executive Committee**

The Board’s link to the Executive Committee is principally the CEO, together with the other Executive Director on the Board, both of whom are members of the Executive Committee.

The Executive Committee comprises the Executive Directors and the heads of each business unit of the Group. The role of the Executive Committee is to implement the Company’s strategy and policies, through the various departments within the organisation. It also makes recommendations to the Board on matters which are beyond its remit. The Chief Executive Officer chairs the Executive Committee.
The members of the Committee for the period under review were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Alan Borg</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Mr Karl Dandler</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Mr Martin Dalamas</td>
<td>Airport Operations and Business Continuity</td>
</tr>
<tr>
<td>Mr George Mallia</td>
<td>Retail and Property</td>
</tr>
<tr>
<td>Mr Ian Maggi</td>
<td>Innovation and Technology</td>
</tr>
<tr>
<td>Mr Patrick Murgo</td>
<td>Security Services</td>
</tr>
<tr>
<td>Ms Tina Lombardi</td>
<td>Human Resources and Sustainability</td>
</tr>
<tr>
<td>Ms Kristina Borg Cardona</td>
<td>Marketing and Brand Development ¹</td>
</tr>
<tr>
<td>Mr Alex Cardona</td>
<td>Traffic Development and Customer Services</td>
</tr>
<tr>
<td>Mr Robert Mizzi</td>
<td>Aerodrome Safety and Compliance ¹</td>
</tr>
<tr>
<td>Mr Kevin Alamango</td>
<td>Technical Services</td>
</tr>
</tbody>
</table>

The Executive Committee has met 38 times during the year under review.

The Company has also established three cross-functional Committees, the ‘Corporate Responsibility (CR) Committee, the ‘Customer Experience (CE) Committee and the Finance Committee, which meet on a regular basis. The CR Committee is responsible for the company’s internal CR policy and strategy including the respective formulation and implementation thereof.

The CE Committee systematically deals with how to improve the airport’s Customer Experience with a special focus on customer journeys, touch points, pain points and delights (wow factors).

The Finance Committee analyses the financial information on a monthly and quarterly basis with a special focus on current and future income streams, cost drivers and margins to secure a sustainable growth of the Company.

The Chief Executive Officer chairs these cross-functional Committees and all meetings are minuted.

Audit Committee
As part of its corporate governance structures the Company has an Audit Committee in line with the requirements of the Listing Rules. The principal roles of the Audit Committee are in line with the requirements of Listing Rule 5.127 and include the following:

- monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
- monitoring of the effectiveness of the company’s internal quality control and risk management system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence;
- monitoring of the audit of the annual and consolidated financial statements;
- reviewing additional reports prepared by the statutory auditor/s or audit firm/s;
- reviewing and monitoring the independence of the statutory auditor/s or the audit firm/s;
- taking responsibility for the procedure for the selection of statutory auditor/s or audit firm/s; and
- recommending the statutory auditor/s or the audit firm/s to be appointed.

During the year ended 31 December 2019 the Committee consisted of three (3) Non-Executive Directors, namely Mr Florian Nowotny, Ms Rita Heiss, and Dr Cory Greenland. The Committee has the power and authority under its Terms of Reference to summon any person to assist in the performance of its duties. The directors believe that, during the year under review, Mr Nowotny was independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. Mr Nowotny is considered as competent in accounting and/or auditing in view of his qualifications and experience.

When the Audit Committee’s monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements. In the period under review the Audit Committee has held 7 meetings.

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the revaluation of the business objectives in the short term. Regular budgets and strategic plans are prepared, which are incorporated into a comprehensive strategic plan for the Company. Performance against these plans is actively monitored and reported to the Board using key risk and performance indicators so that corrective measures can be taken to address any deficiencies and to secure the future sustainability of the Company. These key risk and performance indicators are benchmarked against industry norms so that the Company’s performance can be effectively evaluated.

In view of the number of members of the Board, the directors believe that its size is manageable to be able to address most issues as a Board rather than create sub-committees of the Board that may be more suitable in the case of companies having larger Boards. Indeed, the Board feels that its size and membership allows directors the opportunity to discuss matters directly and that this is a more effective and efficient manner to conduct its business.

The directors, however, are aware that there may be situations that require the delegation to certain committees of certain tasks or assignments and the Board has on occasion composed ad hoc committees for this purpose.

Notwithstanding that the board has established no formal policy on the matter, as part of succession planning, the Board and CEO ensure that the Company implements appropriate schemes to recruit, retain and motivate employees and senior management.

In ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and external auditors. The Board also ensures that appropriate policies and procedures are in place to assure that the highest standards of corporate conduct are maintained.

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

The Chairman ensures that all relevant issues are on the agenda and supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board strikes a balance between long-term strategic and short-term performance issues.

Directors attend meetings on frequent and regular basis and dedicate the necessary time and attention to their duties as directors of the Company.

Principle Six: Information and Professional Development
The CEO is appointed by the directors and enjoys the full confidence of the Board. The CEO, although responsible for the selection of the Executive Committee and the recruitment of senior executives, regularly updates the directors on the appointment of senior executives. The Board is satisfied that the current schemes for executive compensation and professional development are designed to render the Company an attractive proposition for the retention of top executives within the Company and to motivate the Executive Committee.

During the year under review the directors attended a training session dealing with legal and practical issues on governance and the duties of directors in complying with the
Principle Seven: Evaluation of the Board’s Performance

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board’s performance in accordance with the requirements of Code Provision 7.1 but has conducted an informal review of its own performance over the period under review. Refer to the note under the Section on ‘Non-Compliance with the Code’.

Principle Eight: Committees

A. Remuneration Committee

The Board has not appointed a committee for the purpose of overseeing the performance of committees under review and as in the past, may appoint ad hoc committees of directors to deal with specific issues as and when these arise.

The aggregate amount of remuneration paid to all directors, including salaries paid to the CEO, and the CFO amount to EUR 657,502. For the purposes of the provisions of Article 63 of the Company’s Articles of Association, the aggregate emoluments paid to the directors is EUR 361,561 which is within the amount approved by the shareholders of EUR 465,875 for the purpose of that article. The aggregate emoluments paid to the senior management amount to EUR 637,502.

B. Nomination Committee

The Board believes that the main principle that has been duly complied with, in that it is the Articles of Association themselves that establish a formal and transparent procedure for the appointment of directors. The Company has, however, not established a Nomination Committee as suggested by the Code.

Principle Nine: Relations with Shareholders and with the Market

The Board serves the legitimate interests of the Company, accounts to shareholders fully and ensures that the Company communicates with the market effectively through a number of Company announcements, informing the market of significant events happening within the Company.

The Company also communicates with its shareholders through the Annual General Meeting (AGM), where the Board communicates directly with shareholders on the performance of the Company over the last financial year and informs shareholders of the challenges that lie ahead.

Business at the Company’s AGM will cover the approval of the Annual Report and the audited financial statements, the declaration of a dividend, if any, the election of directors, the determination of the maximum aggregate emoluments that may be paid to directors, the appointment of auditors and the authorisation of the directors to set the auditors’ remuneration. Any other matter that may be placed by the directors before the AGM will be dealt with as “Special Business”.

Apart from the AGM, the Company has continued to communicate with its shareholders and the market by way of the annual report and financial statements, by publishing its results on a six-monthly basis during the year and through the directors’ statements, which are also published on a six-monthly basis, and by Company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood. The Company’s website (www.maltairport.com) also contains information about the Company and its business and is a source of further information to the market.

The Company’s Articles of Association allow minority shareholders to call special meetings on matters of importance to the Company, provided that the minimum threshold of ownership established in the Articles of Association is met.

Principle Ten: Institutional Shareholders

This Principle is specifically applicable to the institutional shareholders of the Company and their responsibilities, including their evaluation of governance disclosures.

Principle Eleven: Conflicts of Interest

The Board has established procedures on how conflicts are to be handled, if and when they arise. A director having a personal conflict on any matter is bound to inform the other members of the Board of such a conflict whether it is an actual, potential or a perceived conflict. It is then the other members of the Board that would decide on whether there exists such a conflict, actual or potential. By virtue of the Memorandum and Articles of Association, in the event that, in the opinion of the Board such a conflict exists, then the conflicted director is invited to leave the meeting when it proceeds to the vote, if any, on the matter concerned. As a matter of practice, discussions of such matters are normally conducted in the absence of the conflicted director. The Board feels that this is a procedure that achieves compliance with both the letter and the rationale of principle eleven.

Principle Twelve: Corporate Social Responsibility

The directors are committed to high standards of Corporate Responsibility namely in the social, economic and environmental fields both internally and externally. This is being done for the benefit of its key stakeholders which include its shareholders, employees, customers as well as the local community at large.

Commercial relationships between the Company and other companies may be related by way of common directors and shareholders (“Related Party Transactions”). Contracts are entered into in the ordinary course of business with shareholders and other parties in which the directors have a beneficial interest. Terms and conditions of contracts negotiated with related parties are reviewed by the Company’s Audit Committee. Full disclosure of Related Party Transactions entered into during the financial year under review is made in Note 32 to the financial statements.

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

- MR NIKOLAUS GRETZMACHER - a non-beneficial interest
- MS RITA HEISS - a non-beneficial interest
- DR. CORY GREENLAND - a beneficial interest

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

1 These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a director.
2 These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a director.
Non-Compliance with Code Provisions

The directors set out below the code provisions with which they do not comply and a careful explanation as to the reasons for such non-compliance:

<table>
<thead>
<tr>
<th>Code Provision</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Whilst the Company has segregated the functions of the Chairman and the CEO, in that the two posts are occupied by different persons, the division of responsibilities between them has not been established in writing, although there is significant experience and practice that determines the two roles.</td>
</tr>
<tr>
<td>4.2</td>
<td>The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7. In practice, however, the Board and CEO are actively engaged in succession planning and in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.</td>
</tr>
<tr>
<td>7.1</td>
<td>Having conducted an informal review of its own performance over the period under review it is the Board’s view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a Committee chaired by a Non-Executive Director as required by the Code.</td>
</tr>
<tr>
<td>8B</td>
<td>The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Non-Executive Directors be appointed by a shareholding qualification to the Board. The Executive Directors are, in accordance with the Articles, appointed by the Non-Executive Directors after their appointment, as aforesaid. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint directors pursuant to the Articles of Association.</td>
</tr>
<tr>
<td>9.3</td>
<td>The Memorandum and Articles of Association do not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances. This is mitigated by ongoing open dialogue between executive management and Non-Executive Directors of the Company, to ensure that such conflicts do not arise.</td>
</tr>
<tr>
<td>9.4</td>
<td>The Company does not have a policy in place to allow minority shareholders to present an issue to the Board.</td>
</tr>
</tbody>
</table>

Internal Control

The Board is ultimately responsible for the Company’s system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company’s system of internal controls, which are monitored by the Internal Auditors on a regular basis. The key features of the Company’s system of internal control are as follows:

Organisation

The Company operates through the CEO and Executive Committee with clear reporting lines and delegation of powers.

Control Environment

The Company is committed to standards of business ethics that emulate best practice and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Risk Identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. A Risk Management Committee serves as a primary champion of risk management at a strategic and operational level to ensure that a sound system is in place that identifies, assesses, manages and monitors risk. In addition, through regular checks the internal auditors test the Company’s internal control systems and processes and make recommendations to management and the audit committee on any deficiency in such systems.
General Meetings

The general meeting is the highest decision-making body of the Company and is regulated by the Company’s Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by twenty-one (21) days’ notice.

At an Annual General Meeting what is termed as “ordinary business” is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the directors and the auditors, the election of directors, the appointment of auditors and the fixing of remuneration of directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as “Special Business”.

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the Company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such purpose.

The directors’ statement of responsibilities for preparing the financial statements is set out on page 74.

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

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

Income Statements
YEARS ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes 2019</td>
<td>2018</td>
</tr>
<tr>
<td>Revenue</td>
<td>100,232,676</td>
<td>92,191,719</td>
</tr>
<tr>
<td>Staff costs</td>
<td>(10,839,794)</td>
<td>(9,747,167)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(25,951,490)</td>
<td>(27,995,969)</td>
</tr>
<tr>
<td>Impairment losses on financial assets</td>
<td>(284,580)</td>
<td>(18,157)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(8,801,219)</td>
<td>(7,384,403)</td>
</tr>
<tr>
<td>Release of deferred income arising on the sale of terminal buildings and fixtures</td>
<td>283,603</td>
<td>208,765</td>
</tr>
<tr>
<td>Investment income</td>
<td>37,436</td>
<td>(7,021)</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(2,079,535)</td>
<td>(148,915)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>52,597,097</td>
<td>47,098,852</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(18,663,780)</td>
<td>(16,763,212)</td>
</tr>
<tr>
<td>Profit for the year attributable to the ordinary equity holders of the Company, net of tax</td>
<td>33,933,317</td>
<td>30,335,640</td>
</tr>
<tr>
<td>Earnings per share attributable to the ordinary equity holders of the Company</td>
<td>0.251</td>
<td>0.224</td>
</tr>
</tbody>
</table>

Statements of Comprehensive Income
YEARS ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes 2019</td>
<td>2018</td>
</tr>
<tr>
<td>Profit for the year attributable to the ordinary equity holders of the Company, net of tax</td>
<td>33,933,317</td>
<td>30,335,640</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gain/(loss) on defined benefit pension plans</td>
<td>(207,233)</td>
<td>47,805</td>
</tr>
<tr>
<td>Deferred tax debit/(credit)</td>
<td>72,532</td>
<td>(16,732)</td>
</tr>
<tr>
<td>Other comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax</td>
<td>(134,701)</td>
<td>31,073</td>
</tr>
<tr>
<td>Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax</td>
<td>33,798,616</td>
<td>30,366,713</td>
</tr>
</tbody>
</table>
### Statements of Financial Position

#### 31 DECEMBER 2019

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>14</td>
<td>164,430,886</td>
</tr>
<tr>
<td>Investment property</td>
<td>15</td>
<td>15,905,686</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>18</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>19</td>
<td>5,904,374</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td>186,240,946</td>
</tr>
</tbody>
</table>

| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to ordinary equity holders of the Company | | 33,825,000 | 33,825,000 | 33,825,000 | 33,825,000 |
| Share capital | 26 | | 33,825,000 | 33,825,000 | 33,825,000 |
| Retained earnings and reserves | | 95,218,056 | 76,186,257 | 94,713,271 | 79,602,723 |
| Total Equity | | 129,043,056 | 112,611,257 | 128,538,271 | 113,427,723 |

| **Total Assets** | | 238,040,713 | 169,811,885 | 236,161,713 | 170,173,023 |

| **Total Liabilities** | | 108,997,657 | 57,200,628 | 107,623,442 | 56,745,300 |

| **Total Equity and Liabilities** | | 238,040,713 | 169,811,885 | 236,161,713 | 170,173,023 |

These financial statements were approved and authorised for issue by the Board of Directors on 26 February 2020 and signed on its behalf by:

Nikolaus Gretzmacher  
CHAIRMAN

Alan Borg  
CHIEF EXECUTIVE OFFICER

Karl Dandler  
CHIEF FINANCIAL OFFICER
## Statements of Changes in Equity
### YEAR ENDED 31 DECEMBER 2019

### Equity attributable to ordinary equity holders of the Company

<table>
<thead>
<tr>
<th>The Group (in EUR)</th>
<th>Share capital</th>
<th>Other reserve</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2018</strong></td>
<td>33,825,000</td>
<td>1,179,462</td>
<td>60,743,889</td>
<td>95,748,351</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>30,335,640</td>
<td>30,335,640</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>31,073</td>
<td>31,073</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>30,366,713</td>
<td>30,366,713</td>
</tr>
<tr>
<td>Difference for historical depreciation for the year calculated on the revalued amount</td>
<td>-</td>
<td>(74,838)</td>
<td>74,838</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>-</td>
<td>26,193</td>
<td>-</td>
<td>26,193</td>
</tr>
<tr>
<td>Dividends (Note 13)</td>
<td>-</td>
<td>-</td>
<td>(13,530,000)</td>
<td>(13,530,000)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>33,825,000</td>
<td>1,130,817</td>
<td>77,655,440</td>
<td>112,611,257</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Group (in EUR)</th>
<th>Share capital</th>
<th>Other reserve</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2019</strong></td>
<td>33,825,000</td>
<td>1,130,817</td>
<td>77,655,440</td>
<td>112,611,257</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>32,612,067</td>
<td>32,612,067</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>(134,701)</td>
<td>(134,701)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>32,477,365</td>
<td>32,477,365</td>
</tr>
<tr>
<td>Transfer of Other reserve</td>
<td>-</td>
<td>(1,130,817)</td>
<td>-</td>
<td>(1,130,817)</td>
</tr>
<tr>
<td>Dividends (Note 13)</td>
<td>-</td>
<td>-</td>
<td>(16,236,000)</td>
<td>(16,236,000)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>33,825,000</td>
<td>-</td>
<td>95,218,056</td>
<td>129,043,056</td>
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</table>

### Equity attributable to ordinary equity holders of the Company

<table>
<thead>
<tr>
<th>The Company (in EUR)</th>
<th>Share capital</th>
<th>Other reserve</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2018</strong></td>
<td>33,825,000</td>
<td>1,179,462</td>
<td>62,810,676</td>
<td>97,815,138</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>29,085,319</td>
<td>29,085,319</td>
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<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>31,073</td>
<td>31,073</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>29,116,392</td>
<td>29,116,392</td>
</tr>
<tr>
<td>Difference for historical depreciation for the year calculated on the revalued amount</td>
<td>-</td>
<td>(74,838)</td>
<td>74,838</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>-</td>
<td>26,193</td>
<td>-</td>
<td>26,193</td>
</tr>
<tr>
<td>Dividends (Note 13)</td>
<td>-</td>
<td>-</td>
<td>(13,530,000)</td>
<td>(13,530,000)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>33,825,000</td>
<td>1,130,817</td>
<td>78,471,906</td>
<td>113,427,723</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>The Company (in EUR)</th>
<th>Share capital</th>
<th>Other reserve</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2019</strong></td>
<td>33,825,000</td>
<td>1,130,817</td>
<td>78,471,906</td>
<td>113,427,723</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>32,612,067</td>
<td>32,612,067</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>(134,701)</td>
<td>(134,701)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>32,477,365</td>
<td>32,477,365</td>
</tr>
<tr>
<td>Transfer of Other reserve</td>
<td>-</td>
<td>(1,130,817)</td>
<td>-</td>
<td>(1,130,817)</td>
</tr>
<tr>
<td>Dividends (Note 13)</td>
<td>-</td>
<td>-</td>
<td>(16,236,000)</td>
<td>(16,236,000)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>33,825,000</td>
<td>-</td>
<td>94,713,271</td>
<td>128,538,271</td>
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### Statements of Cash Flows

#### YEAR ENDED 31 DECEMBER 2019

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<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>52,597,097</td>
<td>47,098,852</td>
<td>50,545,258</td>
<td>45,154,661</td>
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<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>14/15</td>
<td>8,801,217</td>
<td>7,384,403</td>
<td>7,914,112</td>
<td>6,494,396</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income/(loss)</td>
<td>7</td>
<td>(37,436)</td>
<td>7,021</td>
<td>(423,679)</td>
<td>(395,541)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>8</td>
<td>2,079,535</td>
<td>148,915</td>
<td>2,079,535</td>
<td>139,212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Release of deferred income arising on the sale of the terminal building and fixtures</td>
<td>23</td>
<td>(283,603)</td>
<td>(208,765)</td>
<td>(283,603)</td>
<td>(208,765)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of grants</td>
<td>23</td>
<td>(50,244)</td>
<td>(102,008)</td>
<td>(50,244)</td>
<td>(102,008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for retirement benefit plan</td>
<td>24</td>
<td>67,084</td>
<td>45,020</td>
<td>67,084</td>
<td>45,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for MIA benefit plan</td>
<td>25</td>
<td>42,387</td>
<td>28,979</td>
<td>42,387</td>
<td>28,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for impairment of trade receivables</td>
<td>18</td>
<td>284,580</td>
<td>18,157</td>
<td>299,712</td>
<td>40,578</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Working capital movements:</strong></td>
<td></td>
<td>63,500,617</td>
<td>54,420,574</td>
<td>60,190,562</td>
<td>51,196,532</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in inventories</td>
<td>20</td>
<td>12,110</td>
<td>7,159</td>
<td>12,110</td>
<td>7,159</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in trade and other receivables</td>
<td>21</td>
<td>1,965,782</td>
<td>(4,519,100)</td>
<td>1,505,674</td>
<td>(5,439,629)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movement in trade and other payables</td>
<td>22</td>
<td>3,887,707</td>
<td>5,998,170</td>
<td>2,935,759</td>
<td>6,231,797</td>
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<tr>
<td><strong>Cash flows from operations</strong></td>
<td></td>
<td>69,366,216</td>
<td>55,906,803</td>
<td>64,644,105</td>
<td>51,196,532</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>8</td>
<td>-</td>
<td>(148,915)</td>
<td>-</td>
<td>(139,212)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease interest paid</td>
<td>33</td>
<td>(1,693,705)</td>
<td>-</td>
<td>(1,693,705)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(18,340,943)</td>
<td>(18,425,846)</td>
<td>(17,705,693)</td>
<td>(17,839,129)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefit paid</td>
<td>24</td>
<td>(300,277)</td>
<td>(500,326)</td>
<td>(300,277)</td>
<td>(500,326)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td></td>
<td>49,031,291</td>
<td>36,831,716</td>
<td>44,944,430</td>
<td>33,517,192</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts/(payments) of deposit from tenant</td>
<td>23</td>
<td>(3,610)</td>
<td>15,146</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>14</td>
<td>(19,374,886)</td>
<td>(8,433,655)</td>
<td>(12,347,119)</td>
<td>(7,080,069)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for investment property</td>
<td>15</td>
<td>(495,000)</td>
<td>(15,367)</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for term deposits</td>
<td>27</td>
<td>(5,000,000)</td>
<td>-</td>
<td>(5,000,000)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for intracompany loans</td>
<td>18</td>
<td>-</td>
<td>(4,900,000)</td>
<td>(1,725,323)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of intracompany loans</td>
<td>18</td>
<td>-</td>
<td>1,290,720</td>
<td>1,290,720</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>7</td>
<td>-</td>
<td>386,243</td>
<td>402,562</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td></td>
<td>(24,873,496)</td>
<td>(8,433,876)</td>
<td>(20,570,156)</td>
<td>(7,112,110)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>-</td>
<td>-</td>
<td>(33,016,561)</td>
<td>-</td>
<td>(31,291,524)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>13</td>
<td>(16,236,000)</td>
<td>(12,530,000)</td>
<td>(16,236,000)</td>
<td>(12,530,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows used in financing activities</strong></td>
<td></td>
<td>(16,236,000)</td>
<td>(46,546,561)</td>
<td>(16,236,000)</td>
<td>(44,821,524)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net movement in cash and cash equivalents</strong></td>
<td></td>
<td>7,921,795</td>
<td>(18,148,721)</td>
<td>8,138,274</td>
<td>(18,416,442)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Cash and cash equivalents at the beginning of the year</strong></td>
<td></td>
<td>20,253,186</td>
<td>38,401,907</td>
<td>18,553,002</td>
<td>36,969,444</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td></td>
<td>28,174,981</td>
<td>20,253,186</td>
<td>26,691,276</td>
<td>18,553,002</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements

1. Reporting entity
The Company is a public company whose shares are publicly listed and traded on the Malta Stock Exchange. The Company’s registration number is C12663, the country of incorporation is Malta and the Company’s registered office is Malta International Airport, Luqa, Malta.

The principal activities of the Company are the development, operation and management of Malta’s airport. On 11 February 2008, the Company set up a wholly-owned subsidiary, Sky Parks Limited, to take over the operations of the car park business. The name of this subsidiary was changed to Airport Parking Limited on 27 October 2009. Another subsidiary, Sky Parks Development Limited, was set up by the Company on 29 October 2009. The main activity of Sky Parks Development Limited is to manage real estate projects within the land which is currently under the management of the Group. Another subsidiary, Sky Parks Business Centre Limited was set up by the Company on 26 April 2012. The principal activity of the subsidiary is to operate the Business Centre within the limits of the airport. On 20 June 2013, the Company set up another wholly-owned subsidiary, Kirkop PV Farm Limited. The main activity of this company is to explore opportunities in the generation of electricity using photovoltaic technologies.

The Company and the subsidiaries are together referred to as the ‘Group’.

2. Basis of preparation
Under the Companies Act, Cap. 386 of the Laws of Malta, the Company is required to present individual and consolidated financial statements. The financial statements of the Group and the Company have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value and are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the Companies Act, Cap. 386 of the Laws of Malta. The functional currency of the Company is the Euro which is also the presentation currency of the Group.

The consolidated financial statements comprise the financial statements of Malta International Airport p.l.c. and its subsidiaries, as mentioned in Note 1 above. For more details on the scope of consolidation see Note 39.

This is the first set of the Group’s and the Company’s annual financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies from the new standard that is effective for the current year are described in Note 4.

3. Judgments in applying accounting policies and key sources of estimation uncertainty
The judgments made and in the remaining notes to the financial statements, the directors did not make any significant judgments in the process of applying the Company’s and the Group’s accounting policies which can significantly affect the amounts recognised in the consolidated and the individual financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or an event or situation that might affect the Group’s or the Company’s results and in the carrying amounts of assets and liabilities within the next financial year.

3.1. SERVICE CONCESSION ARRANGEMENTS IN TERMS OF IFRIC 12
IFRIC 12 Service Concession Arrangements was endorsed by the EU for financial years beginning after 29 March 2009. The Interpretation, which is limited in scope, clarifies the accounting of service concession arrangements by private sector operators which provide public services on behalf of government or other public sector entities.

The Interpretation states that for arrangements falling within its scope, the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:

(i) a financial asset, where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
(ii) an intangible asset, where the operator’s future cash flows are not specified, for example, where they will vary according to usage of the infrastructure asset; or
(iii) both a financial asset and an intangible asset, where the operator’s return is provided partially by a financial asset and partially by an intangible asset.

The Company and the Group’s business activities and operations are governed under a 65-year concession which was granted by the Government in July 2002. The directors have conducted a detailed analysis to determine the applicability of IFRIC 12. Based on the Company’s and the Group’s proportion of regulated and unregulated activities, the directors have determined that the extent of unregulated business activities cannot be deemed as insignificant.

Accordingly, the directors have concluded that IFRIC 12 does not apply to the Company and the Group.

3.2. LESSEE ACCOUNTING IN TERMS OF IAS 17
In the comparative year operating lease and related payments represent ground rents payable by the Company to Malta Investments plc (previously to the Government of Malta) on the temporary emphyteuses and the related aerodrome licence fee payable to the Government of Malta, with an original term of 58 to 65 years and periodic upward adjustments by a specified rate over the lease term for the amounts payable under the temporary emphyteuses. The lease expense on the temporary emphyteuses was allocated to commercial and non-commercial areas, being site areas with restricted access on the basis of the total surface area covered by the lease. The recognition of the lease expense in relation to the non-commercial areas was limited to a key assumption that was considered to be most representative of the time pattern of the expected benefit that the Group and the Company can reasonably be expected to reap from the use of that part of the leased asset over the lease term on the basis of passenger movements. This assessment was reviewed annually to determine whether the basis that was applied in allocating the lease expense over the lease term continues to be appropriate.

Judgments and estimates in relation to lessee accounting under IAS 17 became obsolete during the current year with the initial application of IFRS 16 Leases as of 1 January 2019. New judgments and estimates with regards to IFRS 16 Leases that warrant additional disclosures in terms of IAS 1 comprise (a) the judgment in connection with the inclusion of the aerodrome licence within the scope of IFRS 16 and (b) the estimate in connection with the determination of the incremental borrowing rate, as further outlined in Note 4.

4. Application of new and revised IFRS
4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR
IFRS 16 Leases
In the current year, the Group and the Company applied IFRS 16 Leases, which supersedes IAS 17 Leases and related interpretations, including IFRIC 4 Determining whether an Arrangement contains a Lease. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The date of initial application for the Group and the Company is 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessors to account for most leases under a single on-balance sheet model, eliminating the distinction between operating and finance leases. Leases in which the Group is a lessor are subject to significant adjustments. Leasing accounting under IFRS 16 remains substantially unchanged from IAS 17 except for a requirement to provide enhanced disclosures and for the reassessment of subleases by an intermediate lessor. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17, whereas intermediate lessors are required to reassess subleases that were classified as operating leases applying IAS 17 and are ongoing at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date in terms of the transitional provisions of IFRS 16. The Group has determined that such leases continue to be classified as operating leases. Hence, IFRS 16 did not have a material impact for leases where the Group is a lessor.

Therefore, the remaining part of this note is in relation to leases in which the Group acts as a lessee.

TRANSITION APPROACH IN ACCORDANCE WITH THE TRANSITIONAL PROVISIONS OF IFRS 16
The Group adopted IFRS 16 using the cumulative catch-up retrospective application with the cumulative effect of initially applying the standard recognised at the date of initial application. Consequently, the Group has not restated the comparative information, which continues to be presented under IAS 17 and IFRIC 4.

In line with the transitional provisions of IFRS 16, the Group has not reassessed sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. For the sale and leaseback transaction of the Group’s land and buildings in 2002, the Group (being the seller-lessee) has accounted for the transactions in terms of IFRS 16 as follows.

(i) For the building and fixtures and fittings element which resulted in a sale and a finance lease in terms of IAS 17, the Group has accounted for the leaseback in the same way as it accounted for any other finance lease that existed at the date of initial application and has been continued to account for the depreciation of the leased asset over the remaining life of the underlying assets (Note 23). The carrying amount of the right-of-use asset at the date of initial application is the carrying amount of the asset immediately before that date measured applying IAS 17. There is no corresponding lease liability at that date.
4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 16 Leases (CONTINUED)

(i) For the land element which resulted in a sale and an operating lease in terms of IAS 17, the Group has accounted for the leaseback in the same way as it accounted for any other operating lease that existed at the date of initial application in the absence of any deferred gains or losses that related to off-market terms recognised in the statement of financial position immediately before the date of initial application, as further disclosed below.

The Group has concluded that the licence over the aerodrome which includes the Airfield, falls within the scope of IFRS 16 and the contractual payments in this respect have therefore been included within right-of-use assets and lease liabilities, amounting to EUR 10.7 million at 1 January 2019 (Notes 14 and 33). The Group has arrived at this conclusion by taking into consideration the following factors: (a) the management of the Airfield is considered to be integral to the use of the land and buildings held as temporary emphyteusis, with the Group having an obligation to manage the Airfield for the same duration of the emphyteusis, (b) the Group considers the licence as being inseparable from the right to use the Airfield (being the tangible component), (c) it is not possible to split the right to operate the Airfield from the right to use the Airfield and (d) the Group considers the use of the Airfield to be the most significant element of the transaction.

For leases previously classified as operating leases in terms of IAS 17, the Group has chosen to measure the right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised immediately before the date of initial application. The Group applied IAS 36 to the right-of-use asset at the date of initial application and determined that there is no objective evidence of impairment at that date.

The Group and the Company did not apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. The new definition of a lease in IFRS 16 has not changed the scope of contracts identified under IFRS 16 are primarily in relation to the perspective of the Group beyond the non-cancellable and enforceable period, with clauses for remote contingencies that are customary for the type of lease in place. The lease terms range from 58 years to 65 years, which are governed under a concession which was granted by the Government and which commenced in 2002 and ends in 2067 with a smaller lease being granted for the period 2010 to 2067.

The lease term of the motor vehicle lease contract commenced in 2014 and ends in 2020. The motor vehicle lease contract includes termination and purchase options, both of which are not expected to be exercised by the Group with reasonable certainty. The effect on the Group’s financial statements as at the date of initial application of IFRS 16 is as follows:

<table>
<thead>
<tr>
<th>Statement of Financial Position</th>
<th>The Group &amp; The Company (in EUR million)</th>
<th>Impact as at 1 January 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>45.7</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>45.7</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liability</td>
<td>52.4</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(6.7)</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>45.7</td>
<td></td>
</tr>
</tbody>
</table>

On initial application, the Group recognised lease liabilities of EUR 52.4 million as at 1 January 2019 with a corresponding right-of-use asset for the same amount, as further adjusted below.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The incremental borrowing rate reflects the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine this rate, the Group obtained information from its bank for the particular purpose and extrapolated it to reflect the specific characteristics of the existing lease liability as at 31 December 2018 of EUR 6.7 million, which consisted of accrued lease payments relating to the operating leases now recognised as right-of-use assets.

Right-of-use assets were adjusted by the amount of the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Upfront payments in relation to the temporary emphyteuses of the leasehold building classified as property, plant and equipment (Note 14) EUR 25.2 million.

Upfront payments and annual ground rents in relation to the temporary emphyteuses of the leasehold land and the related aerodrome licence classified as property, plant and equipment (Note 14) EUR 76.7 million.

Rental payments in relation to motor vehicle leases EUR 0.3 million.

Right-of-use assets recognised at 1 January 2019 EUR 102.3 million.

Upon transition to IFRS 16, the Group has applied the practical expedient to use a single discount rate to a portfolio of leases with reasonably similar characteristics for its motor vehicle lease contracts.

Lease liabilities were classified as non-current in the Statement of Financial Position as over the next 12 months interest will exceed the contractual cash payments.

Right-of-use assets were adjusted by the amount of the existing lease liability as at 31 December 2018 of EUR 6.7 million, which consisted of accrued lease payments relating to the operating leases now recognised as right-of-use assets.

The carrying amount of the upfront payments made in relation to the temporary emphyteuses of the leasehold building and buildings (also included within right-of-use assets) amounted to EUR 56.6 million at 1 January 2019, which amount was already included within property, plant and equipment at 31 December 2018. This amount excludes subsequent additions and improvements made to tangible assets with a carrying amount of EUR 67.0 million for the Group at 1 January 2019.

The recognised right-of-use assets at 1 January 2019 relate to the following types of assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (in EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront payments in relation to the temporary emphyteuses of the leasehold building classified as property, plant and equipment (Note 14)</td>
<td>25.2</td>
</tr>
<tr>
<td>Upfront payments and annual ground rents in relation to the temporary emphyteuses of the leasehold building classified as property, plant and equipment (Note 14)</td>
<td>76.7</td>
</tr>
<tr>
<td>Rental payments in relation to motor vehicle leases</td>
<td>0.3</td>
</tr>
<tr>
<td>Right-of-use assets recognised at 1 January 2019</td>
<td>102.3</td>
</tr>
</tbody>
</table>

As detailed above, right-of-use assets at 1 January 2019 are allocated in the Statement of Financial Position under property, plant and equipment (EUR 102.0 million) and investment property (EUR 0.3 million). See Notes 14 and 15 for more details.

For leases of low value assets, the Group has applied the option to account for leases within investment property (EUR 0.3 million). See Notes 14 and 15 for more details.

Statement of Comprehensive Income

The impact on the income statement in the reporting period is a reduction of other operating expenses by EUR 2.2 million and increases of depreciation and interest expense by EUR 1.0 million and EUR 2.1 million, respectively.
The Group & The Company

4.1. NEW AND REVISED IFRS EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

IFRS 16 Leases (CONTINUED)

The Group & The Company

FOR THE CURRENT YEAR (CONTINUED)

4.1. NEW AND REVISED IFRS EFFECTIVE
in the period of initial application.

anticipate that their adoption will have no material impact
statements but not yet effective, the Board of Directors
are in issue at the date of authorisation of these financial
In relation to other IFRS that are not included below and that
also applies to the Group and the Company.

5. Operating Segments

IFRS 16 requires operating segments to be identified on the
basis of internal reports about components of the Group that
are regularly reviewed by the chief operating decision maker
in order to allocate resources to the segments and to assess
their performance.

For management purposes the Group is organised into
operating segments based on the nature of its operations
and has the reportable segments as shown below.

Management monitors the operating results of its segments
separately for the purposes of making decisions about
resource allocation and performance assessment. Segment
performance is evaluated based on earnings before interest,
tax and deferred income arising from the sale of terminal
buildings and fixtures (EBIT), Revenues and certain costs are
allocated in full to particular segments. The remaining costs
are allocated across the different segments on the basis
of square meters or revenues, as applicable. The Group
and the Company financing (including finance income and
finance costs), deferred income arising from the sale of
terminal buildings and fixtures and income tax are managed
on a Group and Company basis and are not allocated to
operating segments.

Airport Segment

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

Retail and Property Segment

The Retail 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, Sky Parks Business
Centre Limited and Sky Parks Development Limited are also
allocated within the Retail and Property Segment.

The results of the operating segments are reported below:

5. Operating Segments (CONTINUED)

Other Segment

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

The results of the operating segments are reported below:

5. Operating Segments (CONTINUED)

Other Segment

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

The results of the operating segments are reported below:
5. Operating Segments (CONTINUED)

Airport segment revenues generated from two clients with each generating 10% or more of revenues amounted to EUR 24,445,011 and EUR 21,243,915 (2018: EUR 21,548,739 and EUR 20,701,872).

The Group has initially applied IFRS 16 as from 1 January 2019. The impact of adopting the standard on the Group’s other operating costs, depreciation and finance costs (and thus the effect on EBITDA and EBIT) are outlined in detail in Note 4. Comparative information is not restated under the transition method chosen and continues to be presented under IAS 17 and IFRIC 4.

6. Revenue

In the following table, revenue of the Group is disaggregated by revenue category. The table also includes a reconciliation of the disaggregated revenue with the Group’s operating segments (see Note 5).

### The Group

#### 2019 (in EUR)

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Airport</th>
<th>Retail &amp; Property</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE FROM SERVICES PROVIDED OVER TIME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated revenue</td>
<td>63,858,110</td>
<td>-</td>
<td>-</td>
<td>63,858,110</td>
</tr>
<tr>
<td>Unregulated revenue</td>
<td>6,902,520</td>
<td>7,993,833</td>
<td>367,117</td>
<td>15,263,470</td>
</tr>
<tr>
<td><strong>Revenue from Contracts with Customers</strong></td>
<td>70,760,630</td>
<td>7,993,833</td>
<td>367,117</td>
<td>79,121,580</td>
</tr>
<tr>
<td><strong>Revenue from Leases</strong></td>
<td>-</td>
<td>21,111,096</td>
<td>-</td>
<td>21,111,096</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>70,760,630</td>
<td>29,104,929</td>
<td>367,117</td>
<td>100,232,676</td>
</tr>
</tbody>
</table>

#### 2018 (in EUR)

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Airport</th>
<th>Retail &amp; Property</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE FROM SERVICES PROVIDED OVER TIME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated revenue</td>
<td>59,484,658</td>
<td>-</td>
<td>-</td>
<td>59,484,658</td>
</tr>
<tr>
<td>Unregulated revenue</td>
<td>5,316,511</td>
<td>7,800,146</td>
<td>334,889</td>
<td>13,451,546</td>
</tr>
<tr>
<td><strong>Revenue from Contracts with Customers</strong></td>
<td>64,801,169</td>
<td>7,800,146</td>
<td>334,889</td>
<td>72,936,204</td>
</tr>
<tr>
<td><strong>Revenue from Leases</strong></td>
<td>-</td>
<td>19,255,515</td>
<td>-</td>
<td>19,255,515</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>64,801,169</td>
<td>27,055,661</td>
<td>334,889</td>
<td>92,191,719</td>
</tr>
</tbody>
</table>

### The Company

#### 2019 (in EUR)

<table>
<thead>
<tr>
<th>Service Category</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE FROM SERVICES PROVIDED OVER TIME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated revenue</td>
<td>63,858,110</td>
<td>59,484,658</td>
</tr>
<tr>
<td>Unregulated revenue</td>
<td>14,613,723</td>
<td>12,720,463</td>
</tr>
<tr>
<td><strong>Revenue from Contracts with Customers</strong></td>
<td>78,471,833</td>
<td>72,205,121</td>
</tr>
<tr>
<td><strong>Revenue from Leases</strong></td>
<td>17,696,470</td>
<td>15,850,940</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>96,168,303</td>
<td>88,056,061</td>
</tr>
</tbody>
</table>

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

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period either relates to contracts that have an original expected duration of one year or less or is in relation to contracts for which the Company and the Group provide a daily service of access that is distinct, with the uncertainty related to the consideration receivable being also resolved on that basis.

7. Investment Income

### The Group

#### 2019 (in EUR)

<table>
<thead>
<tr>
<th>Income Type</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income on loans receivable</td>
<td>-</td>
<td>386,243</td>
</tr>
<tr>
<td>Interest income on term deposits</td>
<td>37,436</td>
<td>37,436</td>
</tr>
<tr>
<td>Fair value gain/(loss) on other investments</td>
<td>- (7,021)</td>
<td>- (7,021)</td>
</tr>
<tr>
<td><strong>Investment income/(loss)</strong></td>
<td>37,436 (7,021)</td>
<td>423,679 (395,541)</td>
</tr>
</tbody>
</table>

### The Company

#### 2019 (in EUR)

<table>
<thead>
<tr>
<th>Income Type</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank loans</td>
<td>-</td>
<td>148,915</td>
</tr>
<tr>
<td>Lease interest</td>
<td>2,079,535</td>
<td>2,079,535</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td>2,079,535</td>
<td>139,212</td>
</tr>
</tbody>
</table>

8. Finance Cost

### The Group

#### 2019 (in EUR)

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank loans</td>
<td>-</td>
<td>148,915</td>
</tr>
<tr>
<td>Lease interest</td>
<td>2,079,535</td>
<td>2,079,535</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td>2,079,535</td>
<td>139,212</td>
</tr>
</tbody>
</table>
**9. Other Operating Expenses**

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Air traffic services</td>
<td>34</td>
<td>929,611</td>
</tr>
<tr>
<td>Cleaning</td>
<td>1,315,288</td>
<td>1,113,657</td>
</tr>
<tr>
<td>Ground handling services</td>
<td>34</td>
<td>1,946,478</td>
</tr>
<tr>
<td>Insurance</td>
<td>384,153</td>
<td>353,999</td>
</tr>
<tr>
<td>Legal and professional fees</td>
<td>1,652,187</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Lease payments on low-value items</td>
<td>13,746</td>
<td>-</td>
</tr>
<tr>
<td>Marketing and communication costs</td>
<td>5,930,982</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Miscellaneous operating expenses</td>
<td>4,226,809</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Operating lease and related payments</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>Other security services</td>
<td>205,916</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Passenger security service</td>
<td>2,253,743</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Provision of technical services</td>
<td>-</td>
<td>146,868</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>2,611,103</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Net exchange differences</td>
<td>20,262</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Restricted areas security service</td>
<td>1,471,875</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>111,232</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Utilities</td>
<td>2,878,105</td>
<td>1,049,310</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>25,951,490</td>
<td>1,049,310</td>
</tr>
</tbody>
</table>

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

**10. Key Management Personnel Compensation**

<table>
<thead>
<tr>
<th>DIRECTORS’ COMPENSATION</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Short-term benefits</td>
<td>67,552</td>
<td>14,909</td>
</tr>
<tr>
<td>Fees</td>
<td>67,552</td>
<td>14,909</td>
</tr>
<tr>
<td>Management remuneration</td>
<td>508,647</td>
<td>508,647</td>
</tr>
<tr>
<td>Social security costs</td>
<td>2,420</td>
<td>2,420</td>
</tr>
<tr>
<td></td>
<td>578,619</td>
<td>576,401</td>
</tr>
</tbody>
</table>

In addition, during the year under review, the Company granted other benefits to its directors. The aggregate amount of benefits, which includes monetary and non-monetary benefits, amounted to EUR 81,434 (2018: EUR 92,989). These amounts are included with other operating expenses.

Also, during the year under review, the Company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to EUR 14,909 (2018: EUR 12,972). These amounts are included with other operating expenses.

**11. Staff Costs and Employee Information**

<table>
<thead>
<tr>
<th>STAFF COSTS</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>9,977,695</td>
<td>8,916,006</td>
</tr>
<tr>
<td>Social security costs</td>
<td>707,628</td>
<td>631,662</td>
</tr>
<tr>
<td>Retirement benefit costs</td>
<td>109,471</td>
<td>73,999</td>
</tr>
<tr>
<td>Other retirement benefit costs</td>
<td>45,000</td>
<td>65,500</td>
</tr>
<tr>
<td></td>
<td>10,839,794</td>
<td>9,747,167</td>
</tr>
</tbody>
</table>

The above amounts include the directors’ compensation disclosed in Note 10.

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

<table>
<thead>
<tr>
<th>AVERAGE NO. OF EMPLOYEES</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Business development, operations and marketing</td>
<td>226</td>
<td>25</td>
</tr>
<tr>
<td>Finance, IT and IM</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>Firemen</td>
<td>47</td>
<td>14</td>
</tr>
<tr>
<td>Met office</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Technical and engineering</td>
<td>379</td>
<td>340</td>
</tr>
</tbody>
</table>

The above amounts include the directors’ compensation disclosed in Note 10.
12. Income Tax Expense

Deferred tax recognised in profit or loss is as follows:

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019 2018 2019 2018</td>
</tr>
<tr>
<td>Current tax expense</td>
<td>18,817,740 16,260,972 18,211,937 15,703,225</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(153,960) 502,240 (278,746) 366,117</td>
</tr>
<tr>
<td>Income tax expense for the year</td>
<td>18,663,780 16,763,212 17,933,191 16,069,342</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019 2018 2019 2018</td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>52,597,097 47,098,852 50,545,258 45,154,661</td>
</tr>
<tr>
<td>Tax at applicable rate of 35%</td>
<td>18,408,984 16,763,212 17,933,191 16,069,342</td>
</tr>
<tr>
<td>Other differences</td>
<td>(4,467) (4,254) (4,467) (4,254)</td>
</tr>
<tr>
<td>Other net difference between accounting and tax deductible items of expenditure</td>
<td>321,075 345,963 262,572 287,590</td>
</tr>
<tr>
<td>Income tax expense for the year</td>
<td>18,663,780 16,763,212 17,933,191 16,069,342</td>
</tr>
</tbody>
</table>

Deferred tax recognised in other comprehensive income is as follows:

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019 2018 2019 2018</td>
</tr>
<tr>
<td>Deferred tax debit/(credit) on defined benefit pension plans</td>
<td>72,532 (16,732) 72,532 (16,732)</td>
</tr>
</tbody>
</table>

13. Dividends

The net final dividend for 2018 of EUR 12,177,000 (EUR 9.0 cents per ordinary share) proposed by the directors of the Company in the previous financial year was approved by the shareholders at the Annual General Meeting on 15 May 2019 and was paid on 29 May 2019. The net final dividend for 2017 of EUR 9,471,000 (EUR 7.0 cents per ordinary share) proposed by the directors of the Company in the previous financial year was approved by the shareholders at the Annual General Meeting on 15 May 2018 and was paid on 25 May 2018.

On 13 September 2019, a net interim dividend of EUR 4,059,000 (EUR 3.0 cents per share) (2018: EUR 4,059,000 (EUR 3.0 cents per share)) was paid to ordinary shareholders of the Company.

The directors propose that a net final dividend of EUR 13,530,000 (EUR 10.0 cents per ordinary share) will be paid to ordinary shareholders in respect of the year ended 31 December 2019. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The total proposed dividend to be paid is EUR 13,530,000.
### 14. Property, Plant and Equipment (CONTINUED)

**Furniture, fixtures, motor vehicles**

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Units</th>
<th>Description</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence</td>
<td>2018</td>
<td>13,454,915</td>
<td>28,578,558</td>
<td>42,033,473</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>26,314,155</td>
<td>50,239,420</td>
<td>76,553,575</td>
</tr>
</tbody>
</table>

**Recognition of right-of-use asset on initial application of IFRS 16**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>2018</td>
<td>3,191,231</td>
<td>6,778,250</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>3,398,230</td>
<td>7,217,920</td>
</tr>
</tbody>
</table>

**ACCUMULATED DEPRECIATION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>2018</td>
<td>3,191,231</td>
<td>6,778,250</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>3,398,230</td>
<td>7,217,920</td>
</tr>
</tbody>
</table>

**Provision for the year**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>2018</td>
<td>206,999</td>
<td>439,670</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>434,855</td>
<td>923,642</td>
</tr>
</tbody>
</table>

**Write-offs**

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>2018</td>
<td>495,000</td>
<td>495,000</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>4,193,061</td>
<td>4,688,061</td>
</tr>
</tbody>
</table>

**At 31 December 2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount</td>
<td>3,833,085</td>
<td>8,141,562</td>
</tr>
</tbody>
</table>

The Company’s investment property comprises the portion of the right-of-use asset in relation to the temporary emphyteusis of the leasehold land classified as investment property with a carrying amount of EUR 341,460 at 1 January 2019 (see Note 4), less depreciation charge for the year of EUR 6,969 resulting in the carrying amount of EUR 334,491 at 31 December 2019.

During the year, direct operating expenses of EUR 964,472 (2018: EUR 949,583), which arose from the investment property, were incurred. Such expenses were incurred in generating rental income during the year.
15. Investment Property (CONTINUED)

Fair Value

Based on an internal valuation carried out by the directors of the Company, the fair value of the investment property was in the region of EUR 40 million at the balance sheet date (2018: EUR 30 million).

The fair value measurement is categorised within Level 3 of the fair value hierarchy. The model is based on the present value of the net cash flows expected to be generated by the property on the basis of market expectations and includes the rates stipulated in the existing contracts with tenants, expected increase in rents after the non-cancellable period, occupancy rates and all other costs attributable to these assets. The expected net cash flows are discounted using a discount factor representing a weighted average cost of capital that is considered appropriate in the circumstances. The net cash flows reflect the amounts in the 2020 budget and long-term corporate planning.

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

16. Investment in Subsidiaries

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

<table>
<thead>
<tr>
<th>SHARE CAPITAL</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019</td>
</tr>
<tr>
<td>Airport Parking Limited</td>
<td>1,200</td>
</tr>
<tr>
<td>Sky Parks Development Limited</td>
<td>2,001,200</td>
</tr>
<tr>
<td>Sky Parks Business Centre Limited</td>
<td>1,200</td>
</tr>
<tr>
<td>Kirkop PV Farm Limited</td>
<td>1,200</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>2,004,800</td>
</tr>
</tbody>
</table>

The Company holds a 100% (2018: 100%) ownership in the ordinary share capital of Airport Parking Limited, a limited liability company incorporated in Malta, whose principal activity is the operation of car parks within the limits of the airport.

The Company holds a 100% (2018: 100%) ownership in the ordinary share capital of Sky Parks Development Limited, a limited company incorporated in Malta, whose principal activity is to manage real estate projects within the land which is currently under the management of the Group.

The principal place of business of the company’s subsidiaries is Malta. The registered offices for these subsidiaries are as follows:

- Airport Parking Ltd
  - Level 2
  - Malta International Airport Head Office
  - Luqa LQA 4000
- Sky Parks Development Ltd
  - Malta International Airport Head Office
  - Malta International Airport
  - Luqa LQA 4000

The Company holds a 100% (2018: 100%) ownership in the ordinary share capital of Sky Parks Business Centre Limited, a limited liability company incorporated in Malta, whose principal activity is to operate the Business Centre within the limits of the airport.

The Company holds a 100% (2018: 100%) ownership in the ordinary share capital of Kirkop PV Farm Limited, a limited liability company incorporated in Malta. The principal activity of this company is to explore opportunities in the generation of electricity using photovoltaic technologies.

The following table shows financial information for the consolidated subsidiaries:

**Airport Parking Ltd**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>465,946</td>
<td>350,663</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,758,810</td>
<td>1,292,863</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,760,010</td>
<td>1,294,063</td>
</tr>
</tbody>
</table>

**Sky Parks Development Ltd**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>415,006</td>
<td>387,555</td>
</tr>
<tr>
<td>Share Capital</td>
<td>2,001,200</td>
<td>2,001,200</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td>(2,672,200)</td>
<td>(3,087,206)</td>
</tr>
<tr>
<td>Total Equity</td>
<td>(671,000)</td>
<td>(1,086,006)</td>
</tr>
</tbody>
</table>

**Sky Parks Business Centre Ltd.**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>440,296</td>
<td>512,102</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,412,152</td>
<td>971,856</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,413,352</td>
<td>973,056</td>
</tr>
</tbody>
</table>

17. Other Investments

Investment fund policy

The following table shows financial information for the consolidated subsidiaries:

**Airport Parking Ltd**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>465,946</td>
<td>350,663</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,758,810</td>
<td>1,292,863</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,760,010</td>
<td>1,294,063</td>
</tr>
</tbody>
</table>

**Sky Parks Development Ltd**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>415,006</td>
<td>387,555</td>
</tr>
<tr>
<td>Share Capital</td>
<td>2,001,200</td>
<td>2,001,200</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td>(2,672,200)</td>
<td>(3,087,206)</td>
</tr>
<tr>
<td>Total Equity</td>
<td>(671,000)</td>
<td>(1,086,006)</td>
</tr>
</tbody>
</table>

**Sky Parks Business Centre Ltd.**

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>440,296</td>
<td>512,102</td>
</tr>
<tr>
<td>Share Capital</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,412,152</td>
<td>971,856</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,413,352</td>
<td>973,056</td>
</tr>
</tbody>
</table>
17. Other Investments (CONTINUED)

As at 1 January 2018, the Company held a policy which was linked to a number of unit-linked investment funds. Its fair value was determined by the prices quoted on the Malta Stock Exchange for the underlyng funds (Level 2).

Upon the adoption of IFRS 9 on 1 January 2018, the asset was reclassified from available-for-sale to financial assets measured at FVTPL. This reclassification did not result in a change to the asset’s carrying amount.

During the period ended 31 December 2018 the investment fund policy was surrendered.

18. Loans Receivable (CONTINUED)

The following table shows a reconciliation from the opening to the closing balances for the loans to the subsidiaries:

<table>
<thead>
<tr>
<th>The Company</th>
<th>Loans to subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMORTISED COST</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>22,407,198</td>
</tr>
<tr>
<td>Less: Amount expected to be settled within 12 months (shown under current assets)</td>
<td>1,290,720</td>
</tr>
<tr>
<td>Amount expected to be settled after 12 months</td>
<td>21,116,478</td>
</tr>
</tbody>
</table>

The Company (in EUR)

<table>
<thead>
<tr>
<th>Loans to subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2018</td>
</tr>
<tr>
<td>Less: Amount expected to be settled within 12 months (shown under current assets)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
</tr>
</tbody>
</table>

19. Deferred Taxation

The company has granted four unsecured loans to subsidiaries. One of these loans was granted in the reporting period and represents a loan commitment of EUR 20 million which was partly drawn down during 2019 (EUR 4.9 million). The interest rates of all loans are at arm’s length and comprise a margin which is over and above the bank base rate.

Two loans with a total amount outstanding as at the end of the reporting period of EUR 12.9 million (2018: EUR 14.2 million) are being repaid on equal annual instalments until 2029, whilst the loan granted in the reporting period of EUR 4.9 million is repayable from 2021 and shall be repaid in full by the year 2040. Repayments of the fourth loan with an amount outstanding of EUR 4.6 million (2018: EUR 4.6 million) will commence in 2030.

Arising on:

<table>
<thead>
<tr>
<th>Recognised in Total Comprehensive Income:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated tax depreciation</td>
</tr>
<tr>
<td>Provision for pension costs</td>
</tr>
<tr>
<td>Deferred income</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
</tr>
<tr>
<td>Leases</td>
</tr>
<tr>
<td>Future deductions of refinancing costs</td>
</tr>
<tr>
<td>Other temporary differences</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
</tbody>
</table>

Arising on:

<table>
<thead>
<tr>
<th>Other movements:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation of properties on privatisation</td>
</tr>
<tr>
<td>Provision for pension costs</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
19. Deferred Taxation (CONTINUED)

The Group

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arising on:</td>
<td>Recognised in Total Comprehensive Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated tax depreciation</td>
<td>(170,573)</td>
<td>(314,205)</td>
<td>(484,778)</td>
</tr>
<tr>
<td>Provision for pension costs</td>
<td>1,341,485</td>
<td>(132,485)</td>
<td>1,209,000</td>
</tr>
<tr>
<td>Deferred income</td>
<td>1,784,655</td>
<td>(73,069)</td>
<td>1,711,586</td>
</tr>
<tr>
<td>Leases</td>
<td>1,607,260</td>
<td>156,168</td>
<td>1,763,428</td>
</tr>
<tr>
<td>Other temporary differences</td>
<td>185,049</td>
<td>14,204</td>
<td>199,253</td>
</tr>
<tr>
<td>Subtotal</td>
<td>4,747,876</td>
<td>(349,387)</td>
<td>4,398,489</td>
</tr>
</tbody>
</table>

Arising on: Revaluation of properties on privatisation
reddit tax of EUR 72,532 (2018: EUR 16,732) in during the current year for both the Group and the Company

The movement recognised in total comprehensive income during the current year for both the Group and the Company includes deferred tax of EUR 72,532 (2018: EUR 16,732) in connection with defined benefit plans, which deferred tax was recognised in other comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax-planning strategies.

20. Inventories

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumables</td>
<td>872,242</td>
<td>884,352</td>
<td>872,242</td>
<td>884,352</td>
</tr>
</tbody>
</table>

21. Trade and Other Receivables

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>13,080,993</td>
<td>13,190,401</td>
<td>12,680,165</td>
<td>12,825,074</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>685,429</td>
<td>3,355,751</td>
<td>685,429</td>
<td>3,355,751</td>
</tr>
<tr>
<td>Receivables from subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,771,305</td>
<td>910,199</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2,245,616</td>
<td>2,241,090</td>
<td>1,393,427</td>
<td>1,790,851</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,740,506</td>
<td>1,215,644</td>
<td>1,458,403</td>
<td>912,240</td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>112,772</td>
<td>68,181</td>
<td>265,480</td>
<td>446,433</td>
</tr>
</tbody>
</table>

21. Trade and Other Receivables (CONTINUED)

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

The movement in the allowance for impairment in respect of trade receivables during the year for the Group and the Company was as follows:

<table>
<thead>
<tr>
<th>(in EUR)</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>13,080,993</td>
<td>13,190,401</td>
<td>12,680,165</td>
<td>12,825,074</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>685,429</td>
<td>3,355,751</td>
<td>685,429</td>
<td>3,355,751</td>
</tr>
<tr>
<td>Receivables from subsidiaries</td>
<td>-</td>
<td>-</td>
<td>1,771,305</td>
<td>910,199</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2,245,616</td>
<td>2,241,090</td>
<td>1,393,427</td>
<td>1,790,851</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,740,506</td>
<td>1,215,644</td>
<td>1,458,403</td>
<td>912,240</td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>112,772</td>
<td>68,181</td>
<td>265,480</td>
<td>446,433</td>
</tr>
</tbody>
</table>
21. Trade and Other Receivables (CONTINUED)

<table>
<thead>
<tr>
<th>LT-ECL</th>
<th>Collective (credit-impaired, but not POCI)</th>
<th>Individual (credit-impaired, but not POCI)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>-</td>
<td>22,439</td>
<td>70,697</td>
</tr>
<tr>
<td>Addition</td>
<td>34,224</td>
<td>6,354</td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2018</td>
<td>34,224</td>
<td>28,793</td>
<td>70,697</td>
</tr>
<tr>
<td>Addition</td>
<td>78,548</td>
<td>39,388</td>
<td>202,709</td>
</tr>
<tr>
<td>Reversal</td>
<td>-</td>
<td>-</td>
<td>(20,933)</td>
</tr>
<tr>
<td>Balance as at 31 December 2019</td>
<td>112,772</td>
<td>68,181</td>
<td>252,473</td>
</tr>
</tbody>
</table>

The Group and the Company do not hold any collateral over the past due but not impaired balances. These trade receivables are substantially companies with good track records with the Group.

22. Trade and Other Payables

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019</td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,737,338</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,046,151</td>
</tr>
<tr>
<td>Payables due to subsidiaries</td>
<td>-</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>383,158</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>39,625,556</td>
</tr>
<tr>
<td>Total</td>
<td>43,792,203</td>
</tr>
</tbody>
</table>

Contract liabilities represent prepayments from contracts with customers in relation to VIP services. The balance as at 31 December 2018 of EUR 409,174 was fully recognised as revenue during the reporting period and the balance as at 1 January 2018 of EUR 287,397 was fully recognised as revenue during the comparative period.

23. Deferred Income

<table>
<thead>
<tr>
<th>The Group</th>
<th>Movement for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2018</td>
</tr>
<tr>
<td>Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation</td>
<td>4,890,253</td>
</tr>
<tr>
<td>European Commission grant</td>
<td>362,315</td>
</tr>
<tr>
<td>Government grant</td>
<td>19,980</td>
</tr>
<tr>
<td>Deposit received from tenant</td>
<td>113,965</td>
</tr>
<tr>
<td>Total deferred income as at 31 December</td>
<td>5,386,513</td>
</tr>
<tr>
<td>Less amounts included in trade and other payables</td>
<td>(259,009)</td>
</tr>
<tr>
<td>Amounts included in non-current liabilities</td>
<td>5,127,504</td>
</tr>
</tbody>
</table>
23. Deferred Income (CONTINUED)

### Movement for the year

<table>
<thead>
<tr>
<th>The Company</th>
<th>Transfer</th>
<th>Amortisation</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation</td>
<td>4,890,253</td>
<td>(283,603)</td>
<td>6,346,328</td>
</tr>
<tr>
<td>European Commission grant</td>
<td>362,315</td>
<td>(40,255)</td>
<td>322,060</td>
</tr>
<tr>
<td>Government grant</td>
<td>19,980</td>
<td>(9,989)</td>
<td>9,991</td>
</tr>
<tr>
<td><strong>Total deferred income as at 31 December</strong></td>
<td>5,272,548</td>
<td>(333,847)</td>
<td>6,678,379</td>
</tr>
<tr>
<td>Less amounts included in trade and other payables</td>
<td>(259,009)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amounts included in non-current liabilities</strong></td>
<td>5,013,539</td>
<td></td>
<td>6,344,530</td>
</tr>
</tbody>
</table>

### Movement for the year

<table>
<thead>
<tr>
<th>The Company</th>
<th>Additions</th>
<th>Amortisation</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation</td>
<td>5,099,018</td>
<td>(208,765)</td>
<td>4,890,253</td>
</tr>
<tr>
<td>European Commission grant</td>
<td>402,570</td>
<td>(40,255)</td>
<td>362,315</td>
</tr>
<tr>
<td>Norwegian grant</td>
<td>51,742</td>
<td>(51,742)</td>
<td>-</td>
</tr>
<tr>
<td>Government grant</td>
<td>29,971</td>
<td>(9,991)</td>
<td>19,980</td>
</tr>
<tr>
<td><strong>Total deferred income as at 31 December</strong></td>
<td>5,583,321</td>
<td>(310,773)</td>
<td>5,272,549</td>
</tr>
<tr>
<td>Less amounts included in trade and other payables</td>
<td>(310,773)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amounts included in non-current liabilities</strong></td>
<td>5,272,549</td>
<td></td>
<td>5,013,539</td>
</tr>
</tbody>
</table>

The deferred income arising from the gain on the sale and leaseback of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is being taken to income in accordance with the accounting policy stated in Note 39.

The European Commission grant is composed of grants related to assets and which were received in 2006 and 2011 in respect of the upgrading of the taxiways project. The Government grant is related to the installation of the photovoltaic system and was received in 2011. The Norwegian grant was related to the implementation of the Schengen project and was received in 2009.

24. Provision for the Retirement Benefit Plan

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current provision</strong></td>
<td>3,880,077</td>
</tr>
</tbody>
</table>

The provision at year end represents the estimated amounts that are to be reimbursed by the Company to the Government of Malta. The provision for retirement benefits is unfunded and represents the Company’s and the Group’s share of the year end provision in accordance with the Pensions Ordinance (Cap 93) for obligations relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company.

The provision has been computed in accordance with the accounting policy stated in Note 39 and represents the Company’s and the Group’s obligation (i) discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds in Euros (ii) after considering the average life expectancy of such employees based on the latest publicly available mortality tables and (iii) where applicable, expected rates of salary increases based on the inflation and previous increases given to employees and (iv) the Company’s expectations, based on historic data, of the payment options that will be selected by the plan members, being either an annual benefit per employee or a lump sum payment plus a reduced annual benefit per employee until death, capped in accordance with statutory requirements.

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

<table>
<thead>
<tr>
<th>The Group &amp; The Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present value of the provision for retirement benefits at 1 January</strong></td>
<td>3,906,809</td>
<td>4,408,590</td>
</tr>
<tr>
<td>Payments effected</td>
<td>(289,877)</td>
<td>(500,326)</td>
</tr>
<tr>
<td><strong>RECOGNISED IN STAFF COSTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>67,084</td>
<td>45,020</td>
</tr>
<tr>
<td>thereof Service costs</td>
<td>66,547</td>
<td>44,210</td>
</tr>
<tr>
<td>thereof Interest costs</td>
<td>537</td>
<td>810</td>
</tr>
<tr>
<td><strong>RECOGNISED IN OTHER COMPREHENSIVE INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains resulting from changes in financial assumptions, gross of deferred tax</td>
<td>196,061</td>
<td>(46,475)</td>
</tr>
<tr>
<td><strong>Present value of the provision for retirement benefits at 31 December</strong></td>
<td>3,880,077</td>
<td>3,906,809</td>
</tr>
</tbody>
</table>

The year-end obligation includes EUR 3,676,334 (2018: EUR 3,661,664) in relation to retired employees. The plan exposes the Group and the Company to such risks as (i) interest risk, since a decrease in market yields will increase the plan liability; (ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability; and (iii) salary risk, since an increase in the salary of the plan participants will increase the plan liability.
24. Provision for the Retirement Benefit Plan (CONTINUED)

The significant actuarial assumptions used to determine the present value of the retirement benefit plan were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate(s)</td>
<td>0.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Mortality rate(s) in years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Males</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>- Females</td>
<td>83</td>
<td>83</td>
</tr>
</tbody>
</table>

The sensitivity analyses below are in connection with each significant actuarial assumption and are prepared as at the end of the reporting period, showing how the defined benefit obligation would have been affected by hypothetical changes in the relevant actuarial assumption that were reasonably possible at that date, while holding all other assumptions constant.

The sensitivity analyses presented above for illustrative purposes only and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the sensitivity analyses, the present value of the obligation has been calculated using the projected unit credit method at the end of the reporting period. The amounts generated from the sensitivity analyses represent forward-looking estimates and hence, actual results in the future may differ materially from those projected results.

25. Provision for the MIA Benefit Plan (CONTINUED)

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

<table>
<thead>
<tr>
<th>The Group &amp; The Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of the provision for MIA benefit plan at 1 January</td>
<td>250,638</td>
<td>222,989</td>
</tr>
<tr>
<td>Payments effected</td>
<td>(10,400)</td>
<td>-</td>
</tr>
</tbody>
</table>

RECOGNISED IN STAFF COSTS

Charge for the year

<table>
<thead>
<tr>
<th>The Group &amp; The Company</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gains resulting from changes in financial assumptions, gross of deferred tax</td>
<td>11,172</td>
<td>(1,330)</td>
</tr>
<tr>
<td>Present value of the provision for retirement benefits at 31 December</td>
<td>293,797</td>
<td>250,638</td>
</tr>
</tbody>
</table>

26. Share Capital

The Ordinary ‘A’ and ‘B’ shares have the same rights, benefits, powers in the Company and are freely transferable. Ordinary ‘C’ shares carry no voting rights and do not receive dividends.

Shareholders owning 5% or more of the Company’s equity share capital at 31 December 2019 were:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Share</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malta Mediterranean Link Consortium Ltd. *</td>
<td>40.0%</td>
<td>‘B’ shares</td>
</tr>
<tr>
<td>Government of Malta</td>
<td>20.0%</td>
<td>‘A’ and ‘C’ shares</td>
</tr>
<tr>
<td>VIE (Malta) Limited</td>
<td>10.1%</td>
<td>‘A’ shares</td>
</tr>
</tbody>
</table>

* of which VIE (Malta) Limited constitutes 95.85%
26. Share Capital (CONTINUED)

The number of shareholders developed as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1-500 shares</td>
<td>384</td>
<td>431</td>
<td>-47</td>
</tr>
<tr>
<td>501-1,000 shares</td>
<td>740</td>
<td>765</td>
<td>-25</td>
</tr>
<tr>
<td>1,001-5,000 shares</td>
<td>3,692</td>
<td>3,604</td>
<td>88</td>
</tr>
<tr>
<td>5,001 and over</td>
<td>1,562</td>
<td>1,539</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>6,378</td>
<td>6,339</td>
<td>39</td>
</tr>
</tbody>
</table>

27. Term Deposits

In the reporting period, the Company deposited EUR 5.0 million into a fixed term deposit account with a maturity of one year carrying a fixed interest rate.

28. Cash and Cash Equivalents

Cash and cash equivalents shown in the statements of cash flow comprise the following amounts presented in the Statements of Financial Position:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>28,174,981</td>
<td>20,253,186</td>
<td>26,691,276</td>
<td>18,553,002</td>
</tr>
</tbody>
</table>

29. Earnings per Share

Earnings per ordinary share for the Group and the Company have been calculated by dividing the net profit for the year after taxation attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year attributable to ordinary equity holders of the Company (in EUR)</td>
<td>33,965,588</td>
<td>30,335,640</td>
<td>32,612,066</td>
<td>29,085,319</td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>135,299,990</td>
<td>135,299,990</td>
<td>135,299,990</td>
<td>135,299,990</td>
</tr>
<tr>
<td>Earnings per share attributable to ordinary equity holders of the Company (in EUR)</td>
<td>0.251</td>
<td>0.224</td>
<td>0.241</td>
<td>0.215</td>
</tr>
</tbody>
</table>

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

The effect on earnings per share upon initial adoption of IFRS 16 on 1 January 2019 is disclosed in Note 4.

30. Capital Commitments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted but not provided for</td>
<td>9,416,173</td>
<td>1,679,656</td>
<td>2,587,772</td>
<td>1,679,656</td>
</tr>
<tr>
<td>Authorised but not contracted for</td>
<td>27,985,100</td>
<td>24,293,177</td>
<td>18,232,659</td>
<td>13,503,150</td>
</tr>
<tr>
<td>Investment property:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted but not provided for</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Authorised but not contracted for</td>
<td>700,000</td>
<td>475,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

31. Contingent Liabilities

At reporting date, there existed the following contingent liabilities:

(i) claims filed by former employees of the Company for unfair dismissal and wrong application of disciplinary procedures, the amount of which has not been determined;
(ii) a claim filed by former CEO for unfair dismissal, the amount of which has not been determined;
(iii) a judicial protest first lodged by the Government of Malta in 2008 relating to reimbursement of specified expenses and which were last estimated by the Government to amount to approximately EUR 5.1 million as at 31 December 2019 (2018: EUR 5.1 million)

In the directors’ opinion, all the above contingent liabilities are unfounded.
32. Related Party Disclosures

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

The related party transactions in question were:

### Revenue

<table>
<thead>
<tr>
<th>Related party transaction with:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities controlled by Government</td>
<td>22,218,790</td>
<td>21,604,978</td>
</tr>
<tr>
<td>Entities that control the Company’s parent</td>
<td>85</td>
<td>3,227</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,218,875</strong></td>
<td><strong>21,608,205</strong></td>
</tr>
</tbody>
</table>

### Other Operating Costs

<table>
<thead>
<tr>
<th>Related party transaction with:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key management personnel of the Group</td>
<td>674,961</td>
<td>682,362</td>
</tr>
<tr>
<td>Related parties other than the parent and key management personnel of the Group</td>
<td>3,108,956</td>
<td>3,039,195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,783,917</strong></td>
<td><strong>27,903,960</strong></td>
</tr>
</tbody>
</table>

33. Lease Arrangements

The Company and the Group lease various assets on lease agreements. These assets include various types of equipment, such as printers, vehicles, and other equipment used in operations. The Group has recognised these leases in its financial statements. The terms and conditions of the leases are detailed in Note 33.

Right-of-use assets presented in the Statement of Financial Position within Property, Plant and Equipment and Intangible Assets and recognised on 1 January 2019 in terms of IFRS 16 include the Group’s right to use the land and the buildings held on temporary emphyteuses with annual ground rents payable to Malta Investments plc (previously to the Government of Malta) and the corresponding licence payable to the Government of Malta, as further disclosed in Notes 4 and 34. 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.

Prior to 1 January 2019, the upfront payments in relation to the temporary emphyteuses of the leasehold land and buildings were recognised within property, plant and equipment and amortised in accordance with the Group’s accounting policies. The corresponding operating lease and related payments are disclosed in Note 33.
33. Lease Arrangements (CONTINUED)

The adjustment at 1 January 2019 and the movements during the year in relation to right-of-use assets classified as property, plant and equipment are disclosed below:

<table>
<thead>
<tr>
<th>The Group &amp; The Company</th>
<th>Additions as at 1 Jan 2019</th>
<th>Reclassifications as at 1 Jan 2019</th>
<th>Carrying amount as at 1 Jan 2019</th>
<th>Carrying amount as at 31 Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land held on temporary emphyteusis</td>
<td>34,520,132</td>
<td>31,417,323</td>
<td>65,937,455</td>
<td>(1,358,496)</td>
</tr>
<tr>
<td>Related aerodrome licence</td>
<td>10,746,985</td>
<td>-</td>
<td>10,746,985</td>
<td>(221,587)</td>
</tr>
<tr>
<td>Buildings</td>
<td>-</td>
<td>25,174,531</td>
<td>25,174,531</td>
<td>(1,074,702)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>73,613</td>
<td>-</td>
<td>73,613</td>
<td>(51,963)</td>
</tr>
<tr>
<td><strong>Total right-of-use assets classified as property, plant and equipment</strong></td>
<td><strong>45,340,730</strong></td>
<td><strong>56,591,854</strong></td>
<td><strong>101,932,584</strong></td>
<td><strong>(2,706,748)</strong></td>
</tr>
</tbody>
</table>

The adjustment at 1 January 2019 and the movements during the year in relation to right-of-use assets classified as property, plant and equipment are disclosed below:

- **Buildings**: 10,746,985
- **Related aerodrome licence**: 10,746,985
- **Buildings**: 25,174,531
- **Motor vehicles**: 73,613

**Total lease income under operating leases recognised as income for the year**: 19,889,105

**Lease income under operating leases relating to variable lease payments**: 5,175,870

**Lease income under operating leases recognised as income for the year**: 2019 2019

**Minimum lease payments under operating lease and related payments recognised as an expense for the year**: 2,150,591

The lessor has a special privilege in relation to the obligations emanating from the temporary emphyteuses and a general hypothec over all the property of the Company, present and future.

The Group and the Company as lessor

<table>
<thead>
<tr>
<th>The Group as at 31 Dec 2019</th>
<th>The Company as at 31 Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td><strong>Property, plant and equipment</strong></td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td><strong>Carrying amount</strong></td>
</tr>
<tr>
<td><strong>Depreciation charge for the year</strong></td>
<td><strong>Depreciation charge for the year</strong></td>
</tr>
<tr>
<td><strong>Year 1</strong></td>
<td><strong>Year 1</strong></td>
</tr>
<tr>
<td>25,174,531</td>
<td>25,059,555</td>
</tr>
<tr>
<td><strong>Year 2</strong></td>
<td><strong>Year 2</strong></td>
</tr>
<tr>
<td>3,641,366</td>
<td>1,476,898</td>
</tr>
<tr>
<td><strong>Year 3</strong></td>
<td><strong>Year 3</strong></td>
</tr>
<tr>
<td>3,528,861</td>
<td>1,482,563</td>
</tr>
<tr>
<td><strong>Year 4</strong></td>
<td><strong>Year 4</strong></td>
</tr>
<tr>
<td>2,559,360</td>
<td>1,505,298</td>
</tr>
<tr>
<td><strong>Year 5 and onwards</strong></td>
<td><strong>Year 5 and onwards</strong></td>
</tr>
<tr>
<td>23,329,522</td>
<td>25,059,555</td>
</tr>
<tr>
<td><strong>Total depreciation charge for the year</strong></td>
<td><strong>Total depreciation charge for the year</strong></td>
</tr>
<tr>
<td>5,175,870</td>
<td>3,184,316</td>
</tr>
</tbody>
</table>

The income above includes an amount of EUR 3,184,316 generated by the Group in relation to the business centre classified as investment property as well as an amount of EUR 75,443 generated by the Company in relation to the corresponding right-of-use assets in relation to the land on which the business centre is located. The Group and the Company generate EUR 16,704,789 and EUR 17,888,545, respectively, from subleasing right-of-use assets that are classified as property, plant, and equipment.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The Group manages credit risk from operating lease contracts by implementing contractual terms that ensure that rentals are payable quarterly in advance. All leases include clauses to enable upward revision of the rental charge according to prevailing market conditions or at pre-fixed rates. In addition, the Group obtains security deposits from tenants, in the form of bank guarantees for the term of the lease.

Comparative year

**Minimum lease payments under operating lease recognised as income for the year**

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>5,996,421</td>
<td>2,868,713</td>
</tr>
</tbody>
</table>

Operating lease income receivable by the Group also includes income from lease of portions of land held on temporary emphyteuses and classified as property, plant and equipment. The term of the principal non-cancellable lease arrangements ranges between 3 months and 21 years and the lease receivables are adjusted upwards periodically by a specified rate.

Operating lease income receivable by the Group also includes income from lease of portions of land held on temporary emphyteuses and classified as property, plant and equipment. The term of the principal non-cancellable lease arrangements ranges between 1 month and 9 years. The leases include periodic adjustments by a specified rate and variable portions linked to the turnover of the lessee.

Operating lease income also includes income from lease to tenants of commercial property within the building held on temporary emphyteuses. The term of these leases range from 2 months to 30 years. The leases include periodic adjustments by a specified rate and variable portions linked to the turnover of the lessee.

The income above includes an amount of EUR 3,184,316 generated by the Group in relation to the business centre classified as investment property as well as an amount of EUR 75,443 generated by the Company in relation to the corresponding right-of-use assets in relation to the land on which the business centre is located. The Group and the Company generate EUR 16,704,789 and EUR 17,888,545, respectively, from subleasing right-of-use assets that are classified as property, plant, and equipment.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The Group manages credit risk from operating lease contracts by implementing contractual terms that ensure that rentals are payable quarterly in advance. All leases include clauses to enable upward revision of the rental charge according to prevailing market conditions or at pre-fixed rates. In addition, the Group obtains security deposits from tenants, in the form of bank guarantees for the term of the lease.

**Comparative year**

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>5,996,421</td>
<td>2,868,713</td>
</tr>
</tbody>
</table>
33. Lease Arrangements (CONTINUED)

At the reporting date, the Company and the Group had non-cancellable operating lease receivables as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>The Group 2018</th>
<th>The Company 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>4,148,394</td>
<td>1,363,988</td>
</tr>
<tr>
<td>In the second to fifth years inclusive</td>
<td>13,160,046</td>
<td>5,618,133</td>
</tr>
<tr>
<td>After five years</td>
<td>27,657,493</td>
<td>23,064,853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,965,933</strong></td>
<td><strong>32,046,974</strong></td>
</tr>
</tbody>
</table>

Operating lease income receivable by the Group represents income from leases of land held on temporary emphyteuses. The term of the principal non-cancellable lease arrangements ranges between 21 and 25 years and the lease receivables are adjusted upwards periodically by a specified rate. It also includes income from the lease of commercial property to tenants. The term of these leases ranges from 1 year to 10 years and the lease receivables are adjusted upwards periodically by specified rates.

Operating lease income receivable by the Company also includes income from the lease of land to subsidiaries. The term of the lease is of 25 years and the lease receivables are adjusted upwards periodically by a specified rate.

Where the lease income is adjusted periodically by a specified rate, the lease income is recognised on a straight-line basis over the lease term.

The Group’s income above includes an amount of EUR 3,127,708 generated in relation to the business centre.

The amounts recognised by the Group as income during the prior year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 13,099,310.

The amounts recognised by the Company as income during the prior year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 12,030,128.

34. Material Contracts

The material contracts entered into by the Company in the year ended 31 December 2019 with its current and former substantial shareholders and their related parties are the following:

Malta Mediterranean Link Consortium Limited

The provision for Technical Services by the Company’s strategic partners VIE Operations Limited and SNC-Lavalin Inc., did not give rise to an expense (2018: EUR 164,651).

The terminal and other land lease agreements with Malita Ltd., did not give rise to an expense (2018: EUR 1,984,254).

The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of EUR 929,648 (2018: EUR 921,173);

The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 1,471,875 (2018: EUR 1,800,000);

The contract with the Malta Industrial Parks Ltd. for the airport operation amounting EUR 1,984,254 (2018: EUR 1,693,791);

The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR 440,832 (2018: EUR 441,089) in revenue;

The contract with the Armed Forces of Malta for EUR 1,471,875 (2018: EUR 1,800,000);

The contract with Malta Air Traffic Services Limited for an expense of EUR 929,648 (2018: EUR 921,173);

The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 929,648 (2018: EUR 921,173);

The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 743,717 (2018: EUR 736,938);

The contract with the Armed Forces of Malta for EUR 1,471,875 (2018: EUR 1,800,000);

The contract with the Malta Industrial Parks Ltd. for the lease of land that generated income of EUR 1,021,415 (2018: EUR 990,391);

(v) The contract with the Malta Tourism Authority for an expense of EUR 1,984,254 (2018: EUR 1,693,791);

(vi) The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR 440,832 (2018: EUR 441,089) in revenue;

(vii) The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of EUR 1,984,254 (2018: EUR 1,693,791);

(viii) The contract with the Armed Forces of Malta for EUR 1,471,875 (2018: EUR 1,800,000);

(ix) The contract with Air Malta p.l.c. and its subsidiaries that generated income of EUR 1,984,254 (2018: EUR 1,693,791); and

(x) The contracts with Malta Industrial Parks Ltd. for the lease of land that generated income of EUR 1,021,415 (2018: EUR 990,391).

The Group’s Articles of Association combine so as to give Malta Mediterranean Link Consortium Limited (“MMLC”), which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, control over the Company. MMLC has a 45% equity interest in Malta International Airport p.l.c. (the “Company”).

Effective as at 26 November 2019, MMLC’s majority shareholders VIE (Malta) Limited (which has an equity interest of 57.1% in MMLC) and MMLC Holdings Malta Limited (previously SNC-Lavalin (Malta) Limited) (which has an equity interest of 38.75% in MMLC) merged, leading to VIE (Malta) Limited being MMLC’s majority shareholder with an equity interest of 95.85% in MMLC.

35. Parent Company

For the purposes of IFRS 10 Consolidated Financial Statements, it is considered that Articles 58.2 and 58.7 of the Company’s Articles of Association combine so as to give Malta Mediterranean Link Consortium Limited (“MMLC”), which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, control over the Company. MMLC has a 45% equity interest in Malta International Airport p.l.c. (the “Company”).

Effective as at 26 November 2019, MMLC’s majority shareholders VIE (Malta) Limited (which has an equity interest of 57.1% in MMLC) and MMLC Holdings Malta Limited (previously SNC-Lavalin (Malta) Limited) (which has an equity interest of 38.75% in MMLC) merged, leading to VIE (Malta) Limited being MMLC’s majority shareholder with an equity interest of 95.85% in MMLC.

The Company is Flughafen Wien AG, whose registered office is Postfach 1, A-1300 Wien-Flughafen. Flughafen Wien AG’s consolidated financial statements may be obtained from Investor Relations department of Flughafen Wien or online.


At 31 December 2019 and 2018, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, comprising trade and other receivables, cash and cash equivalents, term deposits, current loans receivable and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values (Level 2) of non-current financial assets that are not measured at fair value and that carry a floating rate of interest, comprising of loans receivable by the Company, are not materially different from their carrying amounts because they carry an arm’s length interest rate that is repriced periodically and the margin continues to be reflective of the credit risk of the borrower at the year-end (see Note 18).

37. Financial Risk Management

The Group’s and the Company’s principal financial liabilities comprise trade payables. The principal recognised financial assets of the Group and the Company (other than investments in subsidiaries) are trade receivables, loans receivable, term deposits and cash and cash equivalents.

The carrying amount of principal financial instruments (other than investments in subsidiaries) are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans receivable</td>
<td>-</td>
<td>22,407,198</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>16,012,038</td>
<td>18,787,242</td>
</tr>
<tr>
<td>Term deposit</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>28,174,981</td>
<td>20,253,186</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>56,539,324</td>
<td>10,397,848</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,210,982</strong></td>
<td><strong>32,046,974</strong></td>
</tr>
</tbody>
</table>

VIE (Malta) Limited also holds an additional 10.1% equity stake in the Company.

VIE (Malta) Limited is controlled by VIE International Beteiligungsmanagement GmbH (“VINT”), which also controlled MMLC Holdings Malta Limited until the merger in November 2019. VINT does not produce consolidated financial statements. The ultimate parent of the Company is Flughafen Wien AG, whose registered office is Postfach 1, A-1300 Wien-Flughafen. Flughafen Wien AG’s consolidated financial statements may be obtained from Investor Relations department of Flughafen Wien or online.
37. Financial Risk Management (CONTINUED)

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

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Recorded in profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>-</td>
<td>(7,021)</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>-</td>
<td>386,243</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(284,579)</td>
<td>(299,712)</td>
</tr>
<tr>
<td>Term deposit</td>
<td>37,436</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>(2,079,535)</td>
<td>(148,915)</td>
</tr>
</tbody>
</table>

The main risks arising from the Group's and the Company's financial instruments are changes in interest rate, liquidity risk and credit risk, which are summarised below.

Interest Rate Risk

The Group and the Company have term deposits as disclosed in Note 27 and cash at bank balances as disclosed in Note 28. The Company has also granted interest-bearing loans to its subsidiaries as disclosed in Note 18. The Group and the Company are exposed to cash flow interest rate risk on financial instruments carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its investing and financing structure.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax. The Group and Company consider the reasonably possible changes in interest rates to be a change in 25 basis points.

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Increase or Decrease (basis points)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>+ 25</td>
<td>82,937</td>
</tr>
<tr>
<td></td>
<td>- 25</td>
<td>(82,937)</td>
</tr>
<tr>
<td>2018</td>
<td>+ 25</td>
<td>50,633</td>
</tr>
<tr>
<td></td>
<td>- 25</td>
<td>(50,633)</td>
</tr>
</tbody>
</table>

The effect on profit takes into consideration both interest payable and interest receivable based on the financial instruments as disclosed in Notes 18, 27 and 28.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group or the Company. Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of the following:

- Trade and other receivables
- Cash and cash equivalents
- Term deposits
- Loans receivable
- Loan commitments to subsidiary undertakings

Such financial assets are presented net of a loss allowance, where applicable. The maximum exposure to credit risk for recognised financial assets is the carrying amounts of each class of asset as disclosed in Notes 18, 21, 27 and 28 respectively. The maximum exposure to credit risk for the loan commitment is disclosed in Note 18.

Management considers the quality of its financial assets as being acceptable, as further detailed below.

Allowances for provision for impairment on financial assets measured at amortised cost are made in line with the accounting policies outlined in Note 39.

37. Financial Risk Management (CONTINUED)

Trade and other receivables

Credit risk with respect to trade and other receivables is managed and assessed through the adherence to credit control procedures, which include client acceptance procedures, and is also limited through the number of customers comprising the Group's and Company's debtor base. Outstanding trade receivables are regularly monitored by management.

For trade receivables the Group and the Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Expected Credit Loss Rate</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>3,493,136</td>
<td>9,420,171</td>
</tr>
<tr>
<td></td>
<td>6,985</td>
<td>19,933</td>
</tr>
<tr>
<td></td>
<td>3,486,151</td>
<td>9,400,237</td>
</tr>
<tr>
<td>Gross Carrying Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 to 90 Days</td>
<td>392,535</td>
</tr>
<tr>
<td></td>
<td>360 Days</td>
<td>13,947,377</td>
</tr>
<tr>
<td></td>
<td>180,953</td>
<td>13,766,422</td>
</tr>
<tr>
<td>LT-ECL (credit-impaired but not POCI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Internal rating grades</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performing</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>In default</td>
<td>265,480</td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
<td></td>
<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount at 31 December 2019</td>
<td>265,480</td>
<td></td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
<td></td>
<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Loss allowance at 31 December 2019</td>
<td>(265,480)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(98,836)</td>
<td>(252,473)</td>
</tr>
<tr>
<td></td>
<td>(70,696)</td>
<td></td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2019</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
| Trade receivables – tested individually:
|                           | The Group | The Company |
|                           | 2019      | 2018        |
| Credit Risk with respect to trade and other receivables is managed and assessed through the adherence to credit control procedures, which include client acceptance procedures, and is also limited through the number of customers comprising the Group's and Company's debtor base. Outstanding trade receivables are regularly monitored by management.

For trade receivables the Group and the Company have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The table below details the risk profile of trade receivables for which a provision matrix is applied:

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2019</td>
<td></td>
</tr>
<tr>
<td>Expected Credit Loss Rate</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>3,493,136</td>
<td>9,420,171</td>
</tr>
<tr>
<td></td>
<td>6,985</td>
<td>19,933</td>
</tr>
<tr>
<td></td>
<td>3,486,151</td>
<td>9,400,237</td>
</tr>
<tr>
<td>Gross Carrying Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 to 90 Days</td>
<td>392,535</td>
</tr>
<tr>
<td></td>
<td>360 Days</td>
<td>13,947,377</td>
</tr>
<tr>
<td></td>
<td>180,953</td>
<td>13,766,422</td>
</tr>
<tr>
<td>LT-ECL (credit-impaired but not POCI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Internal rating grades</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performing</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>In default</td>
<td>265,480</td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
<td></td>
<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount at 31 December 2019</td>
<td>265,480</td>
<td></td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
<td></td>
<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Loss allowance at 31 December 2019</td>
<td>(265,480)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(98,836)</td>
<td>(252,473)</td>
</tr>
<tr>
<td></td>
<td>(70,696)</td>
<td></td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2019</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
| Trade receivables – tested collectively:
|                           | The Group | The Company |
|                           | 31 December 2019 |             |
| Expected Credit Loss Rate | 0.2%      | 0.2%        |
|                        | 3,493,136 | 9,420,171   |
|                        | 6,985     | 19,933      |
|                        | 3,486,151 | 9,400,237   |
| Gross Carrying Amount    |          |             |
|                        | 30 to 90 Days | 392,535 |
|                        | 360 Days  | 13,947,377  |
|                        | 180,953   | 13,766,422  |
| LT-ECL (credit-impaired but not POCI) | | |
|                        | 2019      | 2018        |
| Internal rating grades   |          |             |
|                        | Performing | -           |
|                        | In default | 265,480    |
|                        | 98,836    | 252,473     |
|                        | 70,696    |             |
| Gross carrying amount at 31 December 2019 | 265,480 | |
|                        | 98,836    | 252,473     |
|                        | 70,696    |             |
| Loss allowance at 31 December 2019 | (265,480) | |
|                        | (98,836)  | (252,473)   |
|                        | (70,696)  |             |
| Net carrying amount at 31 December 2019 | - | |

The table below details the risk profile of trade receivables for which a provision matrix is applied:

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Credit Loss Rate</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
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<td>9,420,171</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>3,486,151</td>
<td>9,400,237</td>
</tr>
<tr>
<td>Gross Carrying Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 to 90 Days</td>
<td>392,535</td>
</tr>
<tr>
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<td>13,947,377</td>
</tr>
<tr>
<td></td>
<td>180,953</td>
<td>13,766,422</td>
</tr>
<tr>
<td>LT-ECL (credit-impaired but not POCI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Internal rating grades</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performing</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>In default</td>
<td>265,480</td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
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<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount at 31 December 2019</td>
<td>265,480</td>
<td></td>
</tr>
<tr>
<td></td>
<td>98,836</td>
<td>252,473</td>
</tr>
<tr>
<td></td>
<td>70,696</td>
<td></td>
</tr>
<tr>
<td>Loss allowance at 31 December 2019</td>
<td>(265,480)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(98,836)</td>
<td>(252,473)</td>
</tr>
<tr>
<td></td>
<td>(70,696)</td>
<td></td>
</tr>
<tr>
<td>Net carrying amount at 31 December 2019</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
37. Financial Risk Management (CONTINUED)

The second largest single customer of the Group, Air Malta p.l.c., which is currently going through a restructuring process, is the Group’s second largest single customer. Air Malta p.l.c. feels confident that the Group’s and the Company’s exposure to Air Malta p.l.c. will not jeopardize in any way the Group’s ability to continue operations for the foreseeable future and that Air Malta p.l.c. will meet its obligations.

The cash at bank balances held by the Group and the Company are disclosed in Note 28. Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions (1 January 2019: BBB by Standard & Poor’s, BBB- by Fitch, 31 December 2019: BBB- by Standard & Poor’s and BBB by Fitch).

The same ECL Rates are applied to the Company’s debtors with a gross carrying amount of EUR 15,317,850 (2018: EUR 17,091,024), and a collective LT-ECL of EUR 180,953 (2018: EUR 63,017) of which an amount of EUR 72,276 (2018: EUR 30,833) is in relation to trade debtors that are more than 360 days past due. The Company’s exposure to this customer is not materially different to that of the Group.

Cash and cash equivalents

The cash at bank balances held by the Group and the Company are disclosed in Note 28. Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions (1 January 2019: BBB by Standard & Poor’s and BBB by Fitch, 31 December 2019: BBB- by Standard & Poor’s and BBB by Fitch).

The Group determined that the loans and the undrawn loan commitments did not result in a significant increase in credit risk, as compared to the risk of default on initial recognition and accordingly a 12m-ECL applies. On the basis of the expected manner of recovery of the loans and the possible alternative strategies available to the borrower, the Company concluded that full recovery is expected, taking into consideration the financial position of the respective counterparty and, where applicable, forward-looking information that addresses the future prospects of the industries in which the borrower operates and information that relates to the borrower’s core operations. Consequently, the resulting 12m-ECL in terms of IFRS 9 are not considered to be material.

Liquidity Risk

The tables below summarise the maturity profile of the Group’s and Company’s financial liabilities at 31 December 2018 and 2019 based on contractual undiscounted payments.

<table>
<thead>
<tr>
<th>12m-ECL</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>External rating grades</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB negative (Fitch), BBB- (S&amp;P)</td>
<td>28,174,981</td>
<td>20,253,186</td>
</tr>
<tr>
<td>Gross/Net Carrying Amount at 31 December 2019</td>
<td>28,174,981</td>
<td>20,253,186</td>
</tr>
</tbody>
</table>

On the basis of the low credit risk exemption, the resulting 12m-ECL in terms of IFRS 9 are not considered to be material.

Term Deposits

The Group holds its term deposits with the same reputable and investment grade rated banking institutions as its cash and cash equivalents as outlined above.

<table>
<thead>
<tr>
<th>12m-ECL</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Lease payables</td>
<td>52,755,835</td>
<td>137,424,399</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,046,151</td>
<td>1,046,151</td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,737,338</td>
<td>2,737,338</td>
</tr>
<tr>
<td></td>
<td>56,539,324</td>
<td>141,207,888</td>
</tr>
</tbody>
</table>

On the basis of the low credit risk exemption, the resulting 12m-ECL in terms of IFRS 9 are not considered to be material.

Term Deposits

The Group holds its term deposits with the same reputable and investment grade rated banking institutions as its cash and cash equivalents as outlined above.

<table>
<thead>
<tr>
<th>12m-ECL</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in EUR)</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Lease payables</td>
<td>8,352,995</td>
<td>8,352,995</td>
</tr>
<tr>
<td>Other payables</td>
<td>2,044,849</td>
<td>2,044,849</td>
</tr>
<tr>
<td>Trade payables</td>
<td>10,397,844</td>
<td>10,397,844</td>
</tr>
<tr>
<td></td>
<td>37. Financial Risk Management (CONTINUED)</td>
<td></td>
</tr>
</tbody>
</table>

The Group holds its term deposits with the same reputable and investment grade rated banking institutions as its cash and cash equivalents as outlined above.
37. Financial Risk Management (CONTINUED)

### The Company

<table>
<thead>
<tr>
<th>Carrying Amount (in EUR)</th>
<th>Gross Cash Flows</th>
<th>&lt; 1 year</th>
<th>1-5 Years</th>
<th>&gt; 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease payables</td>
<td>52,755,835</td>
<td>137,424,399</td>
<td>1,647,117</td>
<td>7,011,621</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,905,584</td>
<td>1,905,584</td>
<td>1,905,584</td>
<td>1,905,584</td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,549,563</td>
<td>2,549,563</td>
<td>2,549,563</td>
<td>2,549,563</td>
</tr>
</tbody>
</table>

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows.

### Capital Management

One of the objectives of the Group and the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Group and the Company manage their capital structure and adjust it, in light of changes in economic conditions. No changes were made in the objectives and processes during the years ended 31 December 2019 and 31 December 2018.

### 38. 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 31 December 2019 for the Group and the Company, such as outstanding legal proceedings or claims for damages and other obligations or impairing losses that must be recognised or disclosed in accordance with IAS 10 – are included in these consolidated financial statements.

### 39. Significant Accounting Policies

#### Scope of Consolidation

The consolidated financial statements include all subsidiaries, with the exception of Kirkop PV Farm Limited, as its economic significance and influence on the financial position, financial performance and cash flows of the Group is immaterial. The net liability position of Kirkop PV Farm Limited is under EUR 3,000 (2018: under EUR 3,000). Kirkop PV Farm Limited did not commence to trade by the balance sheet date.

The 2019 and 2018 consolidated financial statements include Malta International Airport p.l.c. as well as three domestic subsidiaries that are controlled by Malta International Airport p.l.c.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control or from the date of set-up under the control of the Company and continue to be consolidated until the date such control ceases.

### 39. Significant Accounting Policies (CONTINUED)

#### FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

#### PROPERTY, PLANT AND EQUIPMENT

The Group’s and the Company’s property, plant and equipment are classified into the following classes – land held as temporary emphyteusis, related aerodrome licence, buildings, furniture, fixtures, plant and equipment and motor vehicles.

With effect from 1 January 2019, upfront payments in relation to the temporary emphyteusis of the leasehold land and buildings are reclassified to right-of-use assets. With effect from 1 January 2019, property, plant and equipment also include right-of-use assets in terms of IFRS 16. The accounting policy for right-of-use assets is included below in the Section entitled ‘Leases’.

With effect from 1 January 2019, property, plant and equipment also include the right-of-use assets in relation to the related licence over the aerodrome, which includes the Airfield. The management of the Airfield is considered to be integral to the use of the land and buildings held as temporary emphyteusis, with the Group having an obligation to manage the Airfield for the same duration of the emphyteusis. The Group considers the licence as being inseparable from the right to use the Airfield (being the tangible component). It is also not possible to split the right to operate the Airfield from the right to use the Airfield and the Group considers the use of the Airfield to be the most significant element of the transaction.

### PROPERTIES IN THE COURSE OF CONSTRUCTION

Properties in the course of construction for production supply or administrative purposes are classified as property, plant and equipment and are carried at cost less any identified impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Company’s accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Properties in the course of construction for future use as investment property are classified as investment property. Existing investment property that is being redeveloped for continued future use as investment property continues to be classified as investment property.

### INVESTMENT PROPERTY

With effect from 1 January 2019, investment property also includes right-of-use assets in terms of IFRS 16. The accounting policy for right-of-use assets is included below in the Section entitled ‘Leases’.

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.
39. Significant Accounting Policies (CONTINUED)

**Investment property**

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are recognised in profit or loss in the period of derecognition.

**Depreciation**

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss, so as to write off the cost less any estimated residual value, over their estimated useful lives (unless this exceeds the end of any applicable leases or emphyteusis, in which case the accounting policy in the Section entitled ‘Leases’ applies), using the straight-line method, on the following bases:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land held on temporary emphyteusis</td>
<td>by equal annual instalments over the remaining term of the emphyteusis</td>
</tr>
<tr>
<td>Buildings classified within Property, Plant and Equipment</td>
<td>2% to 5% per annum</td>
</tr>
<tr>
<td>Furniture, fixtures, plant and equipment classified within Property, Plant and Equipment</td>
<td>10% to 33 1/3% per annum</td>
</tr>
<tr>
<td>Motor vehicles classified within Property, Plant and Equipment</td>
<td>20% per annum</td>
</tr>
<tr>
<td>Investment property (other than the land component)</td>
<td>5% to 15% per annum</td>
</tr>
</tbody>
</table>

**Impairment of Non-Financial Assets and Investments in Subsidiaries**

At each reporting date, the carrying amount of assets other than financial assets measured at amortised cost, including property, plant and equipment, investment property and investments in subsidiaries is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of such assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value-in-use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income against the asset’s revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

**Other Financial Assets**

This accounting policy is in relation to the following other financial assets:

- Trade and other receivables
- Term deposits
- Cash and cash equivalents
- Loans receivable

The significant accounting policies for other financial assets are as follows:

- 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 amount outstanding, to the extent that the financial asset is not designated at FVTPL (fair value option).
- A financial asset is measured at FVOCI 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 amount outstanding, to the extent that the financial asset is not designated at FVTPL (fair value option).
- An equity investment that is not held for trading may be irrevocably designated as at FVOCI with any subsequent changes in fair value being presented in OCI. This election is made on an investment-by-investment basis. Otherwise, the equity investment 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.
39. Significant Accounting Policies

OTHER FINANCIAL ASSETS

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Subsequent Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets</td>
<td></td>
</tr>
<tr>
<td>at FVOCI</td>
<td>The Group and the Company do not have any financial assets classified within this category. These assets are subsequently measured at FV and net gains and losses are recognised in profit or loss. The following financial assets are classified within this category – trade and other receivables, term deposit, cash at bank and loans receivable. These assets are subsequently measured at AC using the effective interest method. Interest income, foreign exchange gains and losses 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.</td>
</tr>
<tr>
<td>at AC</td>
<td>The Group and the Company do not have any financial assets classified within this category. These assets are subsequently measured at AC, term deposit is 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 the ECLs that result from default events that are considered to be immaterial. For these assets, lifetime ECLs (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.</td>
</tr>
<tr>
<td>Debt Investments</td>
<td>The Group and the Company do not have any financial assets classified within this category. These assets are subsequently measured at FV. Interest income calculated using the effective interest method, foreign exchange gains and losses 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.</td>
</tr>
<tr>
<td>at FVOCI</td>
<td>The Group and the Company do not have any financial assets classified within this category. 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.</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>The Group and the Company do not have any financial assets classified within this category. 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.</td>
</tr>
<tr>
<td></td>
<td>Impairment gains or losses are recognized 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.</td>
</tr>
</tbody>
</table>

IMPAIRMENT OF OTHER FINANCIAL ASSETS

Credit losses are determined based on the ECL model. The ECL 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 measurement of ECLs 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.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Forward-looking information considered includes economic and industry indicators such as GDP, unemployment rates and/or industry projections as well as factors that are specific to the debtors, unless the effect is considered to be immaterial.

ECLs are determined by means of a three-stage model for impairment (the general approach) 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 ECLs 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 ECLs 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.

Simplified approach

The Group applies the simplified approach for trade receivables and contract assets that do not contain a significant financing component. The Group’s trade receivables are of a short-term nature as they are based on credit terms of less than one year and, thus, do not include a significant financing component.

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 to reflect current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Such adjustments are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial. For the purpose of the provision matrix, loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate is adjusted to take into consideration the proportion of actual recoveries over the selected period.
39. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS (CONTINUED)

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 borrower’s ability to meet its debt obligations, an actual or expected significant deterioration in the operating results of the borrower, an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations.

Forward-looking information considered includes economic and industry indicators such as GDP, unemployment rates and/or industry projections as well as factors that are specific to the debtors, unless the effect is considered to be immaterial.

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

Despite the aforesaid, it is assumed 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. A financial asset is considered to have low credit risk when it has an internal or external credit rating of ‘investment grade’ as per globally understood definitions. The Group and the Company have applied the low credit risk assumption for the following classes of financial assets – cash at bank with an external credit rating of investment grade.

Definition of default
For internal credit risk management purposes, the Group considers it as constituting an event of default when historical experience or information indicates that a financial asset is generally not recoverable as the debtor is unlikely to pay its creditors in full, without taking into account any collateral held by the Group or the Company.

Irrespective of the above analysis, default is considered to have occurred when a financial asset is more than 90 days past due unless reasonable and supportable information is available to demonstrate that a more lagging default criterion is more appropriate. The Group and the Company rebut the 90 days past due presumption for trade receivables since they have reasonable and supportable information to demonstrate that a more lagging default criterion of 360 days past due is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: 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, the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider, the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Group and the Company write 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.

Revenue from 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 certain car parks. The accounting policies for this revenue stream are addressed below.

The remainder of this note addresses regulated and unregulated revenue from contracts with customers.

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 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 receivables’. 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. A receivable is recognised 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.

In determining the transaction price, consideration is also made of contributions payable to airlines through a
39. Significant Accounting Policies (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

government entity, in an effort to improve the number of passengers departing from the airport, thus resulting in additional revenues to the Company and the Group. Such contributions are payable to the Air Route Development Fund that is administered by the government entity, with a particular focus being made on the timing and destination of strategic routes which result in increased revenues. The allocations that are made by this Fund to the respective airlines are subject to the satisfaction by the airlines of the conditions attaching to eligibility for such contributions and accordingly any revenues disclosed in the respective notes are gross of any such contributions. The amounts payable by the Company and the Group to the Fund are non-refundable and vary with the number of passenger departures, subject to a fixed cap. These amounts are treated as a reduction of the transaction price (and therefore, of revenue) since such payments are not considered to be in exchange for a distinct good or service that the customers, or the government entity, transfer to the Company or the Group. These amounts are included within the line item ‘Trade and other payables’ until they are settled. No estimates are required in this regard since the extent of the consideration payable is dependent on the number of passenger departures and thus corresponds to the Company’s and the Group’s efforts to satisfy its performance obligation, with such allocation being consistent with the objective of allocating the transaction price in an amount that depicts the amount of consideration to which the Company and the Group expect to be entitled in exchange for transferring the promised services to the customers.

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.

- Ground handling concession income - revenue from ground handling and infrastructure provided for the right to provide their services (ground handling, fuelling) within the airport perimeter for the duration of the respective contracts. The 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 the aircraft. 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. A receivable is recognised 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 parks which is addressed by the accounting policy on leases. The 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. Besides, income from the sale of car park access cards, which allow customers to make use of the car park over a fixed period of time, is recognised over time on straight-line basis for the duration of the contract.

- Income from VIP services primarily represents revenue generated through the provision of services, such as access to airport lounges and ancillary services (e.g. portage, 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 is satisfied over time. 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 with any deferred income being recognised as a contract liability within the line item ‘Trade and other payables’.

- 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.

In addition to the above-mentioned revenue streams, the Group and the Company generate other income that is classified within unregulated revenue, which arises from a variety of services, such as the issuance of security passes, the provision of luggage trolleys, lost and found services and left luggage.

INTEREST INCOME

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. Interest income is recognised to the extent that it is probable that future economic benefits will flow to the Group entity and these can be measured reliably.

GRANTS

Grants are recognised when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received. Grants related to income are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Such grants are presented as part of profit or loss. Grants related to assets are presented in the Statement of Financial Position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

DEFERRED INCOME

Deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2003 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

39. Significant Accounting Policies (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

- 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.

In addition to the above-mentioned revenue streams, the Group and the Company generate other income that is classified within unregulated revenue, which arises from a variety of services, such as the issuance of security passes, the provision of luggage trolleys, lost and found services and left luggage.

INTEREST INCOME

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. Interest income is recognised to the extent that it is probable that future economic benefits will flow to the Group entity and these can be measured reliably.

GRANTS

Grants are recognised when there is reasonable assurance that all the conditions attached to them are complied with and the grants will be received. Grants related to income are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Such grants are presented as part of profit or loss. Grants related to assets are presented in the Statement of Financial Position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

DEFERRED INCOME

Deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2003 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

The Group as a lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Where the Company is a lessee, rentals payable under operating leases less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the users’ benefit.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Lease classification is made at inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.

Rentals receivable under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which use benefit derived from the leased asset is diminished.

Current year

The Group as a lessee

For any contract entered into by the Group, it considers whether the contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Group assesses whether the contract meets three key evaluations which are (1) whether the contract contains an identified asset; (2) whether the Group has the right to obtain substantially all of the economic benefits from use throughout the period of use; and (3) whether the Group has the right to direct the use of the identified asset throughout the period of use.
39. Significant Accounting Policies (CONTINUED)

LEASES (CONTINUED)

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The Group measures the lease liability at the lease commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease (if that rate is readily determinable) or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) less any incentives receivable, variable payments based on an index or rate (initially measured using the index or rate at the commencement date), amounts expected to be payable under a residual value guarantee and payments arising from purchase options or termination penalties reasonably certain to be exercised.

Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss (unless the costs are included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occurs.

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made at or before the lease commencement date.

Right-of-use assets are subsequently measured using the cost model. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The Group also assesses the right-of-use asset for impairment when such indicators exist using the accounting policy described in the Section entitled ‘Impairment of Non-Financial Assets and Investments in Subsidiaries’.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest (using the effective interest method). It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group accounts for short-term leases and leases of low-value assets using the recognition exemptions. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term or another systematic basis that is more representative of the pattern of the lessee’s benefit.

As a practical expedient, a lessee is permitted not to separate non-lease components from lease components, and instead account for any lease and associated non-lease components as a single lease component. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A lessee accounts for a lease modification as a separate lease if both (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the lessee allocates the consideration accordingly, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The Group does not present right-of-use assets separately from other assets in the statement of financial position. It includes such assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets are presented within Property, plant and Equipment and Investment Property. The Group presents lease liabilities separately from other liabilities in the Statement of Financial Position.

In the Statement of profit or loss and other comprehensive income, the Group presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. The lease payments attributable to low value items and short-term leases for which the recognition exemption is applied, together with variable lease payments

Leases (CONTINUED)

not included in the measurement of the lease liability, are presented within ‘Other operating expenses.’

In the Statement of Cash Flows, the Group classifies cash payments for the principal portion of the lease liability within financing activities and the cash payments for the interest portion of the lease liability within operating activities.

The Group as a lessor

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group’s remaining accounting policy under IFRS 16 has not changed from the comparative period.

Furthermore, for a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract applying IFRS 15. With respect to modifications to an operating lease in which the Group is a lessor, such modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

TAXATION

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

The charge for current tax is based on the taxable result for the year. The taxable result for the year differs from the result as reported in profit or loss because it excludes items which are non-taxable or disallowed for tax purposes and it further excludes items that are taxable or deductible in other periods. The tax charge is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets (including deferred tax assets for the carry forward of unused tax losses and unused tax credits) are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. Deferred tax is recognised as an asset at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be accounted for in the computation of taxable profit. Deferred tax assets and liabilities are offset when the Group and the Company have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes are levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which satisfy certain criteria.

EMPLOYEE BENEFITS

Employee benefits include short-term benefits and post-employment benefits.

Short-term employee benefits

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

Retirement plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised as an expense at the earlier of the following dates (a) when the plan amendment or curtailment occurs and (b) when the entity recognises related restructuring costs or termination benefits. The amount recognised in the Statement of Financial Position represents the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods. The service cost and the net interest on the net defined benefit liability are recognised in profit or loss.

Remeasurements of the net defined benefit liability, comprising actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Such remeasurements are reflected immediately in retained earnings.
are not recognised for future operating losses.

The expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, if appropriate, the effects of changes in actuarial assumptions. Actuarial assumptions are an entity’s best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

PROVISIONS
Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

CURRENCY TRANSLATION
Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated to the functional currency at the spot rate of exchange ruling at the date of the Statement of Financial Position. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a currency other than the functional currency are translated using the exchange rates at the date when the fair value is determined.

DIVIDENDS
Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.

39. Significant Accounting Policies (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity’s best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

PROVISIONS
Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

CURRENCY TRANSLATION
Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated to the functional currency at the spot rate of exchange ruling at the date of the Statement of Financial Position. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a currency other than the functional currency are translated using the exchange rates at the date when the fair value is determined.

DIVIDENDS
Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.
The inclusion within the scope of IFRS 16 of the Report, and supporting key data, investments and outlook report, the Retail & Property report, the Sustainability and (ii) the Chairman’s message, the Chief Executive Officer’s which we obtained prior to the date of this auditor’s report, and the Corporate Governance Statement of Compliance, to the financial statements.

The weighted average incremental borrowing rate that MIA applied to its lease liabilities as at 1 January 2019 was 4.07% per annum, reflecting the rate of interest that it would have to pay to borrow over a similar term, and with a similar security; the funds necessary to obtain an asset of a similar value to the right of use assets in a similar economic environment. The selection of the applicable rate has a significant effect on these financial statements. An increase of 50 basis points would have resulted in a decrease in lease liabilities and right-of-use assets of EUR 4.8 million as at 1 January 2019 whilst a decrease of 50 basis points would have resulted in an increase in lease liabilities and right-of-use assets of EUR 5.6 million as disclosed in note 4.1.

The inclusion within the scope of IFRS 16 of the aerodrome licence, resulting in additional lease liabilities and right-of-use assets of EUR 10.7 million as at 1 January 2019, after consideration of the factors disclosed in note 4.1.

Our audit procedures included use of IFRS specialists to assess in particular the manner in which MIA implemented the new requirements in IFRS 16 for the financial year ended 31 December 2019, including the review of applicable accounting policies, the inclusion of the licence fee within the scope of the Standard and the inclusion of the required additional disclosures therein. In addition, with respect to the incremental borrowing rate we have reviewed the information directly obtained by MIA from its bank and involved valuation specialists to assess the appropriateness of this rate in light of the specific characteristics of the lease, in particular the long remaining lease term of the temporary epiphysis and the related aerodrome licence until 2067.

MIA’s disclosures on this matter are primarily set out in notes 4.1, 32 and 33, with the accounting policies explained in note 39 to the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND THE AUDITOR’S REPORT THEREON

The directors are responsible for the other information. The other information comprises (i) the General Information, the Directors’ report, the Statement of Directors’ Responsibilities and the Corporate Governance Statement of Compliance, which we obtained prior to the date of this auditor’s report, and (iii) the Chairman’s message, the Chief Executive Officer’s review, information on strategy and employees, the Aviation report, the Retail & Property report, the Sustainability Report, and supporting key data, investments and outlook information which is expected to be made available to us after the date of this audit report. However, the other information does not include the individual and consolidated financial statements and our auditor’s report thereon.

Except for our opinions on the Directors’ Report in accordance with the Companies Act (Cap. 386) and on the Corporate Governance Statement of Compliance in accordance with the Listing Rules issued by the Maltese Listing Authority, our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors’ Report, we also considered whether the Directors’ Report includes the disclosure requirements of article 177 of the Companies Act (Cap. 386), and the statement required by Listing Rule 5.62 on the Company’s and the Group’s ability to continue as a going concern.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND THE AUDITOR’S REPORT

When we read the other information expected to be made available to us after the date of this audit report and set out in paragraph (i) above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and, if necessary, to take appropriate action, considering our legal rights and obligations, to seek to have an uncorrected material misstatement appropriately brought to the attention of users for whom the auditor’s report is prepared, for example by addressing the matter in a general meeting of shareholders.

In accordance with the requirements of sub-article 179(9) of the Companies Act (Cap. 386) in relation to the Directors’ Report on pages 65 to 73, in our opinion, based on the work undertaken in the course of the audit:

• the information given in the Directors’ Report for the financial year for which the individual and consolidated financial statements are prepared is consistent with those financial statements; and

FINANCIAL REPORT

• the Directors’ Report has been prepared in accordance with the applicable legal requirements.

In the light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors’ Report.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors’ Responsibilities on page 74, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Companies Act (Cap. 386), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the Company’s and the Group’s financial reporting process to the Audit Committee.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

• Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We also form an opinion on the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

REPORT ON CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company’s annual financial report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Listing Rule 5.97.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company’s annual financial report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Listing Rule 5.97.

We are not required to, and we do not, consider whether the directors’ statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company’s corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 75 to 84 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION UNDER THE COMPANIES ACT

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

• proper accounting records have not been kept;
• proper returns adequate for our audit have not been received from branches not visited by us;
• the financial statements are not in agreement with the accounting records and returns; or
• we have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We have nothing to report to you in respect of these responsibilities.

AUDITOR TENURE

We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group, following the Company’s equity listing in December 2002, on 9 July 2003 for the financial year ended 31 March 2004, and were subsequently reappointed as statutory auditor by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm since the Company became a public interest entity covers financial periods totalling 16 years and 9 months.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of article 11 of the EU Audit Regulation No. 537/2014.

Annabelle Zammit Pace AS DIRECTOR
IN THE NAME AND ON BEHALF OF DELOITTE AUDIT LIMITED
REGISTERED AUDITOR
CENTRAL BUSINESS DISTRICT, BIRKIRKARA, MALTA
26 FEBRUARY 2020
Notes