MALTA INTERNATIONAL AIRPORT PLC

Report 2019

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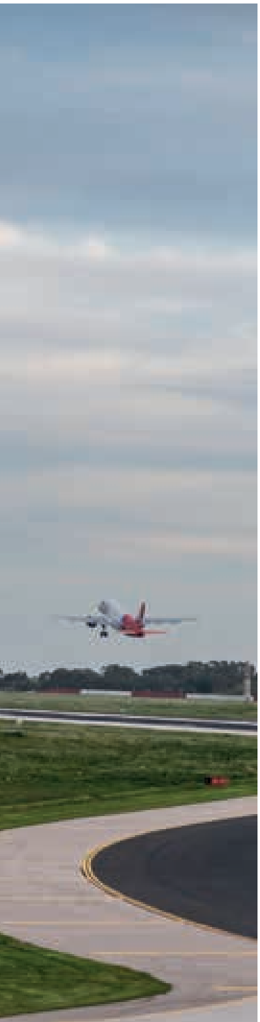
"Our vision is to offer the best airport experience in Europe that consistently seeks to delight our guests."



Introduction

Key Data

Industry Indicators	2019	Change	2018	2017
Passengers in million	**7.3**	7.4%	6.8	6.0
thereof transfer passengers	**23,891**	3.1%	23,164	14,553
Flight movements	**51,910**	6.5%	48,737	42,987
Seat occupancy in %	**81.8%**	0.0 pp	81.8%	82.4%
MTOW in million tonnes	**2.0**	6.0%	1.9	1.7
Cargo in tonnes	**18,498**	4.6%	17,684	16,177

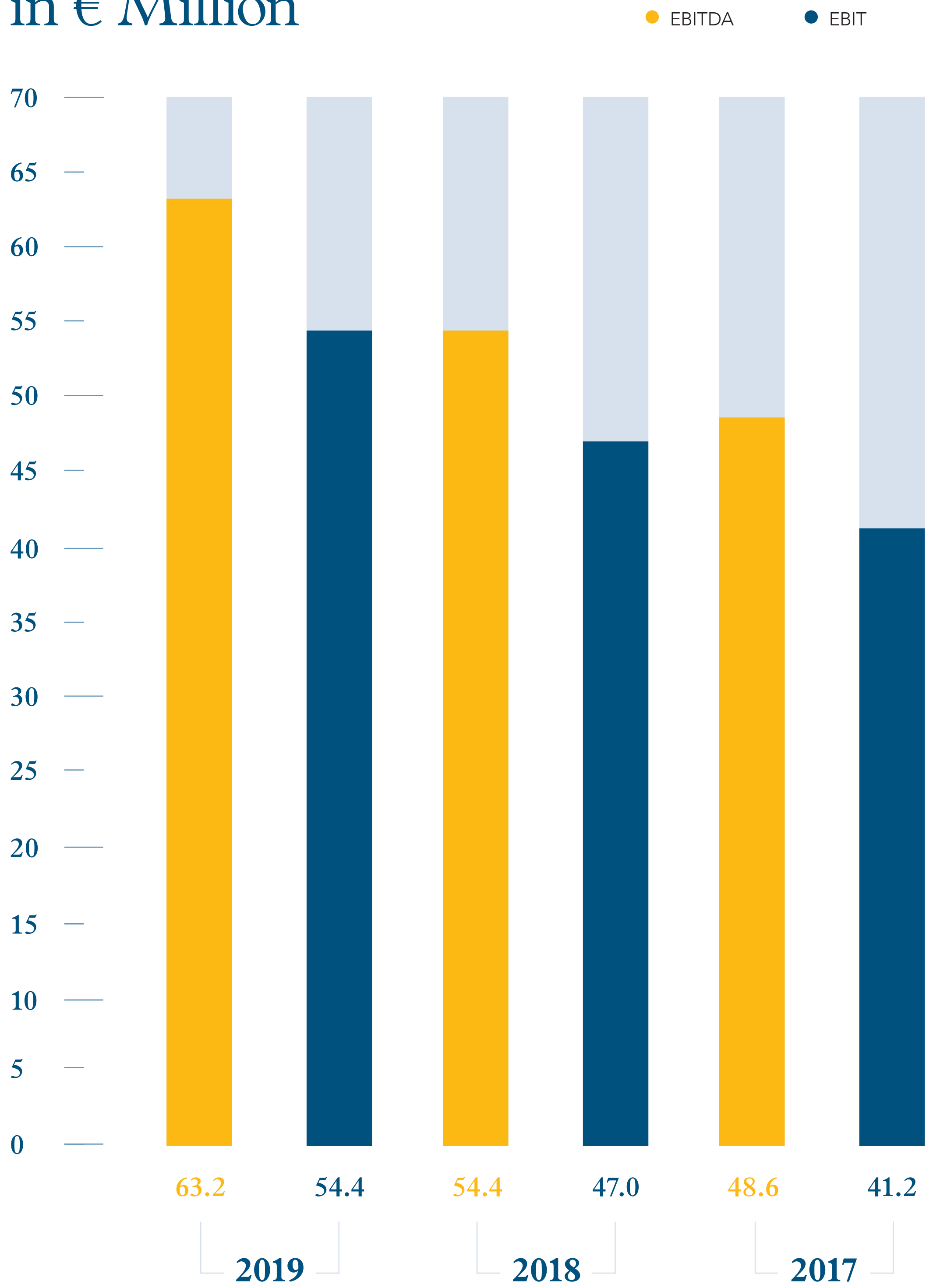
Financial Indicators (in € million)				
Total revenue	**100.2**	8.7%	92.2	82.4
thereof Aviation *	**70.8**	9.2%	64.8	58.3
thereof Non-Aviation *	**29.5**	7.6%	27.4	24.1
EBIT	**54.4**	15.5%	47.0	41.2
EBIT margin in %	**54.2%**	3.2 pp	51.0%	50.0%
EBITDA	**63.2**	16.0%	54.4	48.6
EBITDA margin in %	**63.0%**	4.0 pp	59.0%	59.0%
ROCE in % *	**27.1%**	2.6 pp	24.5%	27.0%
Net Profit	**33.9**	11.9%	30.3	24.2
Cash flow from operating activities	**49.0**	33.1%	36.8	42.7
Equity	**129.0**	14.6%	112.6	95.8
Balance sheet total	**238.0**	40.2%	169.8	182.9
Capital expenditure	**19.9**	135.2%	8.4	14.0
Taxes on income	**18.7**	11.3%	16.8	13.4
Average employees for the year	**379**	11.5%	340	307

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

* 2018 figures restated

** Reporting Year: Recommendation to the Annual General Meeting

EBITDA & EBIT in € Million



Revenue by Segment

Airport
70.6%
€70.8 Million

Retail & Property
29.0%
€29.1 Million

Other
0.4%
€0.4 Million

Chairman's Message

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.

Nikolaus Gretzmacher
CHAIRMAN

Messaġġ taċ-Ċermen

L-Ajruport Internazzjonali ta' Malta għalaq sena pożittiva oħra fl-2019, immarkata minn prestazzjoni finanzjarja b'saħħitha fl-attivitajiet relatati mal-avjazzjoni, il-bejgħ u l-proprjetà. Dawn ir-riżultati pożittivi ppermettew li l-Kumpanija tkompli tinvesti fis-servizzi li toffri lill-passiġġieri tagħha u fl-infrastruttura tal-ajruport kif ukoll fil-kampus tal-ajruport innifsu. Is-sena kienet pożittiva wkoll minħabba li l-ajruport irċieva għadd ta' voti ta' fiduċja fil-prestazzjoni tiegħu f'diversi oqsma; rikonoxximent li jinkoraġġina nkomplu naħdmu sabiex nirrealizzaw il-viżjoni tagħna li noffru l-aqwa esperjenza f'ajruport fl-Ewropa.

It-traffiku tal-ajru tal-Ajruport Internazzjonali ta' Malta kiber b'mod sinifikanti fl-2019, billi żdied b'7.4% sabiex intlaħqu 7.3 miljun moviment ta' passiġġieri sa tmiem is-sena. Skont ir-rapport annwali tat-traffiku ta' Airports Council International, it-traffiku tal-ajruport tagħna, kiber b'rata aktar mgħaġġla minn dak ta' ajruporti tal-istess daqs, b'dan il-grupp jirreġistra tkabbir medju ta' 3.0%.

Din iż-żieda fit-traffiku tal-passiġġieri rriżultat minn żieda fil-frekwenzi ta' għadd ta' titjiriet fin-netwerk tagħna u żviluppi ġodda fir-rotot li noffru li komplew iżidu l-konnettività tal-ajruport tagħna ma' bliet Ewropej u destinazzjonijiet iktar imbiegħda, fil-kontinenti tal-Afrika u l-Asja. L-iżviluppi u l-kisbiet fir-rigward tal-iżvilupp tat-traffiku u l-konnettività ġew rikonoxxuti fuq il-palk dinji waqt il-konferenza prestiġjuża għall-industrija tal-avjazzjoni World Routes Development Forum 2019.

Iż-żieda fin-numru ta' passiġġieri ġabet magħha wkoll pressjonijiet akbar, speċjalment fuq l-infrastruttura tal-ajruport li bħalissa għandha ċerti limitazzjonijiet, kif ukoll responsabbiltajiet addizzjonali għat-tim tal-ajruport. Tul is-sena li għaddiet, l-Ajruport Internazzjonali ta' Malta kompla jisma' mill-qrib dak li kellhom xi jgħidu l-passiġġieri tiegħu u ħa l-inizjattivi neċessarji kollha sabiex ikompli jtejjeb l-esperjenza fl-ajruport f'konformità mal-bżonnijiet u l-aspettattivi tagħhom. Dan wassal lill-ajruport sabiex jilħaq il-mira tiegħu li jikseb punteġġ għoli ta' 4.36 fil-qasam tas-sodisfazzjon tal-passiġġieri għat-tieni sena konsekuttiva fl-istħarriġ dwar il-Kwalità tas-Servizz fl-Ajruporti ta' Airports Council International.

Il-Kumpanija hija responsabbli wkoll li sena wara sena tirreġistra profitt li jibbenefikaw minnu l-partijiet interessati kollha, inklużi l-impjegati u l-azzjonisti tal-ajruport. Kien għalhekk li l-Kumpanija ħabbret b'sodisfazzjon li fl-2019 iż-żieda fin-numru ta' passiġġieri, kif ukoll l-isforzi ta' diversifikazzjoni tas-sorsi tad-dħul tagħha permezz tas-settur tal-bejgħ u tal-proprjetà, wasslu għal żieda ta' 11.9% fil-profitt nett sabiex dan kważi laħħaq €34 miljun. Din il-prestazzjoni finanzjarja sarrfet f'reżiljenza hekk kif l-imxija tal-Covid-19 ipparalizzat l-ivvjaġġar bl-ajru.

Sabiex tkompli tippreserva l-likwidità tagħha, fi sfond ta' inċertezza kbira, il-Kumpanija rrevediet il-programm ta' nefqa kapitali tagħha, u ħabbret li ma kinitx ser tagħti bidu għal ċerti investimenti ambizzjużi bħall-Proġett ta' Espansjoni tat-Terminal, li kien tħabbar f'Jannar 2020, sakemm ikollha stampa aktar ċara ta' kif ser tiżvolġi s-sitwazzjoni kurrenti.

Il-Kumpanija bħalissa qiegħda tiffoka fuq it-tlestija ta' proġetti li diġà kienu laħqu stadju avvanzat meta faqqgħet l-imxija tal-Covid-19. Wieħed minn dawn il-proġetti huwa investiment ta' €20 miljun f'parkeġġ ta' diversi sulari, li mistenni jiġi inawgurat aktar tard din is-sena u jkompli jtejjeb l-esperjenza fl-ajruport.

Filwaqt li l-Kumpanija implimentat għadd ta' miżuri sabiex tnaqqas in-nefqa tagħha, il-fiduċja u l-appoġġ li ma jonqsu xejn tal-azzjonisti, sħab tagħna u t-tim tal-ajruport ikomplu jweżnuna f'dawn iż-żminijiet ta' prova. Jiena nwiegħed li l-Kumpanija ser tkompli tagħmel l-almu tagħha sabiex tiġġestixxi l-impatti negattivi ta' din il-kriżi u tkompli tfassal pjan ta' rkupru li jqis in-numru ta' partijiet interessati li jiddependu fuq is-suċċess tal-Kumpanija.

Nikolaus Gretzmacher
ĊERMEN

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 were in the pipeline prior to the outbreak of the Covid-19 pandemic. For the foreseeable future, we will be directing our efforts towards managing coronavirus-induced fluctuations in business and forging a path to recovery.

I would like to take this opportunity to thank the Board and our shareholders for their continued support, particularly during these volatile times, as well as our team for its commitment as we continue to weather the current storm.

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. Another priority for the Company will be to continue working closely with local tourism entities to rebuild Malta's network over the coming years, in order to allow locals to once again benefit from convenient flight schedules and contribute to the recovery of the local tourism industry.

Alan Borg
CHIEF EXECUTIVE OFFICER

"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."

Rendikont tal-Kap Eżekuttiv

Is-sena 2019 għalqet deċennju ta' tkabbir għall-Ajruport Internazzjonali ta' Malta: 10 snin li matulhom it-traffiku rdoppja sabiex l-ajruport laqa' iktar minn 7 miljun passiġġier sal-aħħar tas-sena. Filwaqt li dan it-tkabbir irriżulta f'għadd ta' sfidi ġodda għall-operat tal-ajruport, il-Kumpanija ma naqsitx milli tipprovdi lill-passiġġieri servizz eċċellenti, b'mod partikolari permezz ta' investiment kontinwu fl-infrastruttura u l-ħaddiema.

Fl-2019, l-Ajruport Internazzjonali ta' Malta laqa' 7,310,289 passiġġier, biex b'hekk qabeż ir-rekord tas-sena ta' qabel b'aktar minn 400,000 moviment tal-passiġġieri. Dan it-tkabbir b'saħħtu ta' 7.4% fit-traffiku tal-passiġġieri rriżulta mill-isforzi tal-Kumpanija biex tifrex il-konċentrazzjoni staġjonali tat-turiżmu lejn il-pajjiż, billi tippromwovi lill-Gżejjer Maltin bħala destinazzjoni li tista' titgawda fi kwalunkwe żmien tas-sena. Fil-fatt, ix-xahar bl-iktar tkabbir mgħaġġel matul is-sena li għaddiet kien proprju Diċembru, hekk kif l-aħħar xahar tas-sena rreġistra tkabbir notevoli ta' 15.2%. Fost l-aktar fatturi kruċjali li kkontribwew għal dan it-tkabbir sostanzjali fit-traffiku tal-passiġġieri matul l-istaġun tax-xitwa nsibu r-reviżjoni tal-iskema ta' inċentivi tal-ajruport għal-linji tal-ajru, li tfasslet bl-għan li tattira kumpaniji tal-ajru ġodda filwaqt li fl-istess ħin tħeġġeġ kumpaniji oħra li diġà joperaw minn u lejn l-ajruport tagħna biex ikomplu jiżviluppaw is-servizzi tagħhom mill-Ajruport Internazzjonali ta' Malta.

Ħidma sfiqa u kollaborattiva flimkien mal-Gvern, il-partijiet interessati tal-pajjiż fil-qasam tat-turiżmu u l-kumpaniji tal-ajru msieħba tagħna wasslet għat-tnedija ta' 20 żvilupp ġdid fir-rotot tal-ajruport, li matul l-2019 offra konnessjonijiet diretti għal 129 destinazzjoni. Żvilupp partikolarment

interessanti, li jikkonforma wkoll mal-pjan strateġiku tagħna biex inżidu n-numru ta' passiġġieri minn swieq ġodda, hekk kif l-ikbar swieq tal-ajruport kienu qed jilħqu l-maturità, kienet iż-żieda fil-postijiet disponibbli fuq tlieta mir-rotot Spanjoli tagħna, li wasslet għal tkabbir ta' 17% fit-traffiku tal-passiġġieri minn Spanja. Barra minn hekk, it-tnedija tas-servizz il-ġdid ta' Qatar Airways mill-ajruport tagħna fl-2019 fetħet orizzonti ġodda għall-Maltin, minħabba n-netwerk estensiv tar-rotot li din il-kumpanija tal-ajru topera mill-bażi tagħha f'Doha.

Il-viżjoni tal-Ajruport Internazzjonali ta' Malta kompliet titwettaq billi l-Kumpanija żammet fil-qalba tal-operat tagħha l-valur prinċipali tagħha li toffri servizz eċċellenti lil kull passiġġier. L-isforzi ammirevoli tat-tim tal-ajruport biex iħares dan l-impenn li għandna lejn il-passiġġieri ġew rikonoxxuti mill-istess passiġġieri, li reġgħu taw il-vot ta' fiduċja tagħhom fl-istħarriġ tal-2019 tal-Kwalità tas-Servizz fl-Ajruporti (ASQ) tal-Kunsill Internazzjonali tal-Ajruporti. L-ajruport tagħna rnexxielu jikseb punteġġ tassew għoli ta' sodisfazzjon tal-passiġġieri ta' 4.36, li wasslu biex jingħata t-titlu tal-'Aqwa Ajruport fl-Ewropa' fost ajruporti tal-istess daqs għat-tieni sena konsekuttiva.

Il-prestazzjoni finanzjarja pożittiva tagħna fl-2019 ikkonfermat li l-mudell tad-dħul tagħna għadu sostenibbli, ladarba l-attivitajiet tal-bejgħ u l-proprjetà tal-ajruport komplew jirreġistraw tkabbir sostanzjali. Fil-fatt, l-Ajruport Internazzjonali ta' Malta rreġistra tkabbir ta' 8.7% fid-dħul fuq l-2018, li jinkludi dħul ta' iktar minn €29 miljun iġġenerat mill-istess attivitajiet tal-bejgħ u l-proprjetà tal-Kumpanija.

Mingħajr il-pedamenti finanzjarji sodi li stabbilejna matul is-snin li għaddew, bis-saħħa ta' mudell tan-negozju li jiffavorixxi riżultati fit-tul fuq dawk immedjati, il-Kumpanija kienet issibha iktar diffiċli li taffaċċja l-isfidi tas-sitwazzjoni li l-industrija globali tal-ivjaġġar u t-turiżmu sabet ruħha fiha. Filwaqt li l-Kumpanija ser tlesti l-proġett tal-parkeġġ ta' diversi sulari sal-aħħar tas-sena, ladarba x-xogħlijiet avvanzaw b'pass mgħaġġel fl-2019, il-Bord bħalissa qiegħed jevalwa l-vijabbiltà finanzjarja ta' proġetti oħra li l-Ajruport Internazzjonali ta' Malta kien qiegħed jippjana għalihom qabel ma laqtet lill-pajjiż il-pandemija tal-Covid-19. Fix-xhur li ġejjin, il-Kumpanija ser tkun qed tiffoka fuq il-ġestjoni tal-varjazzjonijiet fid-domanda tan-negozju kkawżati mill-coronavirus, u tfassal pjan ta' rkupru.

Nixtieq nieħu din l-opportunità biex nirringrazzja lill-Bord tad-Diretturi u lill-azzjonisti tagħna tal-appoġġ kontinwu tagħhom, b'mod partikolari fi żminijiet volatili bħal dawn li ninsabu fihom, kif ukoll lill-impjegati tagħna għall-impenn tagħhom hekk kif inkomplu nipprovaw negħlbu d-diffikultajiet attwali.

Hekk kif il-futur għalissa jidher li ser jibqa' kkaratterizzat mill-inċertezza, il-Kumpanija ser tkompli timmira li tilħaq bilanċ xieraq bejn l-isforzi tagħha sabiex tindirizza l-isfidi immedjati u l-kisba tal-objettivi tagħha fit-tul. Prijorità oħra li ser tkun qiegħda tiffoka fuqha l-Kumpanija hija l-bini mill-ġdid tan-netwerk tar-rotot ta' Malta flimkien mal-entitajiet tat-turiżmu lokali, sabiex il-pubbliku lokali eventwalment ikun jista' jerġa' jgawdi minn skedi ta' titjiriet konvenjenti u l-industrija tat-turiżmu terġa' tibda tirkupra.

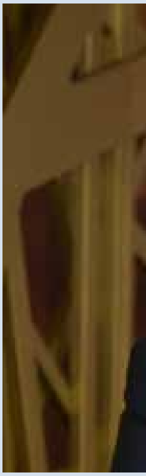
Alan Borg
KAP EŻEKUTTIV

"Hekk kif il-futur għalissa jidher li ser jibqa' kkaratterizzat mill-inċertezza, il-Kumpanija ser tkompli timmira li tilħaq bilanċ xieraq bejn l-isforzi tagħha sabiex tindirizza l-isfidi immedjati u l-kisba tal-objettivi tagħha fit-tul."

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.

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

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

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.

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.

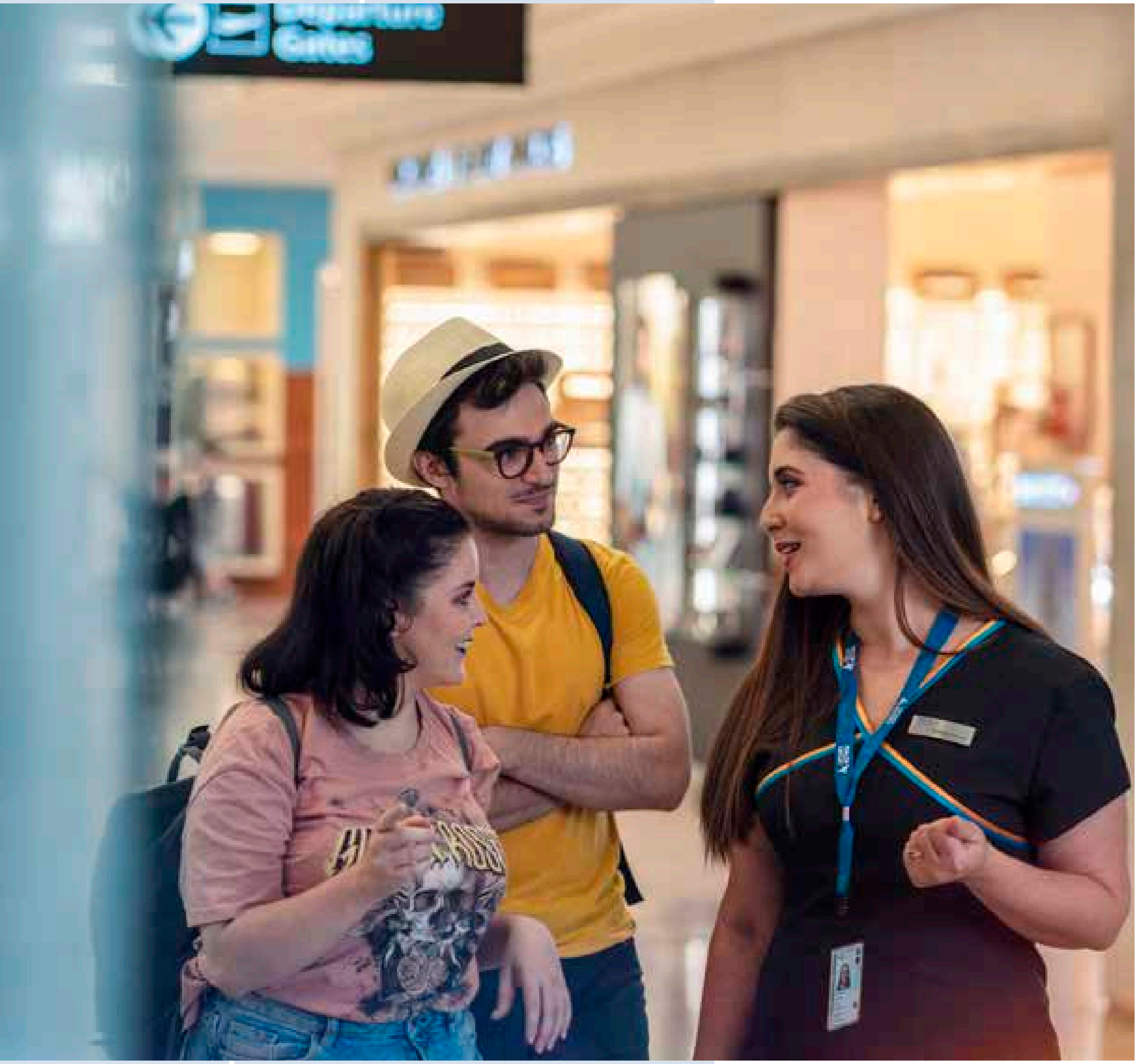
Guided by our vision to offer the best airport experience in Europe, we continue to invest in a well-designed, safe and efficient airport, which meets and exceeds the needs and expectations of our guests.

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.

CHAPTER III

Our People

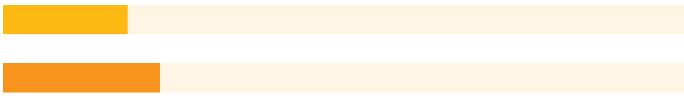


Malta International Airport's Human Resources Team strives to attract and retain the best talent. In a bid to nurture existent potential and develop new skills, the HR team ensures that all employees are equipped with the necessary tools and assets to allow them to support the Company's mission and work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



7.3% Turnover rate 2019

9.3% Turnover rate 2018

Training & Development

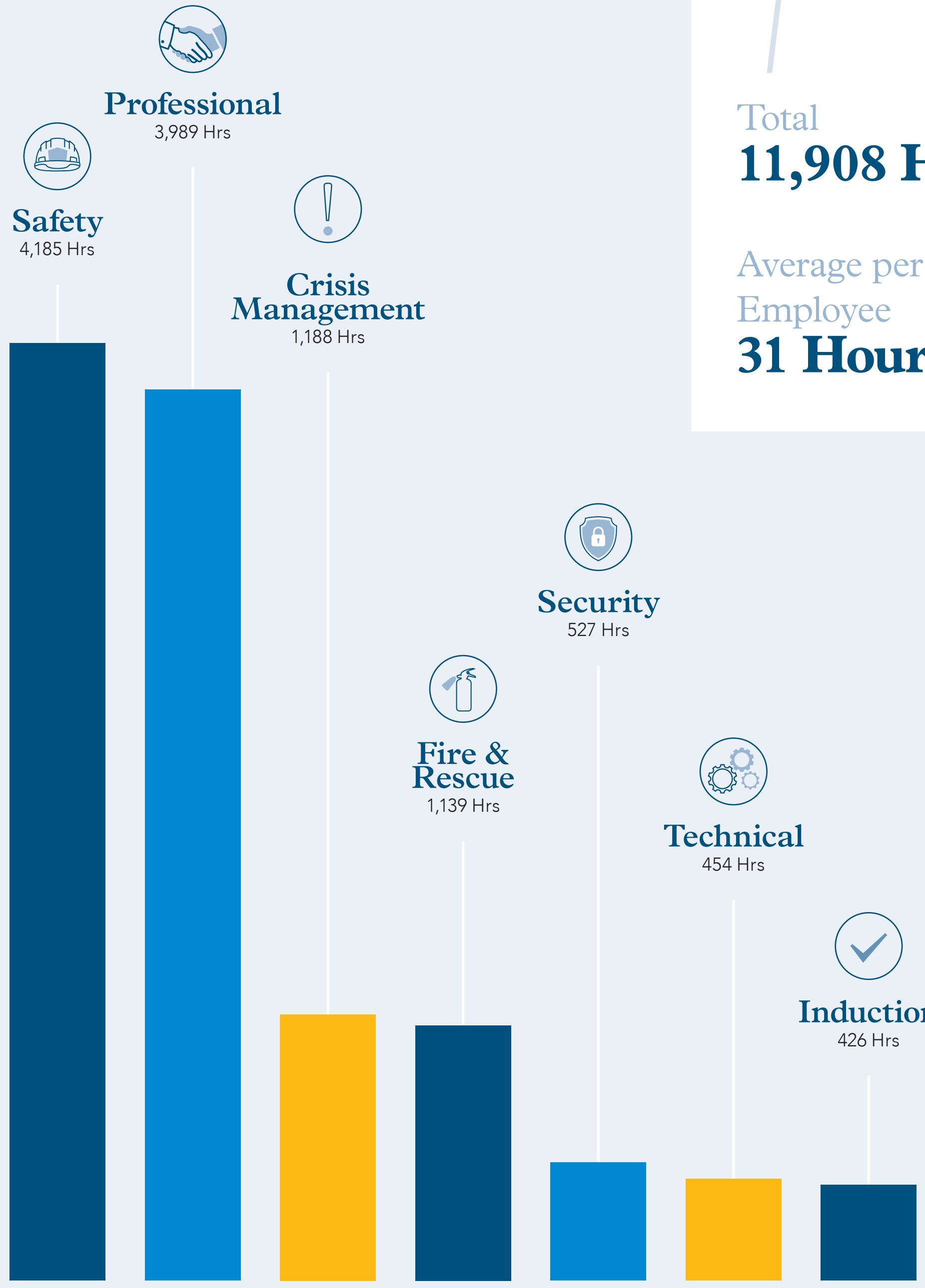
As our team grew to reach an average of 379 people, our commitment to delivering an excellent service to our guests remained unchanged. For this reason, the Company continued to invest in the professional development of its employees, encouraging them to uphold the Company's core values when providing 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.

Training Hours



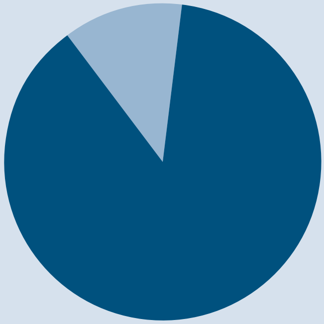
Total
11,908 Hours

Average per Employee
31 Hours

The Employee Survey & Wellbeing Initiatives

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.

89% believe that the Company prioritises employee wellbeing

CHAPTER IV

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 of providing the safest airport environment for employees, stakeholders and passengers.

The operational successes achieved by the airport during the past year largely resulted from the successful harmonisation of efforts between the Company, government entities, including the Civil Aviation Directorate, the Malta Air Traffic Services, Aviation Security Malta, and other aviation stakeholders, including ground-handlers, Enemed, the Armed Forces of Malta, the Malta Police Force, immigration agents, and customs officials. Fostering such solid relationships not only facilitates the day-to-day airport operations but also guarantees the provision of a singular customer experience at every stage of the passenger journey through Malta International Airport.

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 assure 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 8, 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.

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.

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.

Safety and Security

Rescue and Fire-Fighting Services

Malta International Airport's Rescue and Fire-Fighting Services (RFFS) team, composed of over 40 members, is responsible for maintaining a safe aviation environment on the Maltese islands by ensuring that the Company adheres to the International Civil Aviation Organisation (ICAO)'s established Standards and Recommended Practices.

In line with the aforementioned standards, Malta International Airport launched a call for offers for the procurement of three fire-fighting 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.

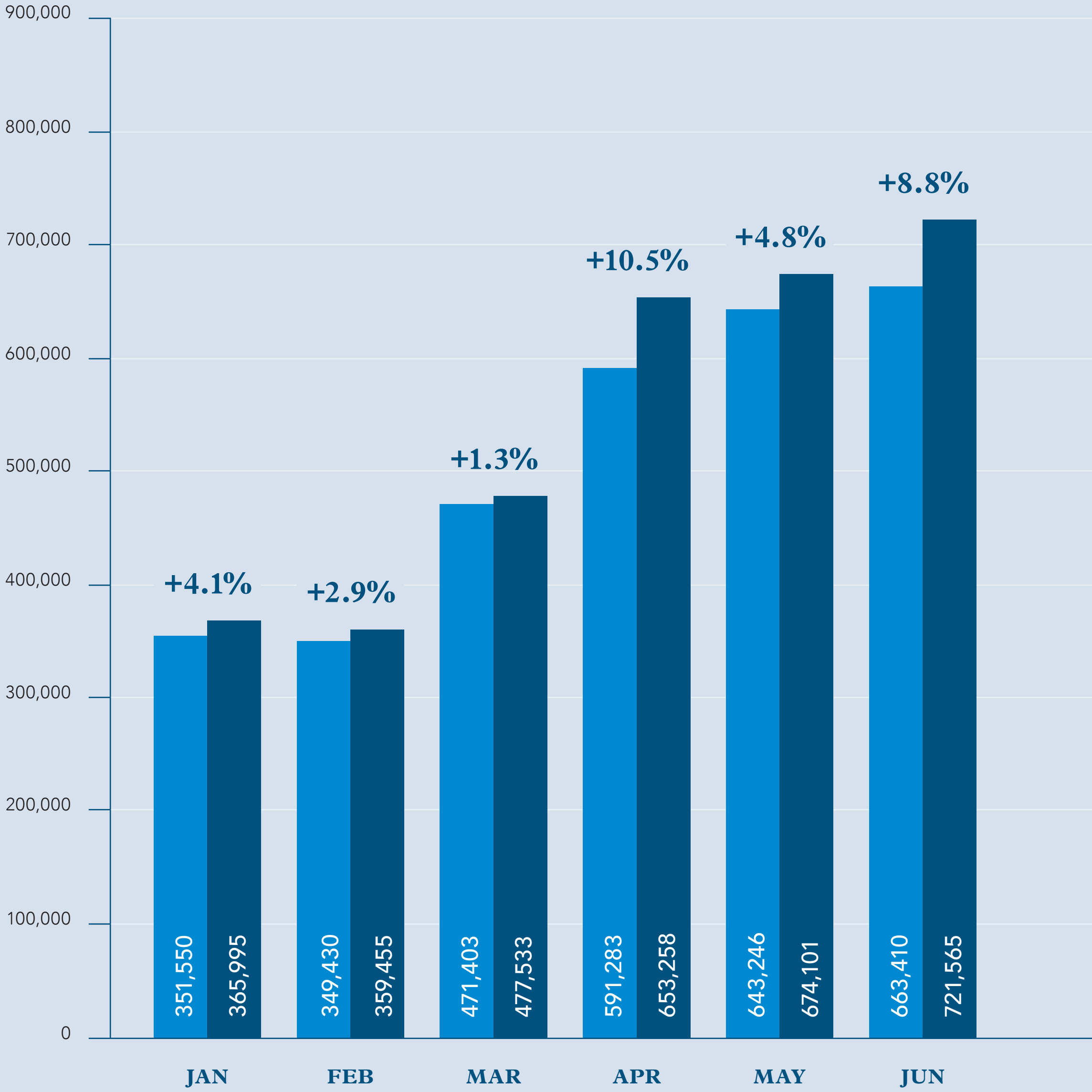
Risk Management

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.

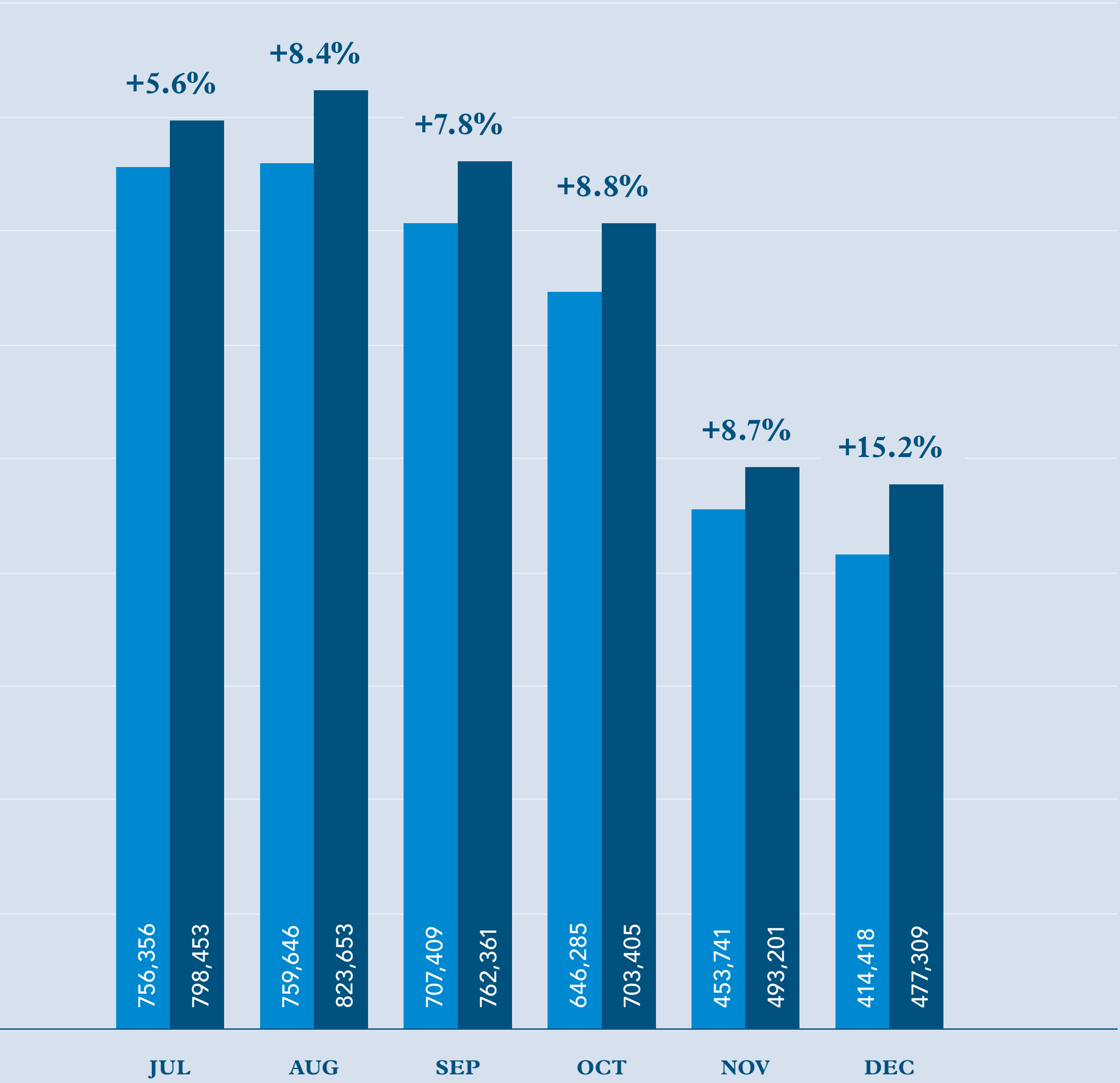
The airport's primary champion for risk identification and control is the Risk Management Committee, which convenes several times per year to discuss recent developments and review the Company's risk management approach. Moreover, the Committee ensures that all departments are directly involved in the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

Traffic Highlights



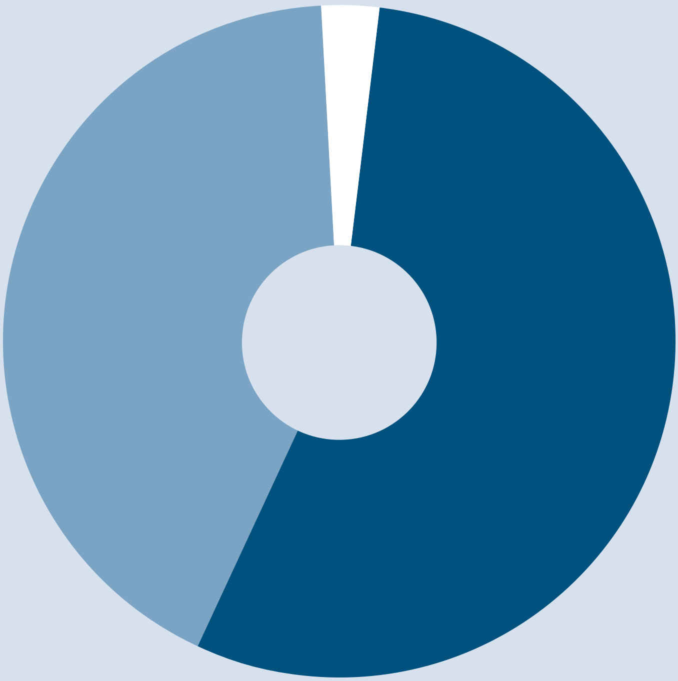
2019
2018
7,310,289
PASSENGER MOVEMENTS
6,808,177
PASSENGER MOVEMENTS
7.4%
GROWTH



+5.6%
+8.4%
+7.8%
+8.8%
+8.7%
+15.2%
756,356
798,453
759,646
823,653
707,409
762,361
646,285
703,405
453,741
493,201
414,418
477,309
JUL
AUG
SEP
OCT
NOV
DEC

Business Mix

Carrier	2019	2018	% Change
Low Cost	**4,005,158**	3,593,272	11.5%
Flag	**3,086,064**	3,023,867	2.1%
Charter	**218,811**	189,093	15.7%



Low-Cost Carriers
55%

Flag Carriers
42%

Charters
3%

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

Passenger Movements from Top 5 Markets

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

Top 5 Airlines

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

Top 5 Flag Carriers

Rank	Airline	2019	2018	+/-	% Change
1st	**Air Malta**	**2,095,569**	2,034,472	61,097	3.0%
2nd	**Lufthansa**	**317,099**	310,246	6,853	2.2%
3rd	**Turkish**	**164,058**	164,452	(394)	-0.2%
4th	**Alitalia**	**135,211**	129,121	6,090	4.7%
5th	**Emirates**	**108,717**	117,654	(8,937)	-7.6%

Top 5 Low-Cost Airlines

Rank	Market	2019	2018	+/-	% Change
1st	**Ryanair**	**2,823,271**	2,439,915	383,356	15.7%
2nd	**EasyJet**	**408,273**	391,206	17,067	4.4%
3rd	**Wizz Air**	**387,487**	351,475	36,012	10.2%
4th	**Jet2**	**140,964**	126,711	14,253	11.2%
5th	**Vueling**	**68,917**	63,762	5,155	8.1%

Traffic Highlights

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, with the United Kingdom, Italy and Germany collectively 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 enabling 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.

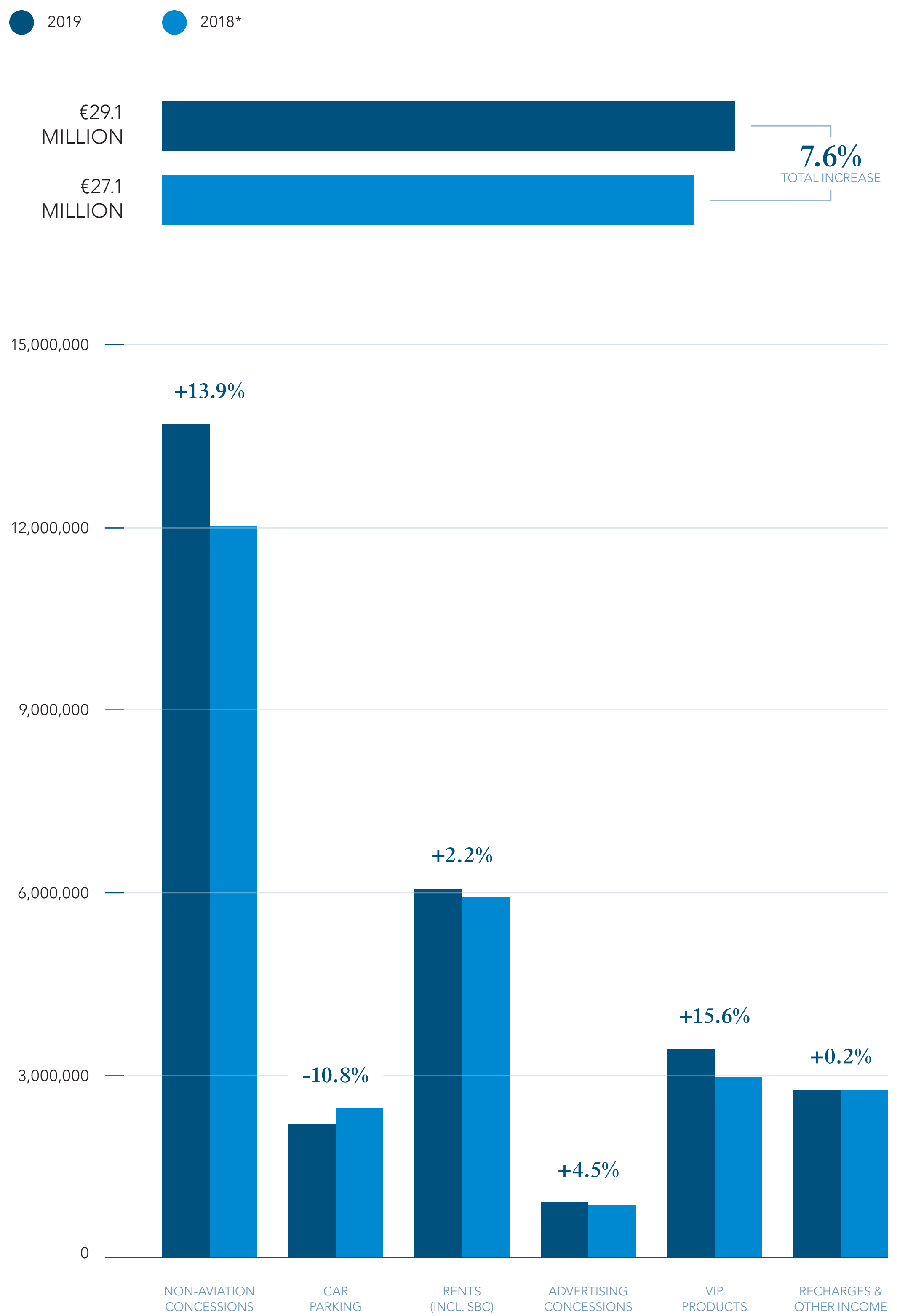
Recovery to pre-Covid figures is expected to take a number of years, not only for Malta International Airport but also for aviation stakeholders across the globe, with certain shifts in travel trends, such as a preference for domestic travel, likely to emerge over the short term.

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.

Retail and Property

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.



* 2018 figures restated

Retail and Property

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.

Sustainability Report

Corporate Responsibility Strategy

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 Combined Operations Room

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.

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 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 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.

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.

Recovered artefacts are currently on display at the Ċittadella 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.

A Partnership for Cleaner Seas

Committed to investing in the airport's neighbouring villages, the Foundation partnered up with eNGO Żibel 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.

The newly restored Triptych of the Madonna del Soccorso available for public viewing at the Mdina Cathedral Museum

Religious art constitutes a cornerstone of the artistic heritage of the Maltese islands. It is for this reason that the Malta Airport Foundation supported research and conservation work which was undertaken by the University of Malta on a 15th-century triptych of the Madonna del Soccorso, which is attributed to Renaissance artist Antonio de Saliba.

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.

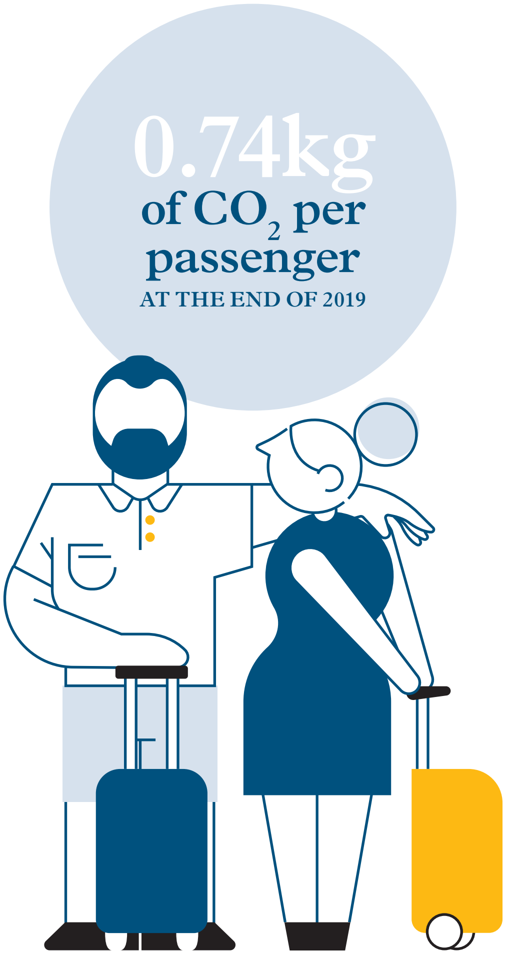
GOAL 1: IMPROVED ENERGY MANAGEMENT IN A BID TO CONTRIBUTE TO THE MITIGATION OF CLIMATE CHANGE

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 CO_2 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 927,223 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.

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.

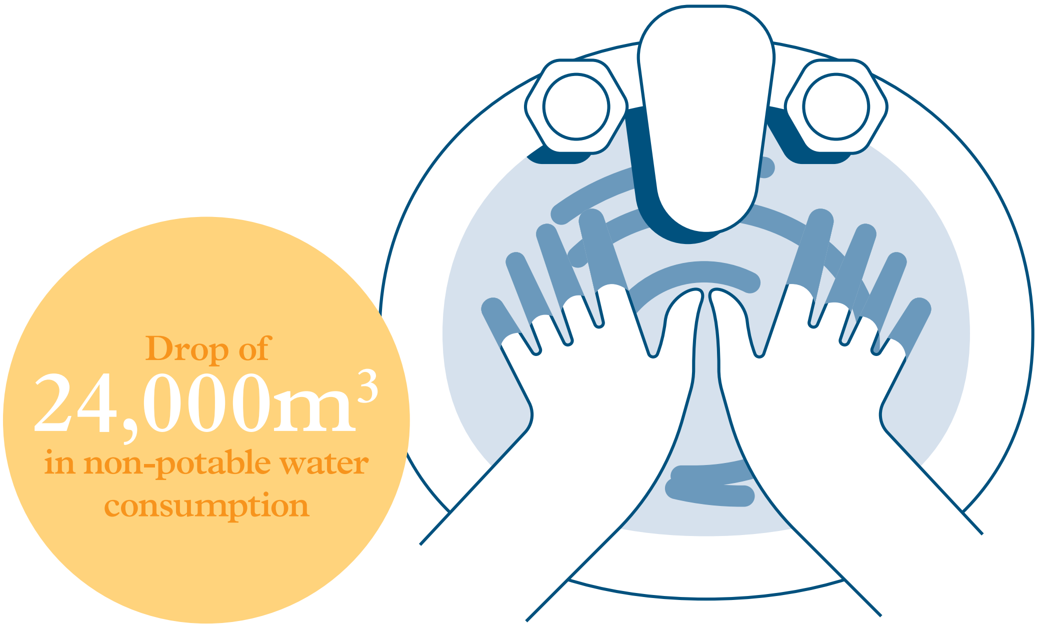
GOAL 3: BETTER RESOURCE AND WASTE MANAGEMENT

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.

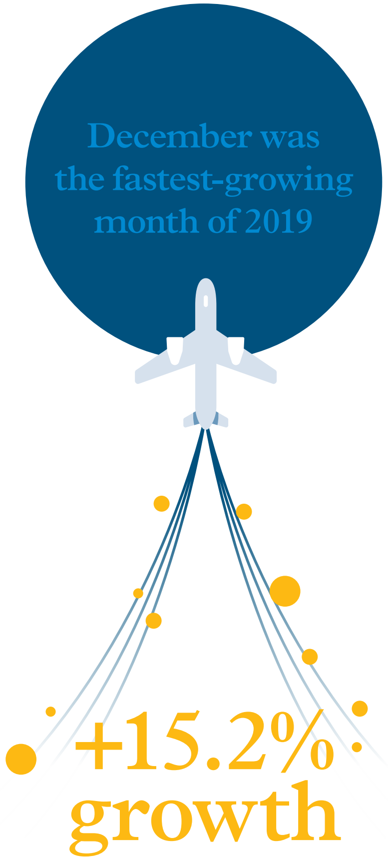
CONCLUDING OBSERVATIONS

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.

GOAL 3: INCREASE MALTA INTERNATIONAL AIRPORT'S POSITIVE IMPACT ON THE LOCAL ECONOMY USING THE RETURN ON EQUITY (ROE) METRIC AND AIMING FOR A 26.1% BENCHMARK IN 2019

The Return on Equity benchmark set for 2019 was exceeded. An 11.9% increase in the Group's net profit coupled with an increase of 14.6% in equity led the Return on Equity for the year under review to stand at 28%.

GOAL 4: INCREASE MALTA'S DIRECT CONNECTIVITY WITH THE WORLD, PRIMARILY BY MEANS OF ROUTE DEVELOPMENT

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.

Social Performance

Overview

Within the social category, one of the Company's priorities was the continued professional development of its growing team, which is the main driving force of Malta International Airport's many successes and achievements. In this regard, the Company offered training opportunities aimed at allowing team members across all departments to upskill and hone their competencies. In line with its aim to be a stronger force for good within the wider community, the Company also prioritised the organisation of fund-raising activities for charitable causes, and offered a number of apprenticeships, internships and opportunities for site visits to school children.

GOAL 1: ENGAGE IN VOLUNTEERING AND PHILANTHROPIC ACTIVITIES BENEFITTING 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 organised a clean-up in preparation for excavation works as part of the Dar Bjorn project in Ħaż Żebbuġ. Once completed, this will be Malta's second residential community home offering services to people with ALS, MS and other neurological conditions.

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.

GOAL 3: PROMOTE PROFESSIONAL DEVELOPMENT AT ALL LEVELS OF THE ORGANISATION

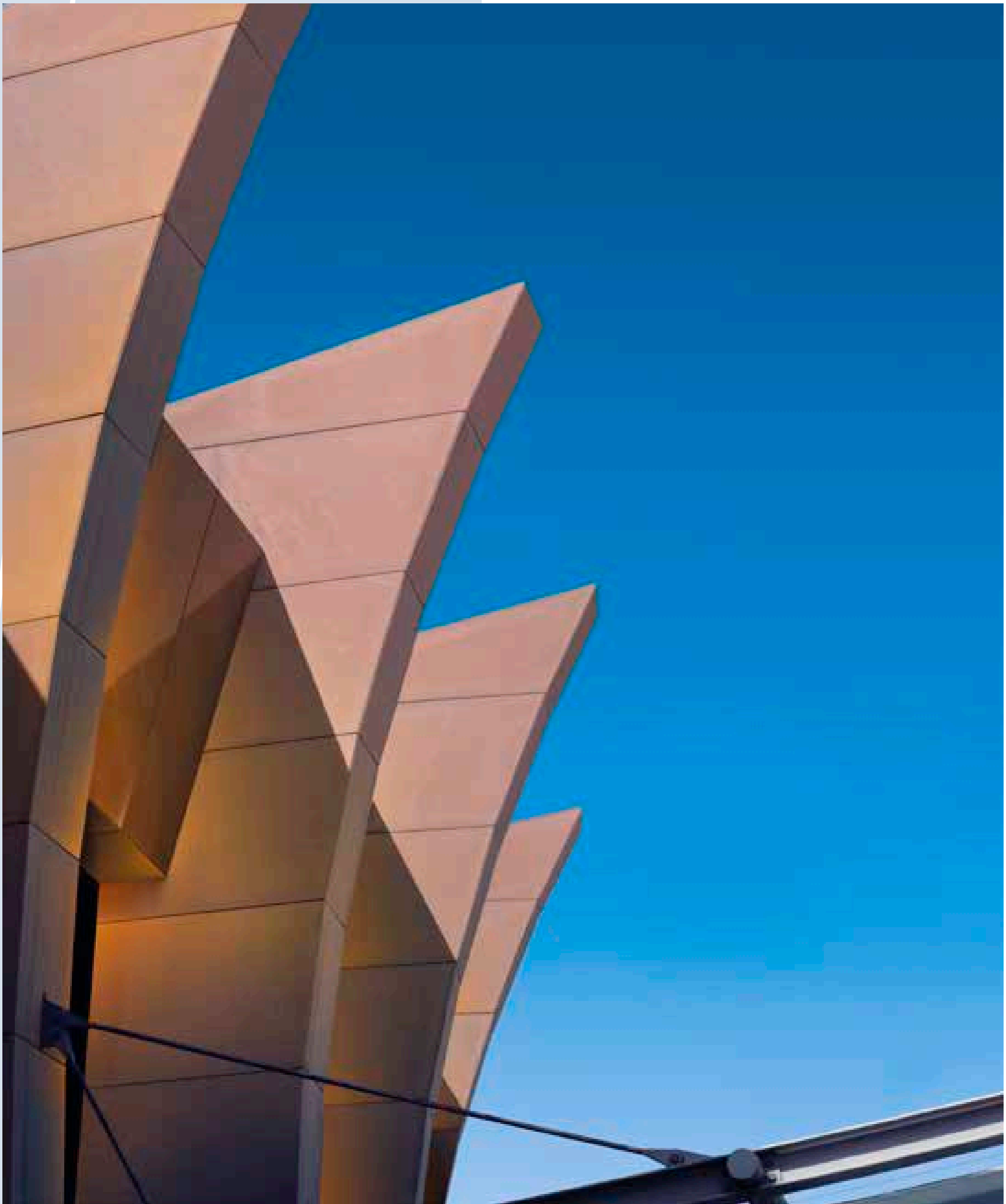
The Company continued to empower its people at all levels and across all departments by investing in their professional development, with each employee benefitting from an average of 31 hours of training during the year under review. Feedback collected from employees through a post-training evaluation survey was very encouraging, with 89% of respondents stating that the training they received was informative and equipped them with the skills and know-how necessary for the successful completion of day-to-day tasks and more demanding projects.

CONCLUDING OBSERVATIONS

The Company 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.

CHAPTER VII

Outlook 2020



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, Mrieħel Bypass,
Mrieħel, Malta.

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

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019.

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.

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

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

* 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.

	2019	2018	+/-
1st Quarter	**4.27**	4.50	(0.23)
2nd Quarter	**4.36**	4.26	0.10
3rd Quarter	**4.39**	4.37	0.02
4th Quarter	**4.43**	4.37	0.06
Average for the year	**4.36**	**4.36**	-

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, with the most notable projects being 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 traffic 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.

	2019	2018	+/-	% Change
Headcount - 31 December	**386**	357	29	8.1%
Headcount - Average	**379**	340	39	11.5%
FTE - 31 December	**360**	332	28	8.3%
FTE - Average	**355**	322	33	10.2%
Average age (in years)	**39.0**	38.9	0.1	0.4%
Length of service (in years)	**10.3**	10.0	0.3	2.8%
Share of women in workforce	**35.5%**	35.6%		-0.1 pp
Employee turnover rate	**7.3%**	9.3%		-2.0 pp
Training expenses (in EUR)	**359,000**	243,500	115,500	47.4%
Reportable accidents	**10**	11	(1)	-9.1%

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 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 54.4 million in 2018 to EUR 63.2 million in 2019, whilst the EBITDA margin was 4.0 percentage points higher, up from 59.0% to 63.0%. Profit after tax rose from EUR 30.3 million in 2018 to EUR 33.9 million in 2019, representing an increase of 11.9%, whereas total comprehensive income for the year attributable to shareholders of the Company (net of tax) reached EUR 33.8 million, up 11.3% when compared to EUR 30.4 million in 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, due to the recognition of new right-of-use assets and lease liabilities. Within the income statement, there was a shift out of other operating expenses into depreciation and finance cost in the reporting period, with a total negative effect on net profit of EUR 0.6 million. A full explanation of the effects upon initial application of IFRS 16 Leases can be found in Note 4.

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.

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 6,244,615), 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.

Financial Position

The profit for the year, net of dividends paid together with shareholders' funds brought forward from the prior year, resulted in shareholders' funds as at 31 December 2019 of EUR 129.0 million and EUR 128.5 million for the Group and the Company, respectively. These totals were up from EUR 112.6 million and EUR 113.4 million, respectively, as at year end 2018.

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 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.

Financial Key Performance Indicators

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

* 2018 restated

Share Capital

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

- 81,179,990 Ordinary 'A' Shares representing approximately 60% of the total issued share capital;
- 54,120,000 Ordinary 'B' Shares representing 40% of the total issued share capital; and
- 10 Ordinary 'C' Shares.

All shares issued have a nominal value of 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

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.

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

The directors who served during the year were:

Director	Title	Director since
Mr Nikolaus Gretzmacher	Chairman & Non-Executive Director	2012
Ms Rita Heiss	Non-Executive Director	2015
Dr. Cory Greenland	Non-Executive Director	2015
Dr. Wolfgang Koeberl	Non-Executive Director	2016
Mr Florian Nowotny	Non-Executive Director	2017
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

In accordance with paragraph 56.1 of the Company's Articles of Association, all the present directors are to retire at the forthcoming Annual General Meeting. The appointment of the new directors will take place in accordance with paragraphs 55 and 56 of the same Articles of Association at the Annual General Meeting.

Directors' Interests in Material Contracts

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

- MR NIKOLAUS GRETZMACHER
  a non-beneficial interest [1]
- MS RITA HEISS
  a non-beneficial interest [2]
- 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 new 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

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

Principle Three: 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 ufficio 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:

Director	Title	Director since
Mr Nikolaus Gretzmacher	Chairman & Non-Executive Director	2012
Ms Rita Heiss	Non-Executive Director	2015
Dr. Cory Greenland	Non-Executive Director	2015
Dr. Wolfgang Koeberl	Non-Executive Director	2016
Mr Florian Nowotny	Non-Executive Director	2017
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

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, and Ms Rita Heiss (Non-Executive Directors) are currently members of the Board of Directors of Malta Mediterranean Link Consortium Limited, a Company holding 40 per cent of the issued and voting capital of the Company, and, together with Mr Wolfgang Koeberl are also employees of Flughafen Wien AG, the company's ultimate parent company. Notwithstanding the above relationship the Board still considers Mr Gretzmacher, Ms Heiss and 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:

Name	Title
Mr Alan Borg	Chief Executive Officer
Mr Karl Dandler	Chief Financial Officer
Mr Martin Dalmas	Airport Operations and Business Continuity
Mr George Mallia	Retail and Property
Mr Ian Maggi	Innovation and Technology
Mr Patrick Murgo	Security Services
Ms Tina Lombardi	Human Resources and Strategy [1]
Ms Kristina Borg Cardona	Marketing and Brand Development [2]
Mr Alex Cardona	Traffic Development and Customer Services
Mr Robert Mizzi	Aerodrome Safety and Compliance [3]
Mr Kevin Alamango	Technical Services

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 delighters (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 it 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

[1] Ms Lombardi took over Marketing & Brand Development effective 01 October 2019.
[2] Ms Borg Cardona was appointed Manager Design & Commercial Development effective 01 October 2019, and no longer forms part of the Executive Committee.
[3] Mr Mizzi was appointed member of the Committee effective May 2019.

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 ensure 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.

Principle Five: Board Meetings

The Board believes that it complies fully with the requirements of this principle and the relative Code Provisions, in that it has systems in place to ensure the reasonable notice of meetings of the Board and the circulation of discussion papers in advance of meetings so as to provide adequate time for directors to prepare themselves for such meetings. Minutes are prepared during Board meetings recording faithfully attendance, discussions and resolutions. These minutes are subsequently circulated to all directors as soon as practicable after the meeting.

The Board meets as often and as frequently as required in line with the nature and demands of the business of the Company. During the financial year under review the Board held six meetings:

Director	Attendance Board Meetings
Mr Nikolaus Gretzmacher	5 / 6
Ms Rita Heiss	6 / 6
Dr. Cory Greenland	5 / 6
Dr. Wolfgang Koeberl	6 / 6
Mr Florian Nowotny	6 / 6
Mr Alan Borg	6 / 6
Mr Karl Dandler	6 / 6

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 requisite standards of conduct and governance under the listing rules, including the continuing listing obligations of the Company.

The board intends to organise other professional development sessions for directors and executives designed specifically to enable them to discharge their functions more efficiently and in line with the high standards expected of them.

Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. As part of succession planning and employee retention, the Board and CEO ensure that the Company implements appropriate schemes to attract, retain and develop the best talent and keep employees engaged and motivated.

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 Company has no performance-related remuneration payable to its Non-Executive Directors and accordingly, as allowed by Code Provision 8A.2, it has not appointed a Remuneration Committee, but rather the functions of such a Remuneration Committee are vested in the Board, which itself establishes the remuneration policies of the Company. The Non-Executive members of the Board establish the policies and decide on the performance related remuneration of its Executive Directors.

The Board notes that the organizational set-up of the Company and the size of the Board itself, together with the fact that Non-Executive Directors are not entitled to performance related remuneration, does not, in the opinion of the directors, warrant the establishment of a Remuneration Committee. Remuneration policies have therefore been retained within the remit of the Board itself, and as already stated in the case of the Executive Directors, it is the Non-Executive members of the Board that decide on their performance related remuneration.

The directors believe that certain committees that are suggested in the Code are either not required by the Company, or the functions of a number of committees may efficiently be merged or undertaken by the Board itself. In addition, the Board believes that its size and composition is sufficient for the proper direction and management of the Company and its business and that there would be no value added to the Company and its shareholders to increase the number of Board members simply to be able to have separate committees of the Board – when the same functions can properly be undertaken by the Board itself. The directors will retain the need of such committees under review and as in the past, may appoint ad hoc committees of directors to deal with specific issues as and when these arise.

The aggregate amount of remuneration paid to all directors, including salaries paid to the CEO, and the CFO amount to EUR 657,633. 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 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.

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 [3]
- MS RITA HEISS
  a non-beneficial interest [4]
- DR. CORY GREENLAND
  a beneficial interest

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

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.

[3] These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a director.
[4] 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:

Code Provision	Explanation
2.1	Whilst the Company has segregated the functions of the Chairman and the CEO, in that the two posts are occupied by different persons, the division of responsibilities between them has not been established in writing, although there is significant experience and practice that determines the two roles.
4.2	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.
7.1	The Board believes that the size of the Company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad hoc committee for this purpose. The Board shall retain this matter under review over the coming year. Having conducted an informal review of its own performance over the period under review it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a Committee chaired by a Non-Executive Director as required by the Code.
8B	The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Non-Executive Directors be appointed by a shareholding qualification to the Board. The Executive Directors are, in accordance with the Articles, appointed by the Non-Executive Directors after their appointment, as aforesaid. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint directors pursuant to the Articles of Association. The Board intends to keep under review the utility and possible advantages of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.
9.3	The Memorandum and Articles of Association does not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances. 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.
9.4	The Company does not have a policy in place to allow minority shareholders to present an issue to the Board.

Internal Control

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

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Auditors on a regular basis.

The key features of the Company's system of internal control are as follows:

Organisation

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

Control Environment

The Company is committed to 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 serve 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.

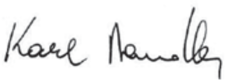
The directors' statement of responsibilities for preparing the financial statements is set out on page 74.

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

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

Income Statements

YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
Revenue	6	**100,232,676**	92,191,719	**96,168,303**	88,056,061
Staff costs	11	**(10,839,794)**	(9,747,167)	**(10,602,977)**	(9,521,138)
Other operating expenses	9	**(25,951,490)**	(27,995,969)	**(25,433,991)**	(27,310,381)
Impairment losses on financial assets	21	**(284,580)**	(18,157)	**(299,712)**	(40,578)
Depreciation	14/15	**(8,801,219)**	(7,384,403)	**(7,914,112)**	(6,494,396)
Release of deferred income arising on the sale of terminal buildings and fixtures	23	**283,603**	208,765	**283,603**	208,765
Investment income	7	**37,436**	(7,021)	**423,679**	395,541
Finance Cost	8	**(2,079,535)**	(148,915)	**(2,079,535)**	(139,212)
Profit before tax		**52,597,097**	**47,098,852**	**50,545,258**	**45,154,662**
Income tax expense	12	**(18,663,780)**	(16,763,212)	**(17,933,191)**	(16,069,342)
Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**33,933,317**	**30,335,640**	**32,612,067**	**29,085,320**
Earnings per share attributable to the ordinary equity holders of the Company	29	**0.251**	**0.224**	**0.241**	**0.215**

Statements of Comprehensive Income

YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**33,933,317**	30,335,640	**32,612,067**	29,085,320
Items that may be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit pension plans	24/25	**(207,233)**	47,805	**(207,233)**	47,805
Deferred tax debit/(credit)	12	**72,532**	(16,732)	**72,532**	(16,732)
Other comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**(134,701)**	**31,073**	**(134,701)**	**31,073**
Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**33,798,616**	**30,366,713**	**32,477,366**	**29,116,393**

Statements of Financial Position

31 DECEMBER 2019

(in EUR)	Notes	The Group 2019	The Group 2018	The Company 2019	The Company 2018
ASSETS					
Property, plant and equipment	14	**164,430,886**	107,711,630	**155,923,740**	106,143,034
Investment property	15	**15,905,686**	15,874,085	**334,491**	-
Investment in subsidiaries	16	**-**	-	**2,004,800**	2,004,800
Loans receivable	18	**-**	-	**21,116,478**	17,507,198
Deferred tax assets	19	**5,904,374**	5,085,726	**4,939,237**	3,995,802
Non-current assets		**186,240,946**	**128,671,441**	**184,318,746**	**129,650,834**
Inventories	20	**872,242**	884,352	**872,242**	884,352
Loans receivable	18	**-**	-	**1,290,720**	1,290,720
Trade and other receivables	21	**17,752,544**	20,002,906	**17,988,729**	19,794,115
Term deposits	27	**5,000,000**	-	**5,000,000**	-
Cash and cash equivalents	28	**28,174,981**	20,253,186	**26,691,276**	18,553,002
Current assets		**51,799,767**	**41,140,444**	**51,842,967**	**40,522,189**
Total Assets		**238,040,713**	**169,811,885**	**236,161,713**	**170,173,023**

Statements of Financial Position

31 DECEMBER 2019

(CONTINUED)		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
EQUITY AND LIABILITIES					
Equity attributable to ordinary equity holders of the Company					
Share capital	26	**33,825,000**	33,825,000	**33,825,000**	33,825,000
Retained earnings and reserves		**95,218,056**	78,786,257	**94,713,271**	79,602,723
Total Equity		**129,043,056**	**112,611,257**	**128,538,271**	**113,427,723**
Lease liability	4	**52,755,835**	-	**52,755,835**	-
Deferred income	23	**6,454,885**	5,127,504	**6,344,530**	5,013,539
Provision for retirement benefit plan	24	**3,880,077**	3,906,809	**3,880,077**	3,906,809
Provision for MIA benefit fund	25	**293,797**	250,638	**293,797**	250,638
Non-current liabilities		**63,384,594**	**9,284,951**	**63,274,239**	**9,170,986**
Trade and other payables	22	**43,792,203**	46,575,104	**42,636,509**	46,371,354
Current tax liabilities		**1,820,860**	1,340,573	**1,712,694**	1,202,960
Current liabilities		**45,613,063**	**47,915,677**	**44,349,203**	**47,574,314**
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			
The Group (in EUR)	Share capital	Other reserve	Retained earnings	Total
Balance at 1 January 2018	**33,825,000**	**1,179,462**	**60,743,889**	**95,748,351**
Profit for the year	-	-	30,335,640	30,335,640
Other comprehensive income	-	-	31,073	31,073
Total comprehensive income for the year	-	-	30,366,713	30,366,713
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	74,838	-
Deferred tax	-	26,193	-	26,193
Dividends (Note 13)	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2018	**33,825,000**	**1,130,817**	**77,655,440**	**112,611,257**
Balance at 1 January 2019	**33,825,000**	**1,130,817**	**77,655,440**	**112,611,257**
Profit for the year	-	-	33,933,317	33,933,317
Other comprehensive income	-	-	(134,701)	(134,701)
Total comprehensive income for the year	-	-	33,798,616	33,798,616
Transfer of Other reserve	-	(1,130,817)	-	(1,130,817)
Dividends (Note 13)	-	-	(16,236,000)	(16,236,000)
Balance at 31 December 2019	**33,825,000**	**-**	**95,218,056**	**129,043,056**

Statements of Changes in Equity

YEAR ENDED 31 DECEMBER 2019

Equity attributable to ordinary equity holders of the Company

The Company (in EUR)	**Share capital**	**Other reserve**	**Retained earnings**	**Total**
Balance at 1 January 2018	**33,825,000**	**1,179,462**	**62,810,676**	**97,815,138**
Profit for the year	-	-	29,085,319	29,085,319
Other comprehensive income	-	-	31,073	31,073
Total comprehensive income for the year	-	-	29,116,392	29,116,392
Difference for historical depreciation for the year calculated on the revalued amount	-	(74,838)	74,838	-
Deferred tax	-	26,193	-	26,193
Dividends (Note 13)	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2018	**33,825,000**	**1,130,817**	**78,471,906**	**113,427,723**
Balance at 1 January 2019	**33,825,000**	**1,130,817**	**78,471,906**	**113,427,723**
Profit for the year	-	-	32,612,067	32,612,067
Other comprehensive income	-	-	(134,701)	(134,701)
Total comprehensive income for the year	-	-	32,477,365	32,477,365
Transfer of Other reserve	-	(1,130,817)	-	(1,130,817)
Dividends (Note 13)	-	-	(16,236,000)	(16,236,000)
Balance at 31 December 2019	**33,825,000**	**-**	**94,713,271**	**128,538,271**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**52,597,097**	**47,098,852**	**50,545,258**	**45,154,661**
Adjustments for:					
Depreciation	14/15	8,801,217	7,384,403	7,914,112	6,494,396
Investment income/(loss)	7	(37,436)	7,021	(423,679)	(395,541)
Finance cost	8	2,079,535	148,915	2,079,535	139,212
Release of deferred income arising on the sale of the terminal building and fixtures	23	(283,603)	(208,765)	(283,603)	(208,765)
Amortisation of grants	23	(50,244)	(102,008)	(50,244)	(102,008)
Provision for retirement benefit plan	24	67,084	45,020	67,084	45,020
Provision for MIA benefit plan	25	42,387	28,979	42,387	28,979
Provision for impairment of trade receivables	21	284,580	18,157	299,712	40,578
		63,500,617	**54,420,574**	**60,190,562**	**51,196,532**
Working capital movements:					
Movement in inventories	20	12,110	7,159	12,110	7,159
Movement in trade and other receivables	21	1,965,782	(4,519,100)	1,505,674	(5,439,629)
Movement in trade and other payables	22	3,887,707	5,998,170	2,935,759	6,231,797
Cash flows from operations		**69,366,216**	**55,906,803**	**64,644,105**	**51,995,859**
Interest paid	8	-	(148,915)	-	(139,212)
Lease interest paid	33	(1,693,705)	-	(1,693,705)	-
Income taxes paid		(18,340,943)	(18,425,846)	(17,705,693)	(17,839,129)
Retirement benefit paid	24	(300,277)	(500,326)	(300,277)	(500,326)
Net cash flows from operating activities		**49,031,291**	**36,831,716**	**44,944,430**	**33,517,192**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2019

(CONTINUED)		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts/(payments) of deposit from tenant	23	(3,610)	15,146	-	-
Payments for property, plant and equipment	14	(19,374,886)	(8,433,655)	(12,347,119)	(7,080,069)
Payments for investment property	15	(495,000)	(15,367)	-	-
Payments for term deposits	27	(5,000,000)	-	(5,000,000)	-
Payments for intracompany loans	18	-	-	(4,900,000)	(1,725,323)
Repayments of intracompany loans	18	-	-	1,290,720	1,290,720
Interest received	7	-	-	386,243	402,562
Net cash flows used in investing activities		**(24,873,496)**	**(8,433,876)**	**(20,570,156)**	**(7,112,110)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loans		-	(33,016,561)	-	(31,291,524)
Dividends paid	13	(16,236,000)	(13,530,000)	(16,236,000)	(13,530,000)
Net cash flows used in financing activities		**(16,236,000)**	**(46,546,561)**	**(16,236,000)**	**(44,821,524)**
Net movement in cash and cash equivalents		**7,921,795**	**(18,148,721)**	**8,138,274**	**(18,416,442)**
Cash and cash equivalents at the beginning of the year		**20,253,186**	**38,401,907**	**18,553,002**	**36,969,444**
Cash and cash equivalents at the end of the year	28	**28,174,981**	**20,253,186**	**26,691,276**	**18,553,002**

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 this 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

Except as discussed below 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 any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 Malita 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 emphyteusis. The lease expense on the temporary emphyteusis 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 made on a systematic basis 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 lessees 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 lessee are subject to significant adjustments.

Lessor 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 continued to amortise the deferred income on sale 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)

(ii) 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 that meet the definition of a lease for the Group and the Company.

IMPACT ON FINANCIAL STATEMENTS

Where the Group acts as a lessee, the nature of the lease contracts identified under IFRS 16 are primarily in relation to (a) the temporary emphyteuses in relation to the leasehold land and buildings with annual ground rents payable to Malita Investments plc (previously to the Government of Malta) and the related aerodrome licence fee payable to the Government of Malta; and (b) motor vehicle leases.

The lease terms under IFRS 16 for the temporary emphyteuses and the related aerodrome licence remain unchanged from IAS 17 and do not involve significant judgment as there are no extension, termination or purchase options from 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:

Statement of Financial Position

The Group & The Company (in EUR million)	**Impact as at 1 January 2019**
ASSETS	
Tangible assets	45.7
Total Assets	**45.7**
LIABILITIES	
Lease liability	52.4
Trade and other payables	(6.7)
Total Liabilities	**45.7**

On initial application, the Group recognized 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

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

IFRS 16 Leases (CONTINUED)

lease, in particular the long remaining lease term of the temporary emphyteuses and the related aerodrome licence until 2067. The weighted average incremental borrowing rate that the Group applied to its lease liabilities as at 1 January 2019 was 4.07% per annum. The selection of the applicable incremental borrowing rate has a significant effect on these financial statements. A decrease/(increase) of 50 basis points would have resulted in an increase/(decrease) in lease liabilities and right-of-use assets of EUR 5.6 million/(EUR 4.8 million) as at 1 January 2019.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using 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.

(in EUR million)	
Operating lease committments disclosed as at 31 December 2018	139.1
Discounted using the incremental borrowing rate upon initial application	(86.7)
Lease Liability recognised as at 1 January 2019	**52.4**

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 are 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 land 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:

(in EUR million)	
Upfront payments in relation to the temporary emphyteuses of the leasehold building classified as property, plant and equipment (Note 14)	25.2
Upfront payments and annual ground rents in relation to the temporary emphyteuses of the lease-hold land and the related aerodrome licence classified as property, plant and equipment (Note 14)	76.7
Upfront payments and annual ground rents in relation to the temporary emphyteusis of the leasehold land classified as Investment Property (Note 15)	0.3
Rental payments in relation to motor vehicle leases	0.1
Right-of-use assets recognised as at 1 January 2019	**102.3**

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 optional recognition exemptions to not recognise right-of-use assets as at the date of initial application of the standard.

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.

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

IFRS 16 Leases (CONTINUED)

The Group & The Company (in EUR million)	**Impact in 2019**
Other operating expenses	2.2
Depreciation	(1.0)
Finance costs	(2.1)
Profit before tax	**(0.9)**
Income tax expense	**0.3**
Profit for the period	**(0.6)**

The lease expense included in the line item 'Other operating expenses' in the financial statements for the year ending 31 December 2018 amounted to EUR 2.2 million. There is no impact on other comprehensive income. The above change in the presentation of the respective lease expenses has resulted in an increase in EBIT of EUR 1.2 million and an even greater increase in EBITDA of EUR 2.2 million. Earnings per share decreased by EUR 0.4 cents.

Statement of Cash Flows

In the statement of cash flows, a lessee is required to classify cash payments for the principal portion of the lease liability within cash flows used in financing activities and to classify cash payments for the interest portion of the lease liability in accordance with the lessee's accounting policy for interest paid. In the reporting period, interest exceeded the contractual cash payments. As a result, the Group classifies all interest payments in relation to the lease liability within its operating cash flows.

4.2. NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

At the date of the approval of these financial statements, a number of International Financial Reporting Standards were either not yet endorsed by the EU or were not yet applicable to the Group and the Company.

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

IAS 1 and IAS 8 Amendment – Definition of Material

This amendment was issued in October 2018 and is applicable for annual periods beginning on or after 1 January 2020. The Amendment clarifies the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendment ensures that the definition of material is consistent across all IFRS Standards.

5. *Operating Segments*

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

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:

2019 (in EUR)	**Airport**	**Retail & Property**	**Other**	**The Group**
Revenue (external)	70,760,630	29,104,929	367,117	100,232,676
Staff costs	(9,466,627)	(1,373,167)	-	(10,839,794)
Other operating costs	(21,088,067)	(4,943,423)	-	(25,951,490)
Impairment losses on financial assets	(218,790)	(65,790)	-	(284,580)
EBITDA	**40,067,146**	**22,722,549**	**367,117**	**63,156,812**
Depreciation	(5,722,814)	(3,078,405)	-	(8,801,219)
EBIT	**34,344,332**	**19,644,144**	**367,117**	**54,355,593**
Investment income				37,436
Finance cost				(2,079,535)
Release of deferred income arising on the sale of terminal buildings and fixtures				283,603
Profit before tax				**52,597,097**

2018 (in EUR)	**Airport**	**Retail & Property**	**Other**	**The Group**
Revenue (external) *	64,801,169	27,055,661	334,889	92,191,719
Staff costs	(8,447,667)	(1,299,500)	-	(9,747,167)
Other operating costs	(22,192,007)	(5,803,962)	-	(27,995,969)
Impairment losses on financial assets	(29,622)	11,465	-	(18,157)
EBITDA	**34,131,873**	**19,963,664**	**334,889**	**54,430,426**
Depreciation	(4,973,379)	(2,411,024)	-	(7,384,403)
EBIT	**29,158,494**	**17,552,640**	**334,889**	**47,046,023**
Investment income				(7,021)
Finance cost				(148,915)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**47,098,852**

* 2018 restated

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)	Airport	Retail & Property	Other	Total
REVENUE FROM SERVICES PROVIDED OVER TIME				
Regulated revenue	63,858,110	-	-	**63,858,110**
Unregulated revenue	6,902,520	7,993,833	367,117	**15,263,470**
Revenue from Contracts with Customers	**70,760,630**	**7,993,833**	**367,117**	**79,121,580**
Revenue from Leases	**-**	**21,111,096**	**-**	**21,111,096**
Total Revenue	**70,760,630**	**29,104,929**	**367,117**	**100,232,676**

The Group **2018** (in EUR)	Airport	Retail & Property	Other	Total
REVENUE FROM SERVICES PROVIDED OVER TIME				
Regulated revenue	59,484,658	-	-	**59,484,658**
Unregulated revenue	5,316,511	7,800,146	334,889	**13,451,546**
Revenue from Contracts with Customers	**64,801,169**	**7,800,146**	**334,889**	**72,936,204**
Revenue from Leases	**-**	**19,255,515**	**-**	**19,255,515**
Total Revenue	**64,801,169**	**27,055,661**	**334,889**	**92,191,719**

6. *Revenue* (CONTINUED)

In the following table, revenue of the Company is disaggregated by revenue category:

The Company

(in EUR)	2019	2018
REVENUE FROM SERVICES PROVIDED OVER TIME		
Regulated revenue	63,858,110	59,484,658
Unregulated revenue	14,613,723	12,720,463
Revenue from Contracts with Customers	**78,471,833**	**72,205,121**
Revenue from Leases	**17,696,470**	**15,850,940**
Total Revenue	**96,168,303**	**88,056,061**

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		The Company	
(in EUR)	2019	2018	2019	2018
Interest income on loans receivable	-	-	386,243	402,562
Interest income on term deposits	37,436	-	37,436	-
Fair value gain/(loss) on other investments	-	(7,021)	-	(7,021)
Investment income/(loss)	**37,436**	**(7,021)**	**423,679**	**395,541**

8. *Finance Cost*

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Interest on bank loans	-	148,915	-	139,212
Lease interest	2,079,535	-	2,079,535	-
Finance cost	**2,079,535**	**148,915**	**2,079,535**	**139,212**

9. Other Operating Expenses

		The Group		The Company	
(in EUR)	Notes	2019	2018	2019	2018
Air traffic services	34	**929,611**	921,173	**929,611**	921,173
Cleaning		**1,315,288**	1,113,657	**1,245,007**	1,049,310
Ground handling services	34	**1,946,478**	1,734,321	**1,946,478**	1,734,321
Insurance		**384,153**	353,999	**368,013**	338,771
Legal and professional fees		**1,652,187**	1,692,592	**1,629,017**	1,641,592
Lease payments on low-value items	33	**13,746**	-	**13,746**	-
Marketing and communication costs		**5,930,982**	6,013,894	**6,116,950**	5,969,883
Miscellaneous operating expenses		**4,226,809**	3,455,787	**4,044,464**	3,289,706
Operating lease and related payments	33	**-**	2,150,591	**-**	2,150,591
Other security services		**205,916**	167,879	**146,868**	117,530
Passenger security service		**2,253,743**	2,043,020	**2,253,743**	2,043,020
Provision of technical services		**-**	164,651	**-**	164,651
Repairs and maintenance		**2,611,103**	3,220,609	**2,274,468**	2,942,510
Net exchange differences		**20,262**	16,043	**20,814**	16,598
Restricted areas security service	34	**1,471,875**	1,800,000	**1,471,875**	1,800,000
Telecommunications		**111,232**	107,131	**109,027**	104,653
Utilities		**2,878,105**	3,040,622	**2,863,910**	3,026,072
Other operating expenses		**25,951,490**	**27,995,969**	**25,433,991**	**27,310,381**

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

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Audit of the financial statements	**63,800**	62,000	**49,850**	48,350
Other assurance	**54,490**	8,685	**54,490**	8,685
Tax services	**47,540**	68,760	**37,035**	31,810

10. Key Management Personnel Compensation

DIRECTORS' COMPENSATION	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Short-term benefits:				
Fees	67,552	67,552	67,552	67,552
Management remuneration	508,647	506,433	508,647	506,433
Social security costs	2,420	2,416	2,420	2,416
	578,619	**576,401**	**578,619**	**576,401**

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

STAFF COSTS	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Wages and salaries	9,977,695	8,976,006	9,756,626	8,759,034
Social security costs	707,628	631,662	691,880	622,605
Retirement benefit costs	109,471	73,999	109,471	73,999
Other retirement benefit costs	45,000	65,500	45,000	65,500
	10,839,794	**9,747,167**	**10,602,977**	**9,521,138**

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:

AVERAGE NO. OF EMPLOYEES	The Group		The Company	
(Number)	2019	2018	2019	2018
Business development, operations and marketing	226	198	217	189
Finance, IT and IM	25	22	25	22
Firemen	47	42	47	42
Met office	14	14	14	14
Technical and engineering	67	64	67	64
	379	**340**	**370**	**331**

12. Income Tax Expense

Income tax recognised in profit or loss is as follows:

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

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

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Profit before Tax	52,597,097	47,098,852	50,545,258	45,154,661
Tax at applicable rate of 35 %	18,408,984	16,484,598	17,690,840	15,804,131
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	321,075	345,963	262,572	287,590
Other net difference between accounting and tax deductible items of expenditure	(4,467)	(4,254)	(4,467)	(4,254)
Other differences	(61,812)	(63,095)	(15,754)	(18,125)
Income tax expense for the year	**18,663,780**	**16,763,212**	**17,933,191**	**16,069,342**

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Deferred tax debit/(credit) on defined benefit pension plans	**72,532**	(16,732)	**72,532**	(16,732)

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 during 2018 was paid in the comparative period 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 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

The Group (in EUR)	Land held on temporary emphyteusis		Related Aerodrome Licence	Buildings		Furniture, fixtures, plant and equipment	Motor vehicles	Total
COST	Subject to operating leases	Not subject to operating leases		Subject to operating leases	Not subject to operating leases			
At 1 January 2018	8,717,742	33,315,731	-	15,000,908	53,810,597	72,953,011	1,654,835	**185,452,824**
Additions	-	-	-	485,917	1,743,061	5,958,767	245,910	**8,433,655**
Write-offs	-	-	-	-	-	(10,418,595)	(412,827)	**(10,831,422)**
At 1 January 2019	**8,717,742**	**33,315,731**	**-**	**15,486,825**	**55,553,658**	**68,493,183**	**1,487,918**	**183,055,057**
Recognition of right-of-use asset on initial application of IFRS 16	9,268,773	25,251,359	10,746,985	-	-	-	73,613	**45,340,730**
At 1 January 2019 (adjusted)	**17,986,515**	**58,567,090**	**10,746,985**	**15,486,825**	**55,553,658**	**68,493,183**	**1,561,531**	**228,395,787**
Additions	-	-	-	151,189	5,712,417	13,417,301	93,979	**19,374,886**
Write-offs	-	-	-	-	-	(3,846,611)	(55,517)	**(3,902,128)**
At 31 December 2019	**17,986,515**	**58,567,090**	**10,746,985**	**15,638,014**	**61,266,075**	**78,063,873**	**1,599,993**	**243,868,545**
ACCUMULATED DEPRECIATION								
At 1 January 2018	**2,067,670**	**7,901,811**	**-**	**5,918,787**	**21,231,612**	**40,946,618**	**1,521,932**	**79,588,430**
Provision for the year	134,119	512,550	-	304,174	1,091,120	4,466,423	78,033	**6,586,419**
Write-offs	-	-	-	-	-	(10,418,595)	(412,827)	**(10,831,422)**
At 1 January 2019	**2,201,789**	**8,414,361**	**-**	**6,222,961**	**22,322,732**	**34,994,446**	**1,187,138**	**75,343,427**
Provision for the year	281,752	1,076,744	221,587	306,896	1,100,883	4,867,211	141,287	**7,996,360**
Write-offs	-	-	-	-	-	(3,846,610)	(55,518)	**(3,902,128)**
At 31 December 2019	**2,483,541**	**9,491,105**	**221,587**	**6,529,857**	**23,423,615**	**36,015,047**	**1,272,907**	**79,437,659**
CARRYING AMOUNT								
At 31 December 2018	**6,515,954**	**24,901,369**	**-**	**9,263,864**	**33,230,926**	**33,498,737**	**300,780**	**107,711,630**
At 1 January 2019 (adjusted)	**15,784,726**	**50,152,729**	**10,746,985**	**9,263,864**	**33,230,926**	**33,498,737**	**374,393**	**153,052,360**
At 31 December 2019	**15,502,974**	**49,075,985**	**10,525,398**	**9,108,157**	**37,842,460**	**42,048,826**	**327,086**	**164,430,886**

No depreciation is being charged on assets not yet available for use amounting to EUR 16,913,608 (2018: EUR 3,803,163)

14. Property, Plant and Equipment (CONTINUED)

The Company (in EUR)	Land held on temporary emphyteusis		Related Aerodrome Licence	Buildings		Furniture, fixtures, plant and equipment	Motor vehicles	Total
	Subject to operating leases	Not subject to operating leases		Subject to operating leases	Not subject to operating leases			
COST								
At 1 January 2018	13,454,915	28,578,558	-	15,000,908	53,810,597	72,047,389	1,632,480	**184,524,847**
Additions	-	-	-	208,888	749,312	5,875,959	245,910	**7,080,069**
Write-offs	-	-	-	-	-	(10,418,595)	(412,827)	**(10,831,422)**
At 1 January 2019	**13,454,915**	**28,578,558**	**-**	**15,209,796**	**54,559,909**	**67,504,753**	**1,465,563**	**180,773,494**
Recognition of right-of-use asset on initial application of IFRS 16	12,859,270	21,660,862	10,746,985	-	-	-	73,613	**45,340,730**
At 1 January 2019 (adjusted)	**26,314,185**	**50,239,420**	**10,746,985**	**15,209,796**	**54,559,909**	**67,504,753**	**1,539,176**	**226,114,224**
Additions	-	-	-	139,552	500,594	11,612,993	93,979	**12,347,119**
Write-offs	-	-	-	-	-	(3,846,611)	(55,517)	**(3,902,128)**
At 31 December 2019	**26,314,185**	**50,239,420**	**10,746,985**	**15,349,348**	**55,060,503**	**75,271,136**	**1,577,638**	**234,559,215**
ACCUMULATED DEPRECIATION								
At 1 January 2018	**3,191,231**	**6,778,250**	**-**	**5,918,787**	**21,231,612**	**40,347,540**	**1,500,066**	**78,967,486**
Provision for the year	206,999	439,670	-	304,174	1,091,120	4,374,400	78,033	**6,494,396**
Write-offs	-	-	-	-	-	(10,418,595)	(412,827)	**(10,831,422)**
At 1 January 2019	**3,398,230**	**7,217,920**	**-**	**6,222,961**	**22,322,732**	**34,303,345**	**1,165,272**	**74,630,460**
Provision for the year	434,855	923,642	221,587	306,813	1,100,586	4,778,861	140,799	**7,907,143**
Write-offs	-	-	-	-	-	(3,846,610)	(55,518)	**(3,902,128)**
At 31 December 2019	**3,833,085**	**8,141,562**	**221,587**	**6,529,774**	**23,423,318**	**35,235,596**	**1,250,553**	**78,635,475**
CARRYING AMOUNT								
At 31 December 2018	**10,056,685**	**21,360,638**	**-**	**8,986,835**	**32,237,177**	**33,201,408**	**300,291**	**106,143,034**
At 1 January 2019 (adjusted)	**22,915,955**	**43,021,500**	**10,746,985**	**8,986,835**	**32,237,177**	**33,201,408**	**373,904**	**151,483,764**
At 31 December 2019	**22,481,100**	**42,097,858**	**10,525,398**	**8,819,574**	**31,637,185**	**40,035,540**	**327,085**	**155,923,740**

No depreciation is being charged on assets not yet available for use amounting to EUR 8,226,395 (2018: EUR 3,796,439).

14. Property, Plant and Equipment (CONTINUED)

In addition, the cost of fully depreciated plant and equipment amounts to EUR 15,298,080 (2018: EUR 16,976,843) for both the Group and the Company.

15. Investment Property

The investment property relates to the business centre which is located on a portion of the land held on temporary emphyteusis. The carrying amount of the Group includes the cost of construction and the cost of items that are an integral part of the building. With effect from 1 January 2019, the carrying amount of the Group and the Company includes the portion of the right-of-use asset in relation to the temporary emphyteusis of the leasehold land classified as investment property.

(in EUR)	The Group
COST	
At 1 January 2018	**20,849,763**
Additions from subsequent expenditure	15,367
At 1 January 2019	**20,865,130**
Recognition of right-of-use asset on initial application of IFRS 16 (Note 4)	341,460
At 1 January 2019 (adjusted)	**21,206,590**
Additions from subsequent expenditure	495,000
At 31 December 2019	**21,701,590**
ACCUMULATED DEPRECIATION	
At 1 January 2018	**4,193,061**
Provision for the year	797,984
At 1 January 2019	**4,991,045**
Provision for the year	804,859
At 31 December 2019	**5,795,904**
CARRYING AMOUNT	
At 31 December 2018	**15,874,085**
At 1 January 2019 (adjusted)	**16,215,545**
At 31 December 2019	**15,905,686**

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:

SHARE CAPITAL	**The Company**	
(in EUR)	**2019**	**2018**
Airport Parking Limited	1,200	1,200
Sky Parks Development Limited	2,001,200	2,001,200
Sky Parks Business Centre Limited	1,200	1,200
Kirkop PV Farm Limited	1,200	1,200
Investment in subsidiaries	**2,004,800**	**2,004,800**

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 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 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
Malta International Airport
Luqa LQA 4000

Sky Parks Development Ltd
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

Sky Parks Business Centre Ltd
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

Kirkop PV Farm Limited
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

16. *Investment in Subsidiaries* (CONTINUED)

The following table shows financial information for the consolidated subsidiaries:

Airport Parking Ltd

(in EUR)	2019	2018
Profit for the year	465,946	350,663
Share Capital	1,200	1,200
Retained earnings	1,758,810	1,292,863
Total Equity	1,760,010	1,294,063

Sky Parks Development Ltd

(in EUR)	2019	2018
Profit for the year	415,006	387,555
Share Capital	2,001,200	2,001,200
Accumulated Losses	(2,672,200)	(3,087,206)
Total Equity	(671,000)	(1,086,006)

Sky Parks Business Centre Ltd.

(in EUR)	2019	2018
Profit for the year	440,296	512,102
Share Capital	1,200	1,200
Retained earnings	1,412,152	971,856
Total Equity	1,413,352	973,056

17. *Other Investments*

Investment fund policy

The Group & The Company

(in EUR)	Fair Value
FAIR VALUE	
At 1 January 2018	**107,578**
Disposals	(100,557)
Movement in fair value	(7,021)
At 1 January 2019	-
At 31 December 2019	-

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 underlying 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

The Company

(in EUR)	Loans to subsidiary
AMORTISED COST	
At 31 December 2019	**22,407,198**
Less: Amount expected to be settled within 12 months (shown under current assets)	1,290,720
Amount expected to be settled after 12 months	**21,116,478**

The Company

(in EUR)	Loans to subsidiary
AMORTISED COST	
At 31 December 2018	18,797,918
Less: Amount expected to be settled within 12 months (shown under current assets)	1,290,720
Amount expected to be settled after 12 months	17,507,198

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.

18. Loans Receivable (CONTINUED)

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

The Company

(in EUR)	Loans to subsidiary
CARRYING AMOUNT	
At 31 December 2017	**18,363,315**
Additions	1,725,323
Repayments	(1,290,720)
At 31 December 2018	**18,797,918**
Additions	4,900,000
Repayments	(1,290,720)
At 31 December 2019	**22,407,198**

19. Deferred Taxation

The Group

(in EUR)	31.12.2017	Movement for the year	31.12.2018	Movement for the year	31.12.2019
Arising on:			*Recognised in Total Comprehensive Income:*		
Accelerated tax depreciation	(1,499,063)	(406,861)	(1,905,924)	(239,314)	**(2,145,238)**
Provision for pension costs	1,341,485	(132,485)	1,209,000	(10,982)	**1,198,018**
Deferred income	1,784,655	(73,069)	1,711,586	(73,068)	**1,638,518**
Unabsorbed capital allowances	1,588,656	51,714	1,640,370	44,588	**1,684,958**
Leases	1,607,260	156,170	1,763,430	456,055	**2,219,485**
Future deductions of refinancing costs	968,309	(85,976)	882,333	(82,077)	**800,256**
Other temporary differences	182,621	4,997	187,618	114,555	**302,173**
Subtotal	5,973,923	(485,510)	5,488,413	209,757	**5,698,170**
Arising on:			*Other movements:*		
Revaluation of properties on privatisation	(635,084)	26,193	(608,891)	608,891	**-**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(428,880)	26,193	(402,687)	608,891	**206,204**
Total	**5,545,043**	**(459,317)**	**5,085,726**	**818,648**	**5,904,374**

19. Deferred Taxation (CONTINUED)

The Company (in EUR)	31.12.2017	Movement for the year	31.12.2018	Movement for the year	31.12.2019
Arising on:	***Recognised in Total Comprehensive Income:***				
Accelerated tax depreciation	(170,573)	(314,205)	(484,778)	(142,363)	**(627,141)**
Provision for pension costs	1,341,485	(132,485)	1,209,000	(10,982)	**1,198,018**
Deferred income	1,784,655	(73,069)	1,711,586	(73,067)	**1,638,519**
Leases	1,607,260	156,168	1,763,428	456,058	**2,219,486**
Other temporary differences	185,049	14,204	199,253	104,898	**304,151**
Subtotal	4,747,876	(349,387)	4,398,489	334,544	**4,733,033**
Arising on:	***Other movements:***				
Revaluation of properties on privatisation	(635,084)	26,193	(608,891)	608,891	**-**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(428,880)	26,193	(402,687)	608,891	**206,204**
Total	**4,318,996**	**(323,194)**	**3,995,802**	**943,435**	**4,939,237**

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

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Consumables	**872,242**	884,352	**872,242**	884,352

21. Trade and Other Receivables

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Trade receivables	13,080,993	13,190,401	12,680,165	12,825,074
Receivables from other related parties	685,429	3,355,751	685,429	3,355,751
Receivables from subsidiaries	-	-	1,771,305	910,199
Other receivables	2,245,616	2,241,090	1,393,427	1,790,851
Prepayments and accrued income	1,740,506	1,215,664	1,458,403	912,240
	17,752,544	**20,002,906**	**17,988,729**	**19,794,115**

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.

Impairment of Trade Receivables
For details on the accounting policies with respect to trade receivables and impairment of trade receivables refer to Note 39.

The Group (in EUR)	LOSS ALLOWANCE Individual Assessment	Collective Assessment	Total
At 1 January 2018	121,257	22,439	**143,696**
Impairment loss	-	40,578	**40,578**
Reversal of impairment loss	(22,421)	-	**(22,421)**
At 31 December 2018	**98,836**	**63,017**	**161,853**
Impairment loss	202,709	117,936	**320,645**
Reversal of impairment loss	(36,065)	-	**(36,065)**
At 31 December 2019	**265,480**	**180,953**	**446,433**

The Company (in EUR)	Individual Assessment	Collective Assessment	Total
At 1 January 2018	70,697	22,439	**93,136**
Impairment loss	-	40,578	**40,578**
At 31 December 2018	**70,697**	**63,017**	**133,714**
Impairment loss	202,709	117,936	**320,645**
Reversal of impairment loss	(20,933)	-	**(20,933)**
At 31 December 2019	**252,473**	**180,953**	**433,426**

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

The Group LT-ECL (in EUR)	Collective (not credit-impaired)	Collective (credit-impaired, but not POCI)	Individual (credit-impaired, but not POCI)	Total
Balance as at 1 January 2018	-	22,439	121,257	**143,696**
Addition	34,224	6,354	-	**40,578**
Reversal	-	-	(22,421)	**(22,421)**
Balance as at 31 December 2018	34,224	28,793	98,836	161,853
Addition	78,548	39,388	202,709	**320,645**
Reversal	-	-	(36,065)	**(36,065)**
Balance as at 31 December 2019	**112,772**	**68,181**	**265,480**	**446,433**

21. Trade and Other Receivables (CONTINUED)

The Company **LT-ECL** (in EUR)	**Collective** (not credit-impaired)	**Collective** (credit-impaired, but not POCI)	**Individual** (credit-impaired, but not POCI)	**Total**
Balance as at 1 January 2018	-	22,439	70,697	**93,136**
Addition	34,224	6,354	-	**40,578**
Balance as at 31 December 2018	34,224	28,793	70,697	133,714
Addition	78,548	39,388	202,709	**320,645**
Reversal	-	-	(20,933)	**(20,933)**
Balance as at 31 December 2019	**112,772**	**68,181**	**252,473**	**433,426**

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

	The Group		**The Company**	
(in EUR)	**2019**	**2018**	**2019**	**2018**
Trade payables	2,737,338	2,044,849	2,549,563	2,002,509
Other payables	1,046,151	8,352,995	1,299,879	8,116,828
Payables due to subsidiaries	-	-	605,705	546,410
Contract liabilities	383,158	409,174	383,159	409,174
Accruals and deferred income	39,625,556	35,768,086	37,798,203	35,296,433
	43,792,203	**46,575,104**	**42,636,509**	**46,371,354**

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.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Other payables are non-interest bearing and have an average term of three months.
- The terms and conditions of the payables due to the related party and the subsidiaries are disclosed in Note 32.

All the above amounts are unsecured.

23. Deferred Income

The Group (in EUR)	2018	Movement for the year: Transfer	Movement for the year: Amortisation	2019
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	4,890,253	1,739,678	(283,603)	6,346,328
European Commission grant	362,315	-	(40,255)	322,060
Government grant	19,980	-	(9,989)	9,991
Deposit received from tenant	113,965	(3,610)	-	110,355
Total deferred income as at 31 December	**5,386,513**	**1,736,069**	**(333,847)**	**6,788,734**
Less amounts included in trade and other payables	(259,009)			(333,849)
Amounts included in non-current liabilities	**5,127,504**			**6,454,885**

The Group (in EUR)	2017	Movement for the year: Additions	Movement for the year: Amortisation	2018
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,099,018	-	(208,765)	4,890,253
European Commission grant	402,570	-	(40,255)	362,315
Norwegian grant	51,762	-	(51,762)	-
Government grant	29,971	-	(9,991)	19,980
Deposit received from tenant	98,819	15,146	-	113,965
Total deferred income as at 31 December	**5,682,140**	**15,146**	**(310,773)**	**5,386,513**
Less amounts included in trade and other payables	(310,772)			(259,009)
Amounts included in non-current liabilities	**5,371,368**			**5,127,504**

23. *Deferred Income* (CONTINUED)

The Company (in EUR)	2018	Movement for the year: Transfer	Movement for the year: Amortisation	2019
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	4,890,253	1,739,678	(283,603)	6,346,328
European Commission grant	362,315	-	(40,255)	322,060
Government grant	19,980	-	(9,989)	9,991
Total deferred income as at 31 December	**5,272,548**	**1,739,678**	**(333,847)**	**6,678,379**
Less amounts included in trade and other payables	(259,009)			(333,849)
Amounts included in non-current liabilities	**5,013,539**			**6,344,530**

The Company (in EUR)	2017	Movement for the year: Additions	Movement for the year: Amortisation	2018
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,099,018	-	(208,765)	4,890,253
European Commission grant	402,570	-	(40,255)	362,315
Norwegian grant	51,762	-	(51,762)	-
Government grant	29,971	-	(9,991)	19,980
Total deferred income as at 31 December	**5,583,321**	**-**	**(310,773)**	**5,272,548**
Less amounts included in trade and other payables	(310,772)			(259,009)
Amounts included in non-current liabilities	**5,272,549**			**5,013,539**

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*

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Non-current provision	**3,880,077**	3,906,809	**3,880,077**	3,906,809

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:

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

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:

	2019	2018
Discount rate(s)	**0.8%**	1.8%
Mortality rate(s) in years		
- Males	**79**	79
- Females	**83**	83

The sensitivity analyses below are in connection with each significant actuarial assumption and are prepared as of 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 below are 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.

- If the discount rate is 25 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by EUR 55,469 (increases by EUR 57,150) (2018: decreases by EUR 56,531 (increases by EUR 58,272)).

- If the life expectancy increases (decreases) by one year for both men and women with all other assumptions held constant, the defined benefit obligation increases by EUR 229,505 (decreases by EUR 225,131) (2018: increases by EUR 195,623 (decreases by EUR 209,033)).

The weighted average duration of the defined benefit obligation at 31 December 2019 is 18 years (2018: 18 years) in relation to employees that are still employed by the Company and 12 years (2018: 12 years) in relation to retired employees.

25. *Provision for the MIA Benefit Plan*

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Non-current provision	**293,797**	250,638	**293,797**	250,638

The provision for the MIA benefit plan is unfunded and represents the year-end provision for obligations relating to payments to employees after their retirement as per the Company's Collective Agreement. The provision has been computed in accordance with the accounting policy stated in Note 39 and represents the Company's possible obligation discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds in Euros after considering the probability that employees reach the applicable retirement age when they are still in employment with the Company.

25. Provision for the MIA Benefit Plan (CONTINUED)

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

The Group & The Company (in EUR)	**2019**	**2018**
Present value of the provision for MIA benefit plan at 1 January	250,638	222,989
Payments effected	(10,400)	-
RECOGNISED IN STAFF COSTS		
Charge for the year	42,387	28,979
RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Actuarial gains resulting from changes in financial assumptions, gross of deferred tax	11,172	(1,330)
Present value of the provision for retirement benefits at 31 December	**293,797**	**250,638**

26. Share Capital

The Company (in EUR)	**As at 31.12.2019 and 31.12.2018** Authorised	Issued and called up
111,809,746 "A" ordinary shares of EUR 0.25 each (81,179,990 of which have been issued, called up and fully paid)	27,952,436	20,294,997
74,539,840 "B" ordinary shares of EUR 0.25 each (54,120,000 of which have been issued, called up and fully paid)	18,634,960	13,530,000
14 "C" ordinary shares of EUR 0.25 each (10 of which have been issued, called up and fully paid)	4	3
	46,587,400	**33,825,000**

The Ordinary ‘A’ and ‘B’ shares have the same rights, benefits, 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:

Shareholder	**Share**	**Type**
Malta Mediterranean Link Consortium Ltd. *	**40.0%**	'B' shares
Government of Malta	**20.0%**	'A' and 'C' shares
VIE (Malta) Limited	**10.1%**	'A' shares

* of which VIE (Malta) Limited constitutes 95.85%

26. Share Capital (CONTINUED)

The number of shareholders developed as follows:

Number of Shareholders	31.12.2019	13.09.2019	Change
1-500 shares	384	431	-47
501-1,000 shares	740	765	-25
1,001-5,000 shares	3,692	3,604	88
5,001 and over	1,562	1,539	23
	6,378	**6,339**	**39**

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:

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Cash and cash equivalents	**28,174,981**	20,253,186	**26,691,276**	18,553,002

29. Earnings per Share

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

	The Group		The Company	
	2019	2018	2019	2018
Profit for the year attributable to ordinary equity holders of the Company (in EUR)	**33,965,588**	30,335,640	**32,612,066**	29,085,319
Weighted average number of shares	**135,299,990**	135,299,990	**135,299,990**	135,299,990
Earnings per share attributable to ordinary equity holders of the Company (in EUR)	**0.251**	0.224	**0.241**	0.215

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

	The Group		The Company	
(in EUR)	**2019**	**2018**	**2019**	**2018**
Property, plant and equipment:				
Contracted but not provided for	**9,416,173**	1,679,656	**2,587,772**	1,679,656
Authorised but not contracted for	**27,985,100**	24,293,177	**18,232,659**	13,503,150
Investment property:				
Contracted but not provided for	**-**	-	**-**	-
Authorised but not contracted for	**700,000**	475,000	**-**	-

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:

The Group (in EUR)	2019 Related party activity	2019 Total activity	2019 %	2018 Related party activity	2018 Total activity	2018 %
REVENUE						
Related party transaction with:						
Entities controlled by Government	22,218,790			21,604,978		
Entities that control the Company's parent	85			3,227		
	22,218,875	**100,232,676**	**22**	**21,608,205**	**92,191,719**	**23**
OTHER OPERATING COSTS						
Related party transaction with:						
Key management personnel of the Group	674,961			682,362		
Related parties other than the parent and key management personnel of the Group	3,108,956			3,039,195		
	3,783,917	**25,951,490**	**15**	**3,721,557**	**27,995,969**	**13**

The Company (in EUR)	2019 Related party activity	2019 Total activity	2019 %	2018 Related party activity	2018 Total activity	2018 %
REVENUE						
Related party transaction with:						
Entities controlled by Government	21,874,408			21,232,502		
Subsidiaries	1,749,640			2,055,760		
Entities that control the Company's parent	85			3,227		
	23,624,133	**96,168,303**	**25**	**23,291,489**	**88,056,060**	**26**
OTHER OPERATING COSTS						
Related party transaction with:						
Key management personnel of the Company	674,961			682,362		
Related parties other than the parent and key management personnel of the Company	3,108,956			3,039,195		
	3,783,917	**25,433,993**	**15**	**3,721,557**	**27,310,381**	**14**

32. Related Party Disclosures (CONTINUED)

The Company has earned interest income amounting to EUR 386,243 (2018: EUR 402,562) on the loans granted to subsidiaries (see Note 18).

The Company's and the Group's other operating costs for the current year in relation to related parties other than the parent and key management personnel comprise EUR 2,937,771 (2018: EUR 2,870,760) in connection with entities controlled by Government and EUR 171,185 (2018: EUR 168,435) which in connection with entities which have an equity interest in the Company's parent.

The amounts due to/from related parties are disclosed in Note 18, 21 and 22. The terms and conditions do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. These amounts were unsecured and, except as specified in Note 18, are interest-free.

In addition to the above, the details of the material contracts entered into by the Company in the year ended 31 December 2019 with its substantial shareholders and their related parties are disclosed in Note 34.

Right-of-use assets presented in the Statement of Financial Position within Property, plant and equipment and Investment Property 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 Malita 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 emphyteusis 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

The Group and the Company as lessee

<u>Current year</u>

The Company and the Group initially applied IFRS 16 *Leases* in the current reporting period. The impact upon transition to the new standard and the related disclosures are outlined in Note 4.

Upon the initial adoption of IFRS 16 with effect from 1 January 2019, the Group and the Company recognised right-of-use assets within Property, Plant and Equipment and Investment Property.

Right-of-use assets are primarily in relation to the temporary emphyteusis of the leasehold land and buildings with ground rents payable by the Company to Malita Investments plc (previously to the Government of Malta) and further payments for the related aerodrome licence fee payable to the Government of Malta, with no renewal option included in the contracts. The term of the leases ranges from 58 years to 65 years and the lease payments on the temporary emphyteusis are adjusted upwards periodically by a specified rate. The payments for the related aerodrome licence fee are subject to revisions in terms of the Airport Economic Regulations and are directly linked to revisions in airport charges. There are no residual value guarantees in this respect. 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 is entitled to enjoy and make full use of the emphyteutical site as provided in the contractual arrangement, with the terminal building to be used only as an airport passenger terminal, the terminal land to be used for the purposes necessary for, ancillary to and/or related with the operation of an international airport and the aerodrome sites to be used for such commercial, industrial or administrative purposes as the Company may consider appropriate, provided that such activities are related or ancillary to the aviation industry or are designed to provide facilities and services which are complimentary to the operation of the terminal site and all the activities therein carried out.

Right-of-use assets also comprise applicable amounts in relation to leases of motor vehicles with a lease contract commencing in 2014 and ending in 2020. The motor vehicle lease contract includes termination and purchase options, both of which are not expected to be exercised by the Company with reasonable certainty. There are no residual value guarantees in this respect.

For leases of low value assets, which relate to the multi-function printers situated in the administration offices, the Company has applied the optional recognition exemptions to not recognise right-of-use assets as at the date of initial application of the standard. This expense is presented in Note 9.

33. Lease Arrangements (CONTINUED)

The adjustment at 1 January 2019 in relation to right-of-use assets classified as investment property is disclosed in Note 15.

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:

The Group & The Company (in EUR)	Additions as at 1 Jan 2019	Reclassifications as at 1 Jan 2019	Carrying amount 1 Jan 2019	Depreciation charge for the year	Carrying amount 31 Dec 2019
Land held on temporary emphyteusis	34,520,132	31,417,323	65,937,455	(1,358,496)	64,578,959
Related aerodrome licence	10,746,985	-	10,746,985	(221,587)	10,525,398
Buildings	-	25,174,531	25,174,531	(1,074,702)	24,099,829
Motor vehicles	73,613	-	73,613	(51,963)	21,650
Total right-of-use assets classified as property, plant and equipment	**45,340,730**	**56,591,854**	**101,932,584**	**(2,706,748)**	**99,225,836**

The interest expense for the year on lease liabilities amounts to EUR 2,079,535 and is included in Note 8. Expenses relating to low value assets for which the recognition exemption is applied are presented in Note 9. Total cash outflows during the year in relation to leases amounted to EUR 1,693,705.

Comparative year

The Group & The Company (in EUR)	2018
Minimum lease payments under operating lease and related payments recognised as an expense for the year	2,150,591

In the comparative year, the Company and the Group had outstanding commitments under non-cancellable operating lease and related payments as follows:

The Group & The Company (in EUR)	2018
Within one year	1,640,966
In the second to fifth years inclusive	6,846,049
After five years	130,578,350
	139,065,365

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

Current year

(in EUR)	The Group 2019	The Company 2019
Lease income under operating leases recognised as income for the year	**5,175,870**	**3,134,423**
Lease income under operating leases relating to variable lease payments that do not depend on an index or a rate	**14,713,235**	**14,829,565**
Total lease income under operating leases recognised as income for the year	**19,889,105**	**17,963,988**

33. *Lease Arrangements* (CONTINUED)

	The Group	The Company
(in EUR)	2019	2019
Year 1	3,735,923	1,440,204
Year 2	3,641,366	1,458,467
Year 3	3,528,861	1,476,898
Year 4	2,559,360	1,482,563
Year 5	2,332,365	1,505,298
Year 6 and onwards	23,329,522	25,059,555
	39,127,397	32,422,985

Operating lease income receivable by the Group includes income from leases 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 the lease of the investment property built on a portion of land held on temporary emphyteuses. 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 lessees.

Operating lease income also includes income from the lease to tenants of commercial property within the building held on temporary emphyteusis. The terms 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 lessees.

Operating lease income receivable by the Company also includes income from the lease to a subsidiary of certain carparks situated on portions of land held on temporary emphyteusis and classified as property, plant and equipment and income from the lease of the land on which the investment property is built, which investment property is also situated on portions of land held on temporary emphyteusis. The leases terminate in 2048 and 2035 respectively. One of the leases includes periodic adjustments by a specified rate and the other comprises fixed annual amounts and variable portions linked to the turnover of the lessee. The lease in connection with the car parks was replaced with effect from 1 January 2019.

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 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

	The Group	The Company
(in EUR)	2018	2018
Minimum lease payments under operating lease recognised as income for the year	5,996,421	2,868,713

33. Lease Arrangements (CONTINUED)

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

(in EUR)	The Group 2018	The Company 2018
Within one year	4,148,394	1,363,988
In the second to fifth years inclusive	13,160,046	5,618,133
After five years	27,657,493	25,064,853
	44,965,933	**32,046,974**

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 Government of Malta

(i) The terminal and other land lease agreements with Malita Investments plc for EUR 1,144,809 (2018: EUR 1,144,809);

(ii) Licence Fee payable to the Government of Malta for the airport operation amounting EUR 496,157 (2018: EUR 496,157);

(iii) The contract for contribution to the Malta Tourism Authority for EUR 232,937 (2018: EUR 232,937); the contracts for contributions payable towards the Route Development Fund that is administered by the Malta Tourism Authority for EUR 4,900,000 (2018: EUR 5,900,000); and a contract for the contribution for a calendar of events administered by the Malta Tourism Authority for EUR 1,380,000 (2018: EUR 1,100,000);

(iv) 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);

(v) 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);

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

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

(viii) 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); and

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

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 40% 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.

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 share in the Company amounts to 48.44%.

The financial results and financial position of the Company are included in the consolidated financial statements of Flughafen Wien AG. Copies of these consolidated financial statements may be obtained from Investor Relations department of Flughafen Wien or online.

36. Fair Values of Financial Assets and Financial Liabilities

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:

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Loans receivable	-	-	22,407,198	18,797,918
Trade and other receivables	16,012,038	18,787,242	16,530,326	18,881,875
Term deposit	5,000,000	-	5,000,000	-
Cash and cash equivalents	28,174,981	20,253,186	26,691,276	18,553,002
Financial liabilities at amortised cost	56,539,324	10,397,844	57,210,982	10,665,747

37. Financial Risk Management (CONTINUED)

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

	The Group		The Company	
(in EUR)	2019	2018	2019	2018
Recorded in profit or loss:				
Other investments	-	(7,021)	-	(7,021)
Loans receivable	-	-	**386,243**	402,562
Trade and other receivables	**(284,579)**	(18,157)	**(299,712)**	(40,578)
Term deposit	**37,436**	-	**37,436**	-
Financial liabilities at amortised cost	**(2,079,535)**	(148,915)	**(2,079,535)**	(139,212)

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.

		Effect on Profit before tax	
	Increase or Decrease (basis points)	The Group (in EUR)	The Company (in EUR)
2019	**+ 25**	**82,937**	**135,246**
	- 25	**(82,937)**	**(135,246)**
2018	+ 25	50,633	93,377
	- 25	(50,633)	(93,377)

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.

Where the Group has reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis, such an individual assessment is carried out. LT-ECLs on the remaining financial assets are measured on a collective basis, using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Trade receivables – tested individually:

LT-ECL (credit-impaired but not POCI)	**The Group**		**The Company**	
(in EUR)	**2019**	**2018**	**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	-	-	-	-

Trade receivables – tested collectively:

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

The Group **31 December 2019** (in EUR)	**Expected Credit Loss Rate**	**Gross Carrying Amount**	**LT-ECL**	**Net Carrying Amount**
Current (not past due)	0.2%	3,493,136	6,985	3,486,151
30 to 90 Days	0.2%	9,420,171	19,933	9,400,237
91 to 180 Days	4.0%	681,750	25,669	656,081
181 to 270 Days	13.8%	184,249	25,426	158,823
271 to 360 Days	35.0%	100,203	35,072	65,131
> 360 Days	100.0%	67,868	67,868	-
		13,947,377	**180,953**	**13,766,422**

37. Financial Risk Management (CONTINUED)

The Group 31 December 2018 (in EUR)	Expected Credit Loss Rate	Gross Carrying Amount	LT-ECL	Net Carrying Amount
Current (not past due)	0.1%	7,525,738	7,526	7,518,212
30 to 90 Days	0.1%	8,592,934	8,593	8,584,341
91 to 180 Days	2.7%	422,536	11,408	411,128
181 to 270 Days	10.4%	27,196	2,828	24,368
271 to 360 Days	32.3%	11,972	3,869	8,103
> 360 Days	100.0%	28,793	28,793	-
		16,609,169	**63,017**	**16,546,152**

The same ECL Rates are applied to the Company's debtors with a gross carrying amount of EUR 15,317,850 (2018: EUR 17,154,041), resulting in a net carrying amount of EUR 15,136,899 (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 second largest single customer of the Group, Air Malta p.l.c., which is currently going through a restructuring process, accounts for EUR 0.1 million (2018: EUR 3.4 million) of the Group's trade and other receivables at year end and 22% (2018: 23%) of the Group's revenue for the year (recorded in all segments). The Company's exposure to this customer is not materially different to that of the Group. The maximum exposure to this customer during a period of increased trading, in particular in the summer months at normal credit terms, is expected to be in the region of EUR 5.6 million (2018: EUR 5.4 million). The Board 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.

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).

12m-ECL	The Group		The Company	
(in EUR)	2019	2018	2019	2018
External rating grades				
BBB negative (Fitch), BBB- (S&P)	28,174,981	20,253,186	26,691,276	18,553,003
Gross/Net Carrying Amount at 31 December 2019	**28,174,981**	**20,253,186**	**26,691,276**	**18,553,003**

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.

37. Financial Risk Management (CONTINUED)

12m-ECL	**The Group**		**The Company**	
(in EUR)	**2019**	**2018**	**2019**	**2018**
External rating grades				
BBB negative (Fitch), BBB- (S&P)	5,000,000	-	5,000,000	-
Gross/Net Carrying Amount at 31 December 2019	**5,000,000**	**-**	**5,000,000**	**-**

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

Loans receivable

Loans receivable and undrawn loan commitments of the Company are disclosed in Note 18. The credit risk is contained within the Group.

12m-ECL	**The Company**	
(in EUR)	**2019**	**2018**
Internal rating grades		
Performing	22,407,198	18,797,918
Gross/Net Carrying Amount at 31 December 2019	**22,407,198**	**18,797,918**

The Company 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.

The Group 31 December 2019 (in EUR)	**Carrying Amount**	**Gross Cash Flows**	**< 1 year**	**1-5 Years**	**> 5 years**
Lease payables	52,755,835	137,424,399	1,647,117	7,011,621	128,765,662
Other payables	1,046,151	1,046,151	1,046,151		
Trade payables	2,737,338	2,737,338	2,737,338		
	56,539,324	**141,207,888**	**5,430,606**	**7,011,621**	**128,765,662**

The Group 31 December 2018 (in EUR)	**Carrying Amount**	**Gross Cash Flows**	**< 1 year**	**1-5 Years**	**> 5 years**
Other payables	8,352,995	8,352,995	8,352,995		
Trade payables	2,044,849	2,044,849	2,044,849		
	10,397,844	10,397,844	10,397,844	-	-

37. Financial Risk Management (CONTINUED)

The Company 31 December 2019 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Lease payables	52,755,835	137,424,399	1,647,117	7,011,621	128,765,662
Other payables	1,905,584	1,905,584	1,905,584		
Trade payables	2,549,563	2,549,563	2,549,563		
	57,210,982	**141,879,546**	**6,102,264**	**7,011,621**	**128,765,662**

The Company 31 December 2018 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Other payables	8,663,238	8,663,238	8,663,238		
Trade payables	2,002,509	2,002,509	2,002,509		
	10,665,747	10,665,747	10,665,747	-	-

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.

The Company monitors its capital requirement on a periodic basis considering its current requirements. Capital primarily includes equity attributable to the equity holders. Based on recommendations of the directors, the Group and the Company balance their overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's and Company's policy in managing capital has remained unchanged from the prior year.

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 impending 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.

Subsidiaries included in the consolidated financial statements 2019 and 2018 are Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. For financial information on these subsidiaries see Note 16.

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 inputs, other than quoted prices included within 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.

Property, plant and equipment are initially measured at cost. Such cost includes borrowing costs for long-term construction projects, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount. Any gains or losses arising on derecognition are included in profit or loss in the year the asset is derecognised.

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 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:

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

With effect from 1 January 2019, property, plant and equipment and investment property 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'. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

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

BORROWING COSTS

Borrowing costs include the costs incurred in obtaining external financing and mainly consist of interest on bank loans. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred.

INVESTMENTS IN SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in subsidiaries in the separate financial statements of the Company is accounted for on the basis of the direct equity interest and is stated at cost less any provisions for impairment, where in the opinion of the directors, any impairment in value has taken place. Dividends from the investment are recognised in profit or loss.

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.

39. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES (CONTINUED)

An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in other comprehensive income, unless an impairment loss on the same asset was previously recognised in profit or loss.

OTHER FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group entities become a party to the contractual provisions of the instrument. Unless otherwise stated below, financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position when the Group entities have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares issued by the Company are classified as equity instruments.

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:

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

- A financial asset is measured at AC if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its cash flows are solely payments of principal and interest on the principal 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 achieved by both collecting contractual cash flows and selling financial assets and its cash flows are solely payments of principal and interest on the principal 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 (CONTINUED)

OTHER FINANCIAL ASSETS (CONTINUED)

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

Classification	Subsequent Measurement
Financial Assets at FVTPL	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.
Financial Assets at AC	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.
Debt Investments at FVOCI	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.
Equity Investments at FVOCI	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.

39. Significant Accounting Policies (CONTINUED)

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.

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.

Loss allowances are measured according to the above outlined three-stage model (the general approach) except for trade receivables and contract assets that do not contain a significant financing component or for which the practical expedient for contracts that are one year or less is applied. For these financial assets the simplified approach is applied and LT-ECLs are recognized.

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 asset 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 aforegoing, 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.

39. Significant Accounting Policies (CONTINUED)

IMPAIRMENT OF OTHER FINANCIAL ASSETS (CONTINUED)

Loan commitments

For loan commitments, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates. For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Company if the holder of the loan commitment draws down the loan, and the cash flows that the Company expects to receive if the loan is drawn down. For loan commitments, the loss allowance is recognised as a provision.

FINANCIAL LIABILITIES

The accounting policy on financial liabilities is in relation to Trade and other payables, which are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material.

CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits comprise cash on hand, demand deposit and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and short-term deposits are stated at nominal amounts, being the amount recognised at inception.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

REVENUE RECOGNITION

The Group and the Company generate income from regulated revenue, unregulated revenue and leases.

- **Regulated revenue** comprises income from aviation services which arise from income from passenger services charges, security fees as well as aircraft landing and parking fees.
- **Unregulated revenue** consists of PRM charges, income from ground handling charges, certain car parking revenue, income from VIP services as well as meteorological services and other income.

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.

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise such revenue when (or as) they satisfy a performance obligation by transferring control of a promised good or service to the customer.

Regulated revenue

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

The performance obligation is to make the airport available as and when each airline makes use of it. The transaction price follows a set fee structure and is based on a variety of underlying metrics, such as the number of departing passengers, and the maximum take-off weight, which metrics become known by the time the services are provided and thus no significant estimates are required in this respect.

In determining the transaction price, consideration is taken of variable fee-reducing rebates based on incentive agreements. Incentives are deducted from revenue in full and are included within the line item 'Trade and other payables'. Any such incentives which are not taken up are recognised as revenue only when it is highly probable that a significant reversal will not occur, that is, when the uncertainty associated with the incentives is subsequently resolved.

The performance obligation in relation to regulated revenue is satisfied over time. 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 an 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.

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

- **Ground handling concession income** is revenue from ground handling and infrastructure providers for the right to provide their services (ground handling, fuelling) within the airport perimeter for the duration of the respective contracts. The performance obligation is to make the maintained airport infrastructure and equipment available so that the ground handling provider is able to provide its services to airlines and aircraft operators. The transaction price follows a fee structure that is based on a variety of underlying metrics, such as the number of departing passengers, aircraft movements, maximum take-off weight, kilograms of freight and mail and litres of fuel. The Group has determined that it provides a daily service of access that is distinct, with the uncertainty related to the consideration receivable being also resolved on that basis and accordingly no further estimates are required in this regard. The performance obligation is satisfied over time. 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. porterage, meet-and-greet). The Group's performance obligation is to provide the services if and when requested by customers in line with underlying terms and conditions. The transaction price follows a fixed price structure. The performance obligation 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'.

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 2002 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

LEASES

Comparative year

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 determined) 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 increases 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

39. Significant Accounting Policies (CONTINUED)

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 calculated 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 recovered from or paid to taxation authorities. Deferred tax assets and liabilities are offset when the Group and the Company have a legally enforceable right to 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 expensed in the year in which they are incurred.

Retirement plans
For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with estimations being carried out at each reporting date. Past service cost is recognised 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.

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.

INDEPENDENT AUDITOR'S REPORT
to the members of Malta International Airport p.l.c.

Report on the audit of the financial statements

OPINION

We have audited the individual financial statements of Malta International Airport p.l.c. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 85 to 142, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2019, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matters described below pertain to the audit of both the individual and the consolidated financial statements. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impact of new accounting standard

A significant change in the accounting standard IFRS 16 - Leases relevant to the Company and the Group (together, MIA) came into effect for the financial year ended 31 December 2019. IFRS 16 - Leases brings most leases on-balance sheet for lessees under a single model, thus eliminating for lessees the distinction between operating and finance leases. Given the significance of MIA's leasing transactions, the application of this Standard has resulted in significant adjustments to the financial statements for the year ended 31 December 2019, whereby MIA recognised additional liabilities of EUR 45.7 million as at 1 January 2019 with corresponding right-of-use assets for the same amount. Right-of-use assets are primarily in relation to the temporary emphyteusis of the leasehold land and buildings and the related aerodrome licence fee.

Significant judgements and estimates arising from the implementation of the new requirements of the Standard comprise the following:

- 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 revision of applicable accounting policies, the inclusion of the licence fee within the scope of the Standard and the inclusion of the required additional disclosures thereon. 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 emphyteusis 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 (ii) 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 (ii) 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(3) 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

- 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 179A(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 are responsible for 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.

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

Malta International Airport plc,
Luqa LQA 4000, Malta

TEL (+356) 2124 9600
FAX (+356) 2124 9563
EMAIL info@maltairport.com