Report 2017

MALTA INTERNATIONAL AIRPORT PLC

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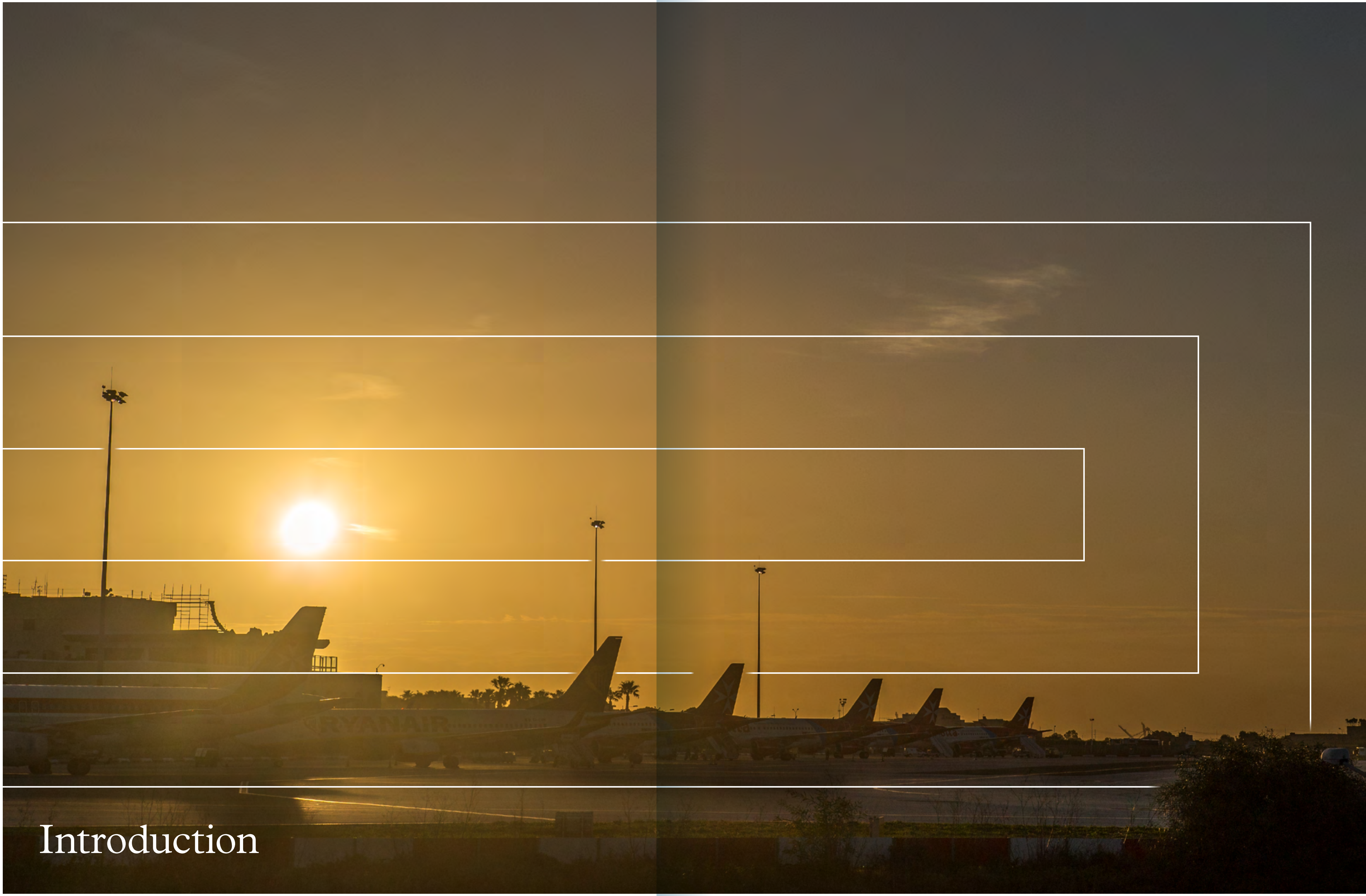
MALTA INTERNATIONAL AIRPORT PLC

Vision

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



Introduction

Key Data

Industry Indicators*	2017	Change in %	2016	2015
Passengers in million	**6.01**	17.5	5.12	4.62
thereof Transfer passengers	**14,553**	149.8	5,827	8,635
Flight movements	**42,987**	15.0	37,383	34,283
Seat occupancy in %	**82.41**	(1.0)	83.24	81.10
MTOW in million tonnes	**1.73**	17.0	1.48	2.86
Cargo in tonnes	**16,177**	3.1	15,697	14,964

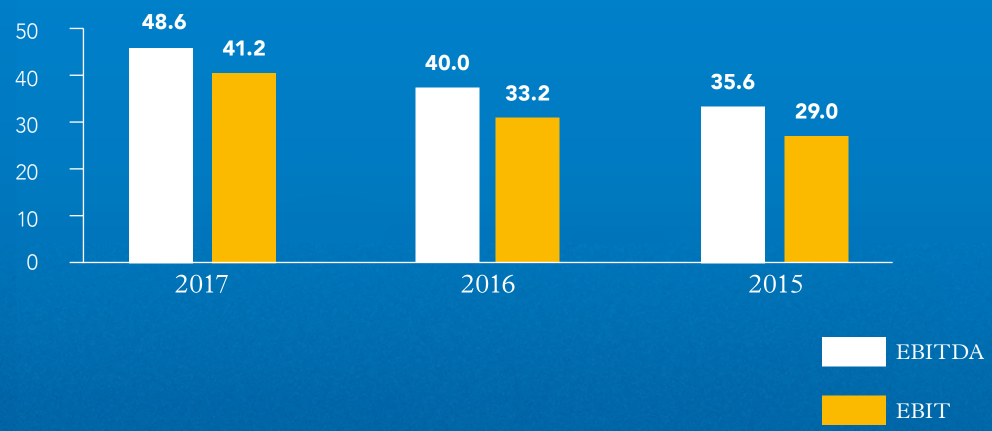
Financial Indicators (in € million)				
Total revenue	**82.4**	12.7	73.1	67.0
thereof Aviation	**59.0**	14.6	51.5	46.5
thereof Non-Aviation	**23.4**	8.3	21.6	20.5
EBIT	**41.2**	24.2	33.2	29.0
EBIT margin in %	**50.0**	10.1	45.4	43.3
EBITDA	**48.6**	21.5	40.0	35.6
EBITDA margin in %	**59.0**	7.7	54.7	53.2
ROCE in %	**27.0**	30.8	20.6	16.9
Net Profit	**24.2**	15.1	21.0	19.3
Cash flow from operating activities	**42.7**	56.4	27.3	29.5
Equity	**95.8**	12.5	85.1	77.7
Balance sheet total	**182.9**	6.1	172.4	171.9
Capital expenditure	**14.0**	95.8	7.2	7.2
Taxes on income	**13.4**	17.6	11.4	10.5
Average employees for the year	**307**	1.0	304	306

Stock Market Indicators				
Shares outstanding in million	**135.3**	0.0	135.3	135.3
P/E ratio	**26.4**	1.0	26.1	28.4
Earnings per share in €	**0.18**	14.8	0.16	0.14
Net dividend per share in € **	**0.10**	0.0	0.10	0.10
Net dividend yield in %	**2.128**	(13.8)	2.469	2.481
Pay-out ratio as a % of net profit	**56.0**	(13.1)	64.5	70.2
Market capitalisation in € million	**635.91**	16.0	547.97	545.26
Stock price in €	**4.70**	16.0	4.05	4.03
Stock price: high in €	**4.80**	0.8	4.76	4.05
Stock price: low in €	**4.05**	1.3	4.00	2.36
Market weighting in %	**13.6**	12.4	12.1	12.6

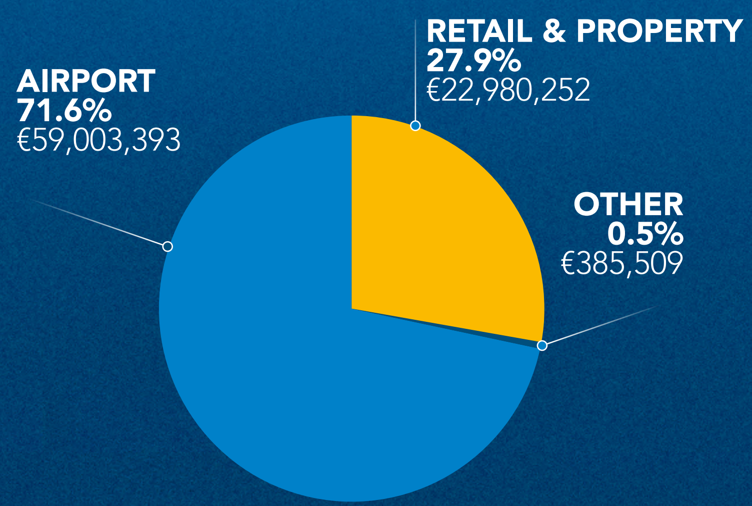
* MIA introduced changes in the compilation of aviation statistics, which are reflected in the figures of 2017 and 2016. 2015 data remained unchanged. For details on the changes please refer to the Directors' Report (p. 86).
** Reporting Year: Recommendation to the Annual General Meeting

EBITDA & EBIT

IN € MILLION



Revenue by Segment



Chairman's Message

Gaining almost a million passenger movements over the previous year, 2017 went down in Malta International Airport's records as its fastest-growing year so far. This was but one of many highlights, which cumulatively reflect the Company's commitment to investing in an airport that can continue to fly high among its European peers in the long term.

Whilst in 2017 European airports across the board saw a significant increase in passenger numbers, the annual traffic report issued by Airports Council International (ACI) listed Malta International Airport as one of the top five performers in its class in terms of growth. Being one of the fastest-growing airports among our counterparts gives us confidence in our ongoing connectivity endeavours, which are aligned with government's tourism strategy for the Maltese islands. Our projections indicate that in 2018 traffic through our airport will continue on its upward trend to reach around 6.5 million passenger movements by the end of the year.

2017's apex was reached when we celebrated our six millionth passenger milestone, but last year was also pivotal in terms of infrastructural upgrades. Ever since its privatisation in 2002, the Company has had its focus set on developing Malta International Airport in a way that satisfies the aviation industry's changing needs, with the past 16 years' investment totalling more than €110 million. Having recently been given the green light by the Planning Authority for our master plan, we shall soon set the ball rolling with an investment of at least €100 million. The developments provided for in this master plan will see us grow both our aviation and non-aviation segments, generating more employment opportunities and cementing our position as one of the top contributors to the local economy in the process.

Through our bi-yearly brand perception survey, we learnt that 94% of the Maltese population agree that Malta International Airport is a vital cog in the Maltese economy. This acknowledgement gives us assurance that our four-pillared strategy has put us on the right path and gives us the impetus to kick-start the implementation of our next investment programme. Other highlights from this survey include an increase in the number of locals who are proud of our airport, with this indicator reaching an impressive 98% in last year's survey.

More insightful results were gathered through ACI's Airport Service Quality (ASQ) survey, an internationally recognised exercise that gives us an understanding of our passengers' overall satisfaction with their airport experience. Ranking second among European airports in 2017 did exceed all our expectations by far, but this achievement only echoes the emphasis we place upon service excellence and the year-long efforts we put into shaping a better passenger journey.

This has fostered a more customer-centric culture internally, in line with our strategy's pillar of providing a memorable visitor experience.

With these votes of confidence and favourable projections, we look ahead to the next leg of the Company's successful journey. I would like to thank all our shareholders for their support so far, and promise that, together with our stakeholders, we shall focus on building on our past achievements to continue growing sustainably and generate the returns expected from our Company.

Nikolaus Gretzmacher
Chairman

Messaġġ taċ-Chairman

B'żieda ta' kważi miljun moviment tal-passiġieri fuq is-sena preċedenti, l-2017 tniżżlet fir-rekords tal-Ajruport Internazzjonali ta' Malta bħala s-sena li fiha kbirna bl-aktar rata mgħaġġla sal-lum. Dan it-tkabbir kien biss wieħed minn ħafna suċċessi għal din is-sena, li flimkien jirriflettu l-impenn kontinwu tal-Kumpanija li tinvesti f'ajruport li jista' jkompli jikkompeti fuq livell Ewropew.

Filwaqt li fl-2017 l-ajruporti Ewropej b'mod ġenerali raw żieda sinifikanti fin-numru ta' passiġġieri, ir-rapport annwali tat-traffiku maħruġ minn ACI nnota li l-Ajruport Internazzjonali ta' Malta kellu waħda mill-aqwa prestazzjonijiet, f'termini ta' tkabbir, minn fost l-ajruporti fil-klassi tiegħu. Dan jindika li l-ħidma tagħna ffukata fuq it-titjib tal-konnettività, li ssir b'mod parallel mal-istrateġija tat-turiżmu tal-Gvern, qiegħda tabilħaqq tagħti r-riżultati mixtieqa. It-tbassir tagħna issa jindika li matul l-2018 it-traffiku tal-Ajruport Internazzjonali ta' Malta ser ikompli jiżdied biex jilħaq is-6.5 miljun moviment tal-passiġġieri sa tmiem is-sena.

Il-qofol tal-2017 ilħaqnieh meta ċċelebrajna rekord ġdid bil-wasla tas-sitt miljun passiġġier tagħna, iżda s-sena kienet waħda importanti wkoll fir-rigward ta' titjib infrastrutturali.
Sa mill-privatizzazzjoni tagħha fl-2002, il-Kumpanija dejjem kienet iffukata biex tiżviluppa l-Ajruport Internazzjonali ta' Malta b'mod li jissodisfa l-bżonnijiet dejjem jinbidlu tal-industrija tal-avjazzjoni, bl-investiment ta' dawn l-aħħar 16-il sena jaqbeż il-€110 miljun. Issa li ngħatajna l-approvazzjoni mill-Awtorità tal-Ippjanar għall-master plan tagħna, dalwaqt ser naghtu bidu għal xogħlijiet bħala parti minn programm ta' investiment li jlaħħaq il-€100 miljun. L-iżviluppi previsti f'dan il-master plan huma mmirati li jkomplu jkabbru kemm is-segment tal-avjazzjoni u kemm is-segment tal-proprjetà u l-bejgħ, biex b'hekk jinħolqu aktar opportunitajiet ta' xogħol u nkomplu nistabbilixxu lill-Kumpanija bħala kontributur ewlieni fl-ekonomija Maltija.
Minn stħarriġ tal-perċezzjoni dwar l-Ajruport Internazzjonali ta' Malta li sar is-sena li għaddiet, irriżulta li 94% tal-popolazzjoni Maltija taqbel li l-ajruport huwa mutur importanti fl-ekonomija tal-pajjiż. Dan ir-rikonoxximent jassigurana li l-istrateġija tagħna b'erba' pilastri poġġietna fit-triq it-tajba u jagħtina wkoll il-motivazzjoni sabiex nibdew nimplimentaw il-programm ta' investiment li jmiss. F'dan l-istħarriġ rajna wkoll żieda fin-numru ta' persuni li jħossuhom kburin bl-Ajruport Internazzjonali ta' Malta, b'dan l-indikatur jilħaq 98% fl-2017.

Ksibna aktar riżultati pożittivi fl-istħarriġ dwar il-Kwalità tas-Servizz fl-Ajruporti ta' ACI; eżerċizzju rikonoxxut globalment li jipprovdi informazzjoni dwar il-livell ta' sodisfazzjon tal-passiġġieri bl-esperjenza tagħhom fl-ajruport. Fl-istħarriġ tal-2017 ksibna t-tieni post minn fost l-ajruporti Ewropej parteċipanti, riżultat li għalkemm sebaq kull aspettattiva tagħna, finalment huwa riflessjoni tal-enfasi li nqiegħdu fuq l-għoti ta' servizz eċċellenti u l-isforzi li nagħmlu tul is-sena sabiex intejbu l-esperjenza fl-ajruport tagħna. Dan rawwem kultura interna li tipprijoritizza lill-klijent, f'konformità mal-pilastru tal-istrateġija tagħna li huwa ċċentrat fuq il-ħolqien ta' esperjenza memorabbli għall-viżitaturi u l-passiġġieri.

B'dawn il-voti ta' fiduċja u tbassir favorevoli f'idejna, nistgħu nħarsu 'l quddiem lejn il-parti li jmiss tal-vjaġġ tal-Kumpanija tagħna. Hawnhekk, nixtieq nirringrazzja lill-azzjonisti tagħna tal-appoġġ tagħhom sa issa, u nwiegħed li, flimkien mal-partijiet interessati, ser inkomplu nsejsu fuq pedament ta' kisbiet sabiex nikbru aktar b'mod sostenibbli u niġġeneraw il-profitti mistennijin mill-Kumpanija.

Nikolaus Gretzmacher
Chairman

CEO's Review

2017 kept us busy with an unprecedented number of passengers, and we strived to ensure that every one of them enjoyed the best possible airport experience. As passenger numbers continue to grow, so does our responsibility to invest in resources that help us deliver an excellent service to our guests, with the ultimate aim of creating great first and last impressions of our islands.

Monthly double-digit growth in traffic led us to end the year with 6,014,548 passenger movements, translating into an upswing of 17.5% over 2016. Last year, the shoulder months outgrew the peak months, with January, February and April registering the strongest percentage increase in passenger numbers. The full significance of this lies in the fact that achieving growth in winter is one of the priorities of government's traffic strategy for Malta, since year-round tourism is vital to the island's long-term success.

2017 was, in fact, a bumper year for inbound tourism, which grew by 15% to exceed the two million mark for the first time, going on to surpass the average increase of the Southern and Mediterranean European region. This excellent performance was partly driven by the fact that we continued expanding our network with the introduction of 12 new routes - one of which opened up a direct path to Macedonia – and welcomed two new airlines; Condor and Eurowings. Another driver of a sizeable amount of traffic, coming mainly from the United Kingdom, was the Cruise and Fly service that ran between April and October 2017. Having launched our summer 2018 schedule just weeks ago, we are now connected to more than 100 destinations. This schedule offers 16 new routes, two of which will be linking Malta to Estonia and Slovakia for the first time. Through flights to Porto and Lisbon, on the other hand, we have restored our tie with Portugal after a 10-year absence; a development that had long been targeted by the tourism strategy for our islands. Looking ahead, we shall strive to harness the full potential of the Scandinavian market, which is presently our largest source of indirect traffic, and strengthen our connections with Eastern Europe, whilst ensuring that the momentum gathered so far in addressing seasonality is maintained.

As unprecedented numbers of passengers passed through Malta International Airport, the terminal itself was evolving through the Company's €12 million Terminal Reconfiguration Project. By the end of the second quarter of 2017, we had unveiled a new La Valette lounge, opened a redesigned observation deck, and moved the Central Security Area to a more fitting and spacious location on Level 1. Other notable improvements brought about by this project include the installation of eight additional check-in desks and a new Baggage Handling System. These developments are helping us provide our guests with an enhanced airport experience, and have also laid the groundwork for future terminal expansions that will allow further traffic growth.

Beyond ongoing investment, traffic growth, and connectivity, we also place great importance on service excellence, and this is in fact one of the values that guide our endeavours. Our team's commitment to delivering nothing short of an exceptional service to our guests has landed us among the top five European airports in Airports Council International's Airport Service Quality awards for the past years. Despite the challenges presented by construction works in every corner of the terminal, last year's score of 4.32 in these awards was our highest one to date, securing us a very prestigious second place among our peers. This achievement makes us proud that we rose to the occasion yet again and we are determined to keep improving our services and facilities, most notably through the implementation of our recently approved master plan.

Our forward-looking master plan will see us invest at least €100 million in the development of our terminal and the surrounding airport campus in the next five years alone. Whilst the terminal will be extended to make room for more gates, check-in desks and circulation space, the construction of SkyParks II will provide more office space and introduce a business hotel just a stone's throw away from the airport.

2017's many accomplishments would not have been possible without our team's and our partners' unwavering dedication to making the year a successful one. With further traffic growth forecast for 2018 and promising financial projections in hand, our focus remains set on registering more positive results that are a credit to both the Company and the Maltese islands, and which allow us to deliver attractive shareholder returns for yet another year.

Alan Borg
CEO

Rendikont tal-Kap Eżekuttiv

Fl-2017 ilqajna numru rekord ta' passiġġieri, u l-mira tagħna kienet li kull wieħed minnhom igawdi l-aqwa esperjenza possibbli fl-ajruport tagħna. Hekk kif ikompli jiżdied it-traffiku tal-Ajruport Internazzjonali ta' Malta, tkompli tiżdied ukoll ir-responsabbiltà tagħna li ninvestu f'riżorsi li jgħinuna nwasslu servizz eċċellenti, bil-mira aħħarija li nagħtu l-aqwa impressjoni tal-gżejjer tagħna.

Tkabbir b'żewġ ċifri ta' kull xahar wassalna biex għalaqna s-sena b'6,014,548 moviment tal-passiġġieri, jiġifieri żieda ta' 17.5% fuq l-2016. Is-sena li għaddiet, ix-xhur aktar kwieti għall-ajruport tagħna kibru iktar mill-eqqel perjodu tas-sajf, b'Jannar, Frar u April jesperjenzaw l-ogħla żidiet fin-numru tal-passiġġieri. Dan jikseb sinifikat akbar fid-dawl tal-istrateġija tat-turiżmu tal-Gvern għal Malta li tindirizza l-istaġjonalità, minħabba li t-turiżmu tul is-sena kollha huwa kruċjali għas-suċċess fuq medda twila tal-gżira.

Fil-fatt, l-2017 kienet ukoll sena tassew tajba għat-turiżmu lejn Malta, li kiber bi 15% biex b'hekk qabeż iż-żewġ miljun turist għall-ewwel darba u anki sebaq it-tkabbir medju tar-reġjun Ewropew tan-Nofsinhar u tal-Mediterran. Din il-prestazzjoni eċċellenti rriżultat mill-fatt li komplejna nestendu n-netwerk tagħna bl-introduzzjoni ta' 12-il rotta ġdida – rotta minnhom fetħet passaġġ dirett għall-Maċedonja – u lqajna żewġ linji tal-ajru ġodda; Condor u Eurowings. Servizz ieħor li ġġenera ammont sostanzjali ta' traffiku, prinċipalment mir-Renju Unit, kien il-programm Cruise and Fly offrut bejn April u Ottubru 2017.

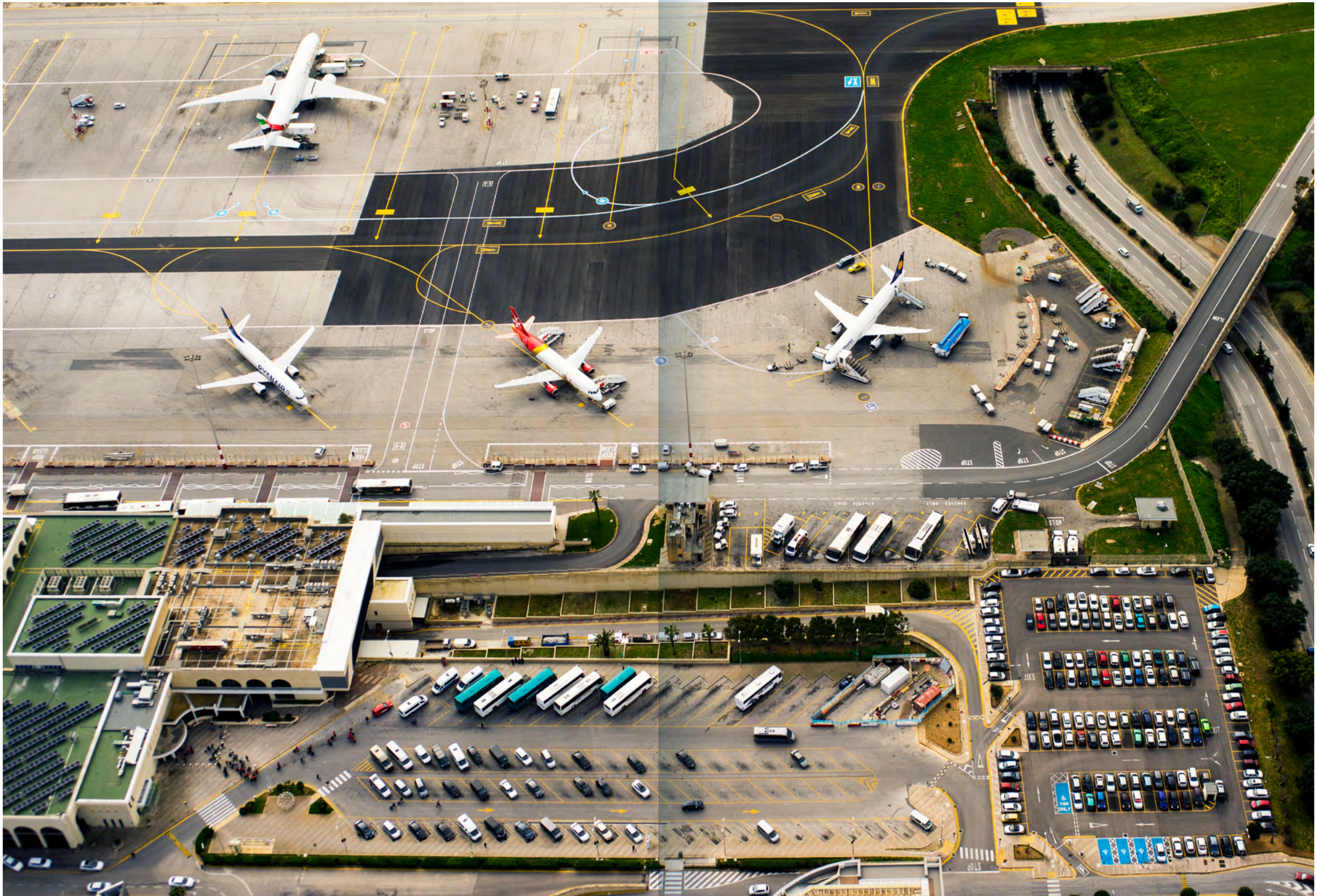
Issa li nedejna l-iskeda għas-sajf 2018, ninsabu biss titjira 'l bogħod minn 'il fuq minn 100 destinazzjoni. Din l-iskeda toffri 16-il rotta ġdida, minn liema tnejn ser ikunu qed jgħaqqdu lil Malta mal-Estonja u s-Slovakkja għall-ewwel darba. Permezz ta' titjiriet lejn Porto u Lisbona, min-naħa l-oħra, ser inkunu qed nistabbilixxu mill-ġdid servizz lejn il-Portugall wara nuqqas ta' 10 snin; żvilupp li kien ilu fil-mira tal-istrateġija tat-turiżmu għall-gżejjer tagħna għal dawn l-aħħar snin. It-triq 'il quddiem ser tkun ikkaratterizzata minn aktar ħidma sabiex nisfruttaw il-potenzjal sħiħ tas-suq Skandinavu, li preżentement huwa l-akbar sors li għandna ta' traffiku indirett, u nsaħħu l-konnessjonijiet tagħna mal-Ewropa tal-Lvant, filwaqt li niżguraw li nibqgħu mexjin fid-direzzjoni t-tajba u nkomplu nindirizzaw l-istaġjonalità tal-ivjaġġar.

Hekk kif numru bla preċedent ta' passiġġieri għadda mill-Ajruport Internazzjonali ta' Malta, it-terminal innifsu kien qed jevolvi permezz tal-Proġett ta' Rikonfigurazzjoni tat-Terminal b'investiment ta' €12-il miljun. Sa tmiem l-aħħar kwart tal-2017, konna ftaħna sala ta' La Valette ġdida, inawgurajna gallerija tal-osservazzjoni b'dehra ġdida u ċaqlaqna ż-Żona tal-Iskrining tas-Sigurtà għal post aktar spazjuż u xieraq fl-ewwel sular. Barra minn hekk, dan il-proġett ġab miegħu aktar titjib notevoli bħall-installazzjoni ta' tmien *check-in desks* addizzjonali u sistema ta' proċessar tal-bagalji moderna. Dawn l-iżviluppi qegħdin jgħinuna nipprovdu esperjenza aħjar lill-passiġġieri tagħna, u wittew ukoll it-triq għal espansjonijiet futuri tat-terminal li għandhom jippermettulna nilqgħu aktar passiġġieri.

Lil hinn mill-investiment, iż-żieda fit-traffiku u l-konnettività, aħna npoġġu importanza kbira fuq l-għoti ta' servizz eċċellenti, u dan huwa wieħed mill-valuri li jiggwidaw il-ħidma tagħna. L-impenn tat-tim lejn il-ħolqien ta' esperjenza eċċezzjonali għall-passiġġieri u l-viżitaturi tagħna wassalna biex nikklassifikaw mal-aqwa ħames ajruporti Ewropej, fl-istħarriġ dwar il-Kwalità tas-Servizz fl-Ajruporti ta' ACI, għal dawn l-aħħar snin. Minkejja l-isfidi ppreżentati minn xogħlijiet ta' kostruzzjoni f'kull kantuniera tat-terminal, il-punteġġ ta' 4.32 għall-2017 kien l-ogħla wieħed tagħna sal-lum f'dan l-istħarriġ, u bih ksibna t-tieni post minn fost l-ajruporti Ewropej l-oħrajn. Din il-kisba tagħmilna kburin li għal darba oħra l-ħidma tagħna ġiet rikonoxxuta u tagħtina d-determinazzjoni li nkomplu ntejbu s-servizzi u l-faċilitajiet tagħna, notevolment permezz tal-eżekuzzjoni tal-master plan tal-Kumpanija li ġie approvat reċentament. Il-master plan tagħna li jħares 'il quddiem jipprevedi l-investiment ta' madwar €100 miljun fl-iżvilupp tat-terminal tagħna u l-kampus tal-madwar fil-ħames snin li ġejjin. Filwaqt li t-terminal ser jiġi estiż sabiex jakkomoda aktar *gates, check-in desks* u spazju ta' ċirkolazzjoni, il-bini ta' SkyParks II ser jipprovdi aktar spazju għal uffiċini u jintroduċi *business hotel* ftit passi bogħod mill-ajruport.

Il-ħafna kisbiet tal-2017 ma kinux ikunu possibbli mingħajr ħafna dedikazzjoni u ħidma ma taqta' xejn tat-tim u s-sħab tagħna. B'aktar tkabbir tat-traffiku mbassar għall-2018 u projezzjonijiet finanzjarji tassew pożittivi, nistgħu nkomplu niffukaw fuq il-kisba ta' aktar riżultati li jagħmlu unur kemm lill-Kumpanija u kemm lill-gżejjer Maltin, u li jippermettulna nagħtu ritorn tajjeb fuq l-investimenti tal-azzjonisti tagħna.

Alan Borg
Kap Eżekuttiv



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 requires that the Chief Executive Officer is an ex ufficio director, and allows 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 operate 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

Dr Cory Greenland
NON-EXECUTIVE DIRECTOR

Ms Rita Heiss
NON-EXECUTIVE DIRECTOR

Dr Wolfgang Koeberl
NON-EXECUTIVE DIRECTOR

Mr Florian Nowotny
NON-EXECUTIVE DIRECTOR
APPOINTED: 18.01.2017

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.








Mr Nikolaus Gretzmacher, Mr Alan Borg,
Mr Karl Dandler, Dr Cory Greenland, Ms Rita Heiss,
Dr Wolfgang Koeberl, Mr Florian Nowotny, Dr Louis de Gabriele (Company Secretary)

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 every department. On average, the Executive Committee meets thrice monthly.

The Company's Heads of Department are:

Mr Alan Borg
CHIEF EXECUTIVE OFFICER

Mr Karl Dandler
CHIEF FINANCIAL OFFICER

Ing. Martin Dalmas
AIRPORT OPERATIONS

Mr George Mallia
RETAIL & PROPERTY

Mr Ian Maggi
INNOVATION & TECHNOLOGY

Mr Patrick Murgo
SECURITY SERVICES

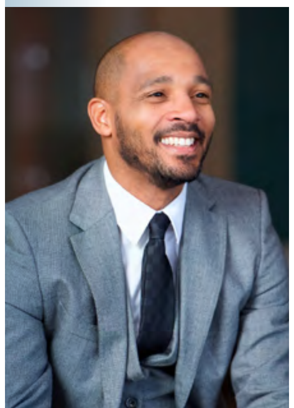
Ms Tina Lombardi
HR & STRATEGY

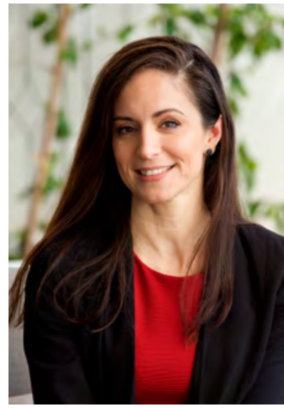
Ing. Kevin Alamango
TECHNICAL SERVICES
APPOINTED: 15.05.2017

Mr Thomas Wohlfahrtstätter
FINANCIAL CONTROL,
RISK & COMPLIANCE
APPOINTED: 01.07.2017

Mr Alex Cardona
TRAFFIC DEVELOPMENT
& CUSTOMER SERVICES
APPOINTED: 01.01.2018




Mr Alan Borg, Mr Karl Dandler, Ing. Martin Dalmas,
Mr George Mallia, Mr Ian Maggi, Mr Patrick Murgo, Ms Tina Lombardi,
Ing. Kevin Alamango, Mr Thomas Wohlfahrtstätter, Mr Alex Cardona.

Our Strategy

Our Company Strategy

The mission, vision, and values form the backbone of our strategy, which our leadership and their teams nurture as they work towards the Company's goals and priorities.

During the year under review, the Company continued to communicate these priorities to all of its employees, encouraging them to let their everyday decisions and actions at work be a reflection of what the organisation strongly believes in.

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.

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

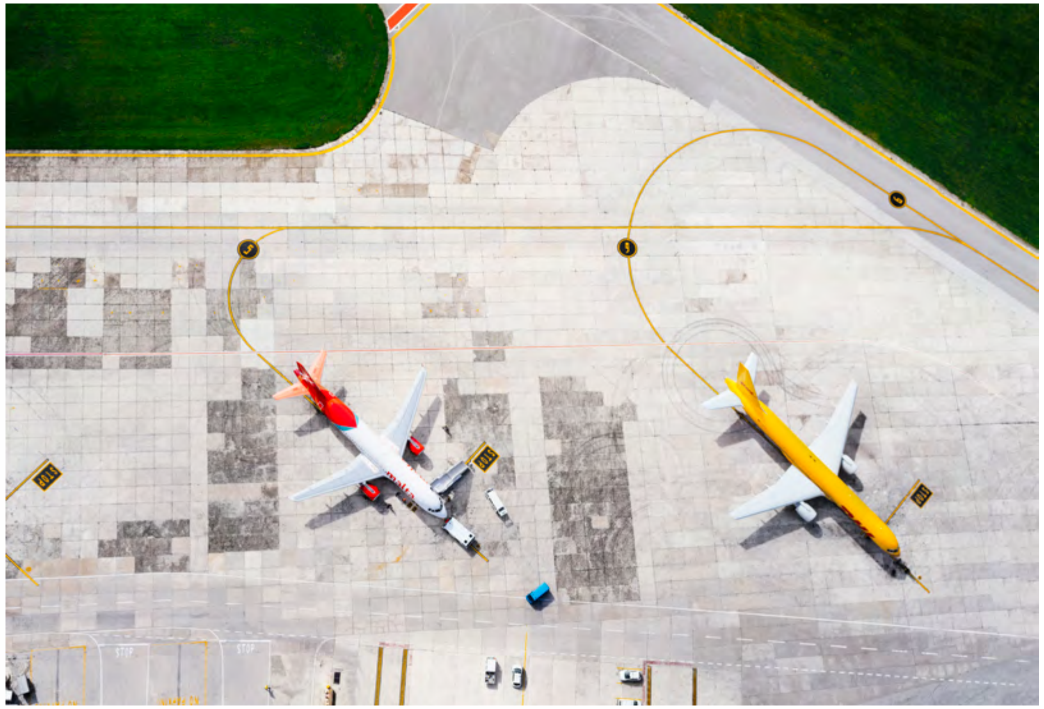
To offer our guests a valuable and unique experience. We believe that by delighting our guests and making their visit to the airport a memorable experience, they are more likely to become loyal customers and promoters of our brand.

To continually invest in a well-designed, safe and efficient airport which meets and exceeds the needs and expectations of our customers.

In addition, and by way of diversifying our business model from 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.

Therefore, our 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.

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.



Our Employees

Our Employees

Malta International Airport's team of 311 employees was the main driving force of the Company's many accomplishments in 2017. To create the best possible environment for its workforce to thrive in, whilst instilling a sense of belonging to the Company, MIA launched a host of initiatives and programmes for its people.

Amongst these was the introduction of appraisals for all employees with the aim of providing them with formal feedback about their performance and stimulating better engagement at work.

So as to maximise the use of its resources and open up new career progression paths for employees, a reorganisation within one of the Company's bigger departments was announced. The Technical Services Department, now incorporating four distinct yet interoperable units, has been functioning with its new structure under the leadership of Ing. Kevin Alamango since May 2017.

Employee average age
41 YEARS

Average length of service
12 YEARS

Training & Development

To honour its commitment to the ongoing development of its people and their talent, for yet another year, Malta International Airport prepared its annual training programme in which it identifies training opportunities suited to the different needs of its employees.

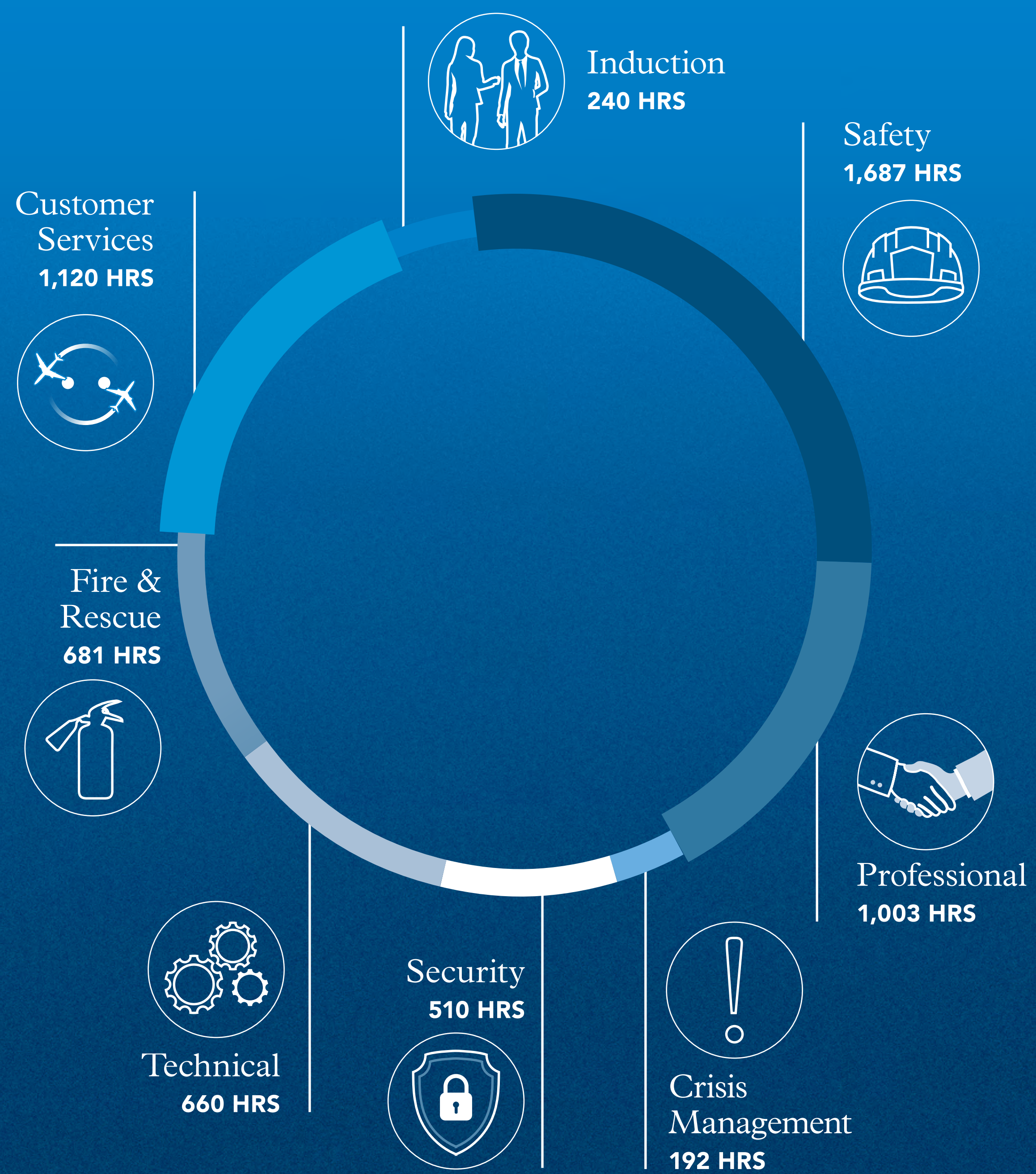
In the year under review, the MIA team benefitted from over 6,000 hours of training delivered in the form of seminars, conferences, and courses. In addition to this, a tailor-made programme allowed new employees who joined the Customer Services team to get 4,861 hours of on-the-job and class-based training. Since this team of frontliners is especially important in making a great first and last impression on airport guests, the programme centres heavily on the delivery of an excellent service, in line with the Company's vision and values.

The Company's training efforts were guided by its Training and Development Policy, which was launched at the beginning of the year in order to provide a framework for identifying existent training needs and addressing them. In line with the provision stipulating that the training provided should be evaluated, a brief post-training survey aimed at gauging employees' satisfaction, was introduced. From the feedback received, it transpires that 85% of the employees who received training were very satisfied, whilst 88% found the training useful and informative.

Moreover, the Company is currently funding the studies of four employees at different levels, ranging from diplomas to Master's degrees. Upon completion of their studies, these employees are expected to have a better understanding of procurement, business management, building services engineering, and fire services, respectively. In turn, these newly acquired skills and knowledge will enable employees to grow within their respective departments, whilst contributing to the Company's own growth.

Training Hours

6,093 HRS TOTAL



The Employee Survey & Wellbeing Initiatives

The annual employee survey once again proved to be a source of valuable insight into employees' view of the Company.

74% of the workforce took this voluntary survey, with its four main sections: engagement, team spirit, communication, and job satisfaction, continuing to register encouraging improvement over the previous year. Recommending MIA as a good employer and employee wellbeing were two of the areas that experienced the biggest increase. This was no coincidence as, in 2017, the Company rolled out *The Wellbeing Programme*, which encompassed employee benefits including free gym membership and access to fitness classes throughout the year.

Moreover, a schedule of year-long activities, ranging from cultural outings and outdoor adventures to after-work yoga sessions and football matches, was put together with the diverse interests of the workforce in mind.

To further safeguard employees' wellbeing, the Company introduced an Alcohol and Drug Abuse Policy, in which it committed itself to provide support and professional therapy to employees struggling with substance abuse.

Aviation Report

Airport Operations

Customer Services

Even as passenger numbers continued to increase, service excellence remained a priority for the Company. Whilst all employees contribute to ensuring that passengers enjoy the best airport experience, MIA's Customer Serivces team interacts directly with airport guests on a day-to-day basis with the aim of making their journey smoother and more enjoyable. Moreover, the Customer Services team is responsible for providing services within the airport's La Valette Lounges and the VIP Terminal.

In the first half of 2017, the team also successfully managed the airport logistics for a significant number of EU delegates who travelled to Malta on EU presidency missions.

Between April and October, the Cruise and Fly services, operating every Thursday and Sunday, accounted for a remarkable 160,000 passenger movements out of the airport's total traffic. In spite of the fact that large numbers of passengers passed through the terminal in a short span of time on the aforementioned days, the team on the ground did a sterling job in managing passenger flows and delivering the excellent service MIA promises.

These efforts were duly noted by passengers themselves in Airports Council International's Airport Quality Survey (ASQ). In this survey, departing passengers are asked to rate an airport's performance in 34 different areas. Malta International Airport received its top points for courtesy and helpfulness of staff, cleanliness, and terminal ambiance, scoring an impressive 4.32 in overall passenger satisfaction. This established Malta International Airport as the second best European airport, outperforming peers such as Larnaca, Berlin Schönefeld, and Bologna.

Aerodrome Operations

In 2017, Malta International Airport carried out a compliance exercise to align itself with the provisions of the EU Commission Regulations laying down requirements and administrative procedures relating to aerodromes. The company also submitted the necessary documentation to the Civil Aviation Directorate for its review, in an effort to demonstrate alignment with the regulations in place.

Having satisfied the relevant criteria, Malta International Airport was awarded an Aerodrome Operating Certificate by Transport Malta, towards the end of 2017. Being a holder of this certification means that Malta International Airport meets the most recent, and strictest, European aviation standards for its infrastructure and aviation safety management methodologies.

During the same year, the Aerodrome Operations Department invested in a modern fleet of airport sweepers, which are essential to maintaining the highest levels of safety on the aerodrome. These vehicles are essential for clearing runways, ramps, aprons and taxiways and maintaining these clear of any debris that may potentially impart foreign object damage to aircraft.

Airfield Investments

The heftiest airfield investment in 2017 was ploughed into the construction of a service road around Runway 23-05. Totalling circa €1.3 million, this project was undertaken with the aim of facilitating connectivity between the east and west sides of the airfield, easing vehicular flow across Runway 23-05. The decision to construct this service road was taken following the consideration of a number of possible options weighed against the interests of all stakeholders involved and aviation activity in general.

Meteorological Services

Malta International Airport's Meteorological Office provides services that are used widely by aircraft utilising Malta's Flight Information Region, mariners, and other users requiring meteorological information for their day-to-day operations. The airport's meteorological services capabilities were enhanced through the installation of a system which provides information about the level of water on the runway, enabling Met Officers to provide information to Air Traffic Control and pilots on the expected braking action performance on the runway during inclement weather conditions.

Emergency Operations

The airport is committed to being fully prepared to respond effectively and in a timely manner to any emergency situation. In light of this, emergency preparedness exercises were carried out throughout the year, with the most significant one being a simulation involving the opening and management of the Friends and Relatives Centre, as would be the case in the event of an aircraft accident.

This exercise brought together around 80 airport employees and stakeholders in a simulated aircraft accident situation, where the focus was on addressing the various needs of friends and relatives of affected passengers. Amongst the participants were members of the Airport Care Team (ACT), which is made up of airport employees who receive special training to be able to assist in giving emotional support to victims and their next of kin in the event of an emergency.

Furthermore, a full-scale, multi-agency emergency exercise was carried out in March 2018.

Rescue and Fire-Fighting Services

The Malta International Airport rescue and fire-fighting infrastructure and fire-fighting staff permit the airport to assure a rescue and fire protection capability equivalent to International Civil Aviation Organisation CAT 9.

In the year under review, the team responded to a number of routine airport emergencies, and was on the scene, as a precautionary measure, when heavy winds caused a parked aircraft to veer off the runway. It also aided the Civil Protection Department (CPD) on two occasions, with one of these instances involving a major fire eruption at the Sant Antin recycling plant.

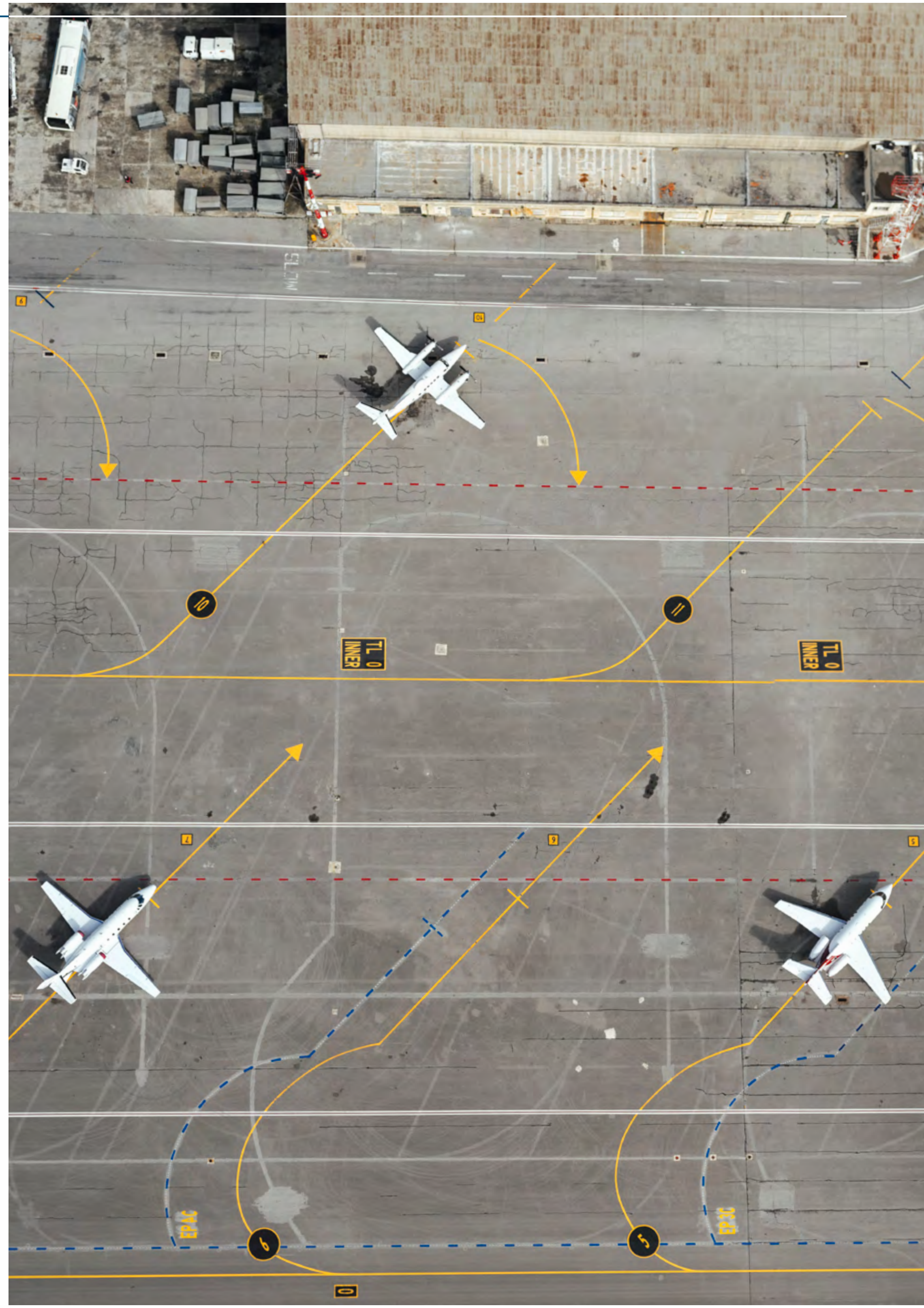
The team also had the opportunity to broaden its knowledge about how to respond to rescue and fire-fighting situations by following specialised live fire training at third-party training centres.

Innovation

In an effort to operate more efficiently and minimise human error, Malta International Airport invested in an Airport Management System (AMS) which will be commissioned in summer 2018. This system enables the airport to manage, amongst others, check-ins, slots, parking, and billing in an intelligent and automated manner. Moreover, the system provides an automated analysis of the terminal's resources, to enable both the airport and its stakeholders to better plan and optimise the use of available resources. The installation of the AMS has also delivered improvements to the Flight Information Display System (FIDS), which is a key asset in the passenger experience.

In the year under review, the airport started laying the groundwork for the implementation of a Baggage Reconciliation System in 2018. This system will replace manual baggage tracking and reconciliation with an automated process, once again minimising the risk of errors and enhancing efficiency.

Within the Check-in Hall, works were carried out for the installation of eight additional check-in desks, which form part of a wider Baggage Handling System (BHS) upgrade.



Security

2017 was a very important year for security services at Malta International Airport, marked by the move of the Central Security Area (CSA) from the ground floor of the terminal to Level 1, whilst the airport remained fully operational. In its new location, the CSA occupies a much bigger footprint, incorporates six queuing lanes – two of which offer a fast-track option - and utilises a tray-return system. Moreover, the installation of boarding pass readers in a new pre-security area brought about a shift in the scanning of boarding passes; from a manual to an automated process.

Through these upgrades, which are considered to be the centrepiece of MIA's Terminal Reconfiguration Project, the airport has succeeded in doubling its processing capacity at this point of the journey, whilst maintaining the highest level of security. To complement these infrastructural investments, and further enhance the passenger experience, a number of employees were recruited to focus on queue management. The Security Services Department also introduced a quality assurance process, whereby it is being more proactive in assessing whether the security services provided meet the required standards at all times.

Health and Safety

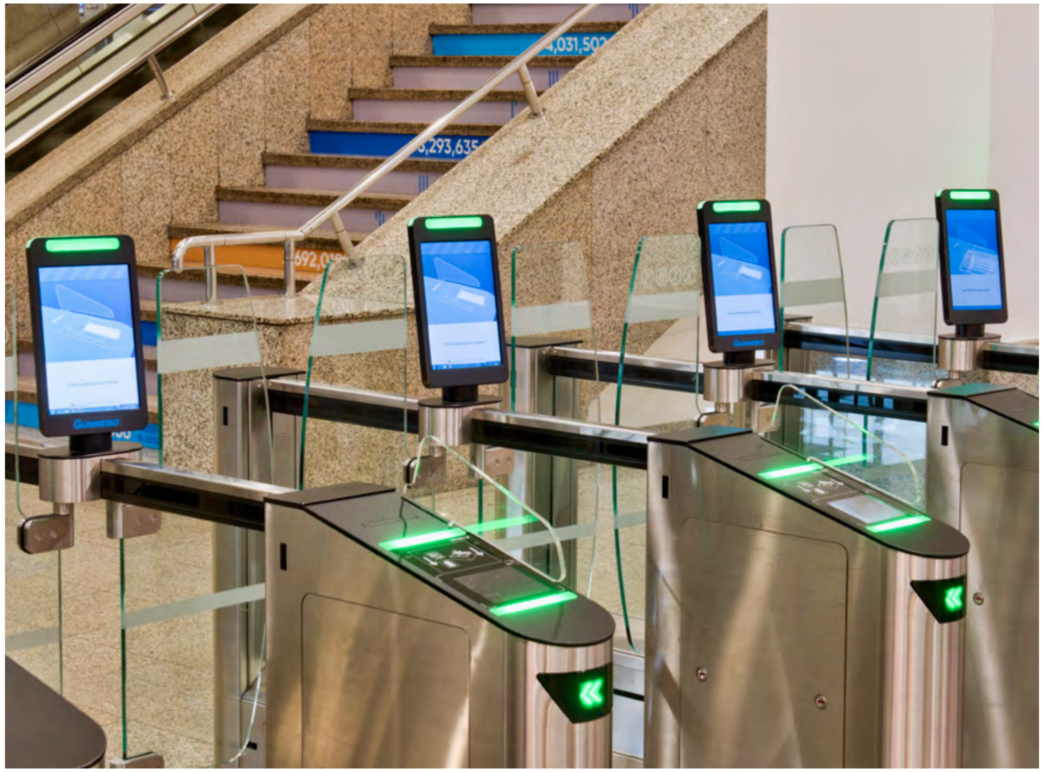
The Health and Safety department stepped up its efforts in driving awareness for the importance of occupational health and safety. The launch of an internal initiative, which gives MIA employees space to voice their thoughts about the subject, was crucial in driving reports of near misses up by 26% and providing the Company with instant feedback about employees' perception of safety at work. Going forward, this feedback will also be used in identifying OHS training needs and addressing them.

Moreover, since projects being undertaken on airport grounds very often require the contribution of contractors and service providers, the Health and Safety team was involved heavily in ensuring that the relevant standards were adhered to at all times by third parties. This was done through regular OHS inspections, risk assessments, and approval of machinery being used.

Risk Management

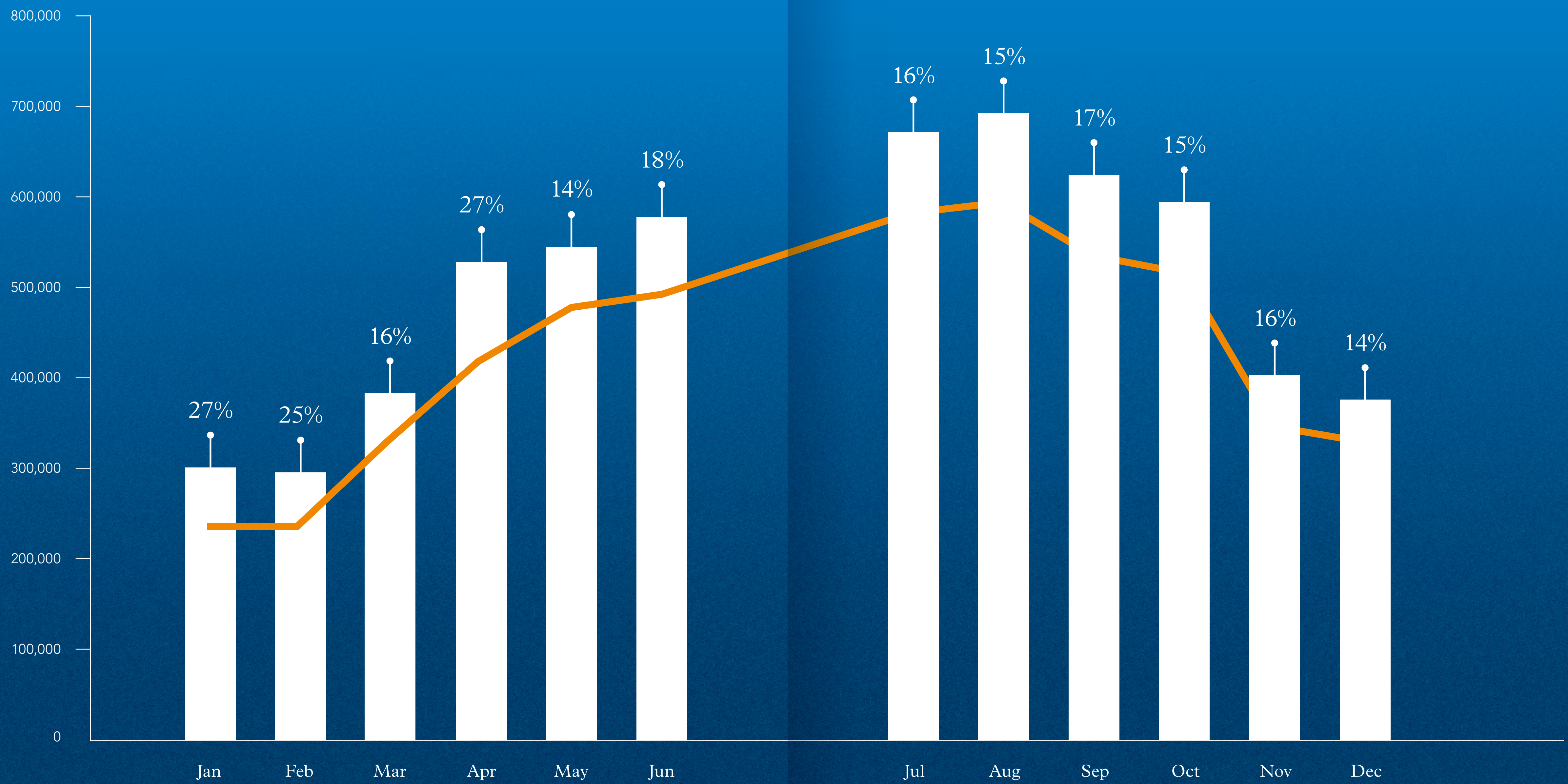
Malta International Airport's Risk Management Framework, which includes MIA's Risk Policy and Procedures, enables the Company to better protect the business, and the interests of its stakeholders, from both existent and potential risks.

Whilst every department is actively involved in risk mapping by keeping a register of risks and corresponding mitigation controls, it is the Company's Risk Management Committee that serves as the primary champion of risk management by analysing all of the identified risks from a wider perspective, and ensuring that they cover every part of the business. In 2017, risk management was added to the portfolio of the Financial Control, Risk, and Compliance Department, which is being led by its recently appointed head, Thomas Wohlfahrtstätter.

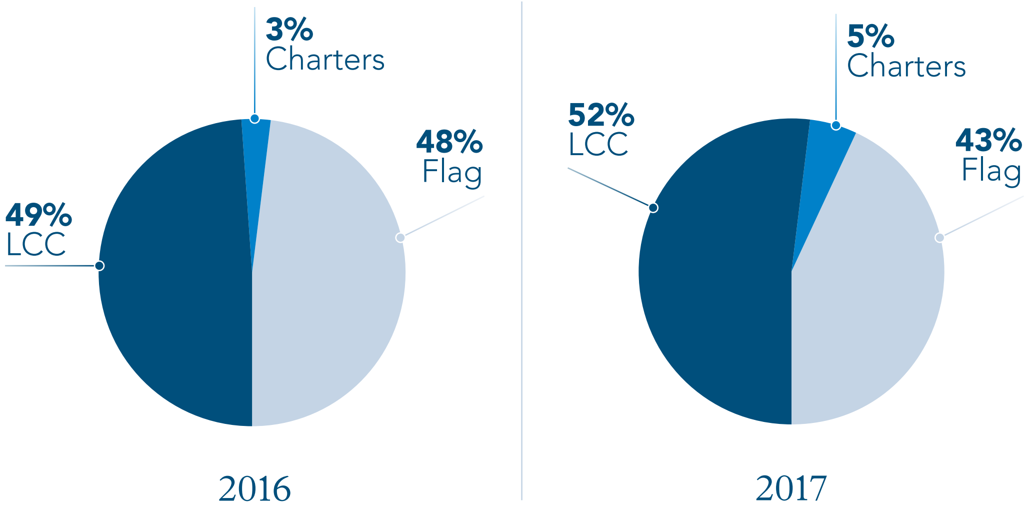


Traffic Highlights

TOTAL PASSENGERS



Business Mix



Passenger Movements from Top 5 Markets

Rank	Market	2017	2016	+/-	% Change	Share
1st	United Kingdom	1,475,157	1,354,567	120,590	8.9%	24.6%
2nd	Italy	1,225,645	1,067,815	157,830	14.8%	20.4%
3rd	Germany	805,621	666,579	139,042	20.9%	13.4%
4th	France	354,465	294,024	60,441	20.6%	5.9%
5th	Belgium	240,428	114,906	125,522	109.2%	4.0%

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

Top 5 Airlines

Rank	Airline	2017	2016	+/-	% Change
1st	Ryanair	2,191,546	1,731,881	459,665	26.5%
2nd	Air Malta	1,661,399	1,600,408	60,991	3.8%
3rd	EasyJet	325,909	296,113	29,796	10.1%
4th	Lufthansa	306,218	230,965	75,253	32.6%
5th	Wizz Air	269,031	177,420	91,611	51.6%

Top 5 Flag Carriers

Rank	Airline	2017	2016	+/-	% Change
1st	Air Malta	1,661,399	1,600,408	60,991	3.8%
2nd	Lufthansa	306,218	230,965	75,253	32.6%
3rd	Turkish Airlines	149,672	132,521	17,151	12.9%
4th	Emirates	109,283	88,329	20,954	23.7%
5th	Alitalia	95,070	111,504	-16,434	-14.7%

Top 5 Low-Cost Carriers

Rank	Airline	2017	2016	+/-	% Change
1st	Ryanair	2,191,546	1,731,881	459,665	26.5%
2nd	Easyjet	325,909	296,113	29,796	10.1%
3rd	Wizz Air	269,031	177,420	91,611	51.6%
4th	Jet2	80,373	41,356	39,017	94.3%
5th	Transavia	69,195	71,239	-2,044	-2.9%

Traffic Highlights

Malta International Airport ended 2017 with a total of 6,014,548 passenger movements, shattering all previous traffic records. A growth rate of 17.5% over 2016 established the year under review as the fastest-growing one in the airport's history thus far.

Another first for Malta International Airport was the double-digit growth registered across all months, with January, February and April experiencing the biggest increase in passenger numbers. This indicates that Malta as a destination is becoming even more attractive in the shoulder months. Moreover, despite an 18% increase in seat capacity, the seat load factor (SLF) for the year still stood at a healthy 82.4%, in line with the observed European trend.

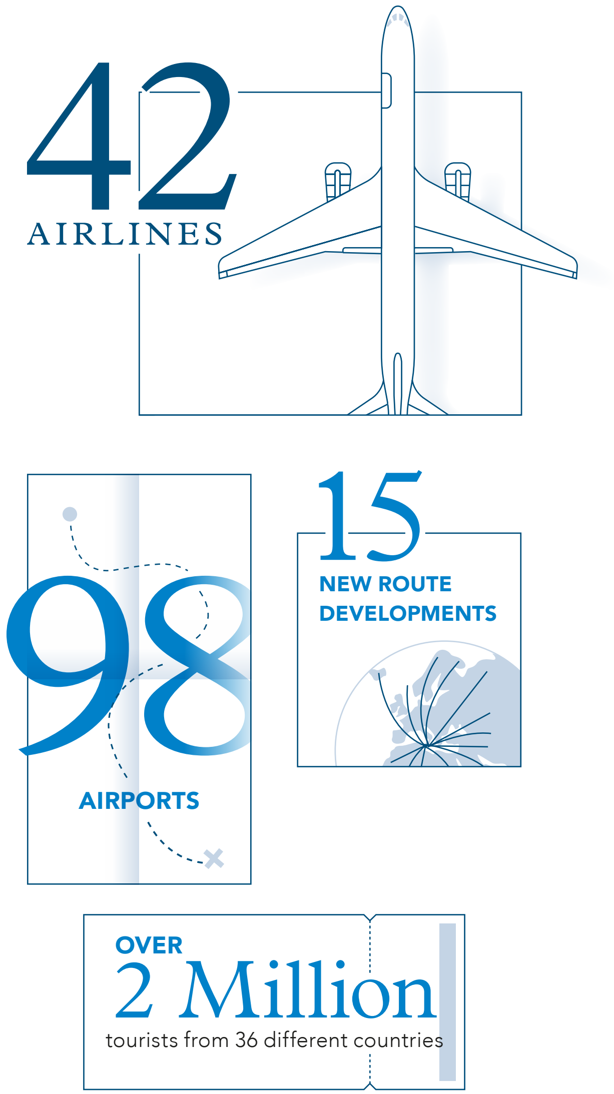
2017's record-breaking performance stemmed from ongoing efforts to promote the Maltese islands as a year-round destination, and to ensure that they are connected to the rest of the world through an extensive route network. In the year under review, 15 route developments, and two new scheduled airlines were introduced, bringing the number of commercial airlines operating from the airport up to 42. This apart, a number of carriers increased flight frequencies on existing routes or extended their flight schedules into the off-peak period.

Offered between April and October 2017, the Cruise & Fly service saw Malta being used as the home port by P&O cruises for the first time. This operation led to additional seat capacity and a spike in the number of passengers coming from MIA's top market; the United Kingdom.

All in all, these developments allowed the local public to travel from Malta International Airport to 98 different destinations, and made it possible for over 2 million tourists from 36 countries to discover the Maltese islands.

Competitiveness

Airport charges for airlines operating to and from Malta International Airport have remained unchanged since 2006. Moreover, the airport's incentive programme was revised in 2012 to include new schemes offering initiatives such as free landing in winter, reductions on parking and marketing support, with the aim of enhancing Malta's connectivity all year round, particularly during the shoulder months.



Route Development Strategy

Working in close collaboration with the Ministry for Tourism and the Malta Tourism Authority, the traffic development team at Malta International Airport maintained its focus on putting Malta on the map by further improving its connectivity. In fact, the team represented the airport in four international conferences, at which it held meetings with over 20 airlines, and succeeded in securing some promising developments for 2018.

Looking ahead, both Air Malta and Ryanair will base additional aircraft at Malta International Airport in 2018, generating a significant number of new connections. In total, MIA will be inaugurating 16 new routes including direct flights to the cities of Lisbon and Porto in Portugal, after a 10-year absence from this highly sought-after market. As of 2018, Malta International Airport's network will feature links to over 100 destinations.

Since Malta International Airport is now connected to most major airports in Europe, the Company will concentrate its efforts on registering further sustainable growth, together with its partner airlines, by means of route extensions into the shoulder months and increases in weekly flight frequencies. Whilst there has been a visible improvement in the performance of Eastern European routes, with Poland even featuring amongst MIA's top 10 markets for 2017, the traffic development team will strive to fully exploit the potential of this market, as well as that presented by the Scandinavian and Russian regions.

New Airlines 2017

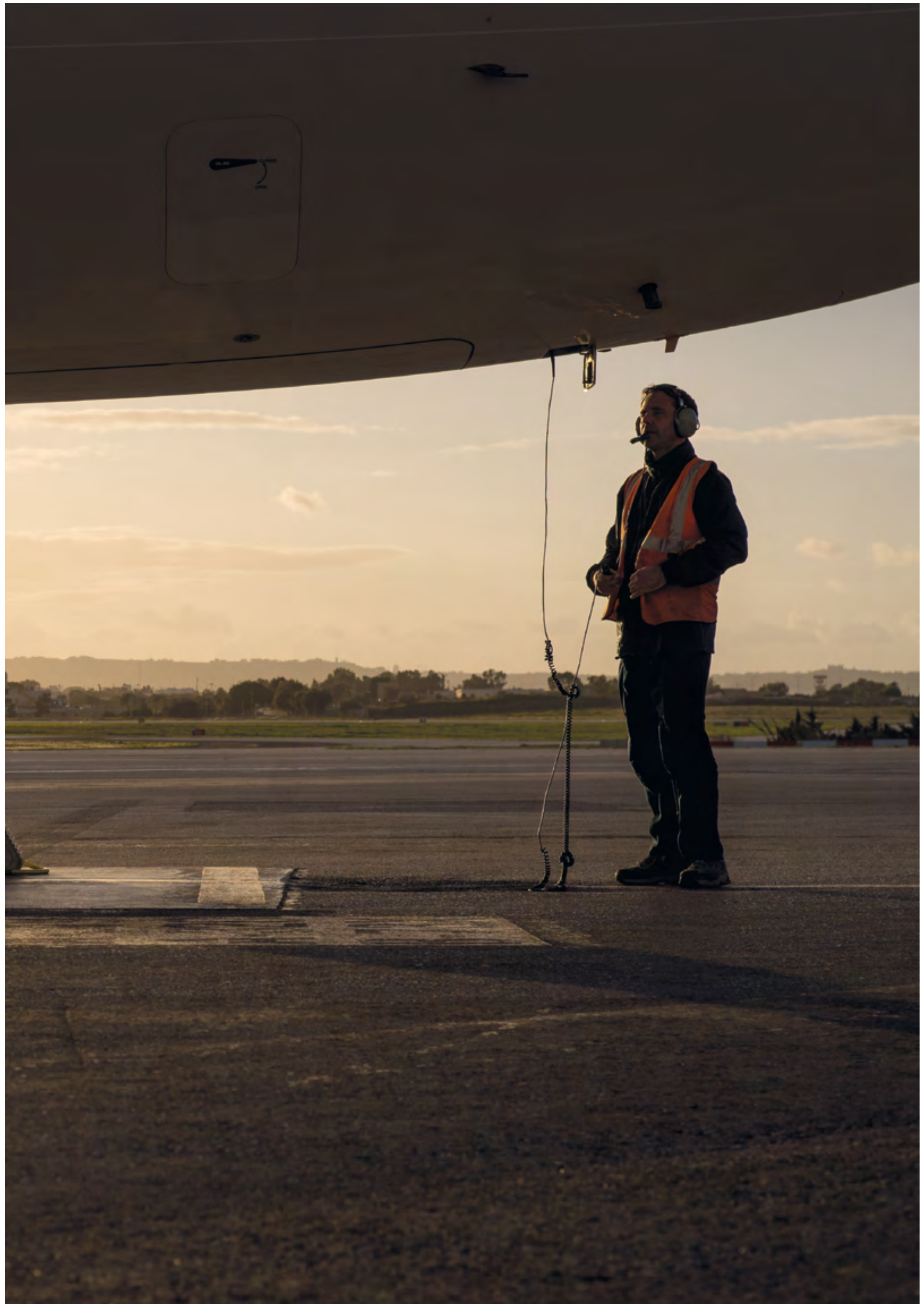
Eurowings	Vienna	9th April
Condor	Hamburg	26th April
	Frankfurt	26th April

New Scheduled Routes 2017

Air Malta	Tel Aviv	21st April
	Tunis	26th June
	Comiso	17th December
EasyJet	London Southend	29th October
Ryanair	Naples	30th October
	Riga	2nd November
	Belfast	3rd November
Volotea	Bordeaux	13th April
Wizz Air	Cluj Napoca	26th March
	Belgrade	29th March
	Katowice	10th April
	Skopje	14th July

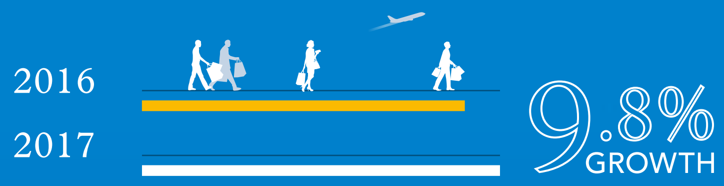
New Scheduled Routes 2018

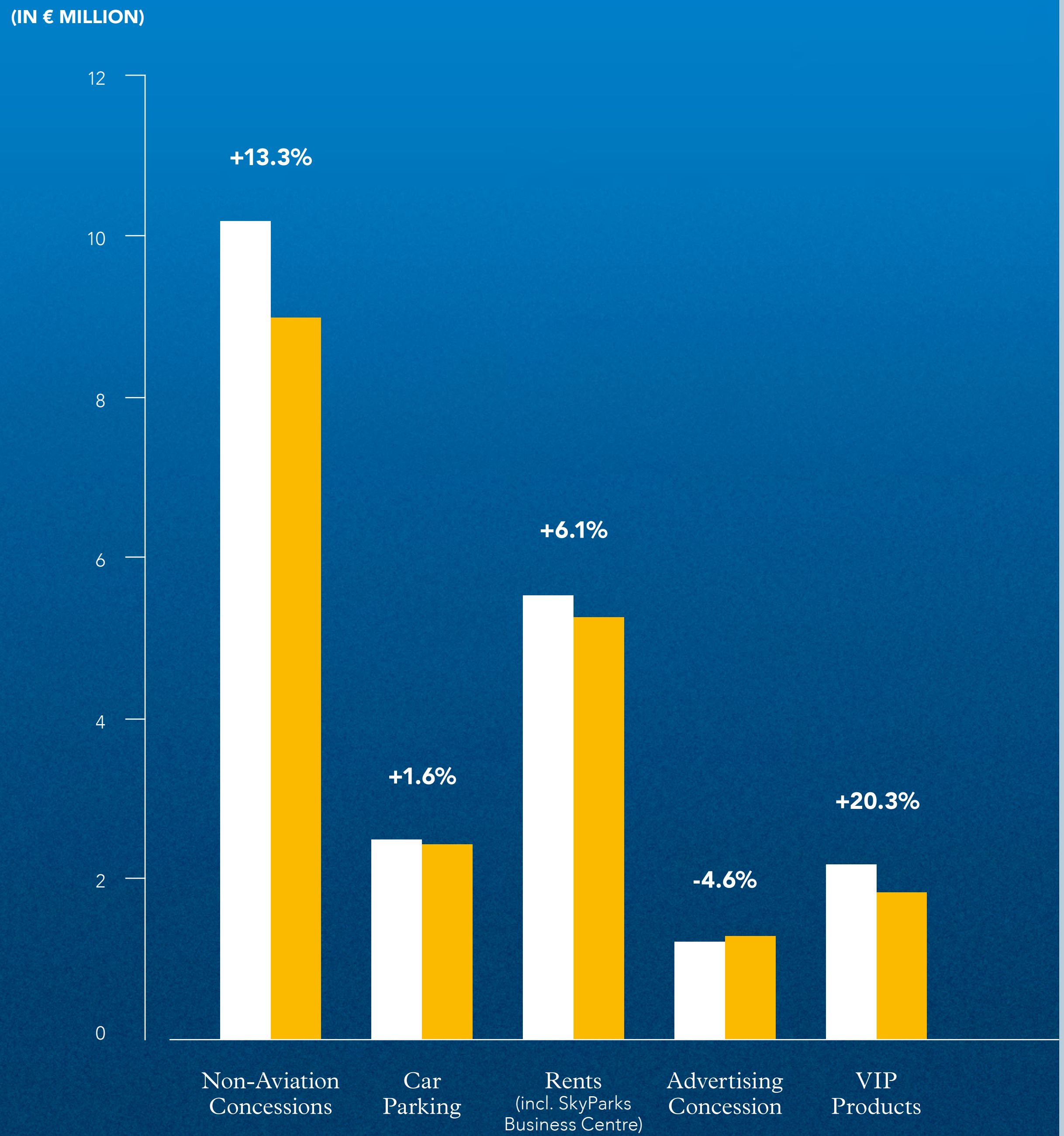
Air Malta	Lisbon	25th March
	Casablanca	26th March
	Malaga	26th March
	Venice	26th March
	St Petersburg	28th March
	London Southend	4th May
	Cagliari	6th May
Jet2.com	London Stansted	31st March
	Birmingham	1st April
	Belfast	5th April
Ryanair	Aberdeen	25th March
	Barcelona	25th March
	Bratislava	25th March
	Porto	26th March
	Paris Beauvais	27th March
	Pescara	27th March
	Seville	28th March
	Tallinn	29th March
	Gothenburg	31st March
Volotea	Bilbao	24th March
	Nice	26th April
Wizz Air	Vienna	2nd June



Retail & Property Report

Retail & Property





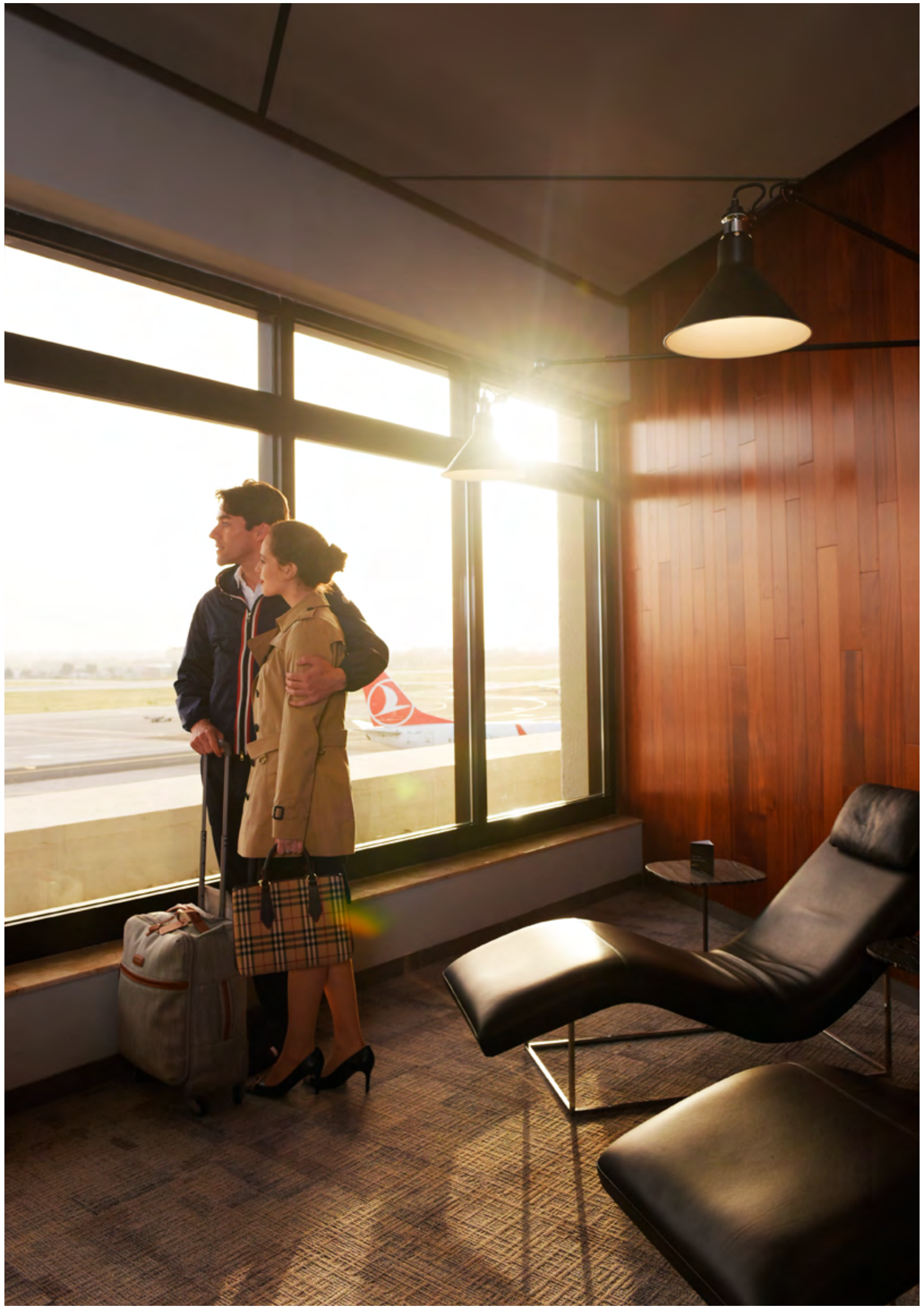
Retail & Property Report

In 2017, Malta International Airport continued to invest in its retail and property segment, in line with its revenue diversification strategy. This segment, which encompasses the terminal's food and beverage and retail outlets, parking, advertising, the Company's VIP product, and SkyParks Business Centre registered a growth of 9.8% in 2017.

La Valette Club

The most notable development within this segment was the unveiling of a larger and more sophisticated La Valette Lounge at Departures. Completely revamped with an investment of €1.6 million as part of the airport's Terminal Reconfiguration Project, the new La Valette Lounge opened its doors to both La Valette Club members and one-time users in March 2017. Its standout features include a scenic glass wall overlooking the runway and a 175-square-metre terrace, both giving guests the opportunity of enjoying spectacular airfield views before proceeding with their journey.

Malta International Airport's efforts to improve its VIP offering were rewarded towards the end of the year, with La Valette Lounge receiving a highly commended rating from Priority Pass based on programme members' votes on criteria such as facilities, ambiance, staff, and refreshments. This accolade recognised La Valette Lounge as one of the high-flyers in the Priority Pass Programme, which has established a network of over 1,000 VIP airport lounges from across the globe since its setting up.



A Reconceived Duty Free Store

Towards the end of 2017, MIA signed a new concession agreement with Dufry, the world's leading travel retailer, for the operation of the terminal's duty free store until 2026. This set into motion works on the embellishment and extension of the area which hosts the store.

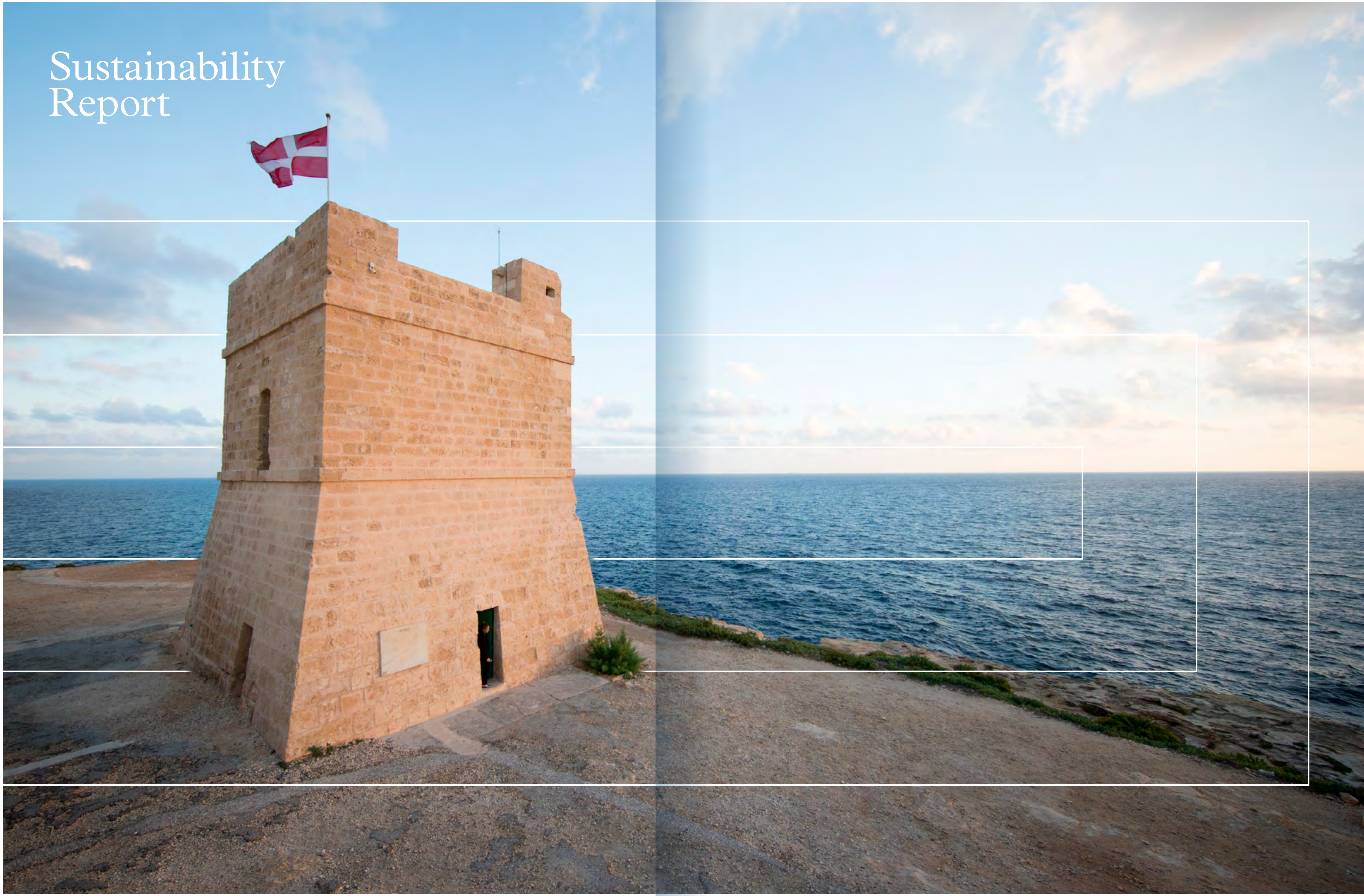
The new main Departures Store will provide travellers with an enhanced experience through the introduction of new shopping concepts and brands, alongside more familiar ones. The Duty Free store will also now host the Spirit of Malta shop - a showcase of the finest local products and delicacies.

Looking Ahead

In 2017, Malta International Airport submitted an application for the development of a multi-storey car park, which will provide circa 1,300 parking spaces within the airport campus, for the added convenience of both visitors and travellers. This car park will also accommodate car rental and car wash facilities within. Moreover, the recent master plan approval provides for the construction of SkyParks II and a business hotel within the next five years.

In the year under review, the Company started exploring the possibility of expanding its cargo village so as to be able to accommodate more warehouses for rental purposes. A total of €1.4 million are earmarked for this development in 2018.

Sustainability Report



Corporate Responsibility Strategy

Malta International Airport approaches corporate responsibility through a dual-pronged strategy, which enables it to set out, and realise, a number of internal and external commitments.

Managed by a Corporate Responsibility (CR) Committee, the Company's internal commitments encompass the monitoring and management of its social, economic, and environmental impacts; including efforts to mitigate any negative impacts and maximise positive ones. So as to manage these impacts in a transparent manner, Malta International Airport became the first Maltese company to adopt the Global Reporting Initiative's (GRI) standards in writing and publishing an annual sustainability report, which is made available to the public. Selected sustainability information reported here is independently audited.

On the other hand, the Malta Airport Foundation was established to invest in the Maltese islands for the benefit of tourists and locals alike. This independent non-profit organisation has already been instrumental in implementing a number of important initiatives, and plans to launch three projects in 2018.

As the Company strives to realise its commitments with the help of its strategy, it takes steps in its journey towards becoming a more responsible player on the Maltese stage.

The island of Filfla was the subject of a documentary funded by the Malta Airport Foundation.

Inside the newly restored Torri Xutu

The Malta Airport Foundation

Since its setting up in 2015, the Malta Airport Foundation has overseen a number of projects, all of which it considers to be an investment in Malta's heritage and its environment, with the aim of increasing the island's appeal to both tourists and locals. The non-profit organisation is independently run by a board of administrators. In the year under review, the foundation board was joined by Dr Timothy Gambin and Mr Josef Formosa Gauci.

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

Fredrick Mifsud Bonnici
CHAIRMAN

Frank Salt
CO-ADMINISTRATOR

Simone Mizzi
CO-ADMINISTRATOR
CEASED TO BE A MEMBER: 11.09.2017

Brig. Carmel Vassallo
CEASED TO BE A MEMBER: 11.09.2017

Dr Timothy Gambin
CO-ADMINISTRATOR
APPOINTED: 11.09.2017

Josef Formosa Gauci
CO-ADMINISTRATOR
APPOINTED: 11.09.2017

Kevin-James Fenech
SECRETARY TO THE BOARD OF ADMINISTRATORS

In 2017, the Foundation convened four Board meetings and was instrumental in ensuring that works on the projects described in the next pages progressed according to schedule.

Landscaping Works around Torri Xutu

The Malta Airport Foundation's first project was a collaboration with Din l-Art Ħelwa on the restoration of the 17th-century watchtower Torri Xutu in Wied iż-Żurrieq.

The Malta Airport Foundation's first project was a collaboration with Din l-Art Ħelwa on the restoration of the 17th-century watchtower Torri Xutu in Wied iż-Żurrieq. The Foundation invested a total of €120,000 in the restoration of this tower, which included the installation of a bespoke staircase, a new lighting system, wooden apertures, and interactive monitors providing visitors with interesting facts about the tower and the surrounding area.

Whilst the renovation of the tower itself was completed in 2017, a boundary landscaping project around Torri Xutu is expected to be launched soon, with works envisaged to be completed in time for the tower's opening in the second half of 2018. These landscaping works will be centred on turning the surroundings into a well-kept open space that attracts more locals and tourists to the picturesque Wied iż-Żurrieq area, and helps establish Torri Xutu as one of the most popular points of interest in the southern part of Malta.

Comino
A Tiny Paradise Waiting to be Discovered

The Malta Airport Foundation places great importance on our underwater heritage, especially since Malta's rich marine environment attracts around 111,000 tourists to experience scuba diving every year.

Following the success of its first underwater awareness project, the Foundation took the plunge once again in 2017 by committing itself to support the making of a second underwater documentary; this time featuring Comino.

Having provided the stunning backdrop for films such as Troy and the Count of Monte Cristo, Comino is certainly no stranger to the limelight, but this forthcoming documentary seeks to present it from a different angle. The island and its dazzling waters are indeed more than just a great filming location, or a tourist hot-spot in the summer months. Forming part of Malta's northern Marine Protected Area (MPA), they are a source of incredible coastal and underwater geomorphology, which is impressive even for the untrained eye.

The Malta Airport Foundation Ambassador
Lands Two Important Roles

Having successfully completed her studies at the Guildhall School of Music and Drama, Malta Airport Foundation ambassador Nicola Said was able to focus intently on live performances in 2017.

In fact, the young soprano had the fantastic opportunity of singing the lead role of Lucia in Fulham Opera's production of Gaetano Donizetti's Lucia di Lammermoor. In 2017, Nicola Said also landed the role of Zerlina in Mozart's Don Giovanni. Following months of preparation, the opera ran for four nights at Teatru Manoel, under the direction of Jack Furness.

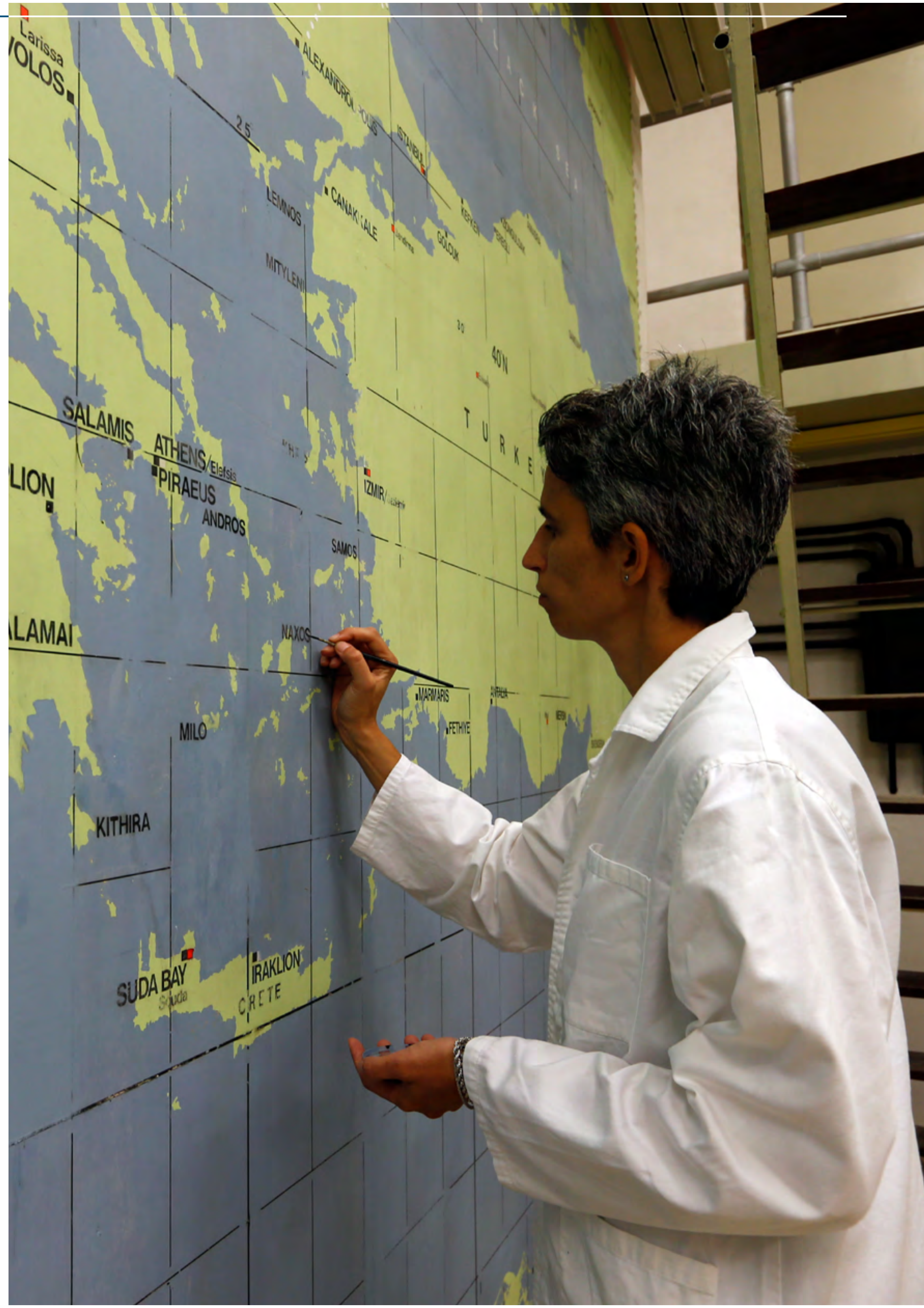
Unearthing Valletta's Wartime Stories:

The Combined Operations Room is set to open to the public in the last quarter of 2018

In 2016, the Malta Airport Foundation announced that it was going to be supporting Fondazzjoni Wirt Artna's restoration of the Combined Operations Room (COR) with a contribution of €284,000. Forming part of the underground war headquarters in Valletta, this room played a crucial role during the Air Battle for Malta in 1940, was used by NATO as a submarine tracking centre, and was again used in the Suez Crisis of 1956 and the Cuban Missile Crisis of 1962.

Works progressed as scheduled throughout 2017, with the opening date of these headquarters set for the last quarter of 2018. One of the most important features of the Combined Operations Room is a 20-metre-wide map, almost completely covering one of the walls. This map, which was used by NATO for the plotting of movements of Russian submarines in the Mediterranean, benefitted from a thorough restoration that, however, preserved its original look as much as possible. The restoration process led to the discovery of another two maps, which are expected to shed more light on the events that unfolded within the Combined Operations Room during World War II and in its wake.

Once opened to the public, the underground war headquarters, which cover an area of 28,000 square metres, will be Malta's biggest historical underground attraction. This project has already enjoyed international coverage, with a number of news agencies running online stories about the significance of this restoration. The Malta Airport Foundation, in fact, embarked on this project with the aim of unearthing some of the islands' wartime heritage, and making the once-impenetrable headquarters accessible to the public.



Malta International Airport has been adhering to the Global Reporting Initiative's standards to report on the MIA Group's non-financial performance for the past three years. This section presents a summary of the Group's environmental, economic, and social performance - which are the GRI's three sustainability pillars - for the year under review. The results reported in the following sections mainly include the operations of the terminal, the airfield, and the car park. The full report will be made available on www.maltairport.com in May 2018.

Environmental Performance

The Company's top environmental goals during the year under review were the reduction of its water consumption and CO_2 emissions. Despite a phenomenal increase of 17.5%[1] in passenger traffic, the Company was able to lower its Greenhouse Gas (GHG) emissions intensity per passenger even further. Whilst the target for 2017 was 1.11 kg of CO_2/passenger[2], the actual emissions intensity at the end of the year stood at 1.02 kg of CO_2/passenger, translating into a drop of 16.2% over 2016.

GOAL: REDUCE CO_2 EMISSIONS RESULTING FROM ELECTRICITY CONSUMPTION

PERFORMANCE SUMMARY

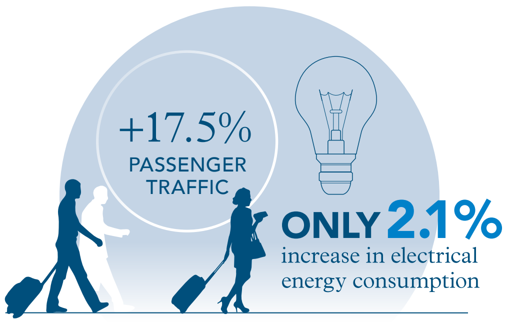
In 2017, a 2.1% increase in the consumption of electrical energy was registered. This is, however, considered to be negligible when considering that passenger traffic through MIA grew by 17.5%[1], and terminal reconfiguration works being carried out throughout the year led to increased electrical loads.

This increase was, in fact, absorbed by a number of energy-saving measures taken recently, which include a hefty investment in PV panels and the replacement of lighting and airconditioning units with more efficient ones. In the end, CO_2 emissions resulting from electricity consumption experienced a nominal drop of 63 tonnes.

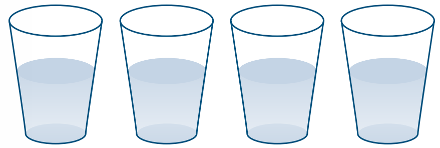
GOAL: REDUCE WATER CONSUMPTION

PERFORMANCE SUMMARY

In 2017, the Company reduced the volume of potable water sourced from the Water Services Corporation by 10,763m^3 when compared to 2016. This significant drop stemmed from the fact that, in 2016, a supply of poor quality non-potable water necessitated the purchase of a substantial volume of water from the WSC. On the other hand, an increase of 56,702m^3 was reported in the amount of non-potable water consumed, resulting mainly from a higher number of passengers using the terminal facilities and an attempt at maintaining better hygiene levels in the washrooms by installing automatic flushing systems.



1 The percentage increase in passenger movements for the purposes of sustainability calculations for 2017 is taken to be that of 18.3%. This is calculated on the basis of schedule and charter passengers only, rather than schedule, charter, and transit passengers, since transit passengers do not contribute significantly to emissions.

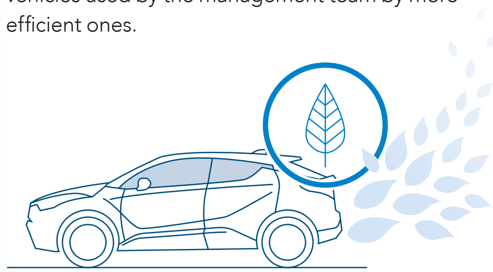


10,763 m^3 REDUCTION
OF POTABLE WATER CONSUMPTION

GOAL: Reduce CO_2 emissions resulting from fuel consumption

PERFORMANCE SUMMARY

This goal was unattained since diesel consumption, which accounts for the larger part of total fuel consumed by MIA, increased by 5.1%. This stemmed from a more frequent use of operational cars to cater for higher demands generated by increased passenger numbers passing through the airport in the year under review. On the other hand, petrol consumption, which accounts for 3.3% of MIA's total fuel consumption, registered a drop as a result of the Company's ongoing programme aimed at replacing vehicles used by the management team by more efficient ones.



Concluding Observations

With the Terminal Reconfiguration Project set to be completed by summer 2018, the Company expects to register a decrease in the consumption of electrical energy in the coming year, especially since the project brought about a number of improvements to the terminal such as more energy-efficient equipment, lifts and escalators.

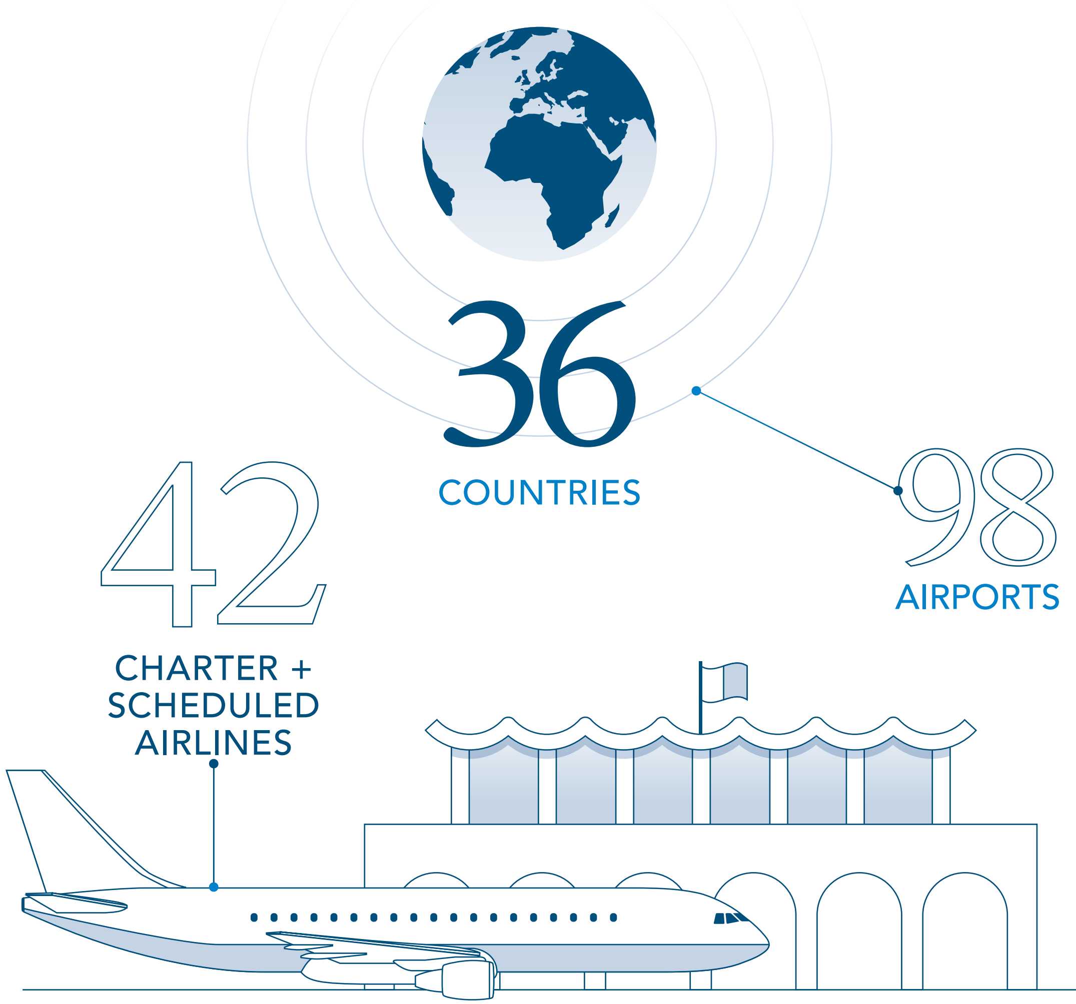
Moreover, works carried out towards the end of 2017 are expected to positively impact the volume of water used in 2018, as well as the quality of collected rain water. These works were aimed at creating better passageways to the main rain water harvesting reservoir at Malta International Airport.

The Company is also looking ahead to stepping up to the reduction level in ACI's Airport Carbon Accreditation programme, after having joined this programme at the mapping level with the aim of working towards carbon neutrality in the medium term.

2 The original targeted emissions intensity factor of 1.79 kg of CO_2/passenger was revised downwards, in line with the official emissions factor for 2016 published by the main electricity provider for the Maltese islands. This was substantially lower than initially calculated mainly due to access to electricity generated in Sicily through an interconnector inaugurated in 2015 and an increase in the number of domestic and commercial PV panels, with more energy being 'sold' to the electricity provider. Moreover, the emission factor for 2017 is expected to be even lower following the conversion of the Enemalta Delimara Power station to Gas from Heavy Fuel Oil towards the beginning of 2017.

Economic Performance

Malta International Airport is an important contributor to the local economy, especially considering the fact that travel and tourism accounted for circa 26.7% of Malta's GDP in 2016*. Moreover, being the island's only air terminal, with around 97% of Malta's tourists passing through it, Malta International Airport is largely responsible for ensuring that Malta remains connected to the rest of the world through the best route network. So as to be able to continue to play this important role, it strives to increase its profitability through the sustainable growth of both its non-aviation and aviation segments. In 2017, the revenue of the Group reached €82.4 million, translating into an increase of 12.7% over the previous year.



GOAL: FURTHER INCREASE PASSENGER TRAFFIC IN THE SHOULDER MONTHS

PERFORMANCE SUMMARY

In 2017, the shoulder months outperformed the peak months in terms of percentage growth, with the former registering an increase of 18.6% and the latter gaining 16.1%. Whilst all months registered double-digit growth, January (27%), February (25%), and April (27%) were the fastest-growing months. These results stemmed from the ongoing joint efforts to address seasonality by the traffic development team at MIA and the most important stakeholders in the tourism industry, including the Government of Malta and the Malta Tourism Authority (MTA). In the year under review, 10 routes were extended from summer into winter, whilst two different carriers, together, launched five new routes for the season, providing the islands with a convenient flight schedule even in the off-peak months.

GOAL: MAINTAIN AVIATION AND NON-AVIATION REVENUES IN THE RATIO OF 70:30

PERFORMANCE SUMMARY

This revenue diversification strategy is a means of conducting business in a more responsible manner, mainly by moving away from being solely dependent on aviation revenues. Whilst the Company successfully maintained this ratio for a number of years, in the year under review the aviation segment contributed 71.6% of the total revenue and the non-aviation segment contributed 28.4% of this total. This can be explained by the extraordinary growth in passenger traffic, which is significantly boosting revenues from this segment and making it increasingly challenging to retain the 70:30 ratio.

GOAL: INCREASE MIA'S POSITIVE IMPACT ON THE ECONOMY, USING THE RETURN ON EQUITY (ROE) METRIC, AND AIMING FOR A 23% BENCHMARK IN 2017

PERFORMANCE SUMMARY

A 15% increase in net profit, as well as an increase in equity pushed the Return on Equity, surpassing the target of 23%. The Return on Equity for 2017 stood at 25.2%.

GOAL: ENHANCE MALTA'S DIRECT CONNECTIVITY WITH THE REST OF THE WORLD, MAINLY THROUGH ROUTE DEVELOPMENT

PERFORMANCE SUMMARY

Being an island served by only one air terminal, Malta's connectivity with the rest of the world largely depends on the commitment of the traffic development team at MIA, working together with relevant stakeholders, to expand the network of destinations served by Malta International Airport every year. In 2017, Malta International Airport was connected to 98 airports through flights operated by 42 charter and scheduled airlines. Moreover, the introduction of flights to Skopje in Macedonia brought the number of countries enjoying a direct link with Malta up to 36.

Concluding Observations

With further growth, in both passenger traffic and revenues forecast for 2018, Malta International Airport will be working in close cooperation with its partners to ensure that these projections are realised, for the benefit of the islands as a whole. Moreover, the Company will be channelling significant investment into the development of the airport campus as a go-to destination for business and leisure.

* World Travel and Tourism Council, Travel & Tourism Economic Impact 2017: Malta

Social Performance

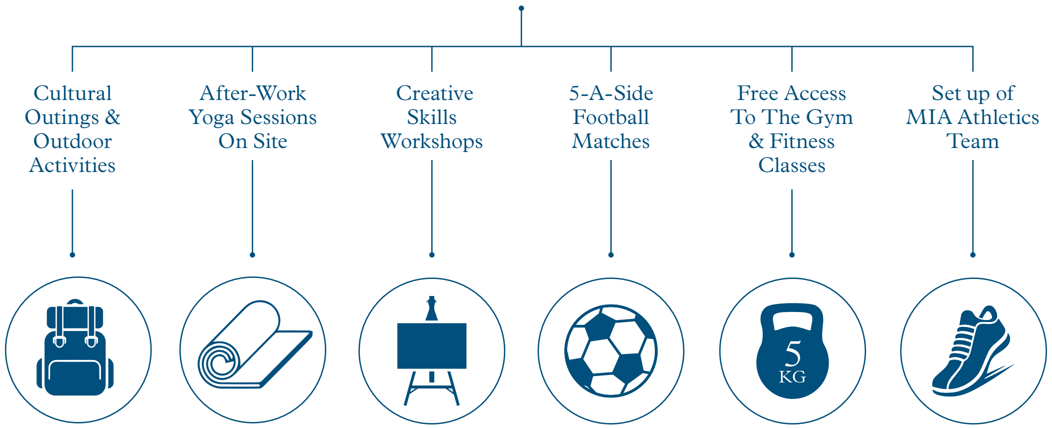
In the year under review, the Company remained committed to supporting its employees' professional development, structuring its efforts in line with its new Training and Development Policy. Furthermore, it went the extra mile to enable the team to reach a good work-life balance through a number of wellbeing initiatives. As can be seen from the goals set in this category, Malta International Airport also strived to be socially responsible by seeking to facilitate the leap from theory to practice for new graduates and hosting airport visits for educational purposes for young children.

GOAL: ENHANCE EMPLOYEE WELLBEING THROUGH A SERIES OF INITIATIVES

PERFORMANCE SUMMARY

The Company's Wellbeing Programme encompassed a schedule of initiatives and activities, some of which were open to employees' families, with the aim of fostering a deeper sense of community among the team. Moreover, as part of this wellbeing drive, all employees were given free access to a nearby gym. The strongest indicator that these wellbeing initiatives were bearing the desired results, was a 10% increase in positive feedback related to wellbeing in the annual employee survey. This increase constituted the biggest improvement over 2016 when compared to the other indicators.

Wellbeing Programme



GOAL: CONTINUE TO SUPPORT THE PROFESSIONAL DEVELOPMENT OF EMPLOYEES

PERFORMANCE SUMMARY

In 2017, the number of hours of training, excluding on-the-job training, supported by the Company amounted to 6,093*, with every employee benefitting from an average of 20 hours of training. For the first time, this total includes classroom-based training for Customer Service representatives, which accounts for part of the increase in training hours over 2016. Furthermore, the Company is supporting four of its employees in their studies since it is committed to the continuous professional development of its people. Besides keeping track of training hours, and in line with its new Training and Development Policy, the Company introduced a feedback system, whereby employees could evaluate training they would have received. An encouraging 85% of the respondents were satisfied with their training, whilst 88% said that they found the training to be useful and informative.

GOAL: SUPPORT FRESH GRADUATES THROUGH THE AIRPORT'S GRADUATE MANAGEMENT PROGRAMME

PERFORMANCE SUMMARY

Recognising that new graduates have a lot to offer, yet do not always necessarily possess the practical skills required in the working world, the Company launched the Graduate Management Programme in 2015. Through this programme, new graduates benefit from mentoring and on-the-job experiences, and are given the opportunity of pursuing a career at the airport after a year of training. Between 2015 and 2017, nine graduates were welcomed on board in different departments, with many of them choosing to extend their career with the Company after completing the year-long programme. The Company aims at engaging three graduates through this programme, in 2018.

GOAL: LAUNCH AN EDUCATIONAL PROGRAMME FOR CHILDREN

PERFORMANCE SUMMARY

Malta International Airport is committed to being a socially responsible company on a national level, but especially with regard to its neighbouring villages. With this in mind, it set a goal to prepare an educational programme related to aviation and meteorology, which would be open to children living in these villages. Whilst this programme was not realised in 2017, plans are to launch an airport visit programme in 2018 that conforms with the newly revised guidelines governing such visits.

Concluding Observations

Encouraged by employee survey results showing an increase in job satisfaction and wellbeing, among other areas, the Company will continue working towards its aim of being one of the best employers on the island.

* Please note that the 10,177 hours of training reported in the Directors' Report include on-the-job training.

Investments

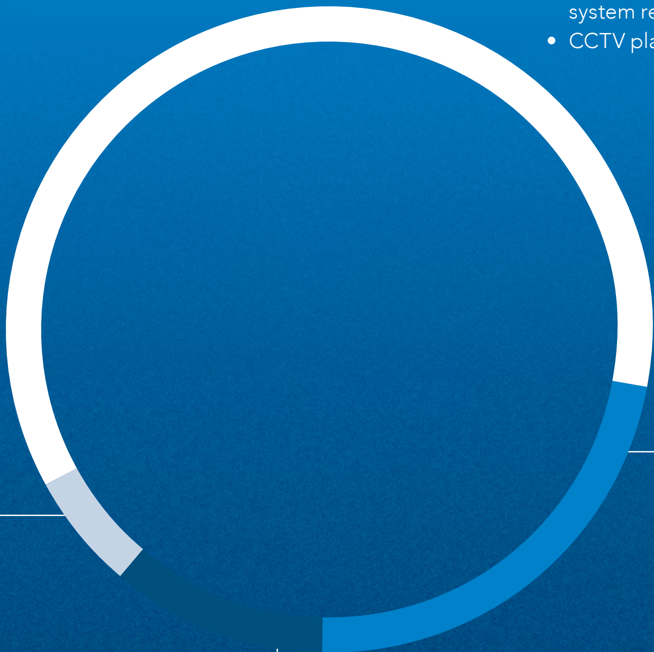
Capital Expenditure 2017

€14M

Operations & Security

€1,800,000

- New Airport Management system
- PABX Telephone system replacement
- CCTV platform



Terminal Improvements

€900,000

- Upgrading of public washrooms
- Airconditioning units

Airfield

€1,700,000

- New service road
- Taxiway and airfield lighting control system update

Terminal Reconfiguration Project Highlights

Towards the end of 2016, the Company rolled out its €12 million Terminal Reconfiguration Project, which brought about improvements to almost every corner of the terminal, and the main milestones of which are illustrated below.

Opening of a new La Valette Lounge on Level 3

Q1 2017

Bigger lounge that can accommodate more guests, and enhances MIA's VIP offering.

Launch of a reconceived Observation Deck

Q2 2017

- Adds to the airport's appeal as a destination amongst locals
- Provides aviation enthusiasts with a whole new experience

Baggage Handling System upgrade

Q1 2018

- More baggage handling processing capacity
- Enables the possibility of extending the system further with future terminal expansions

Installation of 8 additional check-in desks & refurbishment of existent ones

Q1 2018

- More efficient passenger processing at check-in
- Lays the groundwork for the installation of new x-ray machines for more thorough luggage screening

Relocation of the Central Security Area to a permanent space on Level 1

Q2 2018

- Doubles airport's processing capacity at this point of the passenger journey
- Introduces a fast-track option for business travellers & families

Outlook 2018

Outlook 2018

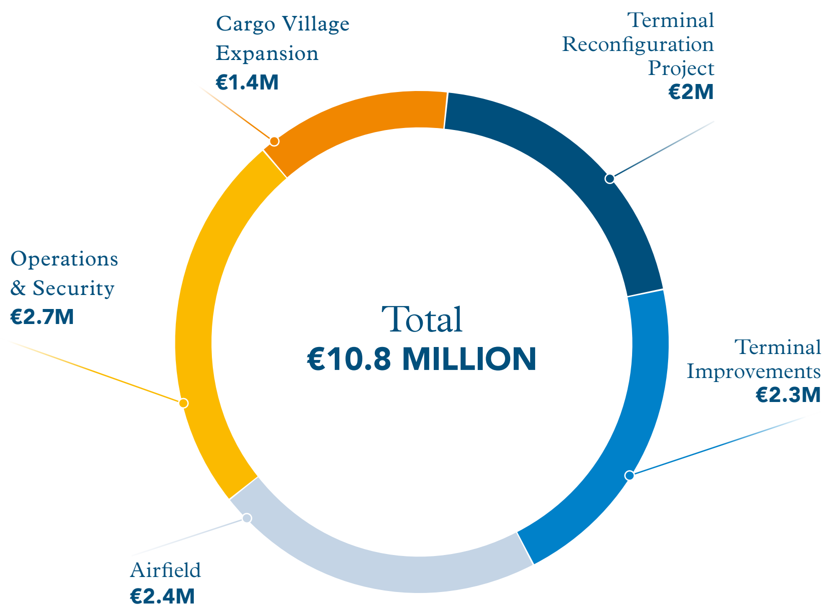
Malta International Airport is set to experience further growth in traffic, with the airport's projections forecasting that an increase of around 7–9% will bring passenger numbers up to 6.5 million by the end of the year.

With most of its Terminal Reconfiguration Project milestones realised, Malta International Airport is in a better position to welcome, and process efficiently, the ever-increasing number of passengers that are passing through the terminal every year. In fact, looking ahead the Company will continue to focus on giving every airport guest an excellent service, in line with its vision of being the best airport in Europe.

Whilst the Company's projections are promising, the year ahead will be characterised by further efforts, in collaboration with the relevant stakeholders, to ensure that traffic continues to grow in a sustainable manner, especially in the shoulder months.

In turn, this will ensure that the Company increases its profitability, allowing it to play its important role in the local economy. The Company's projections for 2018 indicate that it will generate a total revenue of around €87 million, of which annual taxes and dividend contributions to Government are expected to be in the region of €18 million.

Investments 2018



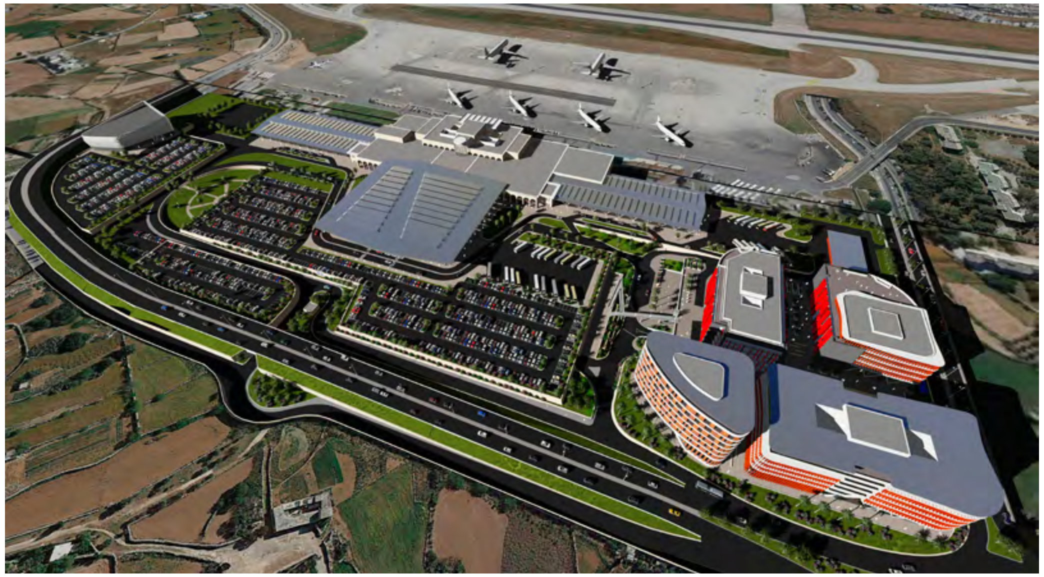
Looking to the Future

With the first phase of its Terminal Reconfiguration Project close to completion, and the green light for the execution of its comprehensive master plan granted, Malta International Airport will be focusing on further developing both the terminal and the airport campus as a whole.

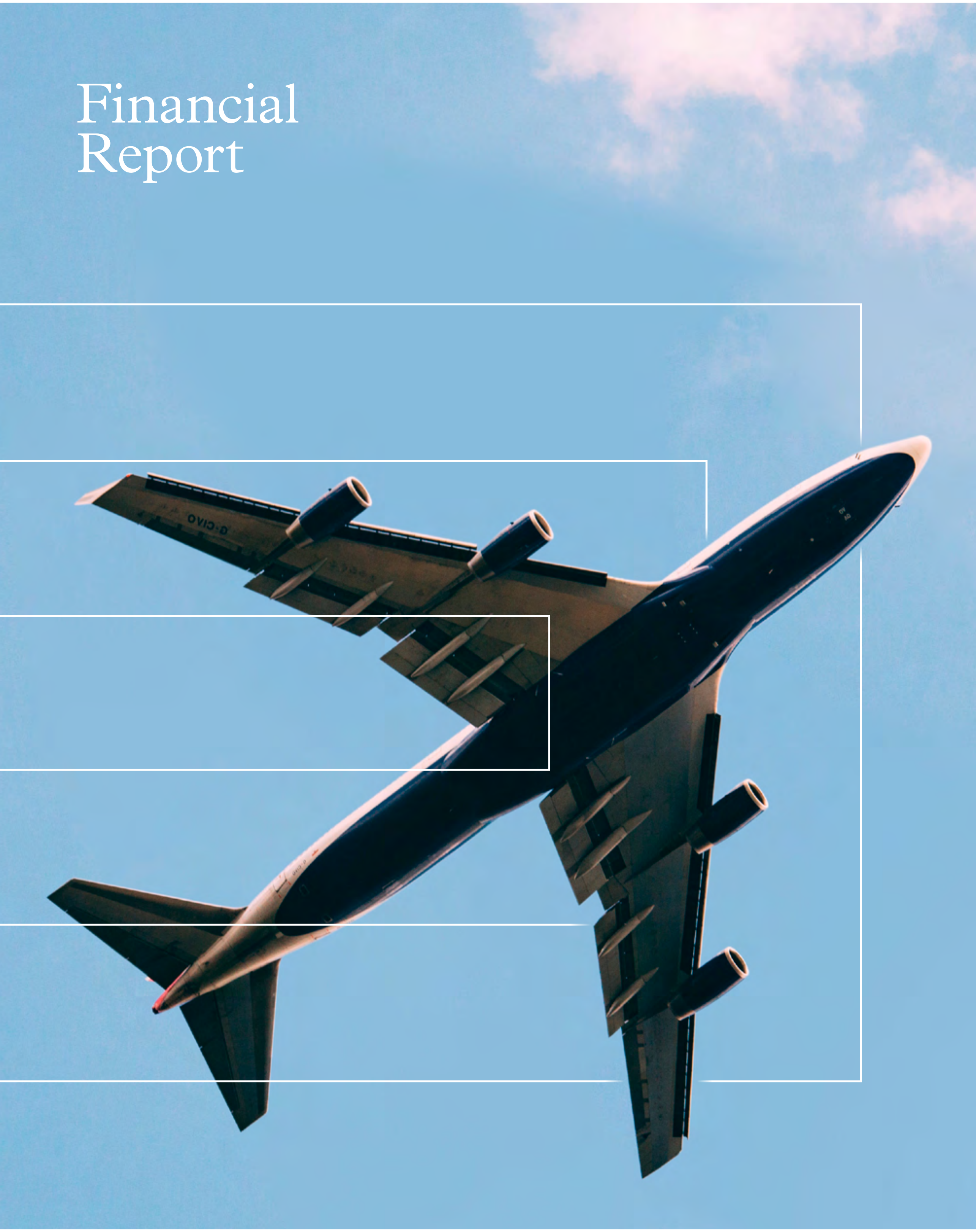
The investment of over €100 million in the next five years will see the gradual implementation of a number of projects, including the development of a multi-storey car park, the lateral expansion of the terminal building and the construction of SkyParks II.

A preliminary study conducted ahead of the drafting of the master plan indicated that the office market in Malta is far from being developed, and that businesses seeking alternative locations to more sought-after and central regions often find that high-quality office space is limited. SkyParks II will cater for this gap by providing commercial and office space, room for double-height showrooms, and introduce a business hotel to the southern region.

Located just minutes away from the terminal, this hotel is envisaged to enable travellers who fly in for the sole purpose of holding business meetings to make the most of their trip. This hotel will house approximately 100 rooms and a roof-top bar.



Financial Report



General Information

Malta International Airport p.l.c.

Directors

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

Company Secretary

Dr Louis de Gabriele LL.D.

Registered Office

Malta International Airport,
Luqa, Malta.
Tel. (+356) 2124 9600

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.

YEAR ENDED 31 DECEMBER 2017

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31st December 2017.

Principal Activities

The Company's principal activities are the development, operation and management of Malta International Airport. Malta International Airport p.l.c. has a 65-year concession to operate Malta's airport, which came into effect in July 2002. Malta International Airport p.l.c. 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. Malta International Airport p.l.c. also has another 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 2017.

REVIEW OF THE BUSINESS AND OUTLOOK

Traffic Development

Passenger traffic at Malta International Airport once again reached a new milestone in 2017, exceeding six million annual movements. Registering passenger growth of 17.5%, 2017 was the fastest-growing year in the airport's history. This performance was primarily due to an increase of 18% in seat capacity.

Aircraft movements reached 42,987 or 15% more than last year, whilst seat load factor dropped marginally by 0.8 percentage points to stand at an overall total of 82.4%. Two new airlines and fifteen new developments were introduced in 2017. A good number of carriers increased frequencies on existing routes or extended their schedules into the off-peak period. The new P&O Cruise and Fly operation also contributed to a significant increase in passengers from the United Kingdom in summer 2017. Cargo and mail handled throughout the year reached 16,177 tonnes, an increase of 3.1% over the previous year.

Ryanair retained its top position and carried the highest number of passengers in 2017, registering a 26.5% increase in passenger movements over the previous year. This substantial growth was due to the airline basing an additional aircraft at Malta International Airport as from summer 2017, with its fourth aircraft enabling the carrier to introduce a number of new routes and extend existing ones into the winter schedule.

Air Malta registered a 3.8% increase in passenger movements, following a 6.9% increase in seat capacity. The airline's overall improved performance was due to additional seat capacity deployed on routes to primary airports. Growth was partially offset with drops from Germany and the United Kingdom. Tunis and Tel Aviv which were previously charter routes were introduced as scheduled routes in summer 2017. Air Malta re-introduced the Frankfurt route in November 2017, after having had eliminated it from the summer schedule, and launched a new route to Comiso, Sicily in December 2017.

Traffic Highlights

	2017	2016	+ / -	% Change
Passenger Movements (1)	6,014,548	5,117,972	896,576	17.5%
Seat Capacity (1)	7,306,790	6,194,051	1,112,739	18.0%
Seat Load Factor	82.4%	83.2%		- 0.8PP
Aircraft Movements (2)	42,987	37,383	5,604	15.0%
MTOW (in tonnes) (3)	1,726,644	1,475,398	251,246	17.0%
Cargo and Mail (in tonnes)	16,177	15,697	480	3.1%

Note: With effect from the 1st January 2017, MIA introduced changes in the compilation of aviation statistics.
The following changes were made: (1) Passenger Movements & Seat Capacity: figures now also include transit and freight data; (2) Aircraft Movements: figures now also include freight aircraft; (3) MTOW: calculation is now based on incoming aircraft only.
The comparative 2016 figures have been adjusted to reflect these changes.

Operational Performance Indicators

More than 300 airports worldwide, covering more than half the world's annual passengers, participate in a survey which measures the quality of the airport service to its customers. This survey, known as the ASQ (Airport Service Quality) survey, developed by Airports Council International (ACI) is also carried out at Malta International Airport. Departing passengers are interviewed whilst waiting at the gate and are asked to rate their experience at that particular airport. The ASQ survey rates the airport's performance in 34 key service areas, constituting both the departures and the arrivals experience.

MIA has been participating in the ASQ survey since 2005 and has consistently ranked as one of the top five Airports in Europe over the past years, across all airport size categories. In 2017, MIA ranked 2nd in overall passenger satisfaction across all European airport categories. This is considered to be an excellent result, especially given the significant challenges presented by ongoing works in most parts of the air terminal as part of the Company's Terminal Reconfiguration Project, throughout 2017. The target of the Company is that the airport will continue to rank within the top ASQ positions in Europe in the foreseeable future.

The overall ASQ performance indicators (measured out of 5, with 5 being the highest mark) for the four quarters of 2017, compared to 2016, are listed below:

	2017	2016
1st Quarter	4.23	4.21
2nd Quarter	4.31	4.18
3rd Quarter	4.33	4.26
4th Quarter	4.41	4.33
Average for the year	4.32	4.25

Directors' Report (Continued)

Infrastructural Investments

As a result of the rapid increase in passengers over the last ten years, and particularly in the last two years, the Company has continued to invest in the infrastructure of the airport, both in passenger handling facilities as well as on the airfield and runways. In line with these ongoing efforts, during 2017, the Group's capital expenditure totalled €14.0 million. This expenditure includes a €9.6 million investment in the Terminal Reconfiguration Project, which had been launched towards the end of September 2016 and which will be completed by summer 2018.

In 2017, the Terminal Reconfiguration Project encompassed the unveiling of a new observation deck, the opening of a reconceived La Valette lounge on Level 3, and the relocation of the Central Security Area (CSA) to a bigger space on Level 1. In 2018, the focus is on the installation of eight additional check-in desks and an upgrade of the existent Baggage Handling System (BHS). These improvements will enable MIA to cater for growing passenger numbers in the medium term and allow it to increase its capacity, through terminal expansions, in the future.

In 2018, MIA will implement another ambitious capital expenditure plan, which is expected to cost approximately €11 million. Apart from the €2.0 million planned for the remaining works falling under the Terminal Reconfiguration Project, the Company will invest an additional €2.3 million in other terminal improvements, such as the refurbishment of public washrooms, the upgrade of terminal signage and the procurement of a new public address system. €2.4 million will be dedicated to improvements on the airfield, including the upgrade of the airport's taxiways and aircraft parking stands, whilst another €2.7 million will be invested in operations and security-related equipment in order to upgrade, amongst others, the airfield electrical system, meteorological airfield instruments and switch rooms. Beyond that, MIA will be embarking on the construction of a cargo village (€1.4 million) over the coming year.

Principal Risk and Uncertainties

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

The most important strategic, corporate and operational risks and uncertainties identified during the year and the action being taken by the Company to reduce them are listed below:

SECURITY ISSUES

The Company continues to invest heavily year-on-year to ensure its customers, employees and stakeholders remain safe and secure at all times. MIA works closely with the police and government security agencies to ensure that its security facilities and processes meet the high standards required to respond to new and existing security threats. The Company's security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams, who regularly test the effectiveness of its security processes and identify opportunities for improvement.

DISRUPTION TO OPERATIONS

The Company has emergency response, crisis management and business continuity plans in place, which are regularly tested and updated to ensure that it is able to respond quickly and effectively to any disruptions to its operations. The Company is also adequately covered by an insurance programme which provides financial protection in the case of major operational disruptions.

THREAT OF A DOWNTURN IN TRAFFIC

Malta International Airport has registered significant passenger growth in the last 10 years and it is focused on ensuring that the terminal has the capacity and facilities of high standards that its customers expect in the medium and longer term. However, the Company is also mindful of possible downturns in passenger traffic as a result of negative factors on the international scene such as terrorism or the increase in the price of oil, changes in local tourism strategies and changes in airlines and route preferences.

The Company constantly monitors the economic environment and ensures that its corporate and infrastructural plans reflect the current situation. Moreover, most of the infrastructure projects undertaken by the Company are implemented over a number of years in order to minimise the impact a possible downturn in business could have on the Group.

Outlook

Looking ahead to 2018, two additional aircrafts will be based at Malta International Airport - one by Air Malta and the other by Ryanair - enabling the launch of a significant number of new routes. Ryanair will be adding a fifth aircraft to their Malta base as of 2018; whilst introducing nine new routes as well as extending three routes into their summer schedule. Air Malta will be adding a tenth aircraft to their fleet; whilst introducing six new routes as well as recommencing the Manchester route after a lapse of one year.

A noteworthy increase in seat capacity on the Rome Fiumicino route will be added by both Air Malta and Alitalia. Volotea will launch two new routes; Bilbao and Nice, and after a successful first year, double their schedule from Bordeaux in summer 2018. Jet2 will introduce a further three new routes from the United Kingdom, whilst EasyJet will be increasing frequencies on two of their routes to Malta and extending the London Southend route into the summer schedule.

Wizz Air will introduce a new schedule from Vienna, as well as increase capacity on the Warsaw, Skopje and Bucharest routes. Moreover, low-cost airline Norwegian will double its schedule from Copenhagen. Other carriers will be operating seasonal charter flights from several destinations. These developments are in line with efforts to grow connectivity from Eastern Europe and Scandinavia respectively.

The increase in traffic for 2018 will be partially diluted by some reduction in capacity and discontinued routes by certain carriers in the next 12 months. Transavia is expected to reduce capacity from Paris Orly and Amsterdam. On the German market, German airline Condor will be discontinuing its scheduled Frankfurt route and reducing frequencies on the Hamburg route, whilst Air Malta will no longer operate flights to Berlin Tegel in 2018. Furthermore, Eurowings will no longer operate from Vienna. The TUI cruise ship will have a less frequent turn-around in summer 2018, which will result in less capacity deployed specifically to 'feed' the cruise operation.

The International Air Transport Association (IATA) forecasts European airline net profit will rise to $11.5 billion in 2018, up from $9.8 billion. Strong demand, efficiency and reduced interest payments are expected to help airlines improve their performance in 2018. IATA forecasts a rise in overall revenues over 2017 as well as a rise in passenger numbers. Most European airlines are benefitting from a strong economic recovery in home markets.

The outlook for Malta International Airport in 2018 is optimistic. Another substantial increase in seat capacity, stemming from the above-mentioned developments, is forecasted for 2018, and projections indicate that the same seat load factor as in 2017 will be maintained to finally reach an overall 6.5 million passengers. Moreover, the Group's financial targets for 2018 are also optimistic, with revenues of over €87 million, and EBITDA and net profit to exceed €52 million and €28 million respectively. Planned expenditure on capital investments for 2018 is expected to be around €11 million, and net debt is estimated to be below zero.

Employees

The Company considers its employees as one of its most valuable resources. Every year the Company prepares an extensive training programme for its employees, including refresher courses, technical training and other certifications. In 2017, the number of training hours was 10,177. These included crisis management training, fire safety, first aid, customer service, induction and sensitivity training when dealing with people with special needs.

Directors' Report (Continued)

In 2017, the Company also started to widen the scope of the staff performance appraisals to include not only members of the management team, but also other Company employees. These performance appraisals were extended to include the whole Company to, on the one hand, improve engagement by providing formal feedback to employees and, on the other hand, improve employees' performance on the job.

During the year, the Company introduced a series of initiatives to encourage healthy lifestyles amongst its workforce. These included free gym membership and yoga sessions. The Company also supports four employee sports teams: a bowling team, a netball team, an athletics team and a football team. In 2017, the Company's Sports and Social Committee was responsible for organising various cultural, arts, sports and team-building events. According to the Company's recent employee survey, employee wellbeing was the area that registered the highest positive change when compared to 2016, probably as a result of the aforementioned wellbeing initiatives.

On the date of the approval of this report, the Company and the employees' unions were still actively engaged in negotiations, with a view to finalising a new Collective Agreement for Malta International Airport p.l.c. employees.

The number of employees of the Company at the end of 2017 was 311. Of these, 10 were employed with two of the fully-owned subsidiaries of MIA, Airport Parking Limited and Sky Parks Business Centre Limited. The average employee age was 41 and the average length of service with the Company was 12 years.

Corporate Responsibility

The Directors are committed to high standards of Corporate Responsibility (CR), particularly in the social, economic and environmental fields, both internally and externally, and for the benefit of the Company's key stakeholders, which include its employees, customers, partners and shareholders.

In 2017, the Company undertook a number of internal and external CR initiatives to help remove, reduce and/or mitigate any negative impacts, whilst concurrently to increase the positive impact of the Company in the spirit of sustainable development.

The most important CR decision remains the Company's long-term commitment to publishing its sustainability impacts in a Sustainability Report according to internationally recognised Global Reporting Initiative (GRI) Standards and engaging independent auditors to audit this report. This exercise in itself assures that the Company is completely transparent with regard to its impacts, always takes into consideration key stakeholders' interests and directs the Company towards a business model which embraces sustainable development.

Internal CR initiatives undertaken during the year under review included: the setting-up of bee hives on airport grounds so as to measure air pollutants (honey being a good bio-indicator of pollution) whilst playing a small role in combating declining local bee stocks; the sponsorship of the Richmond Foundation to develop and implement a mental health policy and provide psychological first aid training to our employees; the continued implementation of the Company's Environmental Plan (2017-2019); a carpooling website so as to encourage employees to opt for carpooling as their preferred method of transportation to and from work; and various employee initiatives to promote employee engagement and wellbeing.

External CR initiatives which were channelled through the Malta Airport Foundation included: the restoration of the Combined Operations Room which forms part of the underground war headquarters in Valletta; the commitment to landscape the boundary area adjacent to Torri Xutu, which was successfully restored; the sponsorship of Malta's first-ever underwater, natural and anthropological documentary of Comino; and the sponsorship of the Joseph Calleja Concert.

Financial Performance

FINANCIAL RESULTS

At €82.4 million, the revenue of the Group for 2017 was €9.3 million higher than that for 2016, translating into an increase of 12.7%. The Airport Segment increased by €7.5 million from €51.5 million to €59.0 million. The Retail and Property Segment also increased by €1.8 million from €21.2 million to €23.0 million.

Earnings before interest, taxation depreciation and amortization (EBITDA) of the Group increased by 21.5%, from €40.0 million to €48.6 million and the EBITDA margin increased from 54.7% to 59.0%. There was also a 16.0% increase in profit before tax, which rose from €32.4 million in 2016 to €37.6 million in 2017. Total comprehensive income for the year attributable to shareholders net of tax for the Group also increased from €20.9 million to €24.2 million, an increase of 15.5% over the previous year.

The financial results of the Group for 2017 were driven by another substantial increase in the volume of passenger traffic. Passenger movements in 2017 were higher than expected and reached a record 6.0 million passengers or 17.5% more than for the previous year, giving rise to a significant increase in the turnover of the Group. On the cost side, notwithstanding the tight control on its cost base, the Group had to absorb a one-time fee arising from early debt repayments in its finance costs. The benefits of this effect will be reaped in future years.

REVENUES

Revenues from the Airport segment increased by 14.6% and constituted 71.6% of the total revenues of the Group (2016: 70%). Aviation-related revenues remain the most important income stream of the Group.

Revenues from the Retail & Property segment were 8.3% higher than for the previous year and constituted 27.9% (2016: 29%) of the total revenues of the Group.

The remaining portion of 0.5% of revenues originates from the Other segment and has remained constant since last year (2016: 0.5%).

OPERATING AND OTHER COSTS

The operating costs of the Group in 2017 of €25.8 million were higher than those of 2016 by €0.8 million, an increase of 3.2%.

FINANCE COST

Finance cost includes an early repayment fee on a high-interest loan paid back to the lenders prior to maturity during the year (€2.8 million). This early loan settlement enables the Group to realise interest savings over future years that exceed the fee imposed in 2017.

COMPREHENSIVE INCOME AND DIVIDENDS

The financial results of the Group and the Company for the year ended 31 December 2017 are shown in the Statement of Comprehensive Income on page 111. The total comprehensive income of the Group for the year after taxation amounted to €24,154,410 (2016: €20,912,407).

Further to the net interim dividends paid of €4,059,000 (gross €6,244,615), the Board of Directors is recommending the payment of a final net dividend of €0.07 per share (gross €0.108) on all shares settled as at close of business on 6 April 2018, which dividend shall be paid not later than the 25 May 2018.

FINANCIAL POSITION

The profit for the year, net of dividends paid together with shareholders' funds brought forward from the previous year, resulted in shareholders' funds of €95,748,351 and €97,815,138 for the Group and the Company respectively as at 31 December 2017. These totals were up from €85,097,748 and €86,135,642 respectively at the end of 2016.

GOING CONCERN

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

FINANCIAL RISK MANAGEMENT

Financial risks of the Group and the Company identified during the year and their financial risk management objectives appear in detail in note 38 of the Financial Statements.

FINANCIAL KEY PERFORMANCE INDICATORS

(IN € MILLION)	Financial Year 2017	Change in %	Financial Year 2016	Change in %	Financial Year 2015
Total Revenue	82.37	12.7	73.06	9.1	66.97
thereof Aviation Revenue	59.00	14.6	51.49	10.9	46.45
thereof Non-Aviation Revenue	23.37	8.3	21.57	5.1	20.52
EBIT	41.16	24.2	33.15	14.3	29.00
EBIT Margin in %	49.97	10.1	45.37	4.8	43.30
EBITDA	48.57	21.5	39.99	12.2	35.64
EBITDA Margin in %	58.97	7.7	54.74	2.8	53.22
ROCE in %	27.00	30.8	20.64	21.8	16.94
Net Profit	24.15	15.1	20.98	8.9	19.27
Cash Flow from Operating Activities	42.70	56.4	27.30	(7.5)	29.52
Equity	95.75	12.5	85.10	9.5	77.69
Balance Sheet Total	182.85	6.1	172.36	0.3	171.91
Capital Expenditure	14.02	95.8	7.16	(0.4)	7.19
Taxes on Income	13.42	17.6	11.41	8.5	10.52
Average Employees for the Year	307	1.0	304	(0.7)	306

SHARE CAPITAL

The share capital of the Group is €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 €0.25, 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 had been non-transferable for a period of fifteen (15) years from the 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 attaching 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 – Consolidated Fund
- 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 Financial 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

During the financial year, Mr Florian Nowotny was appointed Non-Executive Director with effect from the 18th January 2017.

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:

NIKOLAUS GRETZMACHER	a non-beneficial interest [1]
RITA HEISS	a non-beneficial interest [2]
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.

Approved by the Board of Directors on 21st February 2018 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 every financial year and of the profit and loss of the Company and the Group for the year then ended 31 December 2017. 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:

- In accordance with the Listing Rules the financial statements give a true and fair view of the financial position of the Company and its Group as at 31 December 2017 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

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

Karl Dandler
CHIEF FINANCIAL OFFICER
OBO/DIRECTORS

Corporate Governance Statement of Compliance

Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Malta International Airport p.l.c. (the "Company") should endeavour 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 2017.

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

PRINCIPLE ONE: THE BOARD (CONTINUED)

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 aims and organisational structure, 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, 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 the 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 precise, 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 every 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 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[3]	Non-Executive Director	2017
Mr Alan Borg	CEO and Executive Director	2012
Mr Karl Dandler	CFO and Executive Director	2014

3 Mr Florian Nowotny was appointed Non-Executive Director with effect from 18 January 2017.

PRINCIPLE THREE: COMPOSITION OF THE BOARD (CONTINUED)

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 whole 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 12 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 are also employees of Flughafen Wien AG, the Company's ultimate parent company. Notwithstanding the above relationship, the Board still considers Mr Gretzmacher and Ms Heiss 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 organisation 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.

PRINCIPLE FOUR: THE RESPONSIBILITIES OF THE BOARD (CONTINUED)

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 every 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:

- Mr Alan Borg (Chief Executive Officer)
- Mr Karl Dandler (Chief Financial Officer)
- Ing. Martin Dalmas (Airport Operations)
- Mr George Mallia (Retail and Property)
- Mr Ian Maggi (Innovation and Technology)
- Mr Patrick Murgo (Security)
- Ms Tina Lombardi (Human Resources and Strategy)
- Ing. Michael Lombardi (Technical Facilities)[4]
- Ms Kristina Borg Cardona (Marketing and Brand Development)
- Mr Alex Cardona (Traffic Development)
- Ing. Ivan Zahra (Projects)
- Ing. Kevin Alamango (Technical Services)[5]

The Executive Committee met 35 times during the year under review.

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 of 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 auditors or the audit firms;
- 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 2017, the Committee consisted of three (3) Non-Executive Directors, namely Mr Florian Nowotny[6], 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 Florian Nowotny was independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. On the basis of Mr Nowotny's formal qualifications in Business Administration, with a major in auditing and taxation, his membership of the Austrian Auditors Oversight Body (Abschlussprüfer Aufsichtsbehoerde), as well as his experience in the area of auditing and finance, having occupied a number of executive posts with different companies in these areas, the Board considers Mr Nowotny to have the necessary competence required by the Listing Rules.

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 held seven meetings.

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the revaluation of the business objectives in the short term. Regular budgets

4 Ing. Michael Lombardi ceased to be a member of the Committee on 12 March 2017.

5 Ing. Kevin Alamango was appointed member of the Committee on 15 May 2017.

6 Mr Florian Nowotny was appointed Chairman of the Audit Committee replacing Dr Wolfgang Köberl with effect from 22 February 2017.

PRINCIPLE FOUR: THE RESPONSIBILITIES OF THE BOARD (CONTINUED)

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 allow 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 2017
Mr Nikolaus Gretzmacher	6/6
Ms Rita Heiss	6/6
Dr Cory Greenland	6/6
Dr Wolfgang Koeberl	6/6
Mr Florian Nowotny	5/5
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 are designed to render the Company an attractive proposition for the retention of top executives within the Company and to motivate the Executive Committee.

Whilst the Board has not, over the year under review, held any formal training for directors, it intends to organise professional development sessions for Directors and executives designed specifically to enable them to discharge their functions more efficiently and in line with the high standards expected of them.

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 organisational 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 are 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 by increasing 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 €620,259. For the purposes of the provisions of Article 63 of the Company's Articles of Association, the aggregate emoluments paid to the Directors is €336,866 which is within the amount approved by the shareholders of €465,875 for the purpose of that Article. The aggregate emoluments paid to the senior management amount to €548,164.

PRINCIPLE EIGHT: COMMITTEES (CONTINUED)
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 Nominations 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 33 to the Financial Statements.

PRINCIPLE ELEVEN: CONFLICTS OF INTEREST (CONTINUED)

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

Mr Nikolaus Gretzmacher	a non-beneficial interest [7]
Ms Rita Heiss	a non-beneficial interest [8]
Dr Cory Greenland	a beneficial interest

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

The Company adopts a formal policy and procedure to monitor dealings by directors and connected persons to directors in the securities of the Company. These procedures were recently reviewed for compliance with changes to applicable regulations.

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.

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 determine 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.
4.3	Over the course of the year 2017, the Board has not organised any formal training sessions for directors.
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.

7 These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a director.

8 These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a director.

NON-COMPLIANCE WITH CODE PROVISIONS (CONTINUED)

Code Provision	Explanation
7.1 (CONTINUED)	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 do not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances. This is mitigated by ongoing open dialogue between Executive Management and Non-Executive Directors of the Company, to ensure that such conflicts do not arise.
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 conduct and/or 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. 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 with 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 every shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for every share carrying voting rights of which he/she 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 Statement of Directors' Responsibilities for preparing the Financial Statements is set out on page 94.

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

Approved by the Board of Directors on 21 February 2018 and signed on its behalf by:

Nikolaus Gretzmacher
CHAIRMAN

Alan Borg
CHIEF EXECUTIVE OFFICER

Karl Dandler
CHIEF FINANCIAL OFFICER

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 111 to 163, which comprise the statements of financial position of the Company and the Group as at 31 December 2017, 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 2017, 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.

Accounting for the lease expense in relation to non-commercial areas

The calculation of the lease expense in relation to non-commercial areas, being site areas with restricted access, is a matter of applied estimation and judgement by the Directors. The Company and the Group (together, MIA) have lease payments payable to the Maltese Government on an original temporary emphyteutical term of 65 years and the lease payments are adjusted upwards periodically by a specified rate over the lease term. The recognition of the lease expense in relation to non-commercial areas is systematically made on the basis of expected passenger movements, which is considered by the Directors to be most representative of the time pattern of MIA's expected benefit from the use of the site areas with restricted access over the lease term.

Our audit procedures included use of IFRS specialists to assess whether the methodology applied by MIA is in accordance with the requirements of IFRS. MIA's computations, which include a judgemental estimate of passenger movements over the term of the lease, were reviewed and tested for mathematical accuracy. We also reviewed the adequacy of the disclosures in the financial statements.

MIA's disclosures on this matter are set out in note 34 to the financial statements. Furthermore as noted in note 4 to the financial statements the forthcoming applicability of IFRS 16 - Leases will result in the elimination of the distinction between finance and operating leases for lessees and will bring most leases on-balance sheet, thus requiring a substantial review of MIA's current accounting policies for emphyteutical lease payments.

Applicability of IFRIC 12 - Service Concession Arrangements

IFRIC 12 - Service Concession Arrangements clarifies the accounting treatment for service concession arrangements by private sector operators that provide public services on behalf of government or other public sector entities. This interpretation would require a reporting entity to recognise its concession agreement in its accounting records as a financial asset and / or as an intangible asset, and infrastructure assets would not be recognised as property, plant and equipment of the operator. Resulting changes to the classification and measurement of elements of the financial statements would be pervasive.

The business activities of MIA are governed by a 65-year concession agreement which was granted by the Maltese Government in July 2002. The considerations surrounding the applicability of IFRIC 12 to this concession agreement require the application of significant judgement. Based on MIA's proportion of regulated and unregulated activities, the directors have determined that the extent of unregulated business activities cannot be deemed as insignificant, and accordingly MIA continues to fall outside the scope of IFRIC 12.

Our audit response to address the risk of material misstatement relating to the use of inappropriate accounting policies consisted in making use of IFRS specialists to assess whether the methodology and assumptions applied by MIA in respect of IFRIC 12, including computations of the extent of unregulated business activities, continues to be appropriate. The adequacy of MIA's disclosures in the financial statements was also considered.

MIA's disclosures on the significant judgement surrounding the applicability of IFRIC 12 to MIA's financial statements are set out in note 3 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, the Traffic report, the Retail and Property report, and supporting key data, strategy, governance and employee, airport operations, sustainability, risk management 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.

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 misstatemernt 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 85 to 93, 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 94, 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 95 to 104 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 auditors 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 totaling 14 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.

Bernard Scicluna AS DIRECTOR
IN THE NAME AND ON BEHALF OF
DELOITTE AUDIT LIMITED
REGISTERED AUDITOR
MRIEHEL, MALTA

21 FEBRUARY 2018

Statements of Comprehensive Income

YEAR ENDED 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	**2017**	2016
	Notes	**EUR**	EUR	**EUR**	EUR
Revenue	5	**82,369,154**	73,064,828	**78,447,361**	69,553,500
Staff costs	11	**(8,045,386)**	(8,131,939)	**(7,809,575)**	(7,899,555)
Depreciation	14, 15	**(7,410,628)**	(6,842,781)	**(6,515,045)**	(6,004,311)
Other operating expenses	9	**(25,750,264)**	(24,944,368)	**(24,980,075)**	(24,464,846)
Release of deferred income arising on the sale of terminal buildings and fixtures	24	**208,765**	208,765	**208,765**	208,765
Investment income	7	**4,406**	1,023,081	**118,690**	1,163,809
Finance cost	8	**(3,808,536)**	(1,990,102)	**(342,542)**	(1,146,790)
Profit before tax		**37,567,511**	32,387,483	**39,127,579**	31,410,572
Income tax expense	12	**(13,417,031)**	(11,405,856)	**(13,948,206)**	(11,055,814)
Profit for the year attributable to the ordinary equity holders of the Company		**24,150,480**	20,981,627	**25,179,373**	20,354,759
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Net gain on available-for-sale financial assets	17	**3,930**	3,318	**3,930**	3,318
Items that will not be reclassified subsequently to profit or loss:					
Actuarial losses on defined benefit pension plans	25, 26	**-**	(111,598)	**-**	(111,598)
Deferred tax credit	12	**-**	39,059	**-**	39,059
		-	(72,539)	**-**	(72,539)
Other comprehensive income/ (expense) for the year attributable to the ordinary equity holders of the Company, net of tax		**3,930**	(69,220)	**3,930**	(69,220)
Total comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**24,154,410**	20,912,407	**25,183,303**	20,285,538
Earnings per share attributable to the ordinary equity holders of the Company	30	**17.85c**	15.51c	**18.61c**	15.04c

Statements of Financial Position

31 DECEMBER 2017

	Notes	The Group 2017 EUR	The Group 2016 EUR	The Company 2017 EUR	The Company 2016 EUR
ASSETS					
Non-current assets					
Property, plant and equipment	14	**105,864,394**	98,669,856	**105,557,361**	98,306,532
Investment property	15	**16,656,702**	17,240,197	**-**	-
Investment in subsidiaries	16	**-**	-	**2,004,800**	2,004,800
Available-for-sale financial assets	17	**107,578**	103,648	**107,578**	103,648
Loans and receivables	18	**-**	-	**17,216,372**	4,600,000
Deferred tax assets	19	**5,545,043**	4,083,787	**4,318,996**	3,884,691
		128,173,717	120,097,489	**129,205,107**	108,899,671
Current assets					
Inventories	20	**891,511**	834,443	**891,511**	834,443
Loans and receivables	18	**-**	-	**1,146,943**	-
Trade and other receivables	21	**15,383,372**	14,880,674	**14,276,473**	13,863,884
Cash and short term deposits	29	**38,401,907**	36,550,212	**36,969,444**	35,500,917
		54,676,790	52,265,329	**53,284,371**	50,199,244
TOTAL ASSETS		**182,850,507**	172,362,817	**182,489,478**	159,098,915

Statements of Financial Position

31 DECEMBER 2017

	Notes	The Group 2017 EUR	The Group 2016 EUR	The Company 2017 EUR	The Company 2016 EUR
EQUITY AND LIABILITIES					
Equity attributable to ordinary equity holders of the Company					
Share capital	27	**33,825,000**	33,825,000	**33,825,000**	33,825,000
Other reserve	28	**1,179,462**	1,228,107	**1,179,462**	1,228,107
Fair value reserve	28	**30,973**	27,043	**30,973**	27,043
Retained earnings		**60,712,916**	50,017,598	**62,779,703**	51,055,492
Total equity		**95,748,351**	85,097,748	**97,815,138**	86,135,642
Non-current liabilities					
Bank loan	23	**31,147,638**	43,866,560	**29,510,101**	31,291,524
Deferred income	24	**5,371,367**	5,667,827	**5,272,550**	5,583,322
Provision for retirement benefit plan	25	**4,408,590**	4,365,940	**4,408,590**	4,365,940
Provision for MIA benefit fund	26	**222,989**	223,936	**222,989**	223,936
		41,150,584	54,124,263	**39,414,230**	41,464,722
Current liabilities					
Bank loan	23	**1,868,923**	2,481,423	**1,781,423**	1,781,423
Trade and other payables	22	**40,576,934**	29,496,332	**40,139,557**	28,837,526
Current tax liabilities		**3,505,715**	1,163,051	**3,339,130**	879,602
		45,951,572	33,140,806	**45,260,110**	31,498,551
Total liabilities		**87,102,156**	87,265,069	**84,674,340**	72,963,273
TOTAL EQUITY AND LIABILITIES		**182,850,507**	172,362,817	**182,489,478**	159,098,915

These financial statements were approved and authorised for issue by the Board of Directors on 21 February 2018 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 2017

The Group	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2016	**33,825,000**	**1,276,752**	**23,725**	**42,563,671**	**77,689,148**
Profit for the year	-	-	-	20,981,627	20,981,627
Other comprehensive income/(expense)	-	-	3,318	(72,539)	(69,220)
Total comprehensive income for the year	-	-	3,318	20,909,089	20,912,407
Difference between the historical cost depreciation charge and actual depreciation for the year on the adjusted amount on privatisation	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2016	**33,825,000**	**1,228,107**	**27,043**	**50,017,598**	**85,097,748**
Balance at 1 January 2017	**33,825,000**	**1,228,107**	**27,043**	**50,017,598**	**85,097,748**
Profit for the year	-	-	-	24,150,480	24,150,480
Other comprehensive income	-	-	3,930	-	3,930
Total comprehensive income for the year	-	-	3,930	24,150,480	24,154,410
Difference between the historical cost depreciation charge and actual depreciation for the year on the adjusted amount on privatisation	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2017	**33,825,000**	**1,179,462**	**30,973**	**60,712,916**	**95,748,351**

Statements of Changes in Equity

YEAR ENDED 31 DECEMBER 2017

The Company	Share capital EUR	Other reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2016	**33,825,000**	**1,276,752**	**23,725**	**44,228,434**	**79,353,911**
Profit for the year	-	-	-	20,354,759	20,354,759
Other comprehensive income/(expense)	-	-	3,318	(72,539)	(69,220)
Total comprehensive income for the year	-	-	3,318	20,282,220	20,285,538
Difference between the historical cost depreciation charge and actual depreciation for the year on the adjusted amount on privatisation	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2016	**33,825,000**	**1,228,107**	**27,043**	**51,055,492**	**86,135,642**
Balance at 1 January 2017	**33,825,000**	**1,228,107**	**27,043**	**51,055,492**	**86,135,642**
Profit for the year	-	-	-	25,179,373	25,179,373
Other comprehensive income	-	-	3,930	-	3,930
Total comprehensive income for the year	-	-	3,930	25,179,373	25,183,303
Difference between the historical cost depreciation charge and actual depreciation for the year on the adjusted amount on privatisation	-	(74,838)	-	74,838	-
Deferred tax (note 19)	-	26,193	-	-	26,193
Dividends (note 13)	-	-	-	(13,530,000)	(13,530,000)
Balance at 31 December 2017	**33,825,000**	**1,179,462**	**30,973**	**62,779,703**	**97,815,138**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	**2017**	2016
	Notes	**EUR**	EUR	**EUR**	EUR
Cash flows from operating activities					
Profit before tax		**37,567,511**	32,387,483	**39,127,579**	31,410,572
Adjustments for:					
Depreciation of property, plant and equipment	14, 15	**7,410,628**	6,842,781	**6,515,045**	6,004,311
Release of deferred income arising on the sale of the terminal building and fixtures	24	**(208,765)**	(208,765)	**(208,765)**	(208,765)
Amortisation of European Commission Grant	24	**(40,255)**	(40,255)	**(40,255)**	(40,255)
Amortisation of Norwegian Grant	24	**(51,761)**	(51,761)	**(51,761)**	(51,761)
Amortisation of Government Grant	24	**(9,991)**	(9,991)	**(9,991)**	(9,991)
Interest expense	8	**3,808,536**	1,990,102	**342,542**	1,146,790
(Gain) on sale of property, plant and equipment		**(7,670)**	(15,289)	**(7,670)**	(15,289)
Investment income	7	**(4,406)**	(1,023,081)	**(118,690)**	(1,163,809)
Provision for retirement benefit plan		**42,650**	63,810	**42,650**	63,810
Provision for MIA benefit plan	26	**16,353**	41,410	**16,353**	41,410
Movement in provision for impairment of trade receivables	21	**7,907**	7,338	**7,907**	13,338
		48,530,737	39,983,782	**45,614,944**	37,190,361
Working capital movements:					
Movement in inventories		**(57,068)**	(17,861)	**(57,068)**	(17,861)
Movement in trade and other receivables		**(516,986)**	(3,090,128)	**(426,878)**	(3,195,224)
Movement in trade and other payables and other financial liabilities		**11,080,603**	3,937,530	**11,302,031**	4,929,869
Cash flows from operations		**59,037,287**	40,813,324	**56,433,029**	38,907,145
Interest paid	8	**(3,808,536)**	(1,990,102)	**(342,542)**	(1,146,790)
Income taxes paid		**(12,509,432)**	(11,494,768)	**(11,896,790)**	(11,113,988)
Retirement benefit paid	26	**(17,300)**	(30,800)	**(17,300)**	(30,800)
Net cash flows from operating activities		**42,702,018**	27,297,654	**44,176,397**	26,615,567

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2017

		The Group		The Company	
		2017	2016	**2017**	2016
(CONTINUED)	Notes	**EUR**	EUR	**EUR**	EUR
Cash flows from investing activities					
Receipt of deposit from tenant	24	**14,313**	-	**-**	-
Payments for property, plant and equipment	14	**(13,790,643)**	(7,159,376)	**(13,759,492)**	(7,275,712)
Payments for intracompany loans	18	**-**	-	**(13,763,315)**	-
Payments for investment property		**(224,402)**	-	-	-
Proceeds from sale of property, plant & equipment		**7,670**	24,800	**7,670**	24,800
Interest received	7	**4,161**	1,023,081	**118,690**	1,163,809
Net cash flows used in investing activities		**(13,988,901)**	(6,111,494)	**(27,396,447)**	(6,087,103)
Cash flows from financing activities					
Repayment of bank loans		**(13,331,423)**	(10,750,158)	**(1,781,423)**	(10,075,158)
Dividends paid	13	**(13,530,000)**	(13,530,000)	**(13,530,000)**	(13,530,000)
Net cash flows used in financing activities		**(26,861,423)**	(24,280,158)	**(15,311,423)**	(23,605,158)
Net movement in cash and cash equivalents		**1,851,695**	(3,093,999)	**1,468,526**	(3,076,694)
Cash and cash equivalents at the beginning of the year		**36,550,212**	39,644,210	**35,500,917**	38,577,611
Cash and cash equivalents at the end of the year	29	**38,401,907**	36,550,212	**36,969,444**	35,500,917

Notes to the Financial Statements

1. THE COMPANY

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 a 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 constitute 'the Group'.

2. GENERAL INFORMATION

2.1. 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 the fair valuation of the available-for-sale financial assets, are in accordance with International Financial Reporting Standards 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 significant accounting policies adopted are set out below.

The consolidated financial statements comprise the financial statements of Malta International Airport p.l.c., and its subsidiaries, as mentioned in note 1 above.

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.

2.2. SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

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

Property, plant and equipment are initially measured at cost. 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, buildings are stated at revalued amounts as at the date of the privatisation of the Company in 2002 less any accumulated depreciation and any accumulated impairment losses. Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Every year, the difference between depreciation of buildings based on their fair value on the date of the privatisation of the Company in 2002 and depreciation based on the asset's original cost prior to the original revaluation is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Land held on temporary emphyteusis relates to the land assigned to the Group and the Company by title of temporary emphyteusis. The value of the land held on temporary emphyteusis is amortised over the remaining term of the lease.

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, using the straight-line method, on the following bases:

Land held on temporary emphyteusis	by equal annual instalments over the remaining term of the emphyteusis
Buildings	2% - 4-5% per annum
Furniture, fixtures, plant and equipment	10% - 33 1/3% per annum
Investment property	5% - 15% per annum

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

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

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.

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.

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.

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Financial Instruments

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

Financial assets and financial liabilities are offset, and the net amount presented in the 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.

(i) Trade and other receivables
Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Group and the Company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value, except for investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured, which are measured at cost. Where applicable gains and losses arising from a change in fair value are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

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

(v) Trade payables
Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material.

(vi) 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.

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

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

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

Impairment

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

In the case of receivables, evidence of impairment may include indications that the receivables or a group of receivables are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes which indicate that the cost of the investment in the equity instrument may not be recovered.

For receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount is reduced directly.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input) and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a decline in the fair value of an available-for-sale asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been directly recognised through other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (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 directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

An impairment loss recognised in a prior year on assets other than equity instruments carried at cost because fair value cannot be reliably measured 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.

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (that is, a Level 1 input), and whose fair value cannot be reliably measured is not reversed in a subsequent year.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and the Company and that these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

Interest Income

Interest income is recognised on an accruals basis using the effective interest rate. Interest income is included in finance income in the profit or loss.

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

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

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.

Where the Company is a lessor, 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 time pattern in which use benefit derived from the leased asset is diminished.

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.

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(i) 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.

(ii) 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 every 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.

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. In such circumstance, 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.

2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

2.3. 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 every reporting period.

2.4. SCOPE OF CONSOLIDATION

The consolidated financial statements include all subsidiaries, with the exception of one (2016: one), as its economic significance and influence on the asset, financial and earnings position of the Group is immaterial.

Subsidiary not included in the consolidated financial statements 2017:

- Kirkop PV Farm Limited

Subsidiaries not included in the consolidated financial statements 2016:

- Kirkop PV Farm Limited
- Luqa PV Farm Limited - liquidated 2016
- Gudja PV Farm Limited - liquidated 2016
- Gudja Two PV Farm Limited - liquidated 2016
- Gudja Three PV Farm Limited - liquidated 2016

The net liability position of Kirkop PV Farm Limited is under EUR 3,000. The Company did not commence to trade by the balance sheet date.

The 2017 consolidated financial statements include Malta International Airport p.l.c. as well as three domestic (previous year: three) subsidiaries that are controlled by Malta International Airport p.l.c.

Subsidiaries included in the consolidated financial statements 2017 and 2016:

- Airport Parking Limited
- Sky Parks Development Limited
- Sky Parks Business Centre Limited

For financial information on these subsidiaries see note 16.

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.

IFRIC 12 - Service Concession Arrangements

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.

Lessee Accounting in Terms of IAS 17 Leases

As further disclosed in note 34, operating lease payments represent ground rents payable by the Company to the Government of Malta on the temporary emphyteuses, with an original term of 58 to 65 years and periodic upward adjustments by a specified rate over the lease term. The lease expense is 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 is made on a systematic basis that is 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 is reviewed annually to determine whether the basis that is applied in allocating the lease expense over the lease term continues to be appropriate.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

4.1. AMENDMENTS TO IFRS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

Amendments to IAS 7: Disclosure Initiative

The Company and the Group have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The liabilities arising from financing activities consist of those included in the section entitled 'Cash flows from financing activities' in the Statement of Cash Flows. A reconciliation between the opening and closing balances of these items was not considered necessary as all the respective movements are reflected in the Statements of Cash Flows.

4.1. AMENDMENTS TO IFRS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

The Company and the Group have applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary differences. Furthermore, the amendments explain the circumstances in which the estimate of probable future taxable profit may include the recovery of an entity's assets for more than their carrying amount.

The application of these amendments has had no impact on the Company's and the Group's financial statements.

4.2. 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 IFRSs 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 anticipates that their adoption will have no material impact on the financial statements of the Group and the Company in the period of initial application.

IFRS 16 – Leases

IFRS 16 Leases, which was issued on 13 January 2016, brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations.

IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15. The Standard has been endorsed by the EU at the date of authorisation of these financial statements. Given the significance of the Group's and the Company's leasing transactions, the Board is giving due attention to this Standard and has performed a preliminary assessment to understand the implications of this Standard at the date of transition and thereafter.

The Group and the Company are both lessors and lessees. As lessors, the Group and the Company do not expect any significant changes to current classification and accounting.

Leases in which the Group or the Company are lessees will be subject to significant adjustments. These adjustments will lead to an increase in total assets and total liabilities at the date of transition as a result of the recognition of the right of use assets and the corresponding lease liabilities, with the increase in liabilities exceeding the increase in assets at the date of transition.

The introduction of IFRS 16 will also result in significant changes to the profit and loss section of the Company's and the Group's Statements of Comprehensive Income. While the total amount of expenses charged over the term of the lease remains the same, the distribution of such expenses over time and the breakdown of the respective line items in profit and loss will change. Under IAS 17, the expenses for operating leases are recognised within other operating expenses in accordance with the Group's and the Company's accounting policy for operating leases.

Under IFRS 16 – as is already the case for finance leases – the respective impact in profit and loss is broken down into interest expense and depreciation. As the interest expense is calculated by applying the effective interest method and fluctuates over the term of the lease, but depreciation is recognised on a straight-line basis, the expense shifts forward to the early periods of the term. Under IFRS 16, the interest expense is presented within finance costs and thus below operating income and expenses, thus resulting in an increase in EBIT and an even greater increase in EBITDA.

In the Statement of Cash Flows, there is a shift out of cash flows from operating activities and into financing activities. While interest payments will continue to be presented within cash flows from

4.2. IFRS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 16 – Leases (Continued)

operating activities, the repayment of the principal portion of the lease liabilities will be presented within cash flows from financing activities.

IFRS 9 – Financial Instruments

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Standard supersedes all previous versions of IFRS 9. IFRS 9 introduces a logical approach to the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply.

The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. This Standard has been endorsed by the EU.

The effects of IFRS 9 on the financial position and the financial performance of the Group and the Company have been provisionally evaluated as follows:

a) Financial assets

The financial assets currently classified as available-for-sale (see note 17) will continue to be measured at fair value. The majority of the remaining financial assets will continue to be measured at amortised cost using the effective interest method on the same basis as is currently adopted under IAS 39 and will be subject to the impairment provisions of IFRS 9. IFRS 9 requires the Group and the Company to recognise expected credit losses on these financial assets, either on a 12-month or lifetime basis. The Group and the Company will apply the simplified approach and recognise lifetime expected losses on trade receivables without a significant financing component. For the remaining financial assets that will need to be assessed for impairment in terms of IFRS 9, lifetime expected credit losses will apply if there is a significant increase in the credit risk at the reporting date. The Group and the Company may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

b) Financial liabilities

The Group and the Company do not expect any material changes in this respect as the new amendments principally relate to financial liabilities at fair value through profit and loss. The Group and the Company did not have any such liabilities at the end of the year under review.

c) Hedge accounting

These amendments are not expected to have any effect on the consolidated and separate financial statements as the Group and the Company do not currently use hedge accounting and do not currently plan to do so during the period of initial application of the Standard.

IFRS 15 – Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The Standard applies to nearly all contracts with customers, the main exceptions being leases, financial instruments and insurance contracts.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when the entity satisfies a performance obligation

4.2. IFRS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 15 – Revenue from contracts with customers (Continued)

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted. This Standard has been endorsed by the EU. On 12 April 2016, the IASB issued certain clarifications to IFRS 15, which are also effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted. These clarifications have also been endorsed by the European Union.

The most significant revenue streams of the Company and the Group that fall within the scope of IFRS 15 are as follows – (a) regulated fees; and (b) aviation concessions.

As regards these revenue streams, the Board has specifically considered the guidance in IFRS 15 on the identification of the respective contracts, the criteria for recognising contracts, the identification of the performance obligations in every contract, the determination of the transaction price, the existence or otherwise of a significant financing component, the existence or otherwise of variable consideration, the allocation of the transaction price to every performance obligation, where applicable, and the timing of revenue recognition.

The Group's and the Company's accounting policies in the period of initial application will be aligned with the core principle in IFRS 15 which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an analysis of these revenue streams to a sample of contracts not completed at 1 January 2018, the application of the five-step-approach provided for in IFRS 15 is not expected to result in any material changes with respect to the timing and the amount of revenue at the date of initial application of this Standard.

IFRIC 22 – Foreign currency transactions and advance consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of non-monetary asset or non-monetary liability.

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for every payment or receipt of advance consideration.

The interpretation is effective for annual periods beginning on or after 1 January 2018. It can be applied either retrospectively or prospectively. Specific transition provisions apply to the prospective application. This interpretation had not been endorsed by the EU at the date of authorisation of these financial statements.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

4.2. IFRS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IFRIC 23 – Uncertainty over income tax treatments (Continued)

IFRIC 23 is applicable for annual periods beginning on or after 1 January 2019, with earlier application being permitted. This interpretation had not been endorsed by the EU at the date of authorisation of these financial statements.

The Directors of the Company do not anticipate that the application of this interpretation in the future will have an impact on these financial statements.

5. REVENUE

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

The contribution of the various activities of the Group and the Company to turnover which are in respect of continuing activities are set out below:

	The Group		The Company	
	2017 EUR	2016 EUR	**2017 EUR**	2016 EUR
By activity:				
Regulated fees	**53,363,555**	46,420,057	**53,363,556**	46,420,057
Commercial fees	**18,961,892**	17,215,294	**16,118,015**	14,747,529
Recharges and other income	**10,043,707**	9,429,477	**8,965,790**	8,385,914
	82,369,154	73,064,828	**78,447,361**	69,553,500

Regulated fees comprise income from aviation services which arise from income from passenger services charges, security fees and landing and parking fees.

Commercial fees comprise income from retail activities, rent, advertising, and aviation concessionaires.

Recharges and other income comprise of the other income which is not included in the regulated and commercial fees such as PRM charges, VIP services, amenities and parking fees.

6. OPERATING SEGMENT INFORMATION

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 metres 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 and Sky Parks Business Centre Limited are also allocated within the Retail & Property Segment.

Other Segment

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

6. OPERATING SEGMENT INFORMATION (CONTINUED)

The results of the segments are reported below:

The Group 2017	Airport EUR	Retail & Property EUR	Other EUR	Group EUR
Segment revenue (external)	59,003,393	22,980,252	385,509	82,369,154
Segment staff costs	(6,755,767)	(1,289,619)	-	(8,045,386)
Segment other operating costs	(21,381,231)	(4,369,033)	-	(25,750,264)
Segment depreciation	(4,944,816)	(2,465,812)	-	(7,410,628)
Segment EBIT	25,921,579	14,855,788	385,509	41,162,876
Investment income				4,406
Finance cost				(3,808,536)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**37,567,511**

The Group 2016	Airport EUR	Retail & Property EUR	Other EUR	Group EUR
Segment revenue (external)	51,494,338	21,212,862	357,628	73,064,828
Segment staff costs	(6,620,654)	(1,511,285)	-	(8,131,939)
Segment other operating costs	(20,572,940)	(4,371,428)	-	(24,944,368)
Segment depreciation	(4,441,771)	(2,401,011)	-	(6,842,782)
Segment EBIT	19,858,973	12,929,138	357,628	33,145,739
Investment income				1,023,081
Finance cost				(1,990,102)
Release of deferred income arising on the sale of terminal buildings and fixtures				208,765
Profit before tax				**32,387,483**

Airport segment revenues generated from two clients amounted to EUR 18,505,984 and EUR 22,280,848 (2016: EUR 17,580,984 and EUR 17,622,310).

7. INVESTMENT INCOME

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Interest income on financial assets	**245**	-	**114,529**	140,728
Interest income on bank deposits	**4,161**	1,023,081	**4,161**	1,023,081
Total interest income on financial assets not classified as at fair value through profit or loss	**4,406**	1,023,081	**118,690**	1,163,809

At the end of 2016 the Company entered into a netting contract with the Bank, which states that to the extent that the outstanding bank loans are covered by a corresponding cash position, the annual interest rate payable will be reduced by 100 basis points. As a result, interest receivable is no longer reflected in investment income, but as a reduction of finance costs (see note 8).

8. FINANCE COST

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Interest on bank loans	**1,033,536**	1,990,102	**342,542**	1,146,790
Early repayment fee	**2,775,000**	-	**-**	-
	3,808,536	1,990,102	**342,542**	1,146,790

Interest payable on bank loans decreased as a result of a netting contract entered into with the bank. For details refer to note 7 above.

The early repayment fee resulted from the settlement of a high fixed interest rate loan paid back to the lenders prior to its maturity. This early loan settlement enables the Group to realise interest savings over future years that will exceed the fee.

9. OTHER OPERATING EXPENSES

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Repairs and maintenance	**1,345,879**	2,318,615	**1,135,806**	2,163,587
Marketing and communication costs	**4,983,418**	4,621,158	**4,888,370**	4,558,355
Insurance	**333,768**	364,756	**322,604**	352,930
Telecommunications	**100,268**	89,547	**98,158**	86,771
Utilities	**2,800,125**	2,736,450	**2,758,402**	2,711,149
Air traffic services (note 35)	**921,173**	921,173	**921,173**	921,173
Ground handling services	**1,729,591**	1,581,795	**1,729,591**	1,581,795
Provision of technical services (note 35)	**1,799,172**	2,214,675	**1,799,172**	2,214,675
Restricted areas security service	**1,800,000**	1,860,000	**1,800,000**	1,860,000
Passenger security service (note 35)	**1,473,633**	1,201,879	**1,473,633**	1,201,879
Other security services (note 35)	**103,202**	106,027	**45,370**	51,872
Cleaning	**1,081,817**	1,008,447	**1,008,849**	945,977
Legal and professional fees	**504,198**	1,157,770	**475,508**	1,137,675
Losses (gains) on disposal of fixed assets	**(7,670)**	(15,289)	**(7,670)**	(15,289)
Net exchange differences	**14,491**	(16,400)	**15,617**	(16,624)
Operating lease charge (note 34)	**3,367,990**	1,830,059	**3,238,755**	1,830,059
Movements in provision for bad debts (note 21)	**14,289**	7,338	**14,289**	13,338
Miscellaneous operating expenses	**3,384,920**	2,956,369	**3,262,448**	2,865,524
	25,750,264	24,944,368	**24,980,075**	24,464,846

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

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Audit of the financial statements	**59,900**	52,150	**46,850**	40,150
Other assurance	**18,050**	15,850	**18,050**	15,850
Tax services	**32,585**	35,470	**24,805**	30,570
Non-audit services other than tax and assurance services	**-**	17,294	**-**	17,294

10. KEY MANAGEMENT PERSONNEL COMPENSATION

	The Group		The Company	
	2017	2016	**2017**	2016
Directors' compensation	**EUR**	EUR	**EUR**	EUR
Short-term benefits:				
Fees	**67,070**	57,264	**67,070**	57,264
Management remuneration	**474,107**	415,294	**474,107**	415,294
Social Security costs	**2,280**	2,352	**2,280**	2,352
	543,457	474,910	**543,457**	474,910

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 79,082 (2016: EUR 79,266). 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 12,972 (2016: EUR 15,752). These amounts are included with other operating expenses.

11. STAFF COSTS AND EMPLOYEE INFORMATION

	The Group		The Company	
	2017	2016	**2017**	2016
Staff Costs	**EUR**	EUR	**EUR**	EUR
Wages and salaries	**7,428,551**	7,414,884	**7,202,274**	7,192,938
Social security costs	**529,032**	523,998	**519,498**	513,559
Retirement benefit costs	**59,003**	105,219	**59,003**	105,219
Other retirement benefit costs	**28,800**	87,839	**28,800**	87,839
	8,045,386	8,131,939	**7,809,575**	7,899,555

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:

	The Group		The Company	
	2017	2016	**2017**	2016
Average No. of Employees	**EUR**	EUR	**EUR**	EUR
Business development, operations and marketing	**185**	175	**175**	165
Finance, IT and IM	**18**	18	**18**	18
Firemen	**32**	33	**32**	33
Met office	**14**	14	**14**	14
Technical and engineering	**58**	64	**58**	64
	307	304	**297**	294

12. INCOME TAX EXPENSE

Income tax recognised in profit or loss is as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Current tax expense	**14,852,093**	11,471,669	**14,356,318**	11,051,535
Deferred Tax	**(1,435,063)**	(65,813)	**(408,112)**	4,279
	13,417,031	11,405,856	**13,948,206**	11,055,814

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

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Profit before Tax	**37,567,511**	32,387,483	**39,127,579**	31,410,572
Tax at applicable rate of 35 %	**13,148,629**	11,335,619	**13,694,653**	10,993,700
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**346,368**	337,871	**287,946**	288,667
Other net difference between accounting and tax deductible items of expenditure	**(4,052)**	(3,859)	**(4,052)**	(3,859)
Finance income subject to lower tax rates	**(832)**	(204,516)	**(832)**	(204,618)
Other differences	**(73,082)**	(59,259)	**(29,509)**	(18,076)
Income tax expense for the year	**13,417,031**	11,405,856	**13,948,206**	11,055,814

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Deferred tax credit on defined benefit pensions plans	-	39,059	-	39,059

13. DIVIDENDS

The net final dividend of EUR 9,471,000 (EUR 7.0 cents per ordinary share) proposed by the Directors of the Company in the previous financial year was approved by the shareholders at the Annual General Meeting on 10 May 2017 and was paid on 26 May 2017. The net final dividend for 2015 of EUR 9,471,000 (EUR 7.0 cents per ordinary share) proposed by the Directors during 2016 was paid on 19 May 2016.

On the 22 September 2017, a net interim dividend of EUR 4,059,000 (EUR 3.0 cents per share) (2016: 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 7.0 cents per ordinary share will be paid to ordinary shareholders in respect of the year ended 31 December 2017. 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 9,471,000.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	EUR	EUR	EUR	EUR
Cost				
At 1 January 2016	42,033,473	65,680,607	56,922,083	164,636,163
Additions	-	351,791	6,933,312	7,285,103
Disposals	-	-	(55,953)	(55,953)
At 1 January 2017	42,033,473	66,032,398	63,799,442	171,865,313
Additions	-	2,834,395	10,958,467	13,792,862
Disposals	-	(55,288)	(150,063)	(205,351)
At 31 December 2017	42,033,473	68,811,505	74,607,846	185,452,824
Accumulated depreciation				
At 1 January 2016	8,676,143	24,571,139	33,904,496	67,151,778
Provision for the year	646,669	1,297,695	4,145,756	6,090,120
Eliminated on disposals	-	-	(46,442)	(46,442)
At 1 January 2017	9,322,812	25,868,834	38,003,810	73,195,456
Provision for the year	646,669	1,336,853	4,619,209	6,602,731
Eliminated on disposal	-	(55,288)	(154,469)	(209,757)
At 31 December 2017	9,969,481	27,150,399	42,468,550	79,588,430
Carrying amount				
At 31 December 2016	32,710,661	40,163,564	25,795,631	98,669,856
At 31 December 2017	**32,063,992**	**41,661,106**	**32,139,296**	**105,864,394**

No depreciation is being charged on assets not yet available for use amounting to EUR 3,816,899 (2016: EUR 1,632,884). In addition, the cost of fully depreciated plant and equipment amounts to EUR 22,772,049 (2016: EUR 18,315,576) for both the Group and the Company.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Land held on temporary emphyteusis	Buildings	Furniture, fixtures, plant and equipment	Total
	EUR	EUR	EUR	EUR
Cost				
At 1 January 2016	42,033,473	65,680,607	56,034,891	163,748,971
Additions	-	351,791	6,923,921	7,275,712
Disposals	-	-	(55,953)	(55,953)
At 1 January 2017	42,033,473	66,032,398	62,902,859	170,968,730
Additions	-	2,834,395	10,927,073	13,761,468
Disposals	-	(55,288)	(150,063)	(205,351)
At 31 December 2017	42,033,473	68,811,505	73,679,869	184,524,847
Accumulated depreciation				
At 1 January 2016	8,676,143	24,571,139	33,457,047	66,704,329
Provision for the year	646,669	1,297,695	4,059,947	6,004,311
Eliminated on disposals	-	-	(46,442)	(46,442)
At 1 January 2017	9,322,812	25,868,834	37,470,552	72,662,198
Provision for the year	646,669	1,336,853	4,531,523	6,515,045
Eliminated on disposal	-	(55,288)	(154,469)	(209,757)
At 31 December 2017	9,969,481	27,150,399	41,847,606	78,967,486
Carrying amount				
At 31 December 2016	32,710,661	40,163,564	25,432,307	98,306,532
At 31 December 2017	**32,063,992**	**41,661,106**	**31,832,263**	**105,557,361**

No depreciation is being charged on assets not yet available for use amounting to EUR 3,806,892 (2016: EUR 1,632,884).

15. INVESTMENT PROPERTY

The investment property relates to the business centre which is located on the land held on temporary emphyteusis. The carrying amount incorporates the cost of construction and the cost of items that are an integral part of the building.

The Group	Investment property EUR
Cost	
At 1 January 2016	20,751,088
Additions from subsequent expenditure	(125,727)
At 1 January 2017	20,625,361
Additions from subsequent expenditure	224,402
At 31 December 2017	20,849,763
Accumulated depreciation	
At 1 January 2016	2,632,503
Provision for the year	752,661
At 1 January 2017	3,385,164
Provision for the year	807,897
At 31 December 2017	4,193,061
Carrying amount	
At 31 December 2016	17,240,197
At 31 December 2017	**16,656,702**

During the year, direct operating expenses of EUR 911,248 (2016: EUR 751,578), which arose from the Investment Property, were incurred. Such expenses were incurred in generating rental income during the year.

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 29 million at the balance sheet date.

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 2018 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:

The Company	2017 EUR	2016 EUR
Shares in Airport Parking Ltd.	**1,200**	1,200
Shares in Sky Parks Development Ltd.	**2,001,200**	2,001,200
Shares in Sky Parks Business Centre Ltd.	**1,200**	1,200
Shares in Kirkop PV Farm Ltd.	**1,200**	1,200
	2,004,800	2,004,800

The Company holds a 100% (2016: 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% (2016: 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.

During 2016, an amount of EUR 2,000,000 previously included with loans and receivables due from Sky Parks Development Limited was capitalised within the cost of investment in subsidiaries since this amount became repayable exclusively at the discretion of the subsidiary.

The Company holds a 100% (2016: 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% (2016: 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 Limited
Level 2
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

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

Sky Parks Business Centre Limited
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 tables underneath show financial information for the consolidated subsidiaries:

Airport Parking Ltd.	2017 EUR	2016 EUR
Profit for the year	**358,651**	352,264
Share Capital	**1,200**	1,200
Retained earnings	**942,200**	583,550
Total Equity	**943,400**	584,750

Sky Parks Development Ltd.	2017 EUR	2016 EUR
Loss for the year	**(1,814,748)**	(114,817)
Share Capital	**2,001,200**	2,001,200
Accumulated Losses	**(3,474,761)**	(1,660,013)
Total Equity	**(1,473,561)**	341,187

Sky Parks Business Centre Ltd.	2017 EUR	2016 EUR
Profit for the year	**427,203**	383,410
Share Capital	**1,200**	1,200
Retained earnings	**459,754**	32,551
Total Equity	**460,954**	33,751

Notes to the Financial Statements (Continued)

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company	Total EUR
Fair value	
At 1 January 2016	100,330
Movement in fair value	3,318
At 31 December 2016	103,648
At 1 January 2017	103,648
Movement in fair value	3,930
At 31 December 2017	**107,578**

Available-for-Sale Financial Asset - Fund

The Company holds an investment in a fund whose fair value is determined by prices quoted on the Malta Stock Exchange.

As at 31 December 2017, the Group and the Company held the following financial instruments measured at fair value:

	31.12.2017 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Assets measured at fair value				
Fund	**107,578**	**107,578**	-	-

As at 31 December 2016, the Group and the Company held the following financial instruments measured at fair value:

	31.12.2016 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Assets measured at fair value				
Fund	103,648	103,648	-	-

During the reporting periods ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. LOANS AND RECEIVABLES

The Company	Loans to subsidiary EUR
Amortised cost	
At 31 December 2017	**18,363,315**
Less: Amount expected to be settled within 12 months (shown under current assets)	1,146,943
Amount expected to be settled after 12 months	17,216,372
At 31 December 2016	4,600,000
Less: Amount expected to be settled within 12 months (shown under current assets)	-
Amount expected to be settled after 12 months	4,600,000

The Company has granted two unsecured loans to one of its subsidiaries, one of which was granted during the reporting period. The interest rates of both loans comprise a margin which is over and above the bank base rate.

The subsidiary will commence repaying one loan with an amount outstanding of EUR 13.7 million (2016: not applicable) in 2018 on equal annual instalments until 2029. At the reporting date, this loan incurred interest at a floating rate of 2.00% per annum (2016: not applicable). Repayments of the second loan with an amount outstanding of EUR 4.6 million (2016: EUR 4.6 million) will commence in 2030. Interest incurred on this loan remained at a floating rate of 2.25% (2016: 2.25%) per annum at the reporting date.

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

The Company	Loans to subsidiary EUR
Carrying Amount at 31 December 2015	6,600,000
Capitalised within cost of investment	(2,000,000)
Carrying Amount at 31 December 2016	4,600,000
Additions	13,763,315
Carrying Amount at 31 December 2017	**18,363,315**

Notes to the Financial Statements (Continued)

19. DEFERRED TAXATION

The Group	31.12.2015 EUR	Movement for the year EUR	31.12.2016 EUR	Movement for the year EUR	**31.12.2017 EUR**
Arising on:		*recognised in total comprehensive income:*		*recognised in total comprehensive income:*	
Accelerated tax depreciation	(675,523)	(386,986)	(1,062,509)	(436,554)	**(1,499,063)**
Provision for pension costs	1,265,166	61,392	1,326,558	14,927	**1,341,485**
Deferred income	1,930,791	(73,068)	1,857,723	(73,068)	**1,784,655**
Unabsorbed capital allowances	1,175,296	237,526	1,412,822	175,834	**1,588,656**
Ground Rent Payable	661,418	233,624	895,042	712,218	**1,607,260**
Future deductions of refinancing costs	-	-	-	968,309	**968,309**
Other temporary differences	76,840	32,384	109,224	73,397	**182,621**
	4,433,988	104,872	4,538,860	1,435,063	**5,973,923**
		recognised in equity:		*recognised in equity:*	
Revaluation of properties on privatisation	(687,470)	26,193	(661,277)	26,193	**(635,084)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
	3,952,722	131,065	4,083,787	1,461,256	**5,545,042**

The Company	31.12.2015 EUR	Movement for the year EUR	31.12.2016 EUR	Movement for the year EUR	**31.12.2017 EUR**
Arising on:		*recognised in total comprehensive income:*		*recognised in total comprehensive income:*	
Accelerated tax depreciation	312,932	(213,162)	99,770	(270,343)	**(170,573)**
Provision for pension costs	1,265,166	61,392	1,326,558	14,927	**1,341,485**
Deferred income	1,930,791	(73,068)	1,857,723	(73,068)	**1,784,655**
Ground Rent Payable	661,418	233,624	895,042	712,218	**1,607,260**
Other temporary differences	134,677	25,994	160,671	24,378	**185,049**
	4,304,984	34,780	4,339,764	408,112	**4,747,876**
		recognised in equity:		*recognised in equity:*	
Revaluation of properties on privatisation	(687,470)	26,193	(661,277)	26,193	**(635,084)**
Provision for pension costs	206,204	-	206,204	-	**206,204**
	3,823,718	60,973	3,884,691	434,305	**4,318,996**

The movement recognised in total comprehensive income during the current year for both the Group and the Company includes no deferred tax credit (2016: EUR 39,059) 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	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Consumables	**891,511**	834,443	**891,511**	834,443

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Trade receivables	**10,576,836**	9,378,226	**10,056,596**	8,799,652
Other receivables	**863,792**	1,028,700	**444,415**	606,813
Receivables from subsidiaries	**-**	-	**533,923**	224,760
Receivables from other related parties	**2,852,353**	3,311,261	**2,852,353**	3,311,261
Prepayments and accrued income	**1,090,391**	1,162,487	**389,186**	921,397
	15,383,372	14,880,674	**14,276,473**	13,863,884

The terms and conditions of the receivables from subsidiaries and related parties are disclosed in note 33. Trade receivables are non-interest bearing and are generally on 30-day terms.

Impairment of Trade Receivables

The Group
As at 31 December 2017, trade receivables at nominal value of EUR 143,696 (2016: EUR 135,789) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	Individually Impaired
	EUR
At 1 January 2016	128,451
Impairment loss	35,370
Reversal of impairment loss	(28,032)
At 31 December 2016	135,789
Impairment loss	14,289
Reversal of impairment loss	(6,382)
At 31 December 2017	**143,696**

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company
As at 31 December 2017, trade receivables at nominal value of EUR 93,136 (2016: EUR 85,229) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	Individually Impaired
	EUR
At 1 January 2016	71,891
Impairment loss	35,370
Reversal of impairment loss	(22,032)
At 31 December 2016	85,229
Impairment loss	14,289
Reversal of impairment loss	(6,382)
At 31 December 2017	**93,136**

Further to the above movements in the provision for impairment, no impairment loss for the Group and Company was recognised, during the year under review (2016: no impairment loss).

Ageing of Trade Receivables

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

			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60 days	90 days	> 120 days
	EUR	EUR	EUR	EUR	EUR	EUR
2017	**13,429,189**	**7,544,833**	**4,398,949**	**905,072**	**432,168**	**148,166**
2016	12,689,487	6,516,020	4,277,170	890,939	859,321	146,037

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

			Past due but not impaired			
	Total	Neither past due nor impaired	30-60 days	60 days	90 days	> 120 days
	EUR	EUR	EUR	EUR	EUR	EUR
2017	**12,908,949**	**7,373,990**	**4,380,422**	**696,666**	**347,579**	**110,293**
2016	12,110,913	6,318,916	4,127,172	675,810	828,293	160,722

The Group does not hold any collateral over the past due but not impaired balances and has not provided for any allowance as these trade receivables are substantially companies with good track records with the Group and thus the amount is still considered recoverable.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Trade payables	**3,346,688**	3,031,888	**3,273,696**	2,953,297
Other payables	**6,456,965**	4,037,813	**6,093,935**	3,815,208
Payables due to related party	**65,031**	365,595	**65,031**	365,595
Payables due to subsidiaries	**-**	-	**449,987**	263,059
Accruals and deferred income	**30,708,250**	22,061,036	**30,256,908**	21,440,368
	40,576,934	29,496,332	**40,139,557**	28,837,527

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 33.

All the above amounts are unsecured.

23. BANK LOANS

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Current bank loans	**1,868,923**	2,481,423	**1,781,423**	1,781,423
Non-current bank loans	**31,147,638**	43,866,560	**29,510,101**	31,291,524

The Company has two bank loans of EUR 10.5 million (Loan 1) and EUR 5.8 million (Loan 3) which will expire in 2026 and 2027, respectively. Furthermore, the Company has a bullet loan of EUR 15 million (previously stated as Loan 2), which is due in 2026. These loans are secured by a general hypothec over all of the Company's present and future assets, with the exception of terminal buildings and other sites. Loans 1 and 3 are repayable in annual instalments and incurred interest at 2.25% (floating interest rate) (2016: 2.25%) per annum and Loan 2 incurred interest at 2.00% (floating interest rate) per annum (2016: 2.00%).

In terms of a netting contract entered into by the Company with the Bank, to the extent that the outstanding bank loans are covered by a corresponding cash position, the annual interest rate will be reduced by 100 basis points.

In 2010 Sky Parks Development Limited was granted bank loans amounting to EUR 16 million which were repayable by 2030, and secured by guarantees and a general hypothec over the commercial block, consisting of car parking spaces, retail outlets and other floor space held for rental purposes. The incurred interest was 6.00% (fixed interest rate) in relation to outstanding bank loans of EUR 10.9 million (2016: 6.00%) and 2.25% (floating interest rate) in relation to outstanding bank loans of EUR 1.7 million (2016: 2.25%). In December 2017, the outstanding balance on the 6.00% fixed interest rate loan of EUR 10.9 million was repaid in full.

The movements for the year are included in the Statement of Cash Flows within the section entitled "Cash flows from financing activities."

The maturity of the bank borrowings are disclosed in note 37.

24. DEFERRED INCOME

The Group	2016	Movement for the year		2017
		Additions	Amortisation	
	EUR	EUR	EUR	**EUR**
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,307,783	-	(208,765)	**5,099,018**
European Commission grant	442,825	-	(40,255)	**402,570**
Norwegian grant	103,523	-	(51,761)	**51,762**
Government grant	39,962	-	(9,991)	**29,971**
Deposit received from tenant	84,506	14,313	-	**98,819**
Total deferred income as at 31 December	5,978,599	14,313	(310,772)	**5,682,140**
Less: amounts included in trade and other payables (note 22)	(310,772)			**(310,772)**
Amounts included in non-current liabilities	5,667,827			**5,371,368**

The Group	2015	Movement for the year		2016
		Additions	Amortisation	
	EUR	EUR	EUR	EUR
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,516,548	-	(208,765)	5,307,783
European Commission grant	483,081	-	(40,255)	442,825
Norwegian grant	155,284	-	(51,761)	103,523
Government grant	49,953	-	(9,991)	39,962
Deposit received from tenant	84,506	-	-	84,506
Total deferred income as at 31 December	6,289,372	-	(310,772)	5,978,599
Less: amounts included in trade and other payables (note 22)	(310,772)			(310,772)
Amounts included in non-current liabilities	5,978,600			5,667,827

24. DEFERRED INCOME (CONTINUED)

The Company	2016	Movement for the year		2017
		Additions	Amortisation	
	EUR	EUR	EUR	**EUR**
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,307,783	-	(208,765)	**5,099,018**
European Commission grant	442,826	-	(40,255)	**402,570**
Norwegian grant	103,523	-	(51,761)	**51,762**
Government grant	39,962	-	(9,991)	**29,971**
Total deferred income as at 31 December	5,894,094	-	(310,772)	**5,583,321**
Less: amounts included in trade and other payables (note 22)	(310,772)			**(310,772)**
Amounts included in non-current liabilities	5,583,322			**5,272,549**

The Company	2015	Movement for the year		2016
		Additions	Amortisation	
	EUR	EUR	EUR	EUR
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	5,516,548	-	(208,765)	5,307,783
European Commission grant	483,081	-	(40,255)	442,826
Norwegian grant	155,284	-	(51,761)	103,523
Government grant	49,953	-	(9,991)	39,962
Total deferred income as at 31 December	6,204,866	-	(310,772)	5,894,094
Less: amounts included in trade and other payables (note 22)	(310,772)			(310,772)
Amounts included in non-current liabilities	5,894,094			5,583,322

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 2.2.

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 Norwegian grant is related to the implementation of the Schengen project and was received in 2009.

The Government grant is related to the installation of the photovoltaic system and was received in 2011.

Notes to the Financial Statements (Continued)

25. PROVISION FOR THE RETIREMENT BENEFIT PLAN

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Non-current provision for retirement benefit plan	**4,408,590**	4,365,940	**4,408,590**	4,365,940

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 possible future liabilities relating to pensions of employees who joined the public service before 15 January 1979 and were transferred to the Company. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the Company's 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:

	2017	2016
	EUR	EUR
Present value of the provision for retirement benefits at 1 January	**4,365,940**	4,192,969
Charge for the year *(recognised in staff costs)*	**42,650**	63,810
thereof Service costs	***41,968***	*51,048*
thereof Interest Costs	***682***	*12,762*
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax *(recognised in other comprehensive income)*	**-**	109,162
Present value of the provision for retirement benefits at 31 December	**4,408,590**	4,365,940

25. PROVISION FOR THE RETIREMENT BENEFIT PLAN (CONTINUED)

The year-end obligation includes EUR 3,865,665 (2016: EUR 3,646,963) 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 planned liability; and (iii) salary risk, since an increase in the salary of the plan participants will increase the planned liability.

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

The Group and the Company	2017	2016
Discount rate	**1.6%**	1.6%
Mortality rate in years		
- Males	**79**	79
- Females	**83**	83

The sensitivity analyses below are in connection with every 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 these 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 63,565 ((increases by EUR 65,570) (2016: decreases by EUR 68,866 (increases by EUR 71,073)).
- If the life expectancy increases (decreases) by one years for both men and women with all other assumptions held constant, the defined benefit obligation increases by EUR 208,308 (decreases by EUR 204,738) (2016: increases by EUR 203,073 (decreases by EUR 210,154)).

The weighted average duration of the defined benefit obligation at 31 December 2017 is 21 years (2016: 21 years) in relation to employees that are still employed by the Company and 14 years (2016: 14 years) in relation to retired employees.

26. PROVISION FOR THE MIA BENEFIT PLAN

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Provision for MIA benefit plan	**222,989**	223,936	**222,989**	223,936

The provision for the MIA benefit plan is partially funded and represents the year-end provision for possible future liabilities relating to payments to employees after their retirement as per the Company's Collective Agreement. The provision has been computed in accordance with the accounting policy stated in note 2 and represents the Company's possible obligation discounted to the net present value at the rate 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.

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

The Group and the Company	**2017**	2016
	EUR	EUR
Present value of the provision for MIA benefit plan at 1 January	**223,936**	210,890
Payments effected	**(17,300)**	(30,800)
Charge for the year *(recognised in staff costs)*	**16,353**	41,410
Actuarial gains and losses resulting from changes in financial assumptions, gross of deferred tax	**-**	2,436
Present value of the provision for MIA benefit plan at 31 December	**222,989**	223,936

27. SHARE CAPITAL

The Company	As at 31.12.2017 and 31.12.2016 Authorised EUR	Issued and called up EUR
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 and powers in the Company save for the transferability thereof. Ordinary 'A' shares are freely transferred while the 'B' shares shall be non-transferable for a period of 15 years from 26 July 2002. Ordinary 'C' shares carry no voting rights and do not receive dividends.

Shareholders

The shareholders owning 5% or more of the Company's equity share capital at 31 December 2017 were the following:

Malta Mediterranean Link Consortium Limited *(of which VIE (Malta) Limited and MMLC Holdings Malta Limited constitute 95.85%)*	40.0%	'B' shares
Government of Malta	20.0%	'A' and 'C' shares
VIE (Malta) Limited	10.1%	'A' shares

	Number of holders at 01/02/2018	Movement in Number of holders at 22/09/2017	Holders increase/ (decrease)
1 – 500 shares	349	344	5
501 – 1,000 shares	723	728	(5)
1,001 – 5,000 shares	3,721	3,730	(9)
5,001 and over	1,623	1,641	(18)
	6,416	**6,443**	**(27)**

28. RESERVES

Other Reserve

The other reserve emanates from the revaluation of the Company's buildings close to the date of the privatisation of the Company in 2002 and represents unrealised amounts.

Fair Value Reserve

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

29. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits shown in the Statements of Cash Flows comprise the following amounts presented in the Statements of Financial Position:

	The Group		The Company	
	2017 EUR	2016 EUR	**2017 EUR**	2016 EUR
Cash at bank and in hand	**38,401,907**	36,550,212	**36,969,444**	35,500,917

30. 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	
	2017 EUR	2016 EUR	**2017 EUR**	2016 EUR
Profit for the year attributable to the ordinary equity holders of the Company	**24,150,480**	20,981,627	**25,179,373**	20,354,759
Weighted average number of shares	**135,299,990**	135,299,990	**135,299,990**	135,299,990
Earnings per share (cents) attributable to the ordinary equity holders of the Company	**17.85**	15.51	**18.61**	15.04

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

31. CAPITAL COMMITMENTS

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Property, plant and equipment: Contracted but not provided for	**236,354**	5,304,711	**236,354**	5,304,711
Authorised but not contracted for	**10,973,800**	10,929,201	**10,893,800**	10,929,201

32. CONTINGENT LIABILITIES

At reporting date, there existed:

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 4.3 million as at 31 December 2016.

In the Directors' opinion, all the above contingent liabilities are unfounded.

33. 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	2017			2016		
	Related party activity	**Total activity**		Related party activity	Total activity	
	EUR	**EUR**	**%**	EUR	EUR	%
Revenue:						
Related party transaction with:						
Entities which are controlled by Government	**18,852,093**			18,175,915		
Entities which control the Company's parent	**13,666**			3,378		
	18,865,759	**82,369,154**	**23**	18,179,293	73,064,828	25
Other operating costs:						
Related party transaction with:						
Key management personnel of the company (note 10)	**635,511**			569,928		
Related parties other than the parent and key management personnel of the Group	**3,476,837**			3,660,177		
	4,112,348	**33,795,650**	**12**	4,230,105	33,076,307	13

The Company	2017			2016		
	Related party activity	**Total activity**		Related party activity	Total activity	
	EUR	**EUR**	**%**	EUR	EUR	%
Revenue:						
Related party transactions with:						
Entities which are controlled by Government	**18,505,984**			17,850,030		
Subsidiary	**2,043,970**			2,098,850		
Entities which control the Company's parent	**13,666**			3,378		
	20,563,620	**78,447,361**	**26**	19,952,258	69,553,500	29
Other operating costs:						
Related party transactions with:						
Key management personnel of the company (note 10)	**635,511**			569,928		
Related parties other than the parent and key management personnel of the company	**3,476,837**			3,660,177		
	4,112,348	**32,789,650**	**13**	4,230,105	32,364,401	13

33. RELATED PARTY DISCLOSURES (CONTINUED)

The Company has earned interest income amounting to EUR 114,529 (2016: EUR 140,728) on the loans granted to a subsidiary.

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 2,617,721 (2016: EUR 1,944,397) in connection with entities controlled by Government and EUR 859,116 (2016: EUR 1,715,780) 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 2017 with its substantial shareholders and their related parties are disclosed in note 35.

Property, plant and equipment include land held on temporary emphyteusis, which relates to the land assigned by the Government of Malta to the Group and the Company by title of temporary emphyteusis. This is amortised over the remaining term of the lease as disclosed in note 34.

34. OPERATING LEASE ARRANGEMENTS

	The Group		The Company	
The Group and the Company as lessee	**2017**	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Minimum lease payments under operating lease recognised as an expense for the year	**3,367,990**	1,830,059	**3,238,755**	1,830,059

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

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Within one year	**1,144,810**	1,144,809	**1,144,810**	1,144,809
In the second to fifth years inclusive	**4,775,562**	4,603,837	**4,775,562**	4,603,837
After five years	**109,985,558**	110,970,238	**109,985,558**	110,970,238
	115,905,930	116,718,884	**115,905,930**	116,718,884

Operating lease payments represent ground rents payable by the Company to the Government of Malta on the temporary emphyteuses, with no renewal option included in the contracts. The term of the leases ranges from 58 years to 65 years and the lease payments are adjusted upwards periodically by a specified rate. The lease expense is 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 lease expense in relation to the commercial areas is recognised on a straight-line basis. The recognition of the lease expense in relation to the non-commercial areas is made on a systematic basis that is 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 is reviewed annually to determine whether the basis that is applied in allocating the lease expense over the lease term continues to be appropriate.

Lease payments in the reporting period included a one-off charge to reflect the effect of a recalibration of prior years' passenger movements.

34. OPERATING LEASE ARRANGEMENTS (CONTINUED)

	The Group		The Company	
The Group and the Company as lessor	**2017**	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Minimum lease payments under operating lease recognised as income for the year	**3,761,680**	3,460,792	**950,119**	935,191

At the date of the Statement of Financial Position, the Company and the Group had non-cancellable operating lease receivables as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	EUR	EUR	**EUR**	EUR
Within one year	**3,302,822**	3,268,965	**942,363**	783,189
In the second to fifth years inclusive	**11,078,958**	11,481,658	**3,921,567**	3,204,912
After five years	**19,563,025**	19,653,113	**18,483,802**	15,720,185
	33,944,805	34,403,736	**23,347,732**	19,708,286

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 range between 30 and 32 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 2 years to 12 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 a subsidiary. 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 above includes an amount of EUR 2,940,796 (2016: EUR 2,569,571) generated in relation to the business centre.

The amounts recognised by the Group as income during the year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 11,137,376 (2016: EUR 9,667,607).

The amounts recognised by the Company as income during the year that are based on the higher of a percentage of sales and a minimum annual guarantee are EUR 10,180,868 (2016: EUR 8,988,109).

35. MATERIAL CONTRACTS

The material contracts entered into by the Company in the year ended 31 December 2017 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., gives rise to an expense of EUR 1,799,172 (2016: EUR 2,214,675).

The Government of Malta

i. The terminal and other land lease agreements with the Lands Department for EUR 1,144,809 (2016: EUR 1,006,182);
ii. The contract for contribution to the Malta Tourism Authority for EUR 232,937 (2016: EUR 232,937);
iii. The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 1,800,000 (2016: EUR 1,860,000);
iv. The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 921,173 (2016: EUR 921,173);
v. The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 736,938 (2016: EUR 736,938);
vi. The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR 403,078 (2016: EUR 402,933) in revenue;
vii. Licence Fee payable to the Government of Malta for the airport operation amounting EUR 595,320 (2016: EUR 496,157)

The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of EUR 1,531,604 (2016: EUR 1,635,420).

36. 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").

MMLC's majority shareholders are as follows: 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). During 2016, the shares in MMLC Holdings Malta Limited were acquired by VIE International Beteiligungsmanagement Gesellschaft mbH ("VINT") from SNC-Lavalin Group Inc.

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

Both VIE (Malta) Limited and MMLC Holdings Malta Limited are controlled by VINT. 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 increased 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.

37. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At 31 December 2017 and 2016, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, comprising trade and other receivables, cash and trade and other payables, and current bank loans approximated their fair values due to the short term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value and that carry a floating rate of interest, comprising bank loans and loans and receivables, 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.

37. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group held a bank loan that carried fixed coupon of 6.00% and amounted to EUR 11.5 million (Fair value: EUR 14.8 million) at the end of 2016. For this loan, a fair value, using a discounted present value technique applying a yield curve applicable to the respective remaining term and the applicable credit spread, was determined at the end of the previous reporting period. Due to the settlement of the loan during the year under review a fair value calculation became obsolete.

The fair value of available for sale instruments is disclosed in note 17.

The table below provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than investments in subsidiaries and those with carrying amounts that are reasonable approximations of fair value, grouped into Levels 1 to 3:

		Fair value measurement at the end of the reporting period using		
The Group	**31.12.2017 Carrying amount**	**Level 1**	**Level 2**	**Level 3**
	EUR	**EUR**	**EUR**	**EUR**
Financial liabilities				
Financial liabilities at amortised cost:				
Bank Loans	33,016,561	-	33,016,561	-

		Fair value measurement at the end of the reporting period using		
The Group	31.12.2016 Carrying amount	Level 1	Level 2	Level 3
	EUR	EUR	EUR	EUR
Financial liabilities				
Financial liabilities at amortised cost:				
Bank Loans	46,347,983	-	49,739,357	-

The Company's provided two loans to a subsidiary with variable interest rates.

Since they carry an arm's length interest rate that is repriced periodically, their fair values are not materially different from their carrying amounts.

		Fair value measurement at the end of the reporting period using		
The Company	**31.12.2017 Carrying amount**	**Level 1**	**Level 2**	**Level 3**
	EUR	**EUR**	**EUR**	**EUR**
Financial assets				
Financial assets at amortised cost:				
Loans to subsidiary	18,363,315	-	18,363,315	-
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	31,291,524	-	31,291,524	-

37. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Company	31.12.2016 Carrying amount	Fair value measurement at the end of the reporting period using Level 1	Level 2	Level 3
	EUR	EUR	EUR	EUR
Financial assets				
Financial assets at amortised cost:				
Loans to subsidiary	4,600,000	-	4,556,377	-
Financial liabilities				
Financial liabilities at amortised cost:				
Bank loans	33,072,947	-	33,072,947	-

38. FINANCIAL RISK MANAGEMENT

The Group's and the Company's principal financial liabilities comprise bank loans and trade payables. The principal financial assets of the Group and the Company (other than investments in subsidiaries) are trade receivables, loans and receivables, available-for-sale financial assets and cash and short-term deposits.

The principal financial instruments (other than investments in subsidiaries) are classified into the following categories:

	The Group 2017	The Group 2016	The Company 2017	The Company 2016
	EUR	EUR	**EUR**	EUR
Available-for-sale investments	**107,578**	103,648	**107,578**	103,648
Loans and receivables	**-**	-	**18,363,315**	4,600,000
Trade receivables & cash and cash equivalents	**51,831,096**	49,239,699	**50,412,317**	47,611,830
Financial liabilities at amortised cost	**67,071,499**	69,622,341	**64,822,128**	55,888,732
Net gains/(losses) arising from these financial instruments are classified as follows:				
Recorded in comprehensive income:				
Available - for-sale financial assets				
Loans and receivables	**-**	-	**114,529**	140,728
Trade and other receivables	**14,289**	7,338	**14,289**	13,338
Cash and cash equivalents	**4,161**	1,023,081	**4,161**	1,023,081
Financial liabilities at amortised cost	**(3,808,536)**	(1,990,102)	**(342,542)**	(1,146,790)
Recorded in other comprehensive income:				
Available-for-sale investments	**3,930**	3,318	**3,930**	3,318

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.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk

The Group has taken out bank facilities to finance its operations as disclosed in note 23 and has cash at bank balances as disclosed in note 29. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The Company has also granted two interest-bearing loans to a subsidiary as disclosed in note 18. The Group and the Company exposed to cash flow interest rate risk on cash deposits, loans and receivables and bank borrowings carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its investing and financing structure.

Interest Rate Risk Table

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

	Increase/decrease in basis points	Effect on Group profit before tax (in EUR)	Effect on Company profit before tax (in EUR)
2017	**+25**	**13,463**	**57,236**
	-25	**(13,463)**	**(57,236)**
2016	+25	(24,494)	17,570
	-25	24,494	(17,570)

The effect on profit takes into consideration both interest payable and interest receivable based on the subsidiary and bank loans and cash and short term deposits as disclosed in notes 18, 23 and 29 respectively.

Credit Risk

Financial assets which potentially subject the Group and the Company to concentrations of credit risk, consist principally of available-for-sale financial assets, receivables and cash, short term deposits held at bank and two loans granted to a subsidiary. Receivables are presented net of an allowance for doubtful debts. The maximum exposure to credit risk is the carrying amounts of each class of asset as disclosed in notes 17, 18, 21 and 29 respectively. As disclosed in note 23 the Company has also granted security over its subsidiary's bank loan.
An allowance for provision for impairment of trade receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to trade 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. Available-for-sale financial assets are acquired after assessing the quality of the relevant available-for-sale financial asset. Cash and short term deposits held at bank is placed with reliable financial institutions which are currently rated BBB (2016: BBB+) by the international rating agency Fitch, as well as BBB+ (2016: no rating) by Standard & Poor's. Management considers the quality of its financial assets as being acceptable. The credit risk in connection with the Company's loan receivable from the subsidiary is contained within the group.

The second largest single customer of the Group, Air Malta p.l.c., which is currently going through a restructuring process, accounts for EUR 2.9 million (2016: EUR 3.3 million) of the Group's trade and other receivables at year end and 23% (2016: 25%) 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.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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 4.2 million (2016: EUR 4.2 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.

Liquidity Risk

The tables below summarise the maturity profile of the Group's and Company's financial liabilities at 31 December 2016 and 2017 based on contractual undiscounted payments.

The Group 31 December 2017	**Carrying Amount EUR**	**Gross Cash Flows EUR**	**< 1 year EUR**	**1-5 years EUR**	**> 5 years EUR**
Interest bearing bank borrowings	33,016,561	35,451,010	2,243,695	8,744,775	24,462,541
Accruals	30,708,250	30,708,250	30,708,250		
Trade payables	3,346,689	3,346,689	3,346,689		
	67,071,499	**69,505,949**	**36,298,634**	**8,744,775**	**24,462,541**

The Group 31 December 2016	Carrying Amount EUR	Gross Cash Flows EUR	< 1 year EUR	1-5 years EUR	> 5 years EUR
Interest bearing bank borrowings	46,347,984	56,715,072	3,818,949	14,888,934	38,007,190
Accruals	20,242,469	20,242,469	20,242,469		
Trade payables	3,031,888	3,031,888	3,031,888		
	69,622,341	79,989,430	27,093,307	14,888,934	38,007,190

The Company 31 December 2017	**Carrying Amount EUR**	**Gross Cash Flows EUR**	**< 1 year EUR**	**1-5 years EUR**	**> 5 years EUR**
Interest bearing bank borrowings	31,291,524	33,410,682	2,118,366	8,250,787	23,041,529
Accruals	30,256,908	30,256,908	30,256,908		
Trade payables	3,273,696	3,273,696	3,273,696		
	64,822,128	**66,941,286**	**35,648,970**	**8,250,787**	**23,041,529**

The Company 31 December 2016	Carrying Amount EUR	Gross Cash Flows EUR	< 1 year EUR	1-5 years EUR	> 5 years EUR
Interest bearing bank borrowings	33,072,947	37,721,867	2,400,176	9,432,249	25,889,442
Accruals	19,862,488	19,862,488	19,862,488		
Trade payables	2,953,297	2,953,297	2,953,297		
	55,888,732	60,537,652	25,215,962	9,432,249	25,889,442

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The Company has additional undrawn bank facilities of EUR 2.5 million (2016: EUR 2.5 million) earmarked for capital expenditure projects and no overdraft facilities (2016: EUR 4.7 million).

Capital Management

One of the objectives of the Group and the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives and processes during the years ended 31 December 2017 and 31 December 2016.

The Company monitors its capital requirement on a periodic basis taking into account its current requirements. Capital includes equity attributable to the equity holders and other reserves and bank loans. The Group's and Company's policy in managing capital has remained unchanged from the prior year.

39. EVENTS AFTER THE REPORTING PERIOD

General

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 2017, 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.

Notes

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