MALTA INTERNATIONAL AIRPORT PLC

Report 2020

MALTA INTERNATIONAL AIRPORT

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

Chapter One

Introduction

Key Data

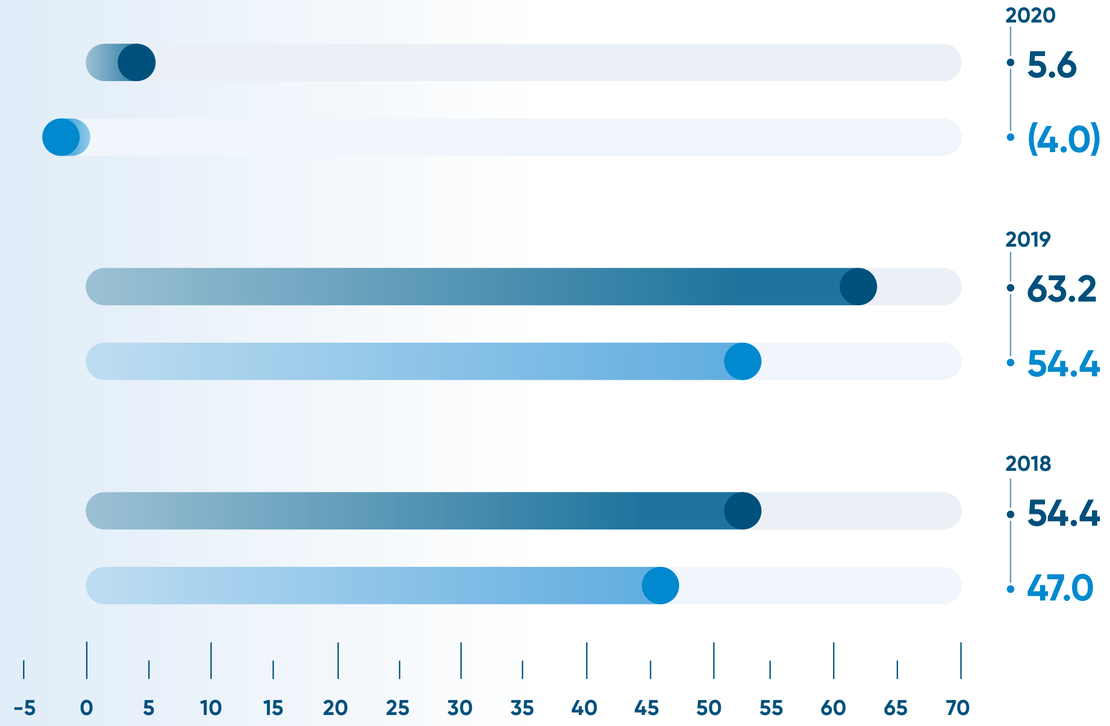
Industry Indicators	2020	+/-	2019	+/-	2018
Passengers (in Million)	**1.7**	(76.1%)	7.3	7.4%	**6.8**
thereof transfer passengers	**357**	(98.5%)	23,891	3.1%	**23,164**
Flight movements	**18,982**	(63.4%)	51,910	6.5%	**48,737**
Seat occupancy in %	**56.9%**	(24.9 pp)	81.8%	0.0 pp	**81.8%**
MTOW in million tonnes	**0.7**	(64.6%)	2.0	6.0%	**1.9**
Cargo in tonnes	**17,086**	(7.6%)	18,498	4.6%	**17,684**

(in € million)	2020	+/-	2019	+/-	2018
Total Revenue	**32.2**	(67.9%)	**100.2**	8.7%	**92.2**
thereof Aviation Revenue	**17.9**	(74.8%)	**70.8**	9.2%	**64.8**
thereof Non-Aviation Revenue	**14.3**	(51.4%)	**29.5**	7.6%	**27.4**
EBITDA	**5.6**	(91.1%)	**63.2**	16.0%	**54.4**
EBITDA Margin (in %)	**17.4%**	(45.6 pp)	**63.0%**	4.0 pp	**59.0%**
EBIT	**(4.0)**	n.a.	**54.4**	15.5%	**47.0**
EBIT Margin (in %)	**(12.4%)**	(66.6 pp)	**54.2%**	3.2 pp	**51.0%**
Net Profit / (Loss)	**(4.3)**	n.a.	**33.9**	11.9%	**30.3**
ROCE (in %)	**(1.8%)**	(28.9 pp)	**27.1%**	2.6 pp	**24.5%**
Cash flow from operating activities	**14.1**	(71.2%)	**49.0**	33.1%	**36.8**
Equity	**124.8**	(3.3%)	**129.0**	14.6%	**112.6**
Balance Sheet Total	**235.0**	(1.3%)	**238.0**	40.2%	**169.8**
Capital Expenditure	**16.3**	(18.0%)	**19.9**	n.a.	**8.4**
Taxes on Income	**(1.5)**	n.a.	**18.7**	11.3%	**16.8**
Average Employees (No.)	**377**	(0.5%)	**379**	11.5%	**340**

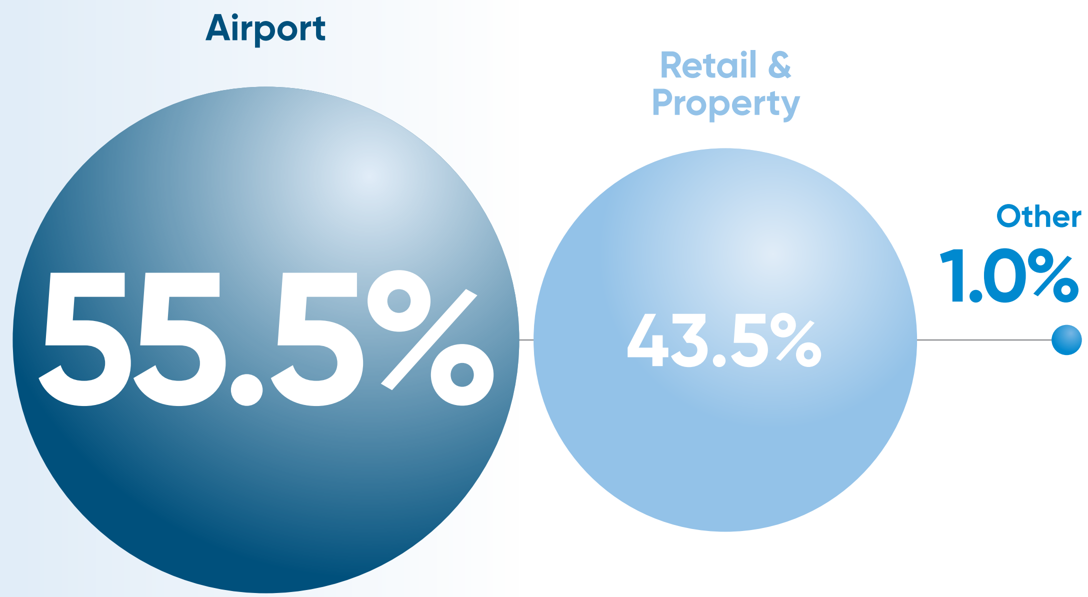
Stock Market Indicators	2020	+/-	2019	+/-	2018
Shares outstanding in million	**135.3**	0.0%	**135.3**	0.0%	**135.3**
P/E ratio	**(200.0)**	n.a.	**27.5**	6.2%	**25.9**
Earnings per share (in EUR)	**(0.031)**	n.a.	**0.251**	12.1%	**0.224**
Net Dividend (in EUR per share)	**n.a.**		**0.030**	8.3%	**0.120**
Net Dividend Yield (in %)	**n.a.**		**0.4%**	(0.2 pp)	**2.1%**
Pay-out Ratio (in % of Net Profit)	**n.a.**		**12.0%**	(1.7 pp)	**53.5%**
Market capitalisation (in EUR Million)	**838.9**	(10.1%)	**933.6**	19.0%	**784.7**
Stock price as at Year-End (in EUR)	**6.20**	(10.1%)	**6.90**	19.0%	**5.80**
Stock Price - Low (in EUR)	**3.50**	(39.1%)	**5.75**	22.3%	**4.70**
Stock Price - High (in EUR)	**7.00**	(11.9%)	**7.95**	24.2%	**6.40**
Market weighting (in %)	**12.1%**	-5.8 pp	**17.9%**	1.6 pp	**16.3%**

ROE (Net Profit / Average Equity)	**(3.3%)**		**28.1%**		**26.9%**
ROE (Net Profit / Equity at YE)	**(3.4%)**		**26.3%**		**26.9%**

EBITDA & EBIT in € Million



Revenue by Segment



Chairman's Message

THE CORONAVIRUS PANDEMIC DOMINATED THE YEAR 2020, STALLING MOST ECONOMIC ACTIVITY IN EUROPE AND BRINGING THE AIR TRAVEL INDUSTRY TO A STANDSTILL. UNCERTAINTY PREVAILED AS RESTRICTIONS ON INTERNATIONAL TRAVEL WERE IMPOSED AROUND THE WORLD CAUSING PASSENGER TRAFFIC TO NOSEDIVE, WHICH IN TURN LED TO AN ALMOST COMPLETE PARALYSIS OF MALTA INTERNATIONAL AIRPORT'S REVENUES FROM BOTH AVIATION AND NON-AVIATION ACTIVITIES.

With just over 1.7 million passenger movements registered throughout the year under review, traffic at Malta International Airport dropped by 76.1% over 2019; a result which was in line with the number of passengers handled by our European counterparts, which decreased by 79.6%. The downturn locally resulted from the introduction of stringent travel restrictions imposed towards the end of March and throughout the turbulent months which followed. In fact, following a decision taken by the government to close the borders of the Maltese Islands to all but essential travel on the 21st of March 2020, the airport saw 101 days elapse without a single commercial passenger flight.

While the easing of restrictions in July allowed a certain level of activity to be restored in the third quarter of the year, emerging strains of Covid-19 and increasing infection rates forced destination countries on our network to extend lockdowns or introduce additional restrictive measures as the festive season approached. Passenger confidence further collapsed as air carriers restructured their schedules to better align their available capacity with the current demand for air travel; actions which resulted in just a third of the airlines operating to and from Malta International Airport in the 2019 winter season remaining on our network for the 2020 winter season.

Despite plummeting passenger numbers, the Company continued to deliver on its commitment to offer guests a service of excellent quality, taking advantage of quieter days to create an airport environment which instils confidence and implement changes aimed at further enhancing the guest experience. Investments in essential training and new technologies enabled the airport team to meet the changing needs and expectations of passengers, while maintaining the high-quality standards which passengers travelling through Malta International Airport have become accustomed to. The votes of confidence received from both our passengers through the Airport Service Quality Survey as well as Airports Council International (ACI) Europe, which honoured Malta International Airport with two accolades during the 2020 edition of the organisation's Best Airport Awards, continued to motivate the Company in its pursuit of excellence, both as an airport operator and an employer, as it forges its path towards recovery.

With diversification having been an integral part of the Company's strategy for the past years, revenues from its non-aviation segment provided a buffer against the volatility of revenue generated by its aviation segment during the crisis. To further reduce risks to the financial stability of the Company, investments in projects, such as the food court overhaul and the installation of additional PV panels, which give an instant return are currently being prioritised.

The mitigation measures introduced by the Company to preserve liquidity during the year under review ranged from reductions in salaries across the board to decisions to delay investments in its capital expenditure programme. The Company will focus on completing projects which have been in the pipeline for the past few years and which are aimed at increasing capacity and strengthening Malta International Airport's retail and property portfolio in the medium term.

Given the resilience of the travel industry, a gradual recovery of demand for air travel is expected, but the current outlook remains uncertain. Circumstances are changing rapidly, and recovery remains dependent on numerous factors, including the containment measures introduced by individual countries, the pace at which coronavirus vaccines are rolled out, passenger confidence and the global economic situation.

Nonetheless, Malta International Airport is well-equipped to address the challenges facing its industry and remains committed to putting the Company back on the path of dynamic growth by investing strategically and rebuilding our connectivity in a sustainable manner. As we move forward, we will continue to safeguard the best interests of our guests, shareholders, stakeholders and employees, while equipping the Company with the resources it requires to recover and build resilience. I would also like to take this opportunity to thank our shareholders and business partners for their support and confidence during these unprecedented times.

Nikolaus Gretzmacher
Chairman
16 March 2021

Il-Messaġġ taċ-Ċermen

IL-PANDEMIJA TAL-CORONAVIRUS IDDOMINAT IS-SENA 2020; SENA LI RAT IL-PARTI L-KBIRA TAL-ATTIVITAJIET EKONOMIĊI FL-EWROPA JIEQFU ĦESREM U L-INDUSTRIJA TAL-IVVJAĠĠAR BL-AJRU TIKKOLLASSA. L-INĊERTEZZA LI FEĠĠET HEKK KIF BDEW JIĠU IMPOSTI RESTRIZZJONIJIET FUQ L-IVVJAĠĠAR MADWAR ID-DINJA ĦALLIET IMPATT NEGATTIV FERM FUQ IT-TRAFFIKU TAL-PASSIĠĠIERI U D-DĦUL TAL-AJRUPORT INTERNAZZJONALI TA' MALTA, KEMM MILL-ATTIVITAJIET TAL-AVJAZZJONI, KIF UKOLL MINN DAWK TAL-BEJGĦ U TAL-PROPRJETÀ.

Bi ftit iktar minn 1.7 miljun moviment tal-passiġġieri rreġistrati matul is-sena li għaddiet, it-traffiku tal-Ajruport Internazzjonali ta' Malta naqas b'76.1% meta mqabbel mal-2019; riżultat li kien fl-istess ilma ta' dak miksub mill-bqija tal-ajruporti fl-Ewropa, fejn il-volum ta' passiġġieri naqas b'79.6%. Dan it-tnaqqis fis-suq lokali rriżulta mir-restrizzjonijiet ħorox li ġew imposti fuq l-ivvjaġġar lejn l-aħħar ta' Marzu u matul ix-xhur imqallba li segwew. Fil-fatt, wara li ttieħdet deċiżjoni mill-gvern biex jingħalqu l-fruntieri tal-Gżejjer Maltin għal kull tip ta' vjaġġar ħlief dak essenzjali nhar il-21 ta' Marzu, għaddew 101 jum mingħajr l-ebda tluq jew wasla ta' titjira kummerċjali.

L-ajruport ra ftit ċaqliq fit-tielet kwart tas-sena, wara li r-restrizzjonijiet ġew merħija f'Lulju. Madankollu, razez ġodda ta' Covid-19 u rati ogħla ta' infezzjoni wasslu lill-pajjiżi fuq in-netwerk tagħna biex jestendu l-lockdowns jew jintroduċu miżuri restrittivi ġodda hekk kif beda joqrob l-istaġun tal-festi. Il-kunfidenza tal-passiġġieri kompliet tonqos meta l-kumpaniji tal-ajru rristrutturaw l-iskedi tagħhom biex jibbilanċjaw l-ammont ta' postijiet disponibbli fuq l-ajruplani mad-domanda tal-passiġġieri; azzjonijiet li wasslu biex terz biss tal-kumpaniji tal-ajru li kienu joperaw minn u lejn l-Ajruport Internazzjonali ta' Malta fl-istaġun tax-xitwa tal-2019 jibqgħu fuq in-netwerk tagħna għall-istaġun tax-xitwa tal-2020.

Minkejja t-tnaqqis fin-numru tal-passiġġieri, il-Kumpanija kompliet tħares l-impenn tagħha li toffri lill-mistednin servizz ta' kwalità eċċellenti, u ħadet l-opportunità matul dawn il-jiem iktar kwieti biex toħloq ambjent fl-ajruport li fih il-passiġġieri jħossuhom iktar kunfidenti billi wettqet tibdiliet bl-għan li tkompli ttejjeb l-esperjenza tal-mistednin. Investimenti f'taħriġ essenzjali u teknoloġiji ġodda għenu lit-tim tal-ajruport iwieġeb għall-bżonnijiet u l-aspettazzjonijiet ġodda tal-passiġġieri, filwaqt li jinżamm l-istess livell ta' kwalità li l-passiġġieri tagħna saru jassoċjaw mal-Ajruport Internazzjonali ta' Malta. Il-voti ta' fiduċja li rċevejna kemm mingħand il-passiġġieri tagħna permezz tal-istħarriġ tal-Kwalità tas-Servizz fl-Ajruporti kif ukoll mingħand Airports Council International Europe, li rebbaħ lill-Ajruport Internazzjonali ta' Malta żewġ premji waqt iċ-ċerimonja ta' premjazzjoni tal-aqwa ajruporti tal-2020, komplew jimmotivaw lill-Kumpanija biex tikseb l-eċċellenza, kemm bħala operatur ta' ajruport kif ukoll bħala kumpanija li tħaddem, hi u twitti triqitha lejn l-irkupru.

Minħabba li d-diversifikazzjoni kienet tifforma parti integrali mill-istrateġija tal-Kumpanija għal dawn l-aħħar snin, id-dħul mill-attivitajiet tal-bejgħ u l-proprjetà pproteġa kemxejn lill-Kumpanija mill-volatilità tad-dħul iġġenerat mill-attivitajiet tal-avjazzjoni waqt il-kriżi. Sabiex inkomplu nilqgħu għar-riskji għall-istabbiltà finanzjarja tal-Kumpanija, bħalissa qiegħed jiġi prijoritizzat l-investiment fi proġetti, bħall-modernizzazzjoni tal-food court u l-installazzjoni ta' aktar pannelli fotovoltajċi, li ser jagħtuna ritorn immedjat.

Il-miżuri ta' mitigazzjoni introdotti mill-Kumpanija sabiex tippreserva l-likwidità tagħha matul is-sena li għaddiet varjaw minn tnaqqis fil-pagi tal-impjegati kollha għal deċiżjonijiet biex jiġu sospiżi investimenti fil-programm ta' nefqa kapitali tal-ajruport. Il-Kumpanija se tiffoka fuq it-tlestija ta' proġetti li ilhom ippjanati għal dawn l-aħħar snin u li l-għan tagħhom huwa li jżidu l-kapaċità jew isaħħu l-portafoll tal-bejgħ u l-proprjetà tal-Ajruport Internazzjonali ta' Malta għaż-żmien medju.

L-industrija tal-ivvjaġġar hija waħda reżiljenti, u għalhekk nistgħu nistennew irkupru gradwali tad-domanda għall-ivvjaġġar bl-ajru. Minkejja dan, il-prospetti attwali għadhom imċajpra. Iċ-ċirkustanzi qed jinbidlu malajr, u l-irkupru jibqa' dipendenti fuq diversi fatturi, fosthom il-miżuri li jadottaw pajjiżi individwali biex jikkontrollaw il-firxa tal-virus, il-pass li bih jingħataw il-vaċċini kontra l-coronavirus, il-kunfidenza tal-passiġġieri u s-sitwazzjoni ekonomika globali.

Madankollu, l-Ajruport Internazzjonali ta' Malta għandu l-kapaċità li jindirizza l-isfidi li qed taffaċċja l-industrija, u huwa impenjat li jerġa' jwassal lill-Kumpanija għat-triq tat-tkabbir dinamiku, billi jinvesti b'mod strateġiku u jerġa' jibni l-konnettività b'mod sostenibbli. Aħna u nimxu 'l quddiem, se nkomplu nħarsu l-interessi tal-mistednin, l-azzjonisti, il-partijiet interessati u l-impjegati tagħna, filwaqt li nipprovdu lill-Kumpanija bir-riżorsi li teħtieġ biex tirkupra u ssir iktar reżiljenti. Nixtieq nieħu din l-opportunità biex nirringrazzja lill-azzjonisti u s-sħab tagħna għall-appoġġ u l-kunfidenza tagħhom fil-Kumpanija matul dawn iż-żminijiet bla preċedent.

Nikolaus Gretzmacher
Ċermen
16 ta' Marzu 2021

CEO's Review

2020 WILL BE REMEMBERED AS THE YEAR THAT CHANGED THE WORLD AS WE KNOW IT. THE UNPREDICTABLE NATURE OF THE SWIFT-SPREADING COVID-19 PANDEMIC AND THE SEVERITY OF THE CRISIS WHICH ENSUED DELIVERED A DEVASTATING BLOW TO OUR INDUSTRY AND, CONSEQUENTLY, OUR COMPANY, WHICH RAPIDLY SAW POSITIVE FORECASTS TREND IN THE OPPOSITE DIRECTION.

The first two months of the year under review brought encouraging growth for Malta International Airport, with a double-digit percentage rise in passenger traffic being registered in both January and February. Following the coronavirus outbreak in Europe, passenger volumes began to trend downward by the end of March, with air traffic coming to an almost complete standstill throughout the second quarter of the year due to the grounding of all flights, bar cargo and humanitarian operations. Despite the modest uptick registered in the third quarter, the upward trend was short-lived as new travel restrictions were imposed around Europe. This led consumer confidence to plummet and left our partner airlines no other option than to reduce their operations to skeleton flight schedules to primary airports, which in turn caused a further decline in passenger movements. By December, Malta International Airport's annual passenger traffic had collapsed by 76.1% over 2019, as our Company closed the year with no more than 1,748,050 passenger movements registered.

As the Company worked towards restoring passenger confidence following its reopening to commercial flight operations in the beginning of the third quarter, the need to implement intensified health and safety measures, which were aligned with the guidance issued by the local health authorities and international health and aviation safety agencies, was amplified. The accomplishments which our team managed to achieve in this regard, despite the limited timeframes afforded, were admirable. The entire passenger journey was reorganised to allow access to all landside outlets to non-travelling guests whilst limiting the unnecessary crossing of paths between visiting and travelling guests. Further measures aimed at protecting both our guests and our team were implemented inside the terminal, ranging from the introduction of touchless technologies to the establishment of an Airport Care Team to limit coronavirus transmission and ease passenger concerns.

Our efforts to continue to deliver on our commitment to provide guests with an excellent service and safe airport experience whilst also being a responsible employer were successful, as demonstrated by the Best Airport in Europe and HR Excellence accolades bestowed upon Malta International Airport by Airports Council International Europe in 2020. Our guests also welcomed the measures introduced at our airport, sharing positive feedback through Airports Council International's Airport Service Quality survey throughout the year with the exception of the second quarter. While we were pleased to see that passenger satisfaction remained high over the past year, despite the unfavourable circumstances in which we were operating, the survey results also helped the Company to identify areas for improvement. As constructive feedback was taken on board and new opportunities to exceed the expectations of our guests were sought out, the Company received another vote of confidence from Airports Council International, which honoured Malta International Airport with its new Voice of the Customer recognition in February 2021.

Although it is said that hindsight is 20/20, it was foresight that kept our Company afloat through the trials and tribulations of 2020. As was the case for airport operators globally, we faced staggering shortfalls in both aviation and non-aviation revenue as the unforgiving economic climate crippled consumer spending. To partially alleviate the Company's financial distress, mitigation measures aimed at maintaining Malta International Airport's financial stability, including staggered wage reductions and the withholding of shareholder dividends, were brought into immediate effect following the airport's partial closure in 2020.

Diversified revenue streams proved to be a vital lifeline for the Company at this time. It is for this reason that the Company continued to invest strategically in infrastructural projects, including Park East and the Cargo Village, which will support heavier passenger and cargo loads post-pandemic. Once the Company successfully navigates through the current economic shocks, it will continue to invest in its retail and property segment in an effort to generate new revenue streams as a means to further reduce income volatility in the long term. As we look towards restoring connectivity to our islands in a sustainable manner throughout the coming months, we remain committed to working in close collaboration with our partner airlines and local tourism authorities to rebuild a route network which meets the shifting demands of our travelling guests while simultaneously striving to maintain a balanced business mix in terms of flag carriers and low-cost carriers.

In conclusion, I would like to thank our shareholders and stakeholders for their confidence during these challenging times. I would also like to thank our employees, whose support and commitment made it possible for our Company to face a crisis of unprecedented proportions. Pressure on revenues is expected well into 2021, as the recovery of the industry is pinned on a quick international vaccination programme which thus far has been rolled out at a slower pace than expected throughout Europe. However, the experience that the Company has gained since the outbreak of the pandemic will undoubtedly help Malta International Airport continue to build business resilience and establish its position as one of the best airports in Europe by bettering its service offering and rebuilding its network in the coming months.

Alan Borg
Chief Executive Officer
16 March 2021

Rendikont tal-Kap Eżekuttiv

IS-SENA 2020 SE TIBQA' MFAKKRA BĦALA S-SENA LI QALBET ID-DINJA KIF NAFUHA TA' TAĦT FUQ. IL-FIRXA MGĦAĠĠLA U N-NATURA IMPREVEDIBBLI TAL-PANDEMIJA TAL-COVID-19, KIF UKOLL IL-GRAVITÀ TAL-KRIŻI LI KKAWŻAT, TAT DAQQA TA' ĦARTA LILL-INDUSTRIJA TAGĦNA. B'KONSEGWENZA TA' DAN, IL-KUMPANIJA TAGĦNA WKOLL DLONK RAT IT-TBASSIR POŻITTIV GĦAS-SENA JBIDDEL ID-DIREZZJONI LEJN IN-NAĦA OPPOSTA.

L-ewwel xahrejn tas-sena rreġistraw tkabbir inkoraġġanti għall-Ajruport Internazzjonali ta' Malta, hekk kif in-numru ta' passiġġieri żdied b'persentaġġ ta' żewġ ċifri kemm f'Jannar kif ukoll fi Frar. It-tifqigħa tal-coronavirus fl-Ewropa kkawżat tnaqqis sostanzjali fil-volum ta' passiġġieri sal-aħħar ta' Marzu, u wasslet biex it-traffiku tal-ajru kważi jieqaf għalkollox fit-tieni kwart tas-sena meta titjiriet minn jew lejn Malta ġew sospiżi, għajr biex iwasslu merkanzija jew iwettqu operat umanitarju. Minkejja ż-żieda fin-numru ta' passiġġieri rreġistrata fit-tielet kwart tas-sena, dawn ir-riżultati ma damux ma marru għall-agħar hekk kif restrizzjonijiet fuq l-ivvjaġġar bdew jiġu imposti madwar l-Ewropa. Dawn id-deċiżjonijiet komplew ikissru l-kunfidenza tal-passiġġieri u ma ħallew lill-kumpaniji tal-ajru l-ebda għażla oħra ħlief li jnaqqsu l-operat tagħhom għal titjiriet essenzjali lejn ajruporti primarji, li rriżulta f'iktar tnaqqis fl-ammont ta' movimenti tal-passiġġieri. Sa Diċembru, it-traffiku tal-passiġġieri rreġistrat mill-Ajruport Internazzjonali ta' Malta għas-sena sħiħa kkollassa b'76.1% fuq l-2019, hekk kif il-Kumpanija għalqet is-sena b'mhux iktar minn 1,748,050 moviment tal-passiġġieri.

Wara l-ftuħ mill-ġdid tal-ajruport għat-titjiriet kummerċjali fil-bidu tat-tielet kwart tas-sena, il-mira prinċipali tal-Kumpanija kienet li ssaħħaħ il-kunfidenza tal-passiġġieri fl-ivvjaġġar bl-ajru billi timplimenta miżuri tas-saħħa u sigurtà iktar stretti, li jikkonformaw mal-linji gwida maħruġa mill-awtoritajiet tas-saħħa lokali u l-aġenziji internazzjonali tas-saħħa. Il-kisbiet tat-tim f'dan ir-rigward kienu ammirevoli, minkejja ż-żmien limitat li kellna biex inħejju ruħna. Il-vjaġġ sħiħ tal-passiġġieri ġie organizzat mill-ġdid biex nagħtu aċċess għall-ħwienet fis-sulari t'isfel lil persuni li mhux se jivvjaġġaw, permezz ta' rotta li ma tippermettilhomx li jiltaqgħu mal-passiġġieri. Iktar miżuri ġew implimentati ġewwa l-binja tat-terminal bl-għan li jipproteġu kemm lill-mistednin kif ukoll lit-tim tagħna, fosthom l-introduzzjoni ta' teknoloġiji awtomatiċi ġodda u t-twaqqif ta' Airport Care Team, sabiex nillimitaw it-trażmissjoni tal-coronavirus u nindirizzaw it-tħassib tal-passiġġieri.

Dawn l-isforzi biex inkomplu nwettqu l-impenn tagħna li nipprovdu lill-mistednin kollha b'servizz eċċellenti u esperjenza sigura fl-ajruport, filwaqt li nkomplu nerfgħu r-responsabilitajiet tagħna bħala impjegatur, ġew irrikonoxxuti minn Airports Council International Europe, li onora lill-Ajruport Internazzjonali ta' Malta b'żewġ titli fil-kategoriji tal-operat u r-riżorsi umani. Il-mistednin tagħna wkoll laqgħu l-miżuri li ġew introdotti fl-ajruport. Dan kien evidenti mill-kummenti miġbura mingħand il-passiġġieri permezz tal-istħarriġ tal-Kwalità tas-Servizz fl-Ajruporti (ASQ) tal-Airports Council International matul it-tieni nofs tas-sena. Għalkemm konna kuntenti meta rajna li r-rata ta' sodisfazzjon tal-passiġġieri baqgħet għolja matul din l-aħħar sena, minkejja ċ-ċirkustanzi diffiċli li konna qed noperaw fihom, ir-riżultati tal-istħarriġ għenu lill-Kumpanija tidentifika fejn setgħet tmur aħjar ukoll. Hekk kif bdiet tfittex iktar opportunitajiet ta' kif setgħet ittejjeb l-esperjenza tal-mistednin tagħha skont il-kummenti li rċeviet f'dan l-istħarriġ, il-Kumpanija rċeviet vot ta' fiduċja ieħor minn Airports Council International, li rrikonoxxa l-ħidma tagħna biċ-ċertifikat Voice of the Customer fi Frar 2021.

Għalkemm jingħad li wara kulħadd għaref, fis-snin li għaddew kienu deċiżjonijiet li jħarsu 'l quddiem li għenu lill-Kumpanija tkampa matul din is-sena ta' sfida. Bħall-bqija tal-operaturi ta' ajruporti madwar id-dinja, l-ajruport tagħna rreġistra telf fid-dħul, kemm mill-attivitajiet tal-avjazzjoni kif ukoll minn dawk li għandhom x'jaqsmu ma' bejgħ u proprjetà, hekk kif klima ekonomika instabbli gerrxet lill-konsumaturi. Biex intaffu xi ftit id-diffikultajiet finanzjarji li kienet qed taffaċċja l-Kumpanija, għadd ta' miżuri ta' mitigazzjoni, fosthom it-tnaqqis fil-pagi u s-sospensjoni ta' ħlas ta' dividend lill-azzjonisti, iddaħħlu fis-seħħ ftit wara l-għeluq parzjali tal-ajruport fl-2020.

Id-diversifikazzjoni tad-dħul kienet kruċjali għall-Kumpanija f'dawn iż-żminijiet. Għal din ir-raġuni, il-Kumpanija kompliet tinvesti b'mod strateġiku fi proġetti infrastrutturali, fosthom Park East u l-Cargo Village, biex inkunu preparati għal żieda fit-traffiku tal-passiġġieri u l-merkanzija meta nibdew nirkupraw. Meta l-Kumpanija jirnexxilha tegħleb ix-xokkijiet ekonomiċi attwali, se tkompli tinvesti fil-qasam tal-bejgħ u l-proprjetà sabiex tiddiversifika iktar id-dħul tagħha u tnaqqas il-volatilità tal-introjtu fis-snin li ġejjin. Għalissa, se nkunu qed naraw kif nistgħu nerġgħu nistabbilixxu konnettività b'saħħitha ma' destinazzjonijiet oħra b'mod sostenibbli. Se nibqgħu naħdmu mill-qrib mal-kumpaniji tal-ajru u l-awtoritajiet tat-turiżmu Maltin sabiex nibnu mill-ġdid netwerk ta' rotot li jissodisfa d-domanda għall-ivvjaġġar bl-ajru waqt li nipprovaw nibbilanċjaw il-kompożizzjoni tan-negozju bejn kumpaniji tal-ajru nazzjonali u dawk low-cost.

Biex nikkonkludi, nixtieq nirringrazzja lill-azzjonisti u l-partijiet interessati għall-fiduċja tagħhom f'dawn iż-żminijiet ta' sfida. Nixtieq nirringrazzja wkoll lill-impjegati għall-impenn u l-appoġġ tagħhom, li għenu lill-Kumpanija taffaċċja din il-kriżi bla preċedent. Qed nistennew li l-pressjoni fuq id-dħul tagħna tippersisti matul l-2021, ladarba l-irkupru tal-industrija jiddependi fuq programm internazzjonali ta' tilqim effiċjenti, li s'issa qed jitwettaq b'mod inqas mgħaġġel milli kien mistenni madwar l-Ewropa. Madankollu, l-esperjenza li kisbet il-Kumpanija minn mindu faqqgħet il-pandemija se tgħin lill-Ajruport Internazzjonali ta' Malta jkompli jsir iktar reżiljenti u jistabbilixxi l-pożizzjoni tiegħu bħala wieħed mill-aqwa ajruporti fl-Ewropa billi jtejjeb is-servizzi li joffri u jibni mill-ġdid in-netwerk tiegħu fix-xhur li ġejjin.

Alan Borg
Kap Eżekuttiv
16 ta' Marzu 2021

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 operates under formal terms of reference. During the year under review, the Board of Directors met seven times, with one of the meetings held being an extraordinary meeting during which the ramifications of Covid-19 on the business were assessed and a liquidity preservation programme was approved.

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

Mr Nikolaus Gretzmacher
Chairman

Mr Alan Borg
CEO

Mr Karl Dandler
CFO

Ms Rita Heiss
Non-Executive Director

Dr Wolfgang Koeberl
Non-Executive Director

Mr Florian Nowotny
Non-Executive Director

Dr Cory Greenland
Non-Executive Director

Dr Louis de Gabriele
Company Secretary

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

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








Executive Committee

THE EXECUTIVE COMMITTEE IS MADE UP OF THE CHIEF EXECUTIVE OFFICER (WHO HEADS THE COMMITTEE), THE CHIEF FINANCIAL OFFICER, AND THE HEADS OF EACH DEPARTMENT.

ON AVERAGE, THE EXECUTIVE COMMITTEE MEETS THRICE MONTHLY.

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

Ing. Martin Dalmas
Airport Operations

Mr George Mallia
Retail & Property

Mr Ian Maggi
Innovation & Technology

Mr Patrick Murgo
Safety & Security, Fire Services & Procurement

Ms Tina Lombardi
HR, Strategy & Marketing

Ing. Kevin Alamango
Technical Services

Mr Heinz Lachinger
Finance
Replaced Mr Thomas Wohlfahrtstaetter on 01.07.2020

Mr Alex Cardona
Traffic Development, Customer Services & Administration








Our Company Strategy

MALTA INTERNATIONAL AIRPORT'S MISSION, VISION, AND VALUES FORM THE BACKBONE OF OUR STRATEGY, WHICH HAS BEEN SUMMARISED TO ENSURE THAT ALL THE TEAM CLEARLY UNDERSTANDS THE COMPANY'S GOALS AND PRIORITIES.

During the year under review, the Company aligned its business strategy with the changing priorities of its guests in order to enable the Malta International Airport team to continue to work towards realising its vision, and to emerge stronger from the Covid-19 crisis.

Mission

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

Vision

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

Values

Integrity

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

Sustainability

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

Teamwork

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

Service Excellence

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

Strategy

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

Our mission is to offer our guests a valuable and unique experience which also seeks to restore confidence in air travel. 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.

Guided by our vision to offer the best airport experience in Europe, we 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, supporting our people and their talents, during these challenging times, is 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.

> “The Company had to adapt to new realities and challenges following the Covid-19 outbreak, but our priority remained the protection of the health and safety of our people.”

Tina Lombardi
Head of Human Resources

Chapter Two

Our People

Our People

AS THE COVID-19 PANDEMIC UPENDED MALTA INTERNATIONAL AIRPORT'S OPERATIONS AND EXISTING WORK PRACTICES, THE HUMAN RESOURCES DEPARTMENT FOCUSED ITS EFFORTS ON ENSURING THE SAFETY AND WELLBEING OF THE COMPANY'S MOST VALUABLE ASSET - ITS PEOPLE.

A revised HR strategy positioned the Company to respond to the unprecedented challenges faced by the global aviation industry, by ensuring that the organisation remained aligned during such turbulent times while helping the team navigate a new reality and adapt to a changing workplace.

As a direct result of the extraordinary circumstances of the year under review, the Company's year-on-year turnover rate increased by 6%*, owing primarily to the expiry of fixed-term contracts which were not renewed. Ultimately, this resulted in an average of 377 employees for the year under review.

Average age of employees
40 years

Average length of service
11 years

*2019 turnover figure was restated to 7.8%

HUMAN RESOURCE MANAGEMENT

Employee Development and Training Initiatives

Employee development remained an integral part of Malta International Airport's Human Resource Management strategy. This favoured the re-training and upskilling of the Company's existing workforce over the acquisition of new talent to fill vacant positions and take up new roles established in response to the changing needs of airport guests. Despite the scaling back of all training programmes, with the exception of legally-required courses, which is reflected in the substantial reduction of training hours in 2019 to 15 hours per employee in 2020, the Human Resources department continued to seek out new opportunities for the professional development of airport employees.

In addition to Company-supported training programmes, a total of 127 employees participated in industry-specific courses in fields including communication, management and marketing, which formed part of an e-learning scheme funded entirely by the Malta Tourism Authority.

WORKPLACE SAFETY AND EMPLOYEE WELLBEING

The Human Resources department was instrumental in helping the Company adapt to the new realities brought about by Covid-19, by triggering contingency measures which included the establishment of a staggered staff roster for all office and shift workers as well as the introduction of remote working.

Health and Safety at Work

Maintaining open lines of communication between management and the rest of the airport team was of paramount importance throughout the year, particularly with regard to the introduction of measures aimed at protecting the health and safety of all airport employees. For this reason, a set of policies, procedures and guidance informing the team of coronavirus-induced operational changes were regularly prepared and updated by Malta International Airport's Health and Safety department and made available on the Company's intranet.

In line with public health protocols, a thermal screening checkpoint for employees was installed in the beginning of the third quarter of 2020. The checkpoint serves the twofold purpose of identifying persons who are unwell and segregating employees from guests entering the terminal building. The Company once again offered a free influenza vaccination service internally, supplied frontline employees with reusable face masks and has continued to provide its entire workforce with healthcare coverage.

The Shift to Remote Work

To safeguard the health and safety of employees while simultaneously providing the team with additional flexibility to balance other personal responsibilities during the pandemic, the Human Resources department accelerated the Company's transition to partial remote work. A Leave Bank, consisting of hours of vacation leave which were not availed of by senior management or which were donated by other team members, was also made available to employees who exhausted their annual leave entitlement.

The option to work from home for a maximum of two days per week was made available to full-time Malta International Airport employees whose duties could be performed remotely. Throughout the transition, the Company upheld its commitment to champion mental health and physical wellbeing amongst its workforce, most notably by continuing to provide the team with free counselling sessions in collaboration with the Richmond Foundation and a wellbeing allowance of €300. Efforts to ensure that motivation and productivity levels remained consistent despite the change in workspace included the rolling out of a new virtual recognition platform, Bonusly, and the provision of access to a set of online applications which facilitate remote collaboration.

Furthermore, employees who were eligible to work remotely were enrolled in an online Workstation Risk Assessment, which provides users with information about desk ergonomics best practices and directs employees to the relevant Company department in cases where risks need to be reported and addressed.

EMPLOYEE FEEDBACK

Despite the challenging circumstances in which the Company was operating during the year under review, the overall feedback received from employees through internal pulse surveys was positive and constructive. Online applications were also availed of by the HR department to organise live Q&A sessions, creating a virtual platform where all employees could express their concerns around safety or job security anonymously and have their queries answered directly by members of the management team.

Covid-19 Survey

Towards the beginning of July, employees were invited to voice their opinions about the measures introduced by the Company in light of the Covid-19 pandemic and air any concerns which they might have had in relation to the unprecedented situation. Of the 244 participating employees, 86% agreed that the Company was handling the crisis well while 81% stated that the health and safety measures taken by the Company made them feel safer coming in to work during the pandemic.

To gauge the effectiveness of internal communication practices, employees were also asked to rate the Company's efforts in this regard. 85% of respondents stated that they were satisfied with the communication between the Company and its workforce, with over 90% of respondents specifying that e-mail was their preferred method of communication.

While respondents expressed their concern about job security and the possible extension of salary reductions, which were effective between April and July as part of Malta International Airport's liquidity preservation programme, 87% expressed confidence in the Company's leadership and efforts to overcome the current crisis.

Annual Employee Survey

With a total of 256 respondents, the response rate registered for Malta International Airport's annual employee survey declined by just over 28%. The reduced number of responses can be attributed to the change in data collection methodology, given that the survey was disseminated in a digital format in 2020 rather than a paper-based format, as was the case in 2019. Apart from the indicators of employee engagement, teamwork, communication, and job satisfaction, the 2020 employee survey included a fifth indicator aimed at tracking changes in employee sentiment and concerns relating specifically to Covid-19.

Increases in average scores were registered for all indicators to varying degrees, with the exception of the new Covid-19 indicator whose results, which were compared to the workforce pulse survey carried out in July, were a direct reflection of worsening pandemic conditions on a national scale. The most significant improvement was noted in the areas of communication and feedback, with 80% of respondents, compared to 75% in 2019, stating that they receive sufficient feedback on their performance and 88% agreeing with the statement that 'Good performance is acknowledged'. The improvement in scores for these areas can be partially attributed to the introduction of the Bonusly recognition platform during the year under review.

EXTERNAL RECOGNITION

A panel of Human Resources and leadership professionals honoured Malta International Airport with Airports Council International Europe's HR Excellence Award during the organisation's sixteenth edition of the ACI Europe Best Airport Awards. The panel praised Malta International Airport's internal communication efforts, as well as the initiatives taken to safeguard the physical and mental wellbeing of its workforce by launching virtual platforms which promote remote learning and encourage employee engagement, amongst other exemplary initiatives.

"2020 saw us re-shape the guest experience entirely, and adapt to our passengers' and visitors' changing needs without compromising on service quality."

Alex Cardona
Head of Customer Services

Chapter Three

The Guest Experience

The Guest Experience

DESPITE A SHARP DECLINE IN PASSENGER NUMBERS FROM OVER 7 MILLION MOVEMENTS IN 2019 TO UNDER 2 MILLION MOVEMENTS IN 2020, MALTA INTERNATIONAL AIRPORT REMAINED FIRMLY COMMITTED TO DELIVERING SUPERIOR SERVICE QUALITY TO ALL GUESTS – NOTABLY BY RE-SHAPING THE GUEST EXPERIENCE IN LIGHT OF EMERGING NEEDS AND REQUIREMENTS – AND ACHIEVING CUSTOMER SATISFACTION THROUGHOUT THE YEAR UNDER REVIEW.

To further guide efforts made in this regard, the Malta International Airport Customer Experience Charter was established in 2020, outlining the Company's commitment to achieving its vision of offering the best airport experience in Europe through a series of promises to its guests, based on the factors determined to be the most important to them.

In line with its brand promise, "Our world revolves around you", Malta International Airport strives to deliver a safe and secure journey through the terminal, to offer a memorable airport experience which seeks to delight guests, to actively listen to guest feedback and to invest sustainably in projects which will benefit guests and neighbouring communities in the long term.

RESTORING PASSENGER CONFIDENCE

Fear of coronavirus transmission, national lockdowns, government-imposed border closures and the subsequent introduction of international entry restrictions contributed significantly to the fall in travel demand throughout 2020.

To re-examine the priorities of its guests, understand changing travel behaviours, and determine which measures were required to instil confidence in passengers, Malta International Airport launched a Travel Perception Survey in July. The survey provided an outlet for potential travellers and guests to voice their health and safety concerns regarding visiting the airport for travel, shopping or dining purposes in the months following the global coronavirus outbreak.

Additionally, the Company continued to maximise the potential of all communication channels available to it, both digital and traditional, to ensure that travellers had access to the most accurate and updated information at all times.

In the weeks preceding the re-opening of Malta International Airport to commercial flights in July, the Company launched a user-friendly webpage populated with information relating to travel requirements, new airport health and safety measures as well as changes to services and outlet opening hours. This was complemented by the production and publishing of a step-by-step video explaining the changes to the passenger journey.

Inside the terminal building, important information was transmitted to travelling or visiting guests through the airport's digital display screens and regular public service announcements, which were broadcast in Maltese and English. Simple and clear physical distancing signage, including over 1,400 floor stickers and 300 seat belt barriers, has also been installed around the terminal.

The Airport Care Team

In order to address the changing needs of airport guests, an Airport Care Team (ACT), composed of 16 front-liners from the Customer Services and Security Services departments, was set up at Malta International Airport. All ACT members were trained to identify symptomatic Covid-19 cases and provide assistance, guidance and reassurance to guests visiting or travelling though the terminal.

Members of the Customer Services department also participated in simulation training exercises using real-life scenarios, which were aimed at ensuring that employees are equipped with the necessary skills to perform their changing job duties.

Enhanced Cleaning and Disinfection Procedures

The deep cleaning and disinfection of all areas inside the airport terminal and the availability of sanitising stations were the two topmost health and safety concerns of the individuals surveyed.

Additional measures have been introduced to ensure that thorough cleaning and disinfection, particularly in the case of frequently touched surfaces and equipment, are carried out intensively at regular intervals inside the terminal. These initiatives are not only aligned with the recommendations issued by the European Centre for Disease Prevention and Control but are also coordinated with those of airport stakeholders, thus ensuring that hygiene and cleanliness standards are upheld across the airport campus.

To encourage the maintenance of personal hygiene amongst airport guests, 120 foot-operated sanitising stations have been strategically placed at passenger touchpoints. The use of face masks or face shields, as well as social distancing practices, are also being enforced inside the terminal.

Transition to Touchless Technologies

The coronavirus pandemic in 2020 accelerated the digital transformation of Malta International Airport, where new technologies were introduced to provide a safer and more convenient guest experience. A clear preference for self-service and touchless technology availability emerged from the results of the Travel Perception Survey, with 83% of respondents expressing the intention to use technological solutions as a means to limit virus transmission.

During the second quarter of 2020, the adoption of other new technologies, which encourage contactless interaction between airport employees and guests, was fast-tracked. Passport and boarding pass readers were fitted on all check-in desks, further limiting contact between ground-handling agents and travelling guests. During the last quarter of the year, Immigration Control completed the installation of electronic gates, whose software verifies passenger identity biometrically prior to departure and upon arrival from non-Schengen countries.

Temperature Screening and Testing Facilities

Temperature screening cameras have been installed at five checkpoints, covering all passenger and employee entryways into the main terminal building and the VIP terminal building. The thermal screening process at Malta International Airport is being conducted using non-contact thermal scanners, in line with the Covid-19 Aviation Health Safety Protocol issued by the European Aviation Safety Agency and other airport public health protocols.

Temperature screening is complemented by dedicated facilities at designated areas where public health representatives may carry out PCR tests on passengers arriving from amber and red-listed countries. Passengers who receive a positive result are escorted to one of the airport's two isolation portacabins. The airport's remote Survivor Reception Centre has also been equipped with the necessary amenities to accommodate passengers in the eventuality that numerous positive cases are identified.

Segregation of Travelling and Non-Travelling Guests

As of July 2020, access to the Check-In Hall within the main terminal building has been limited to airport employees, departing passengers and persons accompanying guests with reduced mobility. The installation of 180 metres of partition walls inside the terminal has further limited the unnecessary crossing of paths of travelling and non-travelling guests, while allowing access to the airport's landside retail and dining outlets to non-travelling guests. Malta International Airport's agglomeration detection software has also been programmed to alert the Airport Care Team in real-time when social distancing is not maintained by guests.

FEEDBACK AND AWARDS

Soliciting feedback from guests through quality surveys enabled Malta International Airport to chart a path forward which considers the interests of both the Company and its guests as it navigates through a particularly turbulent time.

The Airport Service Quality Survey

Airports Council International's Airport Service Quality survey is a useful tool which helps Malta International Airport keep a real-time pulse on the changing priorities of its guests.

In 2020, a total of 1,042 surveys were carried out over 8 months, falling 414 surveys short of the total number of ASQ surveys completed over 12 months in 2019. This discrepancy is owed to the fact that the airport ceased to conduct Airport Service Quality surveys among its passengers between April and July, during which months the airport was closed to commercial travel. Nonetheless, the airport registered significantly higher scores in 2020 than those achieved in 2019, resulting in the achievement of a record passenger satisfaction score of 4.46.

Best Airport Award

Airports Council International Europe commended the Company on the measures which it adopted in response to Covid-19, both as an airport operator and as an employer, awarding Malta International Airport the Best Airport award at the sixteenth edition of the ACI Europe Awards. The glowing praise of a panel of judges from several institutions and organisations, including the European Commission, SESAR JU and EUROCONTROL, for Malta International Airport's work in creating a safe airport environment whilst being mindful of new passenger needs and passenger feedback, was highly encouraging for the whole team.

Customer Experience Accreditation

During the year under review, Malta International Airport also fulfilled the requirements to advance to Level 2 of Airports Council International's Airport Customer Experience Accreditation Programme, after being awarded Level 1 certification in 2019. The key performance indicators which were taken into consideration by ACI when evaluating the quality of the airport's customer experience were airport culture, governance, operational improvement, measurement, strategy and customer understanding.

In the last quarter of 2020, and in preparation for the third level of this Customer Experience Accreditation Programme, Malta International Airport launched a series of focus groups during which employees representing different departments review the Company's 3 Ps: Processes, Premises, and People.

Voice of the Customer Certificate

Malta International Airport's efforts to better understand travelling guests' rapidly evolving needs and expectations throughout 2020 were recognised by Airports Council International World in February 2021. Out of 1,933 airports worldwide represented by Airports Council International, 140 member airports received the prestigious Voice of the Customer certificate in recognition of their exceptional commitment to listening and engaging with customers during the Covid-19 pandemic.

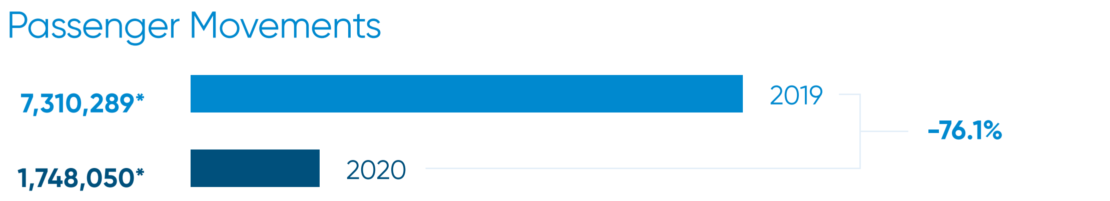
“The Company remains committed to working closely with airlines and other key industry stakeholders to identify the best opportunities for restoring Malta’s year-round connectivity in a sustainable manner, whilst prioritising the achievement of a balanced business mix.”

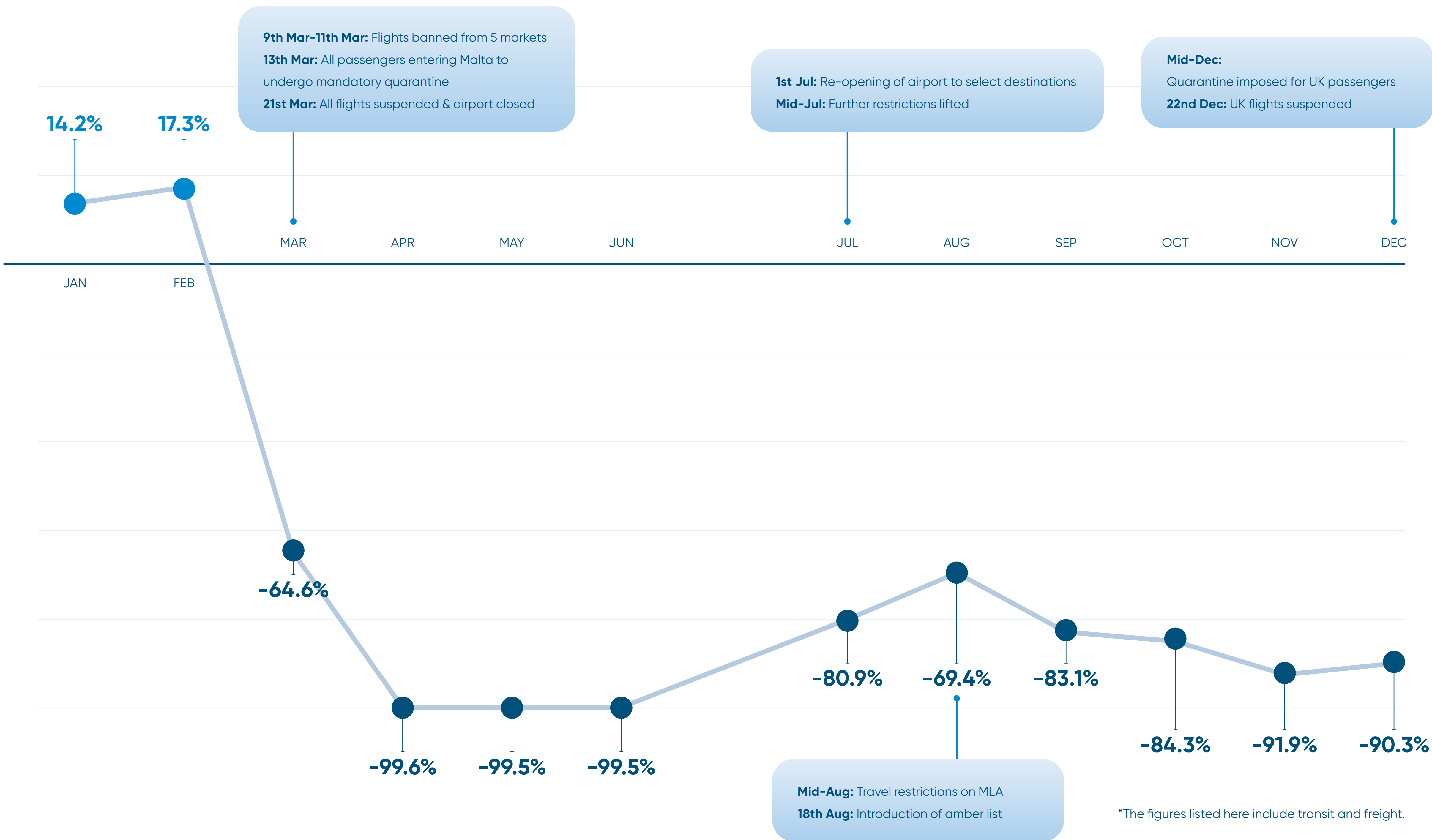
Sandy Vella
Traffic Development Manager

Chapter Four

Traffic Development

Passenger Trend 2020 vs 2019





*The figures listed here include transit and freight.

Traffic Development

AS THE NEW DECADE DAWNED ON MALTA INTERNATIONAL AIRPORT, AIR TRAVEL DEMAND WAS HIGH, SEEING PASSENGER NUMBERS RISE BY 14.2% IN JANUARY AND 17.3% IN FEBRUARY. HOWEVER, THE AIRPORT'S TRAFFIC PERFORMANCE SUFFERED A STAGGERING BLOW IN MARCH AS COVID-19'S RAPID SPREAD ACROSS CONTINENTS LED THE WORLD HEALTH ORGANISATION TO DECLARE THE VIRUS A GLOBAL PANDEMIC AND, CONSEQUENTLY, A HOST OF TRAVEL BANS AND RESTRICTIONS WERE ANNOUNCED.

The outbreak of the coronavirus pandemic brought global air travel to an almost complete standstill during the year under review, leading many airlines to adjust their flight routes and frequencies. Furthermore, the introduction of haphazard travel requirements across Europe caused airlines to cancel flights abruptly throughout the second half of 2020 and continued to erode consumer confidence in air travel.

Consequently, while the number of passengers handled by Malta International Airport rose by over 7% in 2019, the year under review saw a 76.1% collapse in passenger traffic, which resulted in a total of 1,748,050 passenger movements by end year.

BORDER CLOSURES AND ENTRY REQUIREMENTS

Travel restrictions applicable to passengers entering Malta were introduced in a staggered approach. Towards the beginning of March, the first imported case of coronavirus from Italy was confirmed, leading the local authorities to ban all travel to and from Italy the following week. The ban was then extended to Germany, France, Spain and Switzerland, effectively closing Malta's borders to four of the airport's top five markets.

A total ban on all scheduled passenger flights was enforced as from 21st March, limiting operations at Malta International Airport to repatriation, humanitarian and cargo flights. Incoming and outgoing passenger traffic came to a virtually complete halt during the second quarter of the year, with 12 airlines ferrying passengers to more than 20 countries for repatriation or humanitarian purposes, resulting in just 822 take-offs and landings being recorded between April and June.

July marked the recommencement of scheduled passenger flight operations at Malta International Airport, as the three-month travel ban was partially lifted to exempt passengers from a total of 22 countries from being subject to the entry requirements in place upon arrival in Malta. As further restrictions were eased in mid-July, permitting travel between Malta and 28 countries including all EU member states, bar Sweden and certain regions in France, Italy and Spain, passenger traffic began to display signs of recovery. In fact, the airport's peak recovery levels were achieved during the first two weeks of August, leading the Company to register a 64.9% increase in passenger traffic over July by the end of the month.

This upward trend was short-lived, as passenger numbers took another downward turn in the second half of August once Malta introduced a system which classified destination countries according to their respective risk levels. The first destinations to be listed on Malta's amber list, which came into effect on the 18th of August requiring passengers to present a negative result of a PCR test carried out within 72 hours of departing from the listed country, were Bulgaria, Romania and three Spanish cities; Barcelona, Girona and Madrid.

Throughout the last quarter of the year, further travel restrictions were imposed by the government, seeing 40 countries find their place on the amber list. A ban on all flights from the United Kingdom was the last restriction to be introduced in December 2020 as the bleakest winter in living memory continued to impact the European aviation industry.

Airlines operated limited schedules to primary airports during this time, suspending their service on select routes altogether with hopes to resume the said routes as part of their summer flight schedule for 2021.

Ryanair and its subsidiary Malta Air, Air Malta, Aegean Airlines, Alitalia, easyJet, Lufthansa, Turkish Airlines, Tunisair Express, Vueling and Wizz Air were the only airlines which continued to operate extremely limited schedules to Malta during the winter season.

As a consequence of the aforementioned events, the number of available seats for the year under review totalled 3,075,565, which amounts to a 65.6% reduction when compared to 2019, while plummeting travel demand and widespread uncertainty surrounding air travel resulted in a deteriorated seat load factor of 56.8%.

COMPETITIVENESS

Airlines operating to and from Malta International Airport have benefitted from unchanged airport charges since 2006. The airport's incentive programme was also revised in 2019 to include additional incentive schemes aimed at enhancing year-round connectivity to the Maltese Islands.

The months following the rapid Covid-19 outbreak brought the entire aviation industry to a pivotal juncture. To continue to strengthen client relationships during this time, Malta International Airport's traffic development team sought to support partner airlines and retain its valued partnership with them through constant communication.

Together with the Malta Tourism Authority, the team provided regular status updates and continued to work closely with numerous airlines with the aim to retain or restart routes and gradually increase capacity once the current situation stabilises and the industry begins to show signs of recovery.

ROUTE DEVELOPMENT STRATEGY

The successes and traffic milestones achieved over the years leading up to 2020 were the result of the evolution of an effective route development strategy, coupled with a strong partnership with government through the Ministry for Tourism and the Malta Tourism Authority. The current scenario, dominated by travel restrictions, low consumer confidence and overall uncertainty, is presenting significant challenges for the entire aviation industry.

Malta International Airport remains committed to working with local tourism stakeholders and its partner airlines to gradually rebuild the island's route network and restore connections which have been lost as a result of the Covid-19 pandemic.

The Company aims to turn the current Covid-19 crisis into an opportunity to rebuild a diverse portfolio of airlines and establish a sustainable year-round route network. It will also continue to seek out and develop the connections which best fit the airport's strategy, while additional efforts will be focused on addressing the gaps which have been left in some of the airport's strategic markets, primarily in Scandinavia, North Africa, the Middle East and regional airports around continental Europe.

Chapter Five

Airport Operations

"Continuity, commitment, and support from our stakeholders played a pivotal role in our Covid-19 response strategy, and will remain critical as we forge ahead on the path to recovery."

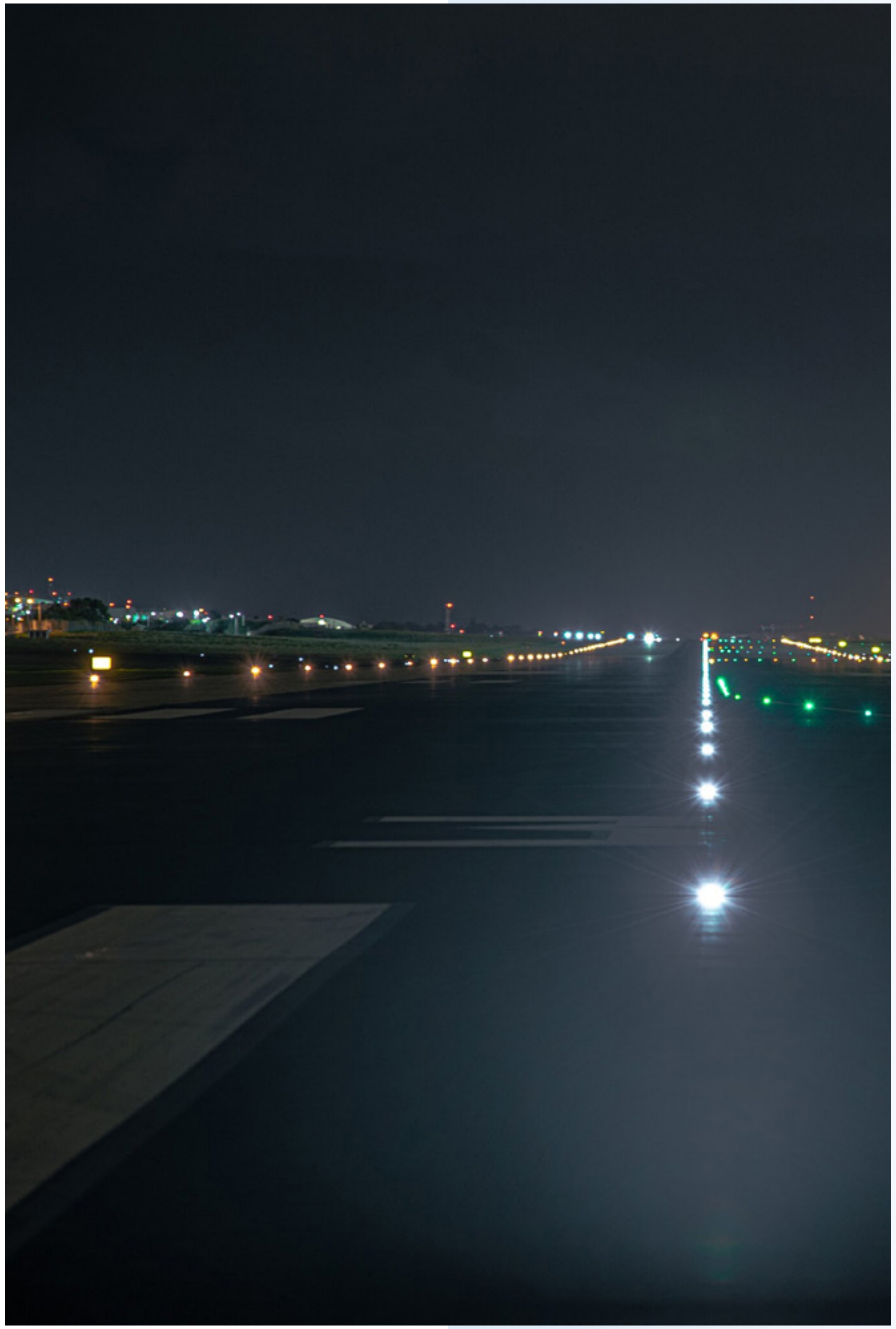
Ing. Martin Dalmas
Head of Airport Operations

AERODROME OPERATIONS

Once the winds of Covid-19 began to blow locally, Malta International Airport's Aerodrome Operations Unit devised a two-phased strategy for the Company to adapt to the new norm. Between March and June, the unit continued to monitor the reduced airport operations at airside, whilst reconfiguration works were being carried out inside the terminal building, in coordination with the public health authority, to achieve the highest standards of health and safety in the current circumstances. Following Malta International Airport's re-opening to commercial flights in July and the subsequent introduction of the amber list, the second phase of the airport's strategy entailed the implementation of new technologies and practices to prepare the Company for a gradual return to more normal operations.

To reaffirm its commitment to maintaining the highest possible levels of health and safety, Malta International Airport signed the European Aviation Safety Agency's (EASA) Aviation Industry Charter for Covid-19 in August. While Malta International Airport had already built its re-opening strategy on the guidelines set out in the Covid-19 Aviation Health Safety Protocol, jointly published by the European Aviation Safety Agency and European Centre for Disease Prevention and Control, the charter enables the Company's health and safety efforts to remain aligned with those of industry regulators and operators.

Despite the constant changes and challenges faced by the airport, a seamless and safe customer experience was provided to each of the airport's guests at every stage of the passenger journey throughout the year under review. Such operational continuity during these turbulent times could not have been achieved without the harmonisation of efforts between the Company, government entities, including the Superintendence of Public Health, the Civil Aviation Directorate, the Malta Air Traffic Services, Aviation Security Malta, and other aviation stakeholders, including ground-handlers, Enemed, the Armed Forces of Malta, the Malta Police Force, Immigration agents, and Customs officials.



AIRFIELD INVESTMENTS

The successful completion of various lighting upgrades at Malta International Airport is expected to contribute to a significant reduction in the Company's energy consumption and CO_2 emissions. The lighting systems at several locations around Malta International Airport, including the main car park, were upgraded to LED lighting during the year under review, providing superior lighting quality while generating crucial operational savings.

Noteworthy improvements were carried out on the airfield, where the newly-installed centre lights on Runway 13-31 are expected to consume 77% less energy than the previous system, while an upgraded floodlight system will illuminate Apron 9 at a fraction of the wattage of its predecessor. A set of high-intensity Runway Threshold Identification Lights, whose synchronised flashes alert pilots to the approaching end of a runway, were also installed on Runway 05-23.

While the volume of flights decreased significantly over this past year, the Company has used this time to strategically plan investments which will benefit Malta International Airport in the medium to long term, when passenger traffic will begin to gather pace once again. It was for this reason that the Company published a call for tenders for the development of a new aircraft parking area, which is being referred to as Apron X, and supporting facilities, towards the end of 2020.

The apron and accompanying staging area housing facilities will be developed over an area covering approximately 100,000 square metres, situated strategically between Apron 8 and Apron 9, and will accommodate up to seven narrow-body or three wide-body aircraft. The multi-million investment will also provide for the construction of a new taxiway, which would improve accessibility to the new apron, and increase the airport's energy efficiency through the installation of convenient ground power units and LED lighting systems.

METEOROLOGICAL SERVICES

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

During the year under review, key improvements were made to the Meteorological Office's radar imaging system, which is a vital tool in the detection of weather conditions which may affect the safety of flight operations and civilians. Now boasting increased radar capabilities, the new system provides the Met Office's team of meteorologists with more detailed weather analysis in real time, as well as accurate measurements of precipitation in any given area affecting the Maltese Islands.

The radar system complements the Meteorological Office's Automated Weather Observing System, which was installed in 2019, so as to generate accurate runway condition assessments.

EMERGENCY PREPAREDNESS

In line with Malta International Airport's emergency preparedness and response plan, a full-scale emergency exercise was carried out last year. Due to the limitations brought about by the pandemic, the number of individuals involved in the exercises was limited, while some entities needed to participate remotely. For this reason, a hybrid model was adopted: frontliners simulated their normal duties, while only members of Malta International Airport's Rescue and Fire-Fighting, Facilities and Security departments, the Armed Forces of Malta, the Malta Police Force, the Civil Protection Department, Mater Dei Hospital and the airport's ground handling companies worked on site.

Throughout the exercise, measures were taken to safeguard the health and safety of all participants and ensure continuity, including the use of dummies rather than actors, to ascertain that physical contact was kept to a minimum. A limited number of stakeholders was admitted into the Emergency Operations Room, creating an opportunity for the operation to be managed remotely and simultaneously evaluate the efficiency of virtual communication between entities. In this way, the Company continued to develop Malta International Airport's crisis communication strategy incorporated in the Airport Emergency Response Plan.

INNOVATION AND TECHNOLOGY

The Covid-19 pandemic fast-tracked the Company's shift to newer technologies, providing an opportunity for the airport to expand its digital infrastructure. By leveraging digitalisation, Malta International Airport further enhanced the passenger experience through the introduction of a host of touchless technologies to facilitate the journey through the terminal and the installation of a video wall at a prominent area inside the Departures Hall to transmit important information to travelling guests.

Internally, innovation efforts were directed towards building a paperless workspace, most notably by equipping communal office spaces with digital noticeboards, and easing the Company's transition to partially remote work by providing all employees with access to applications which encourage virtual collaboration.

During the first half of 2021, the Company will be upgrading its Common User Terminal Equipment system, allowing airlines to safely access their individual IT systems directly through the check-in and gate hardware. Furthermore, Malta International Airport will be seeking out more opportunities to continue to improve the guest experience, namely by introducing a digital management system for the assistance of Persons with Reduced Mobility.

"Honouring our commitment to ensure a safe and secure experience, both as an airport operator and as an employer, has never been more important."

Patrick Murgo
Head of Safety, Security and Fire Services

Chapter Six

Safety, Security & Risk Management

RESCUE AND FIRE-FIGHTING SERVICES

While maintaining a safe airport environment remains the primary role of the Rescue and Fire-Fighting Services department at Malta International Airport, the year under review saw the team take on new responsibilities to maximise the Company's resources. During the last quarter of 2020, members of the department were tasked with the fumigation and sterilisation of potentially contaminated areas inside the terminal, enabling the Company to respond more efficiently when positive cases were identified on the Malta International Airport campus. The training provided to the Rescue and Fire-Fighting Services team in this regard was endorsed by the Superintendence of Public Health.

Additional in-person training to perform rescue operations from heights and in confined spaces was also provided to 15 fire-fighters in 2020, while theoretical training relating to the handling of dangerous goods, ladder work, emergency marshalling and the use of breathing apparatus was provided through Malta International Airport's e-learning platform. The department continued to digitise its operations in 2020, providing fire-fighters with portable tablets to report faults observed during terminal sweeps more efficiently through Malta International Airport's recently launched aerodrome safety platform, Centrik.

A €2.9 million investment in Malta International Airport's fire-fighting vehicle fleet modernisation programme saw the Company procure a low-emission Rosenbauer Panther 8×8 fire truck as well as two Panther six-wheel-drive fire trucks. While the former vehicle was delivered from Austria in summer 2020, the latter two were added to Malta International Airport's rescue and fire-fighting vehicle fleet during the first quarter of 2021. Four fire-fighters on each work shift have thus far been trained to operate the Rosenbauer fire trucks.

In order to maximise the available space at the fire-fighting training grounds, the Company invested in the conversion of an outdoor area into an open-air gym. Designed with fire-fighter health and wellness in mind, the fitness facility is equipped with strength and cardio equipment which will enable the fire-fighting team to build their endurance and strength to be able to better respond to emergency scenarios. Plans for the refurbishment of the airport's fire station shall be concluded in 2021. Furthermore, refurbishment works on the department's indoor gym facilities were completed in 2020.

SECURITY

Enhanced security was a main driving force behind the airport's digital transformation in 2020. The adoption of state-of-the-art building automation and fire detection and control systems provided the airport with fail-safe mechanisms which ensure a secure and energy-efficient terminal building operation.

The airport's secondary data centre was also upgraded to reduce risk and ensure the centre's resiliency. Malta International Airport continued with its internal digitalisation programme to increase the efficiency of everyday processes, including the airport's security pass application system, which has become fully digitised and more secure.

During the year under review, the Company also continued to deploy Computed Tomography technology around the terminal, investing a total of €2.5 million in state-of-the-art hold baggage scanning equipment which has provided Malta International Airport with vastly improved threat-detection capabilities.

RISK MANAGEMENT

Malta International Airport's Risk Management Framework permits the Company to effectively assess, manage and mitigate its risks on a systematic basis providing the overall risk profile as well as the security to respond to crisis situations and, consequently, safeguard the assets and interests of the Company and its shareholders.

Malta International Airport's primary champion for risk identification and control is the Risk Management Committee, which convenes several times per year to discuss recent developments and review the Company's risk management approach, directly involving all departments in the Company's risk management process. The Risk Management Committee is also entrusted with formulating and reviewing the airport's Risk Register and assessing the risk occurrence in relation to the acceptable risk appetite, as defined by the Company's Board of Directors. Heinz Lachinger, the Company's new Head of Finance, was appointed chairman of the Risk Committee during the year under review, taking on the role from his predecessor Thomas Wohlfahrtstaetter on the 1st of July 2020.

In light of the extraordinary circumstances of Covid-19, classified as a grey swan event by the Risk Committee, a comprehensive risk review was conducted, resulting in an additional pandemic risk being included in the Company's risk register. Despite the fact that the crisis experienced in 2020 did not originate in a financial environment, the Covid-19 pandemic is expected to have far-reaching economic consequences. Consequently, the decision was taken to share the risk ownership between the Operational Health and Safety and Finance departments, with a focus on measures to manage and mitigate both aspects.

The rapid pace at which the pandemic spread worldwide demonstrated the vulnerability of the international aviation industry, to which a severe blow was dealt following the enforcement of unprecedented travel measures and restrictions. To date, the industry lacked a track record in dealing with highly relevant but simultaneously rare events, such as a pandemic. Nonetheless, given the substantial implications which the pandemic had on Malta International Airport's operations during the year under review, compromising business continuity and impacting the wellbeing of the Company's workforce, the Risk Committee assigned the highest impact rating of 'Critical' to the pandemic risk.

> "Revenue diversification, and further investment in our Company's retail and property segment, will be crucial in building financial resilience beyond 2020."

George Mallia
Head of Retail and Property

Chapter Seven

Retail & Property

Retail & Property

THE PANDEMIC OUTBREAK HAS UNDERSCORED THE IMPORTANCE OF REVENUE DIVERSIFICATION IN BUILDING FINANCIAL RESILIENCE. DURING THE YEAR UNDER REVIEW, MALTA INTERNATIONAL AIRPORT FORGED AHEAD WITH TWO IMPORTANT INVESTMENTS WITHIN THE RETAIL AND PROPERTY PORTFOLIO – THE CONSTRUCTION OF PARK EAST AND THE CARGO VILLAGE EXPANSION – WHICH ARE EXPECTED TO SUPPORT THE COMPANY'S RECOVERY IN THE MEDIUM TERM.

IN PARALLEL WITH THIS, THE COMPANY CONTINUED TO AID CONCESSIONAIRES OPERATING FROM MALTA INTERNATIONAL AIRPORT THROUGH MARKETING INITIATIVES AND SUPPORTED THE OUTLETS IN RE-OPENING SAFELY FOLLOWING THE AIRPORT'S CLOSURE IN THE SECOND QUARTER OF 2020.

RETAIL & DINING

Malta International Airport supported both landside and airside outlets in the preparation for their re-opening. The introduction of new health and safety measures, which were in line with the public health authority's guidelines, ensured that customers could be given a safe welcome once again. To ensure the sustainability of our partners' operations, the segmentation of the terminal into zones was specifically designed to allow for the retention of our airport's landside, retail and dining offering without compromising the appropriate segregation of travelling passengers and visiting guests. This measure resulted in crucial cost savings for concessionaires, while simultaneously enabling the Company to retain the standard of service and offering which guests have come to expect from Malta International Airport.

In parallel with the implementation of health and safety efforts, the airport's landside outlets continued to improve their existing e-commerce platforms and offer delivery options to their clientele.

In an effort to reduce operating costs to the maximum feasible extent, outlets, notably those at airside, revised their opening hours in alignment with the flight schedule, and concessionaires operating several airport outlets opted for the closure of at least one of their shops.

During the year under review, dining outlets Cucina Italiana and Fat Harry's Pub closed their doors, as Malta International Airport set in motion a complete overhaul of the airport's food court on Level -1 with the publication of two calls for offers in relation to this investment. Plans for the revamped food court were submitted for Board approval in the first quarter of 2021. The space previously occupied by fashion accessories brand Claire's, which closed its doors in the first quarter of 2020, will soon be occupied by Sunday in Scotland, offering handmade chocolate, French pastries and warm beverages.

CAR PARKING FACILITIES

The steady growth in passenger traffic between 2009 and 2019 led Malta International Airport's available car parking facilities to near their capacity limit, especially during peak months. This challenge was met with an investment of €20 million in the construction of a multi-storey car park, Park East, which has introduced 1,300 covered parking spaces on the airport campus for airport guests, employees and stakeholders.

For passenger convenience, the offices of 17 local car rental agencies relocated to Park East in the first quarter of 2021.

The complex is also expected to be a net zero energy building, with the installation of a 750 kWp roof-mounted photovoltaic system being slated for 2021. Malta International Airport issued a call for the supply and commissioning of this system in the last quarter of 2020, and is currently in the process of reviewing the offers received.

CARGO VILLAGE

Malta International Airport's Cargo Village project will equip the airport with better cargo-handling capabilities and create an additional 1,200 square metres of warehousing space. 900 square metres of the said warehousing space will be occupied by C&C Express, the local licensee of Federal Express Corporation and TNT, following an agreement which was reached during the year under review.

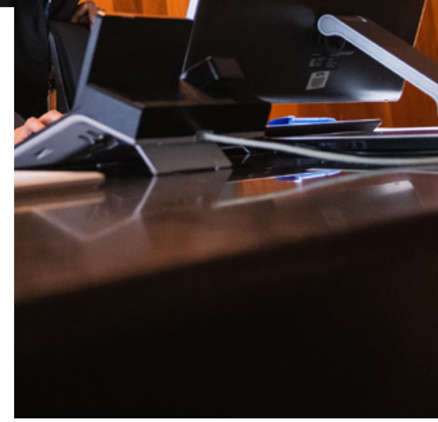
The project is being executed in two phases, the first of which entailed the extension of a DHL warehousing facility and the development of a car park accommodating circa 315 vehicles. While the first phase was completed in the last quarter of 2020, works on the second phase, which will see through the development of the new warehousing area, are ongoing.

SKYPARKS BUSINESS CENTRE

The opening of a new Wagamama restaurant in December 2020 continued to build on the varied service offering which is available at SkyParks Business Centre. The Forestals Tech branch at SkyParks closed its doors in the last quarter of 2020, while Headlines stationery is set to be replaced by an 8TillLate outlet in 2021.

In the coming years, the Company will be growing its real estate portfolio further, as a multi-million-euro investment in the development of a second business centre, SkyParks 2, begins to take shape. The development will not only secure additional revenue deriving from concessions and office space rentals, but will also introduce a nine-floor hotel with a rating of 4 stars on the airport campus. Following calls for proposals, a hotel operator was shortlisted by the Board of Directors in the first quarter of 2021. Works are now underway on aligning the final hotel design to that of the business centre. A call for tenders for the construction of the SkyParks 2 development will be issued by the Company in the coming months.

The Company will commence works on the safe installation of an EU-compliant fuel station infrastructure on the airport campus, which will replace the fuel station currently located beside SkyParks Business Centre, during the second quarter of 2021, following the approval of the Company's Board of Directors. Once completed, the Company will publish a call for tenders for the decommissioning of the existing fuel station and phased demolition of the above-ground infrastructure to allow preliminary works on the SkyParks 2 project to be carried out.



LA VALETTE CLUB

The La Valette lounges and the VIP Terminal were two areas whose re-opening in July 2020 necessitated considerable preparation and coordination. In line with the authorities' guidelines, the buffet option at the La Valette Departures lounge was replaced by table service. To ascertain that social distancing measures were observed in the lounge, seating capacity was reduced to allow for tables to be spaced further apart. Guests were required to pre-book their visit and were assigned a table upon checking in at the lounge reception.

The circumstances triggered by the pandemic led the Company to accelerate the introduction of Press Reader, a virtual application which provides guests with access to over 7,000 international publications on their mobile phone or tablet, at the La Valette lounge. This digital application has allowed for the phasing out of printed materials from the lounge, enabling La Valette Club to offer a contactless and more environmentally sustainable alternative. Disposable single-use plastic bottles were also eliminated from La Valette Club lounges during the year under review, following the installation of reverse osmosis water filtration systems.

La Valette Club's continued efforts to improve Malta International Airport's VIP services were noted by the world's largest lounge network Priority Pass, which chose La Valette Club, from around 1,300 airport lounge operators worldwide, to participate in its Lounge Legends campaign. This campaign recognised the people who have remained focused on delivering a 5-star service in lounges across the globe, despite the challenges brought by Covid-19.

Chapter Eight

Corporate Responsibility

"Economic, social and environmental sustainability will be integral pillars of our strategy for recovery. We seek to return to a profitable operation, which benefits the people who are dependent on the success of our Company and always takes into account the wellbeing of our planet."

Justine Baldacchino
Sustainability and Analytics Manager

Corporate Responsibility Strategy

MALTA INTERNATIONAL AIRPORT'S COMMITMENT TO THE HIGHEST STANDARDS OF CORPORATE RESPONSIBILITY (CR) IS REFLECTED IN THE TWO-FOLD LONG-TERM STRATEGY THE COMPANY HAS ADOPTED IN THIS REGARD. THIS STRATEGY HAS BEEN GUIDING THE COMPANY'S EFFORTS TO CONDUCT ITS BUSINESS IN AN INCREASINGLY RESPONSIBLE MANNER, WHICH HAS LEFT A POSITIVE IMPACT ON THE AIRPORT'S STAKEHOLDERS AS WELL AS THE WIDER COMMUNITY AND THE ENVIRONMENT, FOR THE PAST YEARS.

During the year under review, the Corporate Responsibility Committee continued to drive projects and initiatives geared at the management of the Company's social, economic and environmental impacts. A transparent analysis of the Company's initiatives as well as any shortcomings related to these pillars of sustainability are presented in Malta International Airport's annual Sustainability Report. This annual publication is prepared in line with the internationally recognised Global Reporting Initiative (GRI) standards, with selected indicators being independently audited by PwC. A summary of this report is available on pages 72 to 79.

The Malta Airport Foundation, on the other hand, was constrained to put some of its projects on hold due to the Covid-19 pandemic. However, it sought new opportunities for being a force for good in the community, with a special focus on projects and initiatives undertaken within Malta International Airport's neighbouring villages. More information about the Malta Airport Foundation's projects for the year under review is presented in the next pages of this report.

Malta Airport Foundation

THE MALTA AIRPORT FOUNDATION WAS SET UP IN 2014 – AN INDEPENDENT, NON-PROFIT ORGANISATION FOCUSING ON SUPPORTING PROJECTS AND INITIATIVES AIMED AT PRESERVING, CONSERVING AND PROMOTING THE MALTESE ISLANDS' HERITAGE AND ENVIRONMENT FOR THE BENEFIT OF LOCALS AND TOURISTS ALIKE.

The unprecedented events that unfolded during 2020 led the Malta Airport Foundation to put on hold the inauguration of the newly restored Combined Operations Room in Valletta, a wartime project in which the Foundation invested €334,000, and resort to taking up smaller scale initiatives, some of which were based online. Malta Airport Foundation ambassador soprano Nicola Said, in fact, gave an online performance in May 2020 when Malta's theatres were closed as part of local efforts to contain the spread of Covid-19.

The Foundation Board too resorted to online meetings, convening virtually four times during the year under review to identify and create new opportunities for the organisation. The members of the Board are:

Josef Formosa Gauci
Chairman

Frank Salt
Co-Administrator

Prof. Timothy Gambin
Co-Administrator

Karmenu Vella
Co-Administrator
Appointed on 2 March 2020 and ceased to be a Board member on 24 September 2020

Kevin-James Fenech
Secretary to the Board of Administrators

TWO UNDERWATER CLEAN-UPS RID THE SEABED OF AROUND 1.6 TONNES OF WASTE

Two clean-ups organised by the Malta Airport Foundation in August 2020 brought together 49 divers, 2 snorkellers, and several other volunteers to rid part of the seabed in the south of Malta of marine waste.

Over five hours, a group of volunteers at Birżebbuġa brought to the surface around 700 kilos of waste mainly consisting of plastic jerry cans and bottles, discarded pieces of mooring rope and broken boat parts. Another dive team at Wied iż-Żurrieq collected numerous glass and plastic bottles, as well as an array of bulky items, including 53 tyres, a metal ladder, bollards, concrete sinkers and large metal pipes, amounting to around 900 kilos.

These clean-ups were organised in line with the Malta Airport Foundation's strong commitment to raising awareness about marine conservation and working towards improving the quality of the waters surrounding the islands for the benefit of locals and tourists visiting Malta. Beaches and diving, in fact, consistently rank among tourists' top ten reasons for visiting the Maltese Islands.

THE COMPLETION OF THE SEABIN PROJECT

Hot on the heels of the aforementioned clean-ups, the Malta Airport Foundation announced that two Seabins that it had sponsored were up and running in the southern localities of Marsaxlokk and Marsascala. The approval of these two Seabins, in fact, marked the strategic roll-out of the Seabin Project, which is spearheaded locally by NGO Żibel, in the southern region of the island.

Designed to be inconspicuous yet effective, Seabins are particularly efficient in gathering waste that is otherwise difficult to collect due to its size, such as microplastics, as well as skimming the sea surface for floating oils and other pollutants. The Marsaxlokk and Marsascala Seabins can filter around 432 million litres of water between them over the course of a year.

THE LAUNCH OF FOUNDATION TALKS

2020 saw many businesses and organisations venture into the digital space in an effort to retain their visibility among their audiences despite the many Covid-induced setbacks. The Malta Airport Foundation too made the leap online with the launch of a new initiative titled Foundation Talks.

Aiming to start an accessible conversation about Malta's cultural, artistic and environmental heritage, Foundation Talks is a series of one-on-one interviews with experts and researchers with whom the Foundation has collaborated on a number of projects since its establishment in 2014.

The series was kick-started with an interview with Andrew Schembri, one of the co-founders of NGO Żibel, which was streamed on Malta International Airport's Facebook page in December 2020. The eye-opening interview centred on marine litter, the Seabin, single-use plastics, and how seemingly small day-to-day changes in behaviour and consumption can make a huge difference to the environment in the long run.

Other interviews streamed in 2021 included the contribution of Prof. Alan Deidun, with whom the Foundation partnered on the production of the Filfla and Comino documentaries, Dr Charlene Vella, who led the Foundation-supported restoration of the 15th-century triptych of the Madonna del Soccorso, and Dr Stanley Farrugia Randon, who was instrumental to the completion of the Foundation-financed restoration of Torri Xutu.

THE PHOENICIAN SHIPWRECK PROJECT: THE 2020 SEASON

The Phoenician shipwreck – the oldest known shipwreck in the central Mediterranean – was discovered back in 2007 off Xlendi Bay in Gozo at an impressive depth of 110 metres. The Malta Airport Foundation has been supporting this ongoing project, which continues to yield new discoveries and artefacts with the help of state-of-the-art technologies, since 2018.

Despite the fact that the Covid-19 pandemic brought about an onslaught of challenges, the team successfully completed the fieldwork it set out to conduct in 2020. An array of ceramic artefacts and organic materials were recovered from the site, and these may provide insights into important questions related to trade networks and ship construction, as the research team continues to garner a better understanding of the significance of this archaeological site.

The research team organised a number of talks throughout the year in an effort to raise awareness among the public about this site, which is an important part of Malta's underwater heritage. The Malta Airport Foundation supported these outreach initiatives with the publication of a behind-the-scenes video, which highlighted the preparations and manpower needed for a series of successful dives to the site.

Moreover, the Phoenician shipwreck was one of the first 10 sites to be included in the launch of the Virtual Museum - Underwater Malta, which uses 3D, virtual reality, video, and photography to provide access to Malta's unique underwater cultural heritage.

Performance Summary of the 2020 GRI Report

AS PART OF ITS COMMITMENT TO OPERATE IN A SUSTAINABLE MANNER, MALTA INTERNATIONAL AIRPORT COMPILES AND PUBLISHES AN ANNUAL SUSTAINABILITY REPORT IN ADHERANCE WITH THE INTERNATIONALLY RECOGNISED GLOBAL REPORTING INITIATIVE (GRI) STANDARDS.

This transparent reporting exercise guides the Company's efforts in monitoring and measuring its economic, environmental and social impacts, whilst allowing it to address any shortcomings in relation to these three pillars as well as identify new sustainability opportunities.

Certain economic, environmental and social targets that were set by the Company for the year under review were unmet due to the Covid-19 pandemic and its impact on the business.

However, other targets, notably environmental ones related to utilities, became more easily attainable due to the crisis and its decimating effect on the number of passengers handled by Malta International Airport in 2020.

The next pages present a summary of the Company's sustainability performance, while the full report will be made available on Malta International Airport's website www.maltairport.com in June 2021.

Environmental Performance

2020 was an important year in terms of environmental milestones. Shortly after the official appointment of the first Sustainability Manager who is responsible for leading the airport's sustainability journey, particularly by steering the Company's progress in relation with ACI's Airport Carbon Accreditation Programme, the Company published its annual Environmental Plan. While the Covid-19 pandemic and its negative impact on Malta International Airport's operations affected some of the results being reported here, the Company's long-term commitments have remained unchanged, especially in relation to energy, water and waste management.

GOAL 1: Continued energy management as part of the Company's commitment to minimising its carbon footprint

ENERGY MANAGEMENT AND EMISSIONS INTENSITY

Throughout the year, the Company continued to implement its energy-saving programme, completing major lighting upgrade works around the airport campus, notably on the airfield. Older lighting systems on Runway 13-31, Runway 05-23 and Apron 9 were replaced with more energy-efficient alternatives, which are expected to consume up to 77% less energy. In parallel, clean energy generated by the Company's PV systems more than doubled over 2019 to stand at 2,106,340 kWh at end year. This significant increase can be partly credited to the commissioning of a 998 kWp PV system in the third quarter of 2019, with its full benefits being reaped for the first time in 2020.

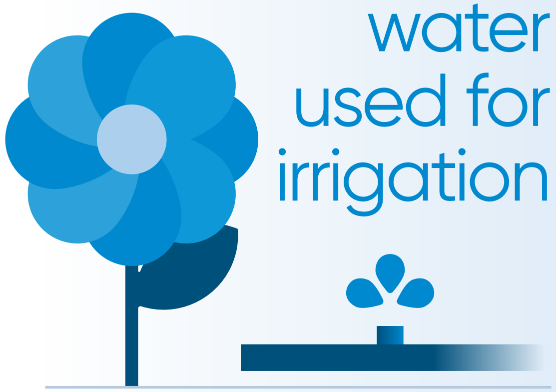
The Company has been using the GHG intensity metric since 2016 to quantify its emissions. Since then, year-on-year drops in CO_2 emissions have been registered, with an all-time low of 0.74kg of CO_2 per passenger reached at the end of 2019. While further drops in this regard were being eyed at the beginning of 2020, the decimating effect of the Covid-19 pandemic on the number of passengers handled by Malta Airport necessitated the revision of the original target of 0.73kg to a target falling in the range of 1.93kg – 2.69kg. As passenger traffic for 2020 dropped by 76.1%, the actual emissions intensity for the year stood at 2.24kg of CO_2 per passenger.

FUEL CONSUMPTION

Given the slower operation and the consequent impact on the use of operational cars, the original fuel target of 90,000 litres was revised downwards to a range of between 63,000 and 72,000 litres. The total amount of fuel consumed during the year under review registered a drop of 28.7% compared to 2019. Diesel consumption decreased by 26,000 litres or 30.5%, while petrol consumption increased by 1,000 litres or 49%.

The decrease in diesel consumption stemmed from slower operations, the discontinuation of a shuttle service for employees and stakeholders, and the introduction of more energy-efficient vehicles. It is worth noting that the rise in petrol consumption resulted from the new hybrid vehicles running on a combination of electrical power and petrol rather than diesel. A total of 14 hybrid vehicles replaced older cars during the year under review as part of the Company's ongoing fleet replacement programme.

20.7% drop in water used for irrigation



GOAL 2: Continued improvements in water management

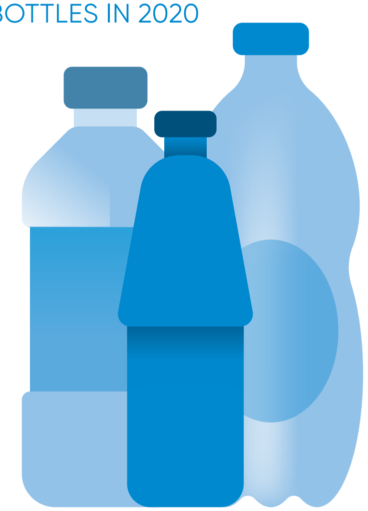
A decrease of 9,812 litres (-15.5%) in net water consumption when compared to 2019 can be mainly attributed to a slower operation during the year under review. However, the implementation of a programme aimed at more effective and accurate metering and monitoring in 2020, can also be partly credited for water savings. One of the aims of this programme is to immediately identify and rectify any water leakages, and this was clearly reflected in the volume of water used for irrigation (which is part of the non-potable water consumption segment) which was roughly half of the total used in 2019. In turn, this drove the volume of water purchased from borehole supplies downwards, which drop was partly offset by a decrease in rainwater harvesting due to low precipitation levels.

GOAL 3: Continued improvements in resource and waste management

The drive to continue eliminating single-use plastic remained at the core of the Company's resource and waste management efforts. The Company succeeded in lowering its plastic consumption over 2019 by a further 4,630 kilos. In 2020, plastic water bottles which were previously made available at the La Valette lounge were replaced by a reverse osmosis system and cans of sparkling water. Paper waste, on the other hand, increased by 2,315 kilos over 2019, a rise which can be attributed to the clearing of the Company's archives during the airport's quietest months and better waste separation efforts.

700,000
PLASTIC BOTTLES IN 2019

115,000
PLASTIC BOTTLES IN 2020



Concluding Observations

Following the submission of its Level 2 Airport Carbon Accreditation Programme application at the beginning of the year, the Company received the news that it was eligible to progress to this level in March 2021. Having issued a call for proposals for the installation of a 750 kWp PV system at its recently inaugurated multi-storey car park towards the end of 2020, plans are for works on the installation of the system to commence in 2021. Once commissioned, this PV system will further increase the Company's clean-energy generation capacity. Another noteworthy development was the setting up of a Sustainability Working Group in February 2021, which will drive initiatives that are aligned to the Company's Environmental Plan under the leadership of the Sustainability Manager.

Economic Performance

The huge impact of the Covid-19 pandemic on air travel led Malta International Airport to register a 76.1% drop in passenger numbers over 2019. This poor traffic result, in turn, resulted in the Company's first loss-making year since the airport's privatisation in 2002. Despite the fact that the Covid-19 pandemic wiped off €68 million in revenue, the Company succeeded in curbing its net loss through the timely implementation of a strict cost-cutting and liquidity preservation programme, aimed at ensuring Malta International Airport's sustainability and safeguarding the long-term interests of its key stakeholders.

GOAL 1: Further increase passenger traffic in the winter and shoulder months

2020 started with positive passenger traffic results, with January and February growing by 14.2% and 17.3% respectively over 2019, in line with the Company's strategy aimed at addressing seasonality. These positive results turned into a downward trend in March 2020 as the first cases of Covid-19 were reported in Europe and the government banned all commercial operations towards the end of the month leading to an exceptionally difficult second quarter, during which passenger movements plummeted by around 99%. Following Malta International Airport's reopening to commercial flights in July, drops in passenger numbers for the second half of the year ranged between 69.4% and 91.9%, as travel bans, restrictions and new virus variants continued to eat away at consumer confidence.

GOAL 2: Aim for a 70:30 revenue split between the aviation and non-aviation streams

Diversification has long been an integral part of Malta International Airport's business strategy, enabling the Company to bolster its resilience over the years. When the Covid-19 pandemic struck, grounding commercial flights in the second quarter of 2020 and restricting air travel in the second half of the year, the value of diversified revenue streams was further highlighted. While revenue from the Company's aviation segment registered a drop of 74.8% to stand at €17.9 million at year-end, revenue from the non-aviation segment, which includes rents, parking, and VIP products, decreased by 51.4% to total €14.3 million. Despite the fact that aviation revenues were hardest-hit, this segment remained the main revenue driver as it contributed a share of 55.5% of total revenues.

GOAL 3: Increase Malta International Airport's positive impact on the economy using the Return on Equity Metric

Return on equity (ROE) is measured by net income divided by shareholder equity. Given that the Company incurred a net loss of €4.3 million – hence having no net income for the year ended 31 December 2020 – a negative return on equity ensues.

GOAL 4: Further increase Malta's direct connectivity through route development

New developments for 2020, including the introduction of the Stuttgart route served by two airlines, the addition of Brindisi and Trapani to the airport's already-extensive Italian route network, and plans for an increased Qatar Airways winter schedule were all upended by the Covid-19 pandemic. As unprecedented uncertainty dominated the aviation industry throughout the year under review, the Traffic Development Team at Malta International Airport, together with key local tourism stakeholders, focused on strengthening communication with partner airlines and lending any support necessary.

Concluding Observations

Malta International Airport is confident that strong traffic and financial results over the years have equipped it with resilience to face further challenges and eventually start its journey of recovery to pre-Covid levels. This said, the Company continues to adopt a cautious approach to cash management, exercising vigilance of developments in the aviation industry and taking any mitigation measures deemed necessary. In rebuilding Malta's route network, the Company will seek sustainability over quick gains and aim to achieve a balanced business mix. Additionally, the Company will continue to widen its retail and property portfolio through strategic investments aimed at supporting its medium-term recovery.

Social Performance

Whereas the Company generally prioritises the development of its people's skills through an extensive training programme, during the year under review non-essential training plans were put on hold due to Covid-19. Operating in a crisis scenario stemming from a global health threat, the Company intensified and adapted its efforts to safeguard the mental and physical wellbeing of the team. In parallel with its internal initiatives, the Company sought to support several organisations in their various missions within the local community and beyond our shores.

GOAL 1: Support the community through 100 hours dedicated to volunteering activities and fund-raising events and clean-ups

Covid-19 forced the Company to drastically revise its calendar of employee-driven events. Despite the limited number of fund-raising activities throughout 2020, which included the Company's first online Christmas raffle, a sum of €3,000 was collected and donated to Dr Klown. Other donations from the Company's Corporate Responsibility fund benefitted several children's homes at Christmastime and the Malta Community Chest Fund, which is instrumental in ensuring that locals needing to undergo treatment abroad receive adequate support. In August 2020, Malta International Airport financially supported a group of Maltese chefs in setting up a soup kitchen for the Beirut explosion victims, and donated several food pallets worth almost €8,000. Another sizeable donation was made towards the setting up of a music school for children with mixed abilities.

GOAL 2: Develop an outreach programme aimed at providing students and new graduates with learning and on-the-job opportunities through initiatives including school visits, placements and the Graduate Management Programme

Given the heavily reduced operation and cost-cutting measures in place, during the year under review, no apprentices, student workers and new graduates were engaged or recruited by the Company. Additionally, no school visits were facilitated by Malta International Airport as a health and safety precaution. Through the Malta Airport Foundation, in 2020 the Company started putting together an educational underwater package, which is envisaged to be completed and donated to primary and secondary schools in Malta and Gozo in 2021, in an effort to enhance ocean literacy among students.

GOAL 3: Continue to develop the skills of the workforce through the provision of more than 31 hours of training per employee

The Covid-19 pandemic led the Company to take cost-cutting measures in order to preserve its liquidity and, in turn, the long-term interests of its stakeholders. In line with these mitigation measures, the Company's training programme for 2020 was scaled back to retain only essential and in-house training. In-house training was provided both through in-person and virtual sessions, with the latter having been delivered through the Company's newly launched e-training platform. By the end of the year under review, the Company had provided 5,247 hours of training, despite considerable financial and health and safety challenges, with each employee benefitting from an average of 15 training hours rather than the targeted 31 hours.

GOAL 4: Establish wellbeing key performance indicators as part of a wider plan to gauge overall employee wellbeing

In response to the Covid-19 outbreak, the Company significantly stepped up its efforts to safeguard the wellbeing of its employees, notably by adopting new Occupational Health and Safety protocols, introducing the possibility to work from home, and extending an existing free counselling initiative in collaboration with the Richmond Foundation. An encouraging 81% of employees who responded to the Company's Covid-19 Survey agreed with the statement that the health and safety measures taken by the Company made them feel safer coming in to work during the pandemic.

Greater flexibility through the creation of an Employee Leave Bank also formed an important part of the Company's efforts to safeguard its team's wellbeing. 5,600 hours of special quarantine leave granted to 96 employees were aimed at containing the spread of the virus among the workforce. Additionally, 25 employees whose leave balance was low were granted 650 hours of leave from the communal Leave Bank to be able to better strike a balance between work responsibilities and new responsibilities, such as the care of young children when schools were closed, arising from the Covid-19 situation.

Concluding Observations

Throughout 2021, the Company will continue to prioritise training and mental health through the introduction of new initiatives, continue to facilitate work from home by leveraging technology, and aim to fill 75% of any vacancies that may arise at leadership level through internal promotions in an effort to reward and retain the best talent. Throughout the year, the Company will also be auditing existing policies, procedures and practices to ensure that equality is truly promoted through these documents, and in preparation for the submission of the application to achieve the Equality Mark in 2022.

Chapter Nine

Outlook 2021

Outlook 2021

WHILE NEGATIVE PASSENGER TRAFFIC TRENDS TRIGGERED BY THE COVID-19 PANDEMIC DURING THE YEAR UNDER REVIEW RESULTED IN AN ALMOST COMPLETE PARALYSIS OF THE COMPANY'S AVIATION REVENUE, A SUSTAINABLE RECOVERY STRATEGY AND LONG-TERM SUCCESS REMAIN MALTA INTERNATIONAL AIRPORT'S KEY OBJECTIVES.

While revenues deriving from the airport's retail segment will also continue to be impacted by declining passenger volumes, the Company will continue to support its landside and airside outlets in promoting their respective offerings, while also investing in contactless technologies to address the growing health and safety concerns of airport guests.

To prevent capital depletion, the Company has decided to push back its ambitious €100 million expansion plans, which were unveiled in January 2020, deferring major capital expenditure projects until it is in a better position to assess Malta International Airport's recovery. In the interim, the Company will proceed with projects aimed at diversifying its revenue streams further, and giving the Company an immediate return.

SHAREHOLDER DIVIDEND

At the onset of the Covid-19 pandemic, Malta International Airport took decisive action to mitigate the Company's liquidity risk, activating strict cash flow management measures aimed at facilitating the airport's economic recovery once the situation normalises.

In light of the fact that Malta International Airport's Board of Directors considers the Company's earnings and financial position as well as macroeconomic stability when proposing shareholder dividends, a unanimous decision to withdraw its recommendation for the declaration of a dividend of €0.10 cents per share in February 2020, over and above the interim dividend of €0.03 cents per share paid in September 2019, was taken in April 2020. No other dividend was proposed or paid during the year under review.

As the Company instated further cost-cutting measures deemed necessary to preserve liquidity in 2021, including tiered salary reductions ranging between 5% and 15%, the Board of Directors also decided against the recommendation of payment of a dividend to shareholders in February 2021.

The Company will continue to keep an open line of communication with investors and shareholders, providing accurate information and transparent situational reporting. As a health and safety precaution, the Company's 28th Annual General Meeting was held virtually in November 2020, with the Company's 29th Annual General Meeting following suit in May 2021.

PASSENGER TRAFFIC FORECAST

Considering the fluidity of the current situation and limited visibility of the way ahead, the Company does not have sufficient data to provide a dependable forecast in terms of passenger numbers or reliable guidance with regard to financial results for 2021.

Forecasts issued by Airports Council International Europe in January 2021 show that the European airport industry will not see the first signs of recovery in passenger traffic before the third quarter of the year, as passenger volumes are predicted to remain low during the first and second quarters of 2021, with a decline ranging between 68% and 77% when compared to 2019.

Should European countries continue to impose travel restrictions haphazardly throughout 2021, Airports Council International predicts a slower recovery for the airport industry, providing a more pessimistic outlook for the year characterised by sharper drops in passenger numbers for the second half of the year with a decline ranging between 40% and 57%, resulting in an overall decline in passenger numbers for 2021 which ranges between 56% and 64%.

Chapter Ten

Remuneration Report

Remuneration Report by Malta International Airport plc for the Year ended 31 December 2020

THIS REPORT ON THE REMUNERATION OF MALTA INTERNATIONAL AIRPORT PLC'S (THE "COMPANY" OR "MIA") BOARD OF DIRECTORS, INCLUDING THE CHIEF EXECUTIVE OFFICER (CEO) AND THE CHIEF FINANCIAL OFFICER (CFO), HAS BEEN DRAWN UP IN COMPLIANCE WITH THE REQUIREMENTS OF CHAPTER 12 OF THE LISTING RULES AND CONTAINS INFORMATION REQUIRED BY THE PROVISIONS OF APPENDIX 12.1 OF THE LISTING RULES.

The Company's remuneration of its Board of Directors and executive management is based on the Remuneration Policy adopted and approved by shareholders at the annual general meeting of 11 November 2020. This policy may be viewed on the Company's website at **www.maltairport.com/corporate/investors/publications.**

1. The Remuneration Policy

The Company's Remuneration Policy determines the basis for remuneration of all members of the Board of Directors of the Company. It defines the principles and guidelines that apply to both fixed and variable remuneration, including all bonuses and benefits, which can be awarded to directors and, in the case of variable remuneration, indicate the relative proportion between fixed and variable components.

The Company's Remuneration Policy is intended as a measure to attract and retain suitable candidates to serve as directors and to provide the Company with the appropriate skills, technical knowledge, experience, and expertise both for the determination of policies and strategies of the Company as well as the supervisory role of the Board.

The overall remuneration of the Board distinguishes between the remuneration of the non executive directors and executive directors. In the case of the non-executive directors, including the Chairman, the only component of remuneration is the fixed honorarium received by the non-executive directors, whilst in the case of the executive directors the remuneration consists of two components:

- The basic salary for the role as executive, and;
- A bonus linked to individual performance and the performance of the Company.

2. The decision-making process with respect to remuneration

The aggregate emoluments that may be paid to the directors, including the executive directors, is decided upon by the shareholders in the general meeting following a recommendation made to shareholders by the Board.

The Board then decides on the remuneration of the Chairman and the other non-executive directors consisting of a fixed honorarium to each director. The Board also establishes and approves the remuneration of the CEO and CFO with respect to their executive roles within the Company.

3. Key principles of remuneration

The Board of Directors of the Company consists of seven (7) individuals. Five (5) are non executive directors and two (2) are executive directors, including the CEO.

The aggregate remuneration approved by shareholders for the financial year ended 31 December 2020 was set at € 989,160. This includes components of remuneration of both non-executive and executive directors.

In accordance with Listing Rule 12.26 transposing the requirements of the new EU Shareholders' Rights Directive (2019), the Remuneration Policy was also approved by the shareholders at the last annual general meeting. This Policy requires the publication of an annual Remuneration Report, with the first year being 2021 for the year under review 2020.

Accordingly, this is the first year that the Company is publishing a Remuneration Report in line with the Remuneration Policy adopted by shareholders at the last AGM, and there are therefore no comparable figures based on the same Remuneration Policy approved in November 2020. The annual Remuneration Report will in future reports refer to previous financial years for comparability.

THE CHAIRMAN AND THE NON-EXECUTIVE DIRECTORS

Fixed Component

The Board believes that, in line with local practice, the fixed honorarium for non-executive directors is the principal component that compensates directors for their contribution as members of the Board. The Chairman's honorarium reflects the role as the most senior non executive director on the Board and as the person responsible, amongst others, for chairing Board meetings and co-ordinating Board assignments.

Non-executive directors who are also delegated to sit on a sub-committee of the Board or otherwise chair such a sub-committee, are paid additional fixed honoraria for each such assignment.

None of the non-executive directors have service contracts with the Company and each non-executive director serves from one annual general meeting to the next, when the appointment of directors is conducted at the annual general meeting. Accordingly, none of the non-executive directors are entitled to any compensation if they are removed from office. Such removal would require an ordinary resolution of the shareholders at a general meeting.

The directors are entitled to be paid travelling and other reasonable expenses incurred by them in the performance of their duties as directors. The Company does not remunerate the Chairman or the other non-executive directors in any other manner, nor does it provide any loans or other guarantees to them.

Variable Component

The Chairman and non-executive directors of the Company do not receive any variable component of remuneration.

Table 1 below shows the overall remuneration of the Chairman and non-executive directors for the financial year ended 31 December 2020.

Office	Fixed Honorarium	Remuneration for sitting on Subcommittees	Total	Remuneration 2020
Mr Nikolaus Gretzmacher	€ 23,294	-	€ 23,294	€ 20,964
Ms Rita Heiss	€ 9,318	€ 2,329	€ 11,647	€ 10,482
Dr Cory Greenland	€ 9,318	€ 2,329	€ 11,647	€ 10,482
Dr Wolfgang Koeberl	€ 9,318	-	€ 9,318	€ 8,386
Mr Florian Nowotny	€ 9,318	€ 2,329	€ 11,647	€ 10,482
Total	**€ 60,566**	**€ 6,987**	**€ 67,553**	**€ 60,796**

Table 1: Remuneration of non-executive directors

During 2020, due to the events occasioned by the Covid-19 pandemic and the material adverse impact which these had on the Company, the non-executive directors offered to have their salary reduced by 30% between April and July 2020. This reduction in remuneration is shown in Table 1.

EXECUTIVE DIRECTORS

The Company has two executives that are appointed members of the Board. The executive directors are the CEO and the CFO, both of whom have service contracts with the Company of a definite duration, which entitle them to a fixed salary.

Fixed Remuneration – Salary

The CEO was entitled to receive a gross salary for the financial year ended 31 December 2020 of €200,794. During 2020, due to the events occasioned by the Covid-19 pandemic and the material adverse impact which these had on the Company, the CEO offered to have his salary reduced by 30% between April and July 2020, and consequently the remuneration received for the year 2020 was of €180,766. The CEO also receives the following benefits: Insurance (Health-Private Hospital Scheme, Accident & Disability Insurance, and Directors & Officers' Insurance), a Company car and a fully expensed mobile phone service.

The CFO was entitled to receive a gross salary of €156,963 for the financial year ended 31 December 2020. During 2020, due to the events occasioned by the Covid-19 pandemic and the material adverse impact which these had on the Company, the CFO also offered to have his salary reduced by 30% between April and July 2020, and consequently the remuneration received for the year 2020 was of €141,318. The CFO also receives the following additional benefits: Insurance (Health-Private Hospital Scheme, Accident & Disability Insurance, and Directors & Officers' Insurance), a Company car and a fully expensed mobile phone service.

Variable Remuneration – Bonus

Both the CEO and the CFO are entitled to a bonus scheme which is linked to the performance of the Company and their individual performance over the course of the financial year. The Chairman sets targets at the beginning of the year to be reached by each executive, and then assesses the performance of each executive against the benchmarks set at the beginning of each year and awards the bonus accordingly. The variable component of the executive directors' remuneration is based on a balance scoring system which includes both financial and non-financial Key Performance Indicators (KPIs) and targets. The Chairman has full discretion in evaluating the performance and attainment of such KPIs and targets.

In the year 2020, the CEO received a bonus of €98,844, whilst the CFO received a bonus of €46,316, both in respect of the year 2019.

The foregoing Remuneration Report is being put forward to an advisory vote of the 2021 AGM in accordance with the requirements of the MFSA listing rule 12.26 L.

This Remuneration Report has been prepared by the directors and is signed by the Chairman as authorised by the board.

The contents of this Remuneration Report have been checked by the auditors as required by Listing Rule 12.26N and their report is appended herewith.

Nikolaus Gretzmacher
Chairman

16 March 2021

Independent Auditor's Report on Remuneration Report

to the members of Malta International Airport p.l.c.

REPORT ON REMUNERATION REPORT

Directors' responsibilities

Pursuant to Listing Rule 12.26K issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the Directors are required to draw up a Remuneration Report, whose contents are to be in line with the requirements listed in Append ix 12.1 of the Listing Rules.

Auditor's responsibilities

Our responsibility is laid down by Listing Rule 12.26N, which requires us to check that the information that needs to be provided in the Remuneration Report, as required in terms of Chapter 12 of the Listing Rules including Appendix 12.1, has been included.

Opinion

In our opinion, the Remuneration Report as set out on the preceding pages includes the information that needs to be provided in the Remuneration Report in terms of the Listing Rules.

Annabelle Zammit Pace as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District,
Birkirkara, Malta

16 March 2021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Chapter Eleven

Financial Report

Contents

General information

MALTA INTERNATIONAL AIRPORT P.L.C.
C 12663

Directors

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

C 12663

Auditor

Deloitte Audit Limited,
Deloitte Place,
Triq L-Intornjatur
Central Business District,
Malta.

Legal advisors

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

Directors' Report

Year Ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

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

Malta International Airport p.l.c. also has another 100% owned subsidiary; Kirkop PV Farm Limited, set up with the intention to explore opportunities in the generation of electricity using photovoltaic technologies. Kirkop PV Farm Limited, however, did not trade in 2020.

REVIEW OF THE BUSINESS

Traffic Development

Malta International Airport registered a drop of 76.1% in passenger traffic for the period covering January to December 2020 when compared to 2019, with a total of 1,748,050 passenger movements being registered during the year under review.

The negative performance resulted from several Covid-19 travel restrictions, including travel bans, which led to a drop of 63.4% in aircraft movements and a corresponding drop of 65.6% in seat capacity for the period under review. Additionally, seat load factor decreased by 24.9 % points to stand at 56.8%.

Cargo and mail handled throughout the year reached 17,086 tonnes, translating into a drop of 7.6% over the previous year.

2020 started on a positive note, with strong passenger growth registered in January (+14.2%) and February (+17.3%) as a result of increased seat capacity. However, passenger movements quickly started to decline by mid-March due to the global pandemic affecting international travel.

A total ban on all flights was issued by the Maltese Government on the 21st of March, leading to operations between April and June being limited to only repatriation, humanitarian, and cargo flights. 311 repatriation flights were carried out in Q2, with 94% of these being operated by Air Malta.

The 1 July marked Malta Airport's recommencement of operations as the travel ban was lifted for a selected number of markets, whilst further restrictions were eased in mid-July, also allowing passengers from the United Kingdom to travel to Malta.

Whilst the recovery trend following the reopening to commercial flights was encouraging, it was short-lived as the rise of Covid-19 infection rates throughout Europe quickly led to another downward trend in mid-August. Restrictions on passengers whose point of origin was Malta were imposed throughout Europe, whilst locally we saw the introduction of the Amber List, which resulted in the testing on arrival of passengers from countries on this list.

Travel restrictions were extended into Q4, which led to further route cancellations or suspensions. Throughout the winter season, eight airlines operated to primary European airports with minimal frequencies.

Traffic Highlights

	2020	2019	+/-	% Change
Passenger Movements	**1,748,050**	7,310,289	(5,562,239)	(76.1%)
Aircraft Movements	**18,982**	51,910	(32,928)	(63.4%)
Seat Capacity	**3,075,565**	8,938,602	(5,863,037)	(65.6%)
Seat Load Factor	**56.8%**	81.8%		(24.9 pp)
MTOW (in tonnes)	**710,754**	1,976,569	(1,265,815)	(64.0%)
Cargo and Mail (in tonnes)	**17,086**	18,498	(1,412)	(7.6%)

	Q1 2020	Q1 2019	% Change	Q2 2020	Q2 2019	% Change
Passenger Movements	**1,009,051**	1,202,983	(16.1%)	8,799	2,048,924	(99.6%)
Aircraft Movements	**8,467**	9,540	(11.2%)	822	14,366	(94.3%)
Seat Capacity	**1,449,061**	1,590,196	(8.9%)	54,817	2,481,493	(97.8%)
Seat Load Factor	**69.6%**	75.6%	(6.0 pp)	16.1%	82.6%	(66.5 pp)
MTOW (in tonnes)	**331,475**	362,080	(8.5%)	31,728	542,361	(94.2%)
Cargo and Mail (in tonnes)	**4,360**	4,435	(1.7%)	4,187	4,453	(6.0%)

	Q3 2020	Q3 2019	% Change	Q4 2020	Q4 2019	% Change
Passenger Movements	**533,504**	2,384,467	(77.6%)	196,696	1,673,915	(88.2%)
Aircraft Movements	**6,388**	15,748	(59.4%)	3,305	12,256	(73.0%)
Seat Capacity	**1,069,903**	2,737,442	(60.9%)	501,784	2,129,471	(76.4%)
Seat Load Factor	**49.9%**	87.1%	(37.2 pp)	39.2%	78.6%	(39.4 pp)
MTOW (in tonnes)	**227,538**	602,481	(62.2%)	120,013	469,648	(74.4%)
Cargo and Mail (in tonnes)	**4,287**	4,273	0.3%	4,253	5,337	(20.3%)

Operational Performance Indicators

Malta International Airport (MLA) has been participating in a survey developed and run by Airports Council International (ACI) since 2005. This survey measures the quality of the service and facilities that airports provide to passengers. Known as the ASQ (Airport Service Quality) survey, this benchmarking exercise is carried out in more than 300 airports worldwide, covering more than half the world's annual airline passengers.

Due to the impact of Covid-19 on aviation, 2020 saw the number of participating airports worldwide drop to just over 200. The number of European airports taking part in the ASQ survey also dropped from 114 airports in Q1, to just 33 airports in Q3 (in Q2 surveys were not carried out due to the travel ban) and 75 airports in Q4 which managed to carry out the data collection for each quarter, including MLA.

The objective of the survey is to measure passengers' satisfaction whilst traveling to/from an airport and to provide participating airports with research tools and customer insights to enable management to better understand passengers' needs and expectations with respect to the airport's products, services and facilities.

Over the past 10 years, MLA has consistently ranked among the top 5 airports in Europe. In both 2018 and 2019, the airport was awarded the "Best Airport" title in the 5-15 million passenger category.

The scores for the three quarters of 2020 are outlined below - Q2 was not covered due to the closure of the airport. The indicators are measured with a score ranging from 1-5, with 5 being the highest mark. The overall average score for 2020 is the highest ever achieved by MLA, with the different circumstances and difficulties faced throughout the year lending more weight to this score. A stronger performance was registered in all quarters, especially the fourth quarter for which a score of 4.53 was achieved.

The Company's target is that the airport will continue to rank within the top 5 ASQ positions in Europe for the foreseeable future, in line with the Company's vision of offering the best airport experience in Europe, which delights airport guests.

	2020	2019	+/-
1st Quarter	**4.43**	4.27	0.16
2nd Quarter	**n.a.**	4.36	
3rd Quarter	**4.43**	4.39	0.04
4th Quarter	**4.53**	4.43	0.10
Average for the year	**4.46**	4.36	0.10

In November 2020, Malta International Airport secured two prestigious accolades – 'Best Airport' in its size category and 'HR Excellence' - in the sixteenth edition of the Airports Council International (ACI) Europe Awards.

The judging panel in the 'Best Airport' category identified the setting up of a special Airport Care Team, the segregation of the terminal into zones, and the use of technology to ensure social distancing, as the initiatives that distinguished Malta International Airport from its peers, allowing it to secure the Best Airport Award.

A separate panel concerning the HR Excellence category praised Malta International Airport's communication with its employees, the company's initiatives to safeguard the team's physical and mental wellbeing, and the launch of e-training and recognition platforms allowing the team to continue learning and feeling engaged throughout the crisis.

Additionally, Malta International Airport's efforts to better understand travelling guests' rapidly evolving needs and expectations throughout 2020 were recognised by Airports Council International (ACI) World through the newly launched 'Voice of the Customer' initiative. Out of 1,933 airports worldwide represented by Airports Council International, 140 member airports, including MLA, received this prestigious certificate in recognition of their exceptional commitment to listening and engaging with customers during the Covid-19 pandemic.

Infrastructural Investments

To preserve its liquidity, the Group made substantial adjustments to its original capital expenditure programme for 2020, suspending all non-essential projects with immediate effect. Subsequently, the Company shifted its focus to the completion of major projects, namely the construction of the new multi-storey car park - 'Park East' - and the expansion of the cargo village, works on which were already at an advanced stage before the COVID-19 pandemic impacted the business. The overall capital expenditure amounted to EUR 16.3 million during the year under review.

Works on the EUR 20 million multi-storey car park project, Park East, which commenced in 2018 were completed towards the end of the year under review, with the investment amount in this project in 2020 amounting to EUR 9 million. The installation of a roof-mounted photovoltaic system during 2021 will enable the Company to run Park East as a net-zero energy building.

In order to increase its cargo-handling capabilities, Malta International Airport is focusing on the creation of an additional 1,200 square metres of warehousing space through the Cargo Village expansion project. The first phase of this project, which entailed the extension of warehousing and car park facilities, was completed in 2020 with an investment of EUR 2.2 million.

In line with its commitment to the highest levels of safety and security, Malta International Airport has invested a total of EUR 2.9 million to modernise its fire-fighting vehicle fleet. This investment programme provides for the procurement of three fire trucks. The first one of these trucks, which amounted to EUR 1.2 million, was delivered in summer 2020, while the delivery of the remaining two is scheduled for the first quarter of 2021.

Throughout 2020, the Company also focused on its digital transformation. A new building automation and fire detection system, providing fail-safe technology for a secure operation of the terminal building, was implemented during the year under review. Additionally, in line with best risk management practices, the secondary data centre received an upgrade.

The Group also continued to carry out projects and works which were essential to the maintenance of the Group's assets, most notably the airfield infrastructure. Improvements were carried out on the airfield through the installation of new centre lights on Runway 13-31, an upgrade of the floodlight system of Apron 9, and the installation of high-intensity Runway Threshold Identification Lights on Runway 23-05.

To comply with the Covid-19 Aviation Health Safety Protocol issued by the European Aviation Safety Authority and local public health protocols, among other precautions, the Company invested in and installed thermal screening cameras, covering passenger and employee entrances into the terminal building.

In 2021, the Company will retain its focus on projects and works that are essential to the maintenance of the Company's assets, investing mainly in the airfield infrastructure, IT projects such as network and CUTE system upgrades, and the completion of the fire truck replacement programme. The Company will also forge ahead with strategic projects, including the relocation of the existing fuel station, the completion of the Cargo Village and the embellishment of the food court, with a total investment of around EUR 4 million earmarked for 2021. Additionally, over the coming year, the Company will continue laying the groundwork for long-term investments, including the new business centre and hotel project SkyParks 2 and the construction of a new parking stand - Apron X – and supporting facilities.

Principal Risk and Uncertainties

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

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

AVIATION ENVIRONMENT

The aviation environment is expected to remain difficult, with several factors bearing a direct impact on the industry's recovery.

Significant overcapacity in the European short-haul market, as well as pressure on airline yields resulting from intense competition and oil price fluctuations, could lead to a situation where profitability is preferred over growth, with increased caution and selectivity being exercised by airlines as they develop their networks. Reduced demand and/or reduced supply could potentially curb estimated traffic and profit growth. Apart from lower fee income in case of reduced traffic, it could be expected that airlines will seek to recover declining yields from other stakeholders in the value chain, such as airports.

Additionally, it is expected that consumers will continue to show a preference towards domestic and regional travel in the short term, especially due to fast-changing travel requirements related to international travel. This means that markets, including Malta, that do not cater for this would need to explore alternative opportunities to support their gradual recovery. Based on both historical data and huge advancements made in technology and connectivity, business travel is predicted to recover at a much slower pace than leisure travel. This could lead carriers that were traditionally associated with corporate travel to explore opportunities to foray into the leisure market.

In light of this, the Company remains committed to working closely with airlines and other key industry stakeholders in order to identify the best opportunities to restore Malta International Airport's year-round connectivity in a sustainable manner, whilst prioritising the achievement of a balanced business mix. Additional efforts will be targeted at addressing the gaps which have been left in some of the airport's strategic markets, primarily in Scandinavia, North Africa, the Middle East and regional airports around continental Europe.

PANDEMIC OUTBREAK

Malta International Airport has a robust Health and Safety management framework in place. Following the Covid-19 outbreak, tailored emergency response plans, as well as protocols enabling effective case management, were implemented to ensure that business continuity could be maintained throughout the crisis.

To safeguard its financial stability and preserve its liquidity, the Company also carries out regular analyses and idoneity tests. Additionally, the Company maintains a close relationship with financial institutions to strengthen the company's liquidity position, should the need arise.

SECURITY BREACHES AND THREATS

Civil aviation in general, and airports in particular, have always been targets of interest for terrorists due to their characteristics. Airports are major transport hubs with large multinational crowds of people gathered within the same space at the same time. Airports often constitute part of the critical infrastructure of a country and, as such, are institutions of public interest. Moreover, airport processes could be sabotaged to enable criminal activity to harm the airport, passengers, employees as well as physical assets. Malta International Airport is committed to continue investing in its security infrastructure and activities to ensure that the airport environment remains safe and secure at all times. The airport works closely with the police and government security agencies to meet the high international standards required to respond to existing and potential security threats. The Company's security facilities and processes as well as staff training processes are subject to periodic extensive internal and external audits by regulators, aviation security specialists, and internal security teams.

EMPLOYEES

During the year under review, the Group employed an average of 377 employees, which translated in a drop of 0.5% over the previous year. In total, 349 persons were employed with the Group as at year-end, including five employees working with Airport Parking Limited and three with SkyParks Business Centre Limited. When compared to the same figure for 2019, this was a drop of 9.6%. As at 31 December 2020, the majority of the Group's employees were employed on indefinite full-time contracts, whereas one-third were on definite contracts and 27 were employed on a part-time basis. Employee turnover rate for the Group during the year under review was 13.9%.

In 2020, the Group's investment in training and development was significantly reduced due to the Covid-19 pandemic. As from Q2 2020, only outsourced training which was obligatory in order to retain certification and competency levels was carried out. Of the 5,247 hours of formal training carried out in 2020, 41% was provided in-house. The average hours of training per employee was 15 hours which was almost half the amount registered in the previous year.

Promoting employee wellbeing remained a priority for the Group, even more so in view of the difficult and unprecedented circumstances. The Company embarked on an internal campaign to raise awareness on the importance of mental and physical wellbeing and supported employees' efforts in this regard through the wellbeing allowance, which was availed of by 88% of employees. Moreover, employees made use of 58 individual counselling sessions during 2020, which were provided in collaboration with the Richmond Foundation.

	2020	2019	+/-	% Change
Headcount - 31 December	**349**	386	(37)	(9.6%)
Headcount - Average	**377**	379	(2)	(0.5%)
FTE - 31 December	**329**	360	(31)	(8.5%)
FTE - Average	**356**	355	1	0.3%
Average age (in years)	**39.5**	39.0	1	1.3%
Length of service (in years)	**11.0**	10.3	1	6.8%
Share of women in workforce	**35.2%**	35.5%		(0.3 pp)
Employee turnover rate	**13.9%**	7.3%		6.6 pp
Training expenses (EUR)	**108,000**	359,000	(251,000)	(69.9%)
Reportable accidents	**6**	10	(4)	(40.0%)

CORPORATE RESPONSIBILITY

The Directors' commitment to the highest standards of corporate responsibility (CR) is reflected in initiatives and projects spearheaded by the company's CR Committee, geared at leaving a positive impact on the airport's stakeholder groups as well as the wider community and the environment.

A transparent analysis of the Company's environmental, social and economic initiatives – as well as any shortcomings related to these pillars of sustainability - is presented in Malta International Airport's Sustainability Report. This annual publication is prepared in line with the internationally recognised Global Reporting Initiative (GRI) standards, with selected indicators being independently audited by PwC.

2020 was an exceptionally challenging year but the Company's sustainability efforts did not abate. One of last year's milestones in this regard was the approval and publication of the company's new Environmental Plan. This was complemented by the official appointment of the Company's first sustainability manager who is responsible for leading the airport's sustainable journey, particularly by steering the company's progress in relation with ACI's Airport Carbon Accreditation multi-level programme. Malta International Airport submitted evidence to be eligible to progress to Level 2 of the programme in January 2021.

Throughout 2020, significant works were carried out in relation to the airport's lighting systems, with the Runway 13-31 centre lights, Apron 9 floodlights, and the approach lights of Runway 23-05 all being upgraded to LEDs. To further increase its clean energy generation capacity and continue minimising its carbon footprint, in December 2020 the company issued a call for tenders for the installation and commissioning of a 750 KWp photovoltaic system, which will be roof-mounted at Malta International Airport's new multi-storey car park – Park East – in 2021.

The CR Committee continued to support good causes throughout 2020, with the largest contribution of the year being made towards the setting up of a soup kitchen in Lebanon by a team of Maltese chefs.

This soup kitchen served around 15,000 daily meals to the victims of the Beirut explosions in August 2020. Another sizeable donation made at Christmas time benefitted several children's homes across Malta.

The Covid-19 pandemic constrained the Malta Airport Foundation - an independent organisation set up to invest funds in Malta's touristic, cultural, and environmental heritage – to put some of its plans for the year on hold. However, the Foundation sought new opportunities for being a force for good in the community. In August 2020, the Foundation organised two underwater clean-ups, which led to elevation of around 1.6 tonnes of waste from the seabed in Birżebbuġa and Wied iż-Żurrieq. Hot on the heels of this initiative, the Foundation announced that two Seabins it had sponsored were up and running, in the southern localities of Marsaxlokk and Marsascala, and expected to filter a cumulative 432 million litres of water over the course of a year.

FINANCIAL PERFORMANCE

Financial Results

The financial results of the Group in 2020 were severely affected by the decline in passenger movements (-76.1%) as a direct consequence of the pandemic. Revenues from the Airport segment decreased in line with the decline in passenger movements, while revenue from the Retail and Property segment was halved. During the year, the revenue of the Group declined by EUR 68 million - from EUR 100.2 million in 2019 to EUR 32.2 million in 2020 - translating into a decrease of 67.9%. Revenues from the Airport segment were down EUR 52.9 million; from EUR 70.8 million in 2019 to EUR 17.9 million in 2020, whilst revenues from the Retail and Property segment decreased by EUR 15.1 million; from EUR 29.1 million in 2019 to EUR 14 million in 2020.

Earnings before interest, taxation, depreciation, and amortisation (EBITDA) of the Group decreased by 91.1%; from EUR 63.2 million in 2019 to EUR 5.6 million in 2020, hence the EBITDA margin dropped 45.6 percentage points, from 63.0% to 17.4%. Profit after tax which amounted to EUR 33.9 million in 2019 turned into a net loss of EUR 4.3 million in 2020.

Initiatives to preserve liquidity and financial stability

In an effort to preserve liquidity, the Company implemented several strict cost-cutting measures targeting an initial reduction of overall operating costs of 30% during the year under review.

In light of this, the Board of Directors of the Company, including the Chief Executive Officer and the Chief Financial Officer, accepted a voluntary 30% reduction in their remuneration. Moreover, the management team of Malta International Airport accepted the Company's proposed temporary salary reductions of 25%, effective from the 1 April until 31 July. In addition to the contributions of the Board of Directors and management team, temporary salary reductions based on a 4-day working week for the period stretching from April to July were agreed to by the Unions representing the remaining employees.

Various forms of government support have been granted to help companies survive the current crisis. MIA was eligible to benefit from the Covid Wage Supplement which classifies businesses in two categories. Businesses that were hit hardest by the Covid-19 crisis fell under Annex A and benefitted from EUR 800 monthly per full-time employee, whereas those companies that were

adversely affected fell under Annex B and were eligible for EUR 160 monthly per full-time employee. The Company met the required criteria of Annex A and was therefore eligible for EUR 800 monthly per full-time employee.

Revenues

Total revenue of the Group decreased by 67.9% or EUR 68.0 million when compared to 2019, down from EUR 100.2 million to EUR 32.2 million. Aviation-related revenues were hit relatively harder than the Retail and Property segment, but remained the most important income stream of the Group. The Airport segment, in fact, constituted a share of 55.5% of total revenues (2019: 70.6%), showing a decrease of 74.8% or EUR 52.9 million over the previous year. Revenues from the Retail and Property segment totalled EUR 14.0 million (2019: EUR 29.1 million), thus showing a downturn of 51.8%. The remaining portion of EUR 0.3 million of revenues originated from the Other segment and contributed to a 1% share.

Staff Costs

Staff costs of the Group amounted to EUR 8.6 million in 2020, down EUR 2.2 million or 20.2% when compared to 2019. This decrease was a result of the Covid Wage Supplement as well as a temporary salary reduction from April until July 2020 accepted by the Board and the management team as well as the remaining employees.

Other Operating Expenses

Whilst variable costs for customer services, security, maintenance, and VIP products were in line with passenger volumes, the strict steering of fixed costs was imperative to mitigate the wash out of revenues. The strict cost-saving programme implemented led the other operating expenses of the Group to decrease by 31.8% on a year-by-year basis; from EUR 26.0 million to EUR 17.7 million.

Comprehensive Income and Dividends

The financial results of the Group and the Company for the year ended 31 December 2020 are shown in the Statement of Comprehensive Income on page 125. Total comprehensive loss of the Group for the year after taxation amounted to EUR 4.3 million (2019: EUR 33.9 million).

Taking into consideration the net loss of EUR 4.3 million in 2020, the fluidity of the current situation and the limited visibility of the way ahead, the Board of Directors believes that, with a view to manage the Company's cash reserves in a moment of severe curtailment of revenue generation, and of maintaining the Company's organisational set-up and structures in the state that would be able to recover immediately once the situation normalises, it is prudent not to recommend a dividend payment for the financial year 2020.

Financial Position

The loss for the year, together with shareholders' funds brought forward from the previous year, resulted in shareholders' funds as at 31 December 2020 of EUR 124.8 million and EUR 123.9 million for the Group and the Company, respectively. These totals were down from EUR 129.0 million and EUR 128.5 million, respectively, as at year end 2019.

Going Concern

After reviewing the Company's budget for the next financial year and its other longer-term plans, the directors are of the opinion 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

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

Financial Key Performance Indicators

Financial Indicators (EUR mn)	2020	2019	Variance +/-	Variance % Change
Total Revenue	**32.2**	100.2	(68.0)	(67.9%)
thereof Aviation Revenue	**17.9**	70.8	(52.9)	(74.8%)
thereof Non-Aviation Revenue	**14.3**	29.5	(15.1)	(51.4%)
EBITDA	**5.6**	63.2	(57.5)	(91.1%)
EBITDA Margin (in %)	**17.4%**	63.0%		(45.6 pp)
EBIT	**(4.0)**	54.4	(58.3)	n.a.
EBIT Margin (in %)	**(12.4%)**	54.2%		(66.6 pp)
Net Profit / (Loss)	**(4.3)**	33.9	(38.2)	n.a.
ROCE (in %) *	**(1.8%)**	26.6%		(28.5 pp)
Cash (incl. term deposits)	**31.0**	33.2	(2.1)	(6.4%)
Equity	**124.8**	129.0	(4.3)	(3.3%)
Balance Sheet Total	**235.0**	238.0	(3.0)	(1.3%)
Capital Expenditure	**16.3**	19.9	(3.6)	(18.0%)
Taxes on Income	**(1.5)**	18.7	(20.2)	n.a.
Average Employees (No.)	**377**	379	(2)	(0.5%)

* 2019 restated due to change in presentation of receivables and payables

Share Capital

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

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

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

The Ordinary 'A' Shares are admitted to the official list of the Malta Stock Exchange, whilst the Ordinary 'B' and Ordinary 'C' Shares are not admitted or traded on an exchange.

The Ordinary 'A' Shares and Ordinary 'B' Shares shall entitle their holders to the same rights, benefits and powers in the Company save for the transferability thereof. The Ordinary 'A' Shares shall be freely transferable whilst the Ordinary 'B' Shares were non-transferable for a period of fifteen (15) years from 26 July 2002, upon which date they automatically became fully and freely transferable without the need of any formality.

The Ordinary 'C' Shares are held by and, in terms of the Memorandum of Association, may only be held by the Government of Malta. It does not carry any right to receive dividends or assets on a winding up or other return of capital but entitles the Government of Malta to appoint members on the National Interest Matters Committee pursuant to article 58.10 of the Articles of Association of the Company.

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

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

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

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

DIRECTORS

Appointment and Replacement of Directors

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

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

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

In terms of the Articles of Association, the CEO of the Company shall occupy one of the Executive Director positions. The other Executive Directors to be co-opted to the Board are the Chief 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 three (3) year intervals, the directors are also empowered to issue further shares in the Company.

Directors

The directors who served during the year were:

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

In accordance with paragraph 56.1 of the Company's Articles of Association, all the present directors are to retire at the forthcoming Annual General Meeting.

The appointment of the new directors will take place in accordance with paragraphs 55 and 56 of the same Articles of Association at the Annual General Meeting.

Directors' Interests in Material Contracts

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

- **MR NIKOLAUS GRETZMACHER**
  a non-beneficial interest[1]
- **MS RITA HEISS**
  a non-beneficial interest[2]
- **DR CORY GREENLAND**
  a beneficial interest

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

AUDITOR

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

OUTLOOK

Traffic Development

Increased travel restrictions and nationwide lockdowns imposed throughout Europe towards the end of 2020 indicate signs of delayed recovery and a limited flight schedule is expected for the first quarter of 2021 and possibly beyond.

As airlines continue to plan in the short-term due to the uncertainties surrounding the industry, it is clear that demand will be driven by various factors including vaccination roll out, government travel policies, and standardisation of testing protocols. Consumer sentiment towards travel will also be a key component for recovery.

Despite this, Malta International Airport and the Malta Tourism Authority have remained in active discussions with partner airlines to work on rebuilding connectivity. A combination of flag and low-cost carriers are expected to operate several primary routes to Malta, gradually resuming their schedules once restrictions allow.

Whilst gaps in certain strategic markets remain, talks have commenced with other airlines regarding the potential launch of their services for the upcoming summer season.

Financial Performance

Given the fluidity of the current situation and the limited visibility of the way ahead, the company does not have sufficient data to provide the market with reliable guidance at this time.

Approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

Nikolaus Gretzmacher
Chairman

Alan Borg
Chief Executive Officer

Karl Dandler
Chief Financial Officer

[1] These shares are held by MMLC and VIE Malta Limited, companies of which Mr Gretzmacher is a director.
[2] These shares are held by MMLC and VIE Malta Limited, companies of which Ms Heiss is a director.

Statement of Directors' Responsibilities

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

In preparing the financial statements, the directors should:

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

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

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

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2020 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

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

Karl Dandler
Chief Financial Officer
obo/directors

Corporate Governance – Statement of Compliance

INTRODUCTION

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

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

The Board of Directors (the "Board") has carried out a review of the Company's compliance with the Code for the financial year being reported upon, namely the year ended 31 December 2020.

GENERAL

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

The Company has a corporate decision-making and supervisory structure that is tailored to suit the Company's requirements and designed to ensure the existence of adequate checks and balances within the Company, whilst retaining an element of flexibility.

In general, the directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company's requirements.

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

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

COMPLIANCE WITH THE CODE

Principle One: The Board

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

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

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

Principle Two: Chairman and Chief Executive Officer

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

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

Principle Three: Composition of the Board

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

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

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

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

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

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

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

a. are or have been employed in any capacity by the Company;

b. have or have had a significant direct or indirect relationship with the Company;

c. receive significant additional remuneration from the Company;

d. have close family ties with any of the executive members of the Board;

e. have served on the Board for more than twelve consecutive years;

f. have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the Company or any Company forming part of the same group; and

g. have a significant business relationship with the Company.

Mr Nikolaus Gretzmacher, and Ms Rita Heiss (Non-Executive Directors) are currently members of the Board of Directors of Malta Mediterranean Link Consortium Limited, a Company holding 40 per cent of the issued and voting capital of the Company, and, together with Mr Wolfgang Koeberl are also employees of Flughafen Wien AG, the company's ultimate parent company. Notwithstanding the above relationship the Board still considers Mr Gretzmacher, Ms Heiss and Mr Koeberl as having the required skills, experience and integrity to retain their impartiality in acting as directors of the Company.

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

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

Principle Four: The Responsibilities of the Board

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

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

EXECUTIVE COMMITTEE

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

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

The members of the Committee for the period under review were:

- Mr Alan Borg (Chief Executive Officer)
- Mr Karl Dandler (Chief Financial Officer)
- Mr Martin Dalmas (Airport Operations and Business Continuity)
- Mr George Mallia (Retail and Property)
- Mr Ian Maggi (Innovation and Technology)
- Mr Patrick Murgo (Security Services)
- Ms Tina Lombardi (Human Resources, Strategy, Marketing & Brand Development)
- Mr Alex Cardona (Traffic Development and Customer Services)
- Mr Kevin Alamango (Technical Services)
- Mr Robert Mizzi (Aerodrome Safety & Compliance)

The Executive Committee has met 45 times during the year under review.

The Company has also established three cross-functional Committees, the Corporate Responsibility (CR) Committee, the Customer Experience (CE) Committee and the Finance Committee, which meet on a regular basis.

The CR Committee is responsible for the company's overall CR policy and strategy including the respective formulation and implementation thereof as well as the company's environmental planning, Airport Carbon Management and supervises the Malta Airport foundation.

The CE Committee systematically deals with how to improve the airport's Customer Experience with a special focus on customer journeys, touch points, pain points, and delighters as well as ASQ benchmarking, customer feedback and ASQ's Customer Experience Accreditation programme.

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

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

AUDIT COMMITTEE

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

- monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
- monitoring of the effectiveness of the company's internal quality control and risk management system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence;
- monitoring of the audit of the annual and consolidated financial statements;
- reviewing additional reports prepared by the statutory auditor/s or audit firm/s;
- reviewing and monitoring the independence of the statutory 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 2020 the Committee consisted of three (3) Non-Executive Directors, namely Mr Florian Nowotny, Ms Rita Heiss, and Dr Cory Greenland. The Committee has the power and authority under its Terms of Reference to summon any person to assist it in the performance of its duties. The directors believe that, during the year under review, Mr Florian Nowotny was independent and competent in accounting and/or auditing in terms of Listing Rule 5.117. Mr Nowotny is considered as competent in accounting and/or auditing in view of his qualifications and experience.

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

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the revaluation of the business objectives in the short term. Regular budgets and strategic plans are prepared, which are incorporated into a comprehensive strategic plan for the Company.

Performance against these plans is actively monitored and reported to the Board using key risk and performance indicators so that corrective measures can be taken to address any deficiencies and to 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 seven (7) meetings:

Director	Attendance Board Meetings 2020
Mr Nikolaus Gretzmacher	7/7
Ms Rita Heiss	7/7
Dr Cory Greenland	7/7
Mr Wolfgang Koeberl	7/7
Mr Florian Nowotny	7/7
Mr Alan Borg	7/7
Mr Karl Dandler	7/7

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

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

Principle Six: Information and Professional Development

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

The board 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. Instead, the functions of the 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. Further details on remuneration of the directors will be set out in the Remuneration Report for the financial year under review which will form part of the Annual Report. That report will be published in compliance with the requirements of Listing Rule 12.26 and will contain the information required by Appendix 12.1 of the Listing Rules.

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

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

For the purposes of the provisions of Article 63 of the Company's Articles of Association, the aggregate emoluments paid to the directors is EUR 561,583 which is within the amount approved by the shareholders of EUR 989,160 for the purpose of that article. The aggregate emoluments paid to the senior management amount to EUR 591,541.

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, as well as the publication of results for each of quarter 1 and quarter 3 in a financial year. Generally, the company also communicates with the market through Company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood. The Company's website (www.maltairport.com) also contains information about the Company and its business and is a source of further information to the market.

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

Principle Ten: Institutional Shareholders

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

Principle Eleven: Conflicts of Interest

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

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

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

- **MR NIKOLAUS GRETZMACHER**
  a non-beneficial interest[3]
- **MS RITA HEISS**
  a non-beneficial interest[4]
- **DR CORY GREENLAND**
  a beneficial interest

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

Principle Twelve: Corporate Social Responsibility

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

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

NON-COMPLIANCE WITH CODE PROVISIONS

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

Code Provision	Explanation
2.1	Whilst the Company has segregated the functions of the Chairman and the CEO, in that the two posts are occupied by different persons, the division of responsibilities between them has not been established in writing, although there is significant experience and practice that determines the two roles.
4.2	The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7. In practice, however, the Board and CEO are actively engaged in succession planning and in ensuring that appropriate schemes to recruit, retain, and motivate employees and senior management are in place.
4.3	Over the course of the year 2020 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. Having conducted an informal review of its own performance over the period under review it is the Board's view that all members of the Board, individually and collectively, have contributed in line with the required levels of diligence and skill. In addition, the Board believes that its current composition endows the Board with a cross-section of skills and experience, not only with respect to the specific business of the Company, but also in a wider range of business areas and skills. This process was conducted by the Board itself rather than by a Committee chaired by a Non-Executive Director as required by the Code.
8B	The Board has not appointed a Nominations Committee in line with Code Provision 8B, particularly in the light of the specific manner in which the Articles of Association require that Non-Executive Directors be appointed by a shareholding qualification to the Board. The Executive Directors are, in accordance with the Articles, appointed by the Non-Executive Directors after their appointment, as aforesaid. The Board believes that the current Articles of Association do not allow the Board itself to make any recommendations to the shareholders for appointments of directors and that if this function were to be undertaken by the Board itself or a Nominations Committee, they would only be able to make a non-binding recommendation to the shareholders having the necessary qualification to appoint directors pursuant to the Articles of Association. The Board intends to keep under review the utility and possible advantages of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.
9.3	The Memorandum and Articles of Association does not provide any mechanism for the resolution of conflicts between shareholders or any process that would trigger arbitration in these instances. This is mitigated by ongoing open dialogue between executive management and Non-Executive Directors of the Company, to ensure that such conflicts do not arise.
9.4	The Company does not have a policy in place to allow minority shareholders to present an issue to the Board.

INTERNAL CONTROL

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

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

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

ORGANISATION

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

CONTROL ENVIRONMENT

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

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

RISK IDENTIFICATION

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

GENERAL MEETINGS

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

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

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder. Shareholders who cannot participate in the general meeting may appoint a proxy by written or electronic notification to the Company. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled.

Financial Report
Corporate Governance – Statement of Compliance (continued)

Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for such purpose.

The directors' statement of responsibilities for preparing the Financial Statements is set out on page 113.

The information required by:

a. Listing Rule 5.97.5 is found in the Directors' Report;

b. Listing Rule 12.26 and Appendix 12.1 will be found in the Remuneration Report which will form part of the Annual Report

Approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

Nikolaus Gretzmacher	**Alan Borg**	**Karl Dandler**
Chairman	Chief Executive Officer	Chief Financial Officer

Income Statements

YEAR ENDED 31 DECEMBER 2020

		The Group		The Company	
(in EUR)	Notes	2020	2019	2020	2019
Revenue	6	32,189,163	100,232,676	29,354,278	96,168,303
Staff costs	11	(8,648,592)	(10,839,794)	(8,426,437)	(10,602,977)
Other operating expenses	9	(17,694,929)	(25,951,490)	(17,387,472)	(25,433,991)
Impairment losses on financial assets	21	(237,499)	(284,580)	(203,388)	(299,712)
Depreciation	15/16	(9,593,969)	(8,801,219)	(8,543,222)	(7,914,112)
Release of deferred income arising on the sale of terminal buildings and fixtures	23	283,603	283,603	283,603	283,603
Investment income	7	25,485	37,436	567,601	423,679
Finance cost	8	(2,096,333)	(2,079,535)	(2,096,333)	(2,079,535)
(Loss) / Profit before tax		**(5,773,071)**	**52,597,097**	**(6,451,370)**	**50,545,258**
Income tax credit / (expense)	13	1,522,641	(18,663,780)	1,823,486	(17,933,191)
(Loss) / Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**(4,250,430)**	**33,933,317**	**(4,627,884)**	**32,612,067**
(Loss) / Earnings per share attributable to the ordinary equity holders of the Company	**29**	**(0.031)**	**0.251**	**(0.034)**	**0.241**

Statements of Comprehensive Income

YEAR ENDED 31 DECEMBER 2020

		The Group		The Company	
(in EUR)	Notes	2020	2019	2020	2019
(Loss) / Profit for the year attributable to the ordinary equity holders of the Company, net of tax		**(4,250,430)**	**33,933,317**	**(4,627,884)**	**32,612,067**
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on defined benefit pension plans	24/25	–	(207,233)	–	(207,233)
Deferred tax debit/(credit)	13	–	72,532	–	72,532
Other comprehensive income for the year attributable to the ordinary equity holders of the Company, net of tax		**-**	**(134,701)**	**-**	**(134,701)**
Total comprehensive (loss) / income for the year attributable to the ordinary equity holders of the Company, net of tax		**(4,250,430)**	**33,798,616**	**(4,627,884)**	**32,477,366**

Statements of Financial Position

31 DECEMBER 2020

(in EUR)	Notes	The Group 2020	The Group 2019	The Company 2020	The Company 2019
ASSETS					
Property, plant and equipment	**15**	171,757,898	164,430,886	154,638,308	155,923,740
Investment property	**16**	15,279,512	15,905,686	327,522	334,491
Investment in subsidiaries	**17**	-	-	2,004,800	2,004,800
Loans receivable	**18**	-	-	25,531,758	21,116,478
Other receivables	**21**	1,341,670	551,851	1,664,340	1,292,091
Deferred tax assets	**19**	7,763,643	5,904,374	6,974,976	4,939,237
Non-current assets		**196,142,723**	**186,792,797**	**191,141,704**	**185,610,837**
Inventories	**20**	834,888	872,242	834,888	872,242
Loans receivable	**18**	-	-	1,290,720	1,290,720
Trade and other receivables	**21**	6,973,317	17,200,693	10,265,900	16,696,638
Term deposits	**27**	5,000,000	5,000,000	5,000,000	5,000,000
Cash and cash equivalents	**28**	26,047,282	28,174,981	21,927,521	26,691,276
Current assets		**38,855,487**	**51,247,916**	**39,319,029**	**50,550,876**
Total Assets		**234,998,210**	**238,040,713**	**230,460,733**	**236,161,713**

Statements of Financial Position

31 DECEMBER 2020

(CONTINUED)

(in EUR)	Notes	The Group 2020	The Group 2019	The Company 2020	The Company 2019
EQUITY AND LIABILITIES					
Equity attributable to ordinary equity holders of the Company					
Share capital	**26**	33,825,000	33,825,000	33,825,000	33,825,000
Retained earnings and reserves		90,967,626	95,218,056	90,085,387	94,713,271
Total Equity		**124,792,626**	**129,043,056**	**123,910,387**	**128,538,271**
Lease liability	**4**	53,168,052	52,755,835	53,168,052	52,755,835
Deferred income	**23**	6,127,652	6,454,885	6,010,671	6,344,530
Other payables	**22**	2,340,067	2,340,067	903,968	903,968
Provision for retirement benefit plan	**24**	3,920,722	3,880,077	3,920,722	3,880,077
Provision for MIA benefit fund	**25**	319,851	293,797	319,851	293,797
Non-current liabilities		**65,876,344**	**65,724,661**	**64,323,264**	**64,178,207**
Trade and other payables	**22**	43,992,610	41,452,136	42,014,828	41,732,541
Current tax liabilities		336,630	1,820,860	212,254	1,712,694
Current liabilities		**44,329,240**	**43,272,996**	**42,227,082**	**43,445,235**
Total Liabilities		**110,205,584**	**108,997,657**	**106,550,346**	**107,623,442**
Total Equity and Liabilities		**234,998,210**	**238,040,713**	**230,460,733**	**236,161,713**

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2021 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 2020

Equity attributable to ordinary equity holders of the Company

The Group (in EUR)	Share capital	Other reserve	Retained earnings	Total
Balance at 1 January 2019	**33,825,000**	**1,130,817**	**77,655,440**	**112,611,257**
Profit for the year	-	-	33,933,317	33,933,317
Other comprehensive income	-	-	(134,701)	(134,701)
Total comprehensive income for the year	-	-	33,798,616	33,798,616
Transfer of Other reserve	-	(1,130,817)	-	(1,130,817)
Dividends (Note 14)	-	-	(16,236,000)	(16,236,000)
Balance at 31 December 2019	**33,825,000**	**-**	**95,218,056**	**129,043,056**
Balance at 1 January 2020	**33,825,000**	**-**	**95,218,056**	**129,043,056**
Loss for the year	-	-	(4,250,430)	(4,250,430)
Total comprehensive expense for the year	-	-	(4,250,430)	(4,250,430)
Balance at 31 December 2020	**33,825,000**	**-**	**90,967,626**	**124,792,626**

Statements of Changes in Equity

YEAR ENDED 31 DECEMBER 2020

Equity attributable to ordinary equity holders of the Company

The Company (in EUR)	Share capital	Other reserve	Retained earnings	Total
Balance at 1 January 2019	**33,825,000**	**1,130,817**	**78,471,906**	**113,427,723**
Profit for the year	-	-	32,612,067	32,612,067
Other comprehensive income	-	-	(134,701)	(134,701)
Total comprehensive income for the year	-	-	32,477,365	32,477,366
Transfer of Other reserve	-	(1,130,817)	-	(1,130,817)
Dividends (Note 14)	-	-	(16,236,000)	(16,236,000)
Balance at 31 December 2019	**33,825,000**	**-**	**94,713,271**	**128,538,271**
Balance at 1 January 2020	**33,825,000**	**-**	**94,713,271**	**128,538,271**
Loss for the year	-	-	(4,627,884)	(4,627,884)
Total comprehensive expense for the year	-	-	(4,627,884)	(4,627,884)
Balance at 31 December 2020	**33,825,000**	**-**	**90,085,387**	**123,910,387**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2020

(in EUR)	Notes	The Group 2020	The Group 2019	The Company 2020	The Company 2019
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / Profit before tax		**(5,773,071)**	**52,597,097**	**(6,451,370)**	**50,545,258**
Adjustments for:					
Depreciation	**15/16**	9,593,969	8,801,217	8,543,222	7,914,112
Investment income	**7**	(25,485)	(37,436)	(567,601)	(423,679)
Finance cost	**8**	2,096,333	2,079,535	2,096,333	2,079,535
Loss/(gain) on sale of property, plant and equipment		(17,900)	-	(17,900)	-
Release of deferred income arising on the sale of the terminal building and fixtures	**23**	(283,603)	(283,603)	(283,603)	(283,603)
Amortisation of grants	**23**	(50,246)	(50,244)	(50,246)	(50,244)
Provision for retirement benefit plan	**24**	40,645	67,084	40,645	67,084
Provision for MIA benefit plan	**25**	44,054	42,387	44,054	42,387
Provision for impairment of trade receivables	**21**	237,499	284,580	203,388	299,714
		5,862,195	**63,500,617**	**3,556,922**	**60,190,562**
Working capital movements:					
Movement in inventories	**20**	37,354	12,110	37,354	12,110
Movement in trade and other receivables	**21**	9,018,985	1,965,782	5,855,101	1,505,674
Movement in trade and other payables	**22**	1,566,673	3,887,707	(698,142)	2,935,759
Cash flows from operations		**16,485,207**	**69,366,216**	**8,751,235**	**64,644,105**
Lease interest paid	**33**	(536,912)	(1,693,705)	(536,912)	(1,693,705)
Income taxes paid		(1,825,731)	(18,340,943)	(1,717,567)	(17,705,693)
Retirement benefit paid	**24**	(18,000)	(300,277)	(18,000)	(300,277)
Net cash flows from operating activities		**14,104,564**	**49,031,291**	**6,478,756**	**44,944,430**

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2020

(CONTINUED)

(in EUR)	Notes	The Group 2020	The Group 2019	The Company 2020	The Company 2019
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts/(payments) of deposit from tenant	**23**	6,626	(3,610)	-	-
Payments for property, plant and equipment	**15**	(16,115,852)	(19,374,886)	(7,250,821)	(12,347,119)
Payments for investment property	**16**	(178,956)	(495,000)	-	-
Proceeds from sale of property, plant and equipment	**15**	17,900	-	17,900	-
Payments for term deposits	**27**	-	(5,000,000)	-	(5,000,000)
Payments for intracompany loans	**18**	-	-	(5,706,000)	(4,900,000)
Repayments of intracompany loans	**18**	-	-	1,290,720	1,290,720
Interest received	**7**	38,020	-	405,690	386,243
Net cash flows used in investing activities		**(16,232,262)**	**(24,873,496)**	**(11,242,511)**	**(20,570,156)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	**14**	-	(16,236,000)	-	(16,236,000)
Net cash flows used in financing activities		**-**	**(16,236,000)**	**-**	**(16,236,000)**
Net movement in cash and cash equivalents		**(2,127,699)**	**7,921,795**	**(4,763,755)**	**8,138,274**
Cash and cash equivalents at the beginning of the year		**28,174,981**	**20,253,186**	**26,691,276**	**18,553,002**
Cash and cash equivalents at the end of the year	**28**	**26,047,282**	**28,174,981**	**21,927,521**	**26,691,276**

Notes to the Financial Statements

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

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

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

Covid-19 Impact

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

As a result, revenue in Q2, generated by both the airport segment and the retail and property segment, registered a significant decrease when compared to the same period last year. Bans on commercial flights started to be lifted on

2. BASIS OF PREPARATION (CONTINUED)

1 July 2020 and by 15 July 2020 all bans on commercial flights were lifted and revenue slowly started picking up the pace.

However, since August 2020, travel restrictions started to be re-introduced by local and European authorities due to a resurge of Covid-19 and both the airport segment and the retail and property segment revenues were negatively influenced resulting in much lower numbers when compared to the previous year. In fact, during the year 2020, a decrease of 67.9% in group revenues, from EUR 100.2 million to EUR 32.2 million, was registered.

Various cost-cutting measures were taken to compensate for the loss of revenue and to preserve the liquidity of the Group, with a target to reduce overall operating costs significantly.

Consequently, staff costs and other operating costs decreased by 20.2% and 31.8% respectively.

One of the main measures taken was a reduction in salaries, with the Board of Directors, the Chief Executive Officer, and the Chief Financial Officer taking a 30% cut in their remuneration, and members of the management team agreeing to the proposed salary reduction of 25% effective 1 April 2020 until 31 July 2020. A 4-day working week for the period from April to July, corresponding to a 20% salary reduction, was agreed upon with the remaining employees of the Group and the workers' unions representing them. In addition, a hiring freeze was introduced.

In light of the situation, the Government of Malta announced several support measures to help businesses during the pandemic, with the Covid Wage Supplement and Tax Deferral Scheme being applicable to the Company and the Group. Under the Covid Wage Supplement, the Company was eligible to receive EUR 800 per month for each full-time employee (refer to Note 12 for more detail on the Covid Wage Supplement).

Under the Tax Deferral Scheme, the payment of taxes due between March and June were deferred until 2021.

To preserve the cash reserves of the Group, the Company has made drastic adjustments to the original capital expenditure programme for 2020, suspending all non-essential projects with immediate effect. The Company has shifted its focus to the completion of major projects, namely the construction of the new multi-storey car park and the expansion of the cargo village, works on which were already at an advanced stage before COVID-19 pandemic impacted the business.

Furthermore, the Board of Directors decided to withdraw its proposal made on 26 February 2020 to pay out a net dividend of EUR 0.10 per share given that revenue generation has been severely curtailed due to the Covid-19 crisis. In addition, no interim dividend for the current financial year has been distributed.

All of the afore-mentioned measures ensured that the Group met all its obligations that arose during the year and will be able to meet those arising in the coming year.

As a result, the group managed to maintain a strong cash position at the end of 2020 amounting to EUR 31.0 million (2019 – EUR 33.2 million).

At 31 December 2020, the Group and the Company reported a net current liability position amounting to approximately EUR 5.4 million and EUR 2.9 million respectively. However, included in the current liabilities of the Group and the Company are EUR 2.7 million and EUR 2.6 million of deferred income and contract liabilities (note 22) for which no cash outflows will be made, reducing the shortfall to

2. BASIS OF PREPARATION (CONTINUED)

EUR 2.7 million and EUR 0.3 million respectively. This was due primarily as a result of the pandemic whereby the level of receivables during the reporting period decreased significantly when compared to the previous year whereas payables remained more or less on the same level. The directors are confident that this position is temporary, and the Group and the Company will return to a net current asset position as the market recovers. Nonetheless, should the Group or the Company need to repay its current liabilities on a short-term notice, an overdraft facility can be drawn up with its banking institution to cover the necessary cash outflows.

The outbreak of Covid-19 and the consequent closure of Malta's borders to commercial flights constituted a triggering event in terms of IAS 36 Impairment of Assets at 31 December 2020 on the group of assets which generates cash inflows attributable to those activities which are usually carried out by an airport or that support the airport operations. Such cash inflows are largely independent of the cash inflows from the Group's investment property. For the Group, this refers to the assets of the Company and its subsidiary Airport Parking Limited classified as property, plant, and equipment and for the Company this refers to the assets classified as property, plant and equipment and the investment in and the receivable from Airport Parking Limited, together with any attributable corporate assets. During 2020 the revenues and earnings before interest tax and depreciation generated by this group of assets amounted to EUR 29.7 million (2019 – EUR 97.1 million) and EUR 3.6 million (2019 – EUR 60.6 million) respectively.

An impairment assessment on these assets was carried out as at 31 December 2020.

The carrying value of assets tested for impairment at 31 December 2020 amounted to EUR 171.8 million (Group) and EUR 167.1 million (Company).

The year-end impairment assessment considered the Group's and the Company's five-year business plan as approved by the Board, together with a discounted cash flow projection up to 2067 which coincides with the concession granted by the Government. The forecasting of future cash flows has been based on various assumptions such as long-term growth rate, discount rate used to discount future cash flows, and assumptions around economic recovery of the industry in a post Covid-19 environment. The impairment assessment indicated no need for impairment provisions.

Due to the uncertainties around forecasting, various sensitivity analyses were carried out on the year-end impairment assessment to reflect, amongst others, an increase in the weighted average cost of capital, a reduction in growth rate and a reduction in revenues, with all such scenarios resulting in no need for impairment provisions. The company has concluded that these sources of estimation uncertainty do not have a significant risk of a material adjustment to the carrying amounts of the assets tested for impairment.

Taking into consideration all of the above factors and circumstances 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.

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

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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, apart from the disclosures in connection with impairment testing in note 2, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 Service Concession Arrangements in terms of IFRIC 12

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

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

i. a financial asset (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement); or

ii. an intangible asset (where the operator's future cash flows are not specified, for example, where they will vary according to usage of the infrastructure asset); or

iii. both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

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

3.2 Lessee accounting in terms of IFRS 16

Judgments and estimates with regards to IFRS 16 Leases that warrant additional disclosures in terms of IAS 1 comprise (a) the judgment in connection with the inclusion of the aerodrome licence within the scope of IFRS 16 and (b) the estimate in connection with the determination of the incremental borrowing rate.

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

Upon the implementation of IFRS 16, lease liabilities

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

at 1 January 2019 were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of that date. The incremental borrowing rate reflects the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine this rate, the Group obtained information from its bank for the particular purpose and extrapolated it to reflect the specific characteristics of the lease, in particular the long remaining lease term of the temporary emphyteuses and the related aerodrome licence until 2067. The weighted average incremental borrowing rate that the Group applied to its lease liabilities as at 1 January 2019 was 4.07% per annum. The selection of the applicable incremental borrowing rate has a significant effect on these financial statements. A decrease/(increase) of 50 basis points would have resulted in an increase/(decrease) in lease liabilities and right-of-use assets of EUR 5.6 million/(EUR 4.8 million) as at 1 January 2019.

4. APPLICATION OF NEW AND REVISED IFRS

4.1 New and revised IFRS effective for the current year

IAS 1 & IAS 8 Amendment – Definition of Material

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

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

As at 31 December 2020, the Group and the Company did not receive any Covid-19 related rent concessions and therefore the amendment did not impact the Group's or the Company's Financial Statements.

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

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

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

4. APPLICATION OF NEW AND REVISED IFRS (CONTINUED)

4.3 New and revised IFRS in issue but not yet effective

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

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

5. OPERATING SEGMENTS

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

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

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

Airport Segment

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

Retail and Property Segment

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

Other Segment

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

5. OPERATING SEGMENTS (CONTINUED)

The results of the operating segments are reported below:

2020 (in EUR)	Airport	Retail & Property	Other	The Group
Revenue (external)	17,855,481	14,008,815	324,867	32,189,163
Staff costs	(7,253,719)	(1,394,874)	-	(8,648,593)
Other operating costs	(14,879,893)	(2,815,036)	-	(17,694,929)
Impairment losses on financial assets	(148,475)	(89,025)	-	(237,500)
EBITDA	**(4,426,606)**	**9,709,880**	**324,867**	**5,608,141**
Depreciation	(6,190,023)	(3,403,946)	-	(9,593,969)
EBIT	**(10,616,629)**	**6,305,934**	**324,867**	**(3,985,828)**
Investment income				25,485
Finance cost				(2,096,333)
Release of deferred income arising on the sale of terminal buildings and fixtures				283,603
Loss before tax				**(5,773,073)**

2019 (in EUR)	Airport	Retail & Property	Other	The Group
Revenue (external)	70,760,630	29,104,929	367,117	100,232,676
Staff costs	(9,466,627)	(1,373,167)	-	(10,839,794)
Other operating costs	(21,008,067)	(4,943,423)	-	(25,951,490)
Impairment losses on financial assets	(218,790)	(65,790)	-	(284,580)
EBITDA	**40,067,146**	**22,722,549**	**367,117**	**63,156,812**
Depreciation	(5,722,814)	(3,078,405)	-	(8,801,219)
EBIT	**34,344,332**	**19,644,144**	**367,117**	**54,355,593**
Investment loss				37,436
Finance cost				(2,079,535)
Release of deferred income arising on the sale of terminal buildings and fixtures				283,603
Profit before tax				**52,597,097**

5. OPERATING SEGMENTS (CONTINUED)

Airport segment revenues generated from two clients with each generating 10% or more of revenues amounted to EUR 6,826,951 and EUR 3,572,619 (2019: EUR 24,445,011 and EUR 21,243,915).

The impact of Covid-19 on the financial performance of the Group and the Company is disclosed in more detail in Note 2.

6. REVENUE

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

The Group

2020 (in EUR)	Airport	Retail and Property	Other	Total
Revenue from Services provided Over Time				
Regulated revenue	15,660,467	-	-	**15,660,467**
Unregulated revenue	2,195,014	4,198,308	324,867	**6,718,189**
Revenue from Contracts with Customers	**17,855,481**	**4,198,308**	**324,867**	**22,378,656**
Revenue from Leases	**-**	**9,810,507**	**-**	**9,810,507**
Total Revenue	**17,855,481**	**14,008,815**	**324,867**	**32,189,163**

The Group

2019 (in EUR)	Airport	Retail and Property	Other	Total
Revenue from Services provided Over Time				
Regulated revenue	63,858,110	-	-	**63,858,110**
Unregulated revenue	6,902,520	7,993,833	367,117	**15,263,470**
Revenue from Contracts with Customers	**70,760,630**	**7,993,833**	**367,117**	**79,121,580**
Revenue from Leases	**-**	**21,111,096**	**-**	**21,111,096**
Total Revenue	**70,760,630**	**29,104,929**	**367,117**	**100,232,676**

6. REVENUE (CONTINUED)

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

The Company

(in EUR)	2020	2019
Revenue from Services provided Over Time		
Regulated revenue	15,660,467	63,858,110
Unregulated revenue	6,664,407	14,613,723
Revenue from Contracts with Customers	**22,324,874**	**78,471,833**
Revenue from Leases	**7,029,404**	**17,696,470**
Total Revenue	**29,354,278**	**96,168,303**

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

Revenue generated with entities under government control is disclosed in note 32 and 34.

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

The impact of Covid-19 on the revenue of the Group and the Company is disclosed in more detail in Note 2.

7. INVESTMENT INCOME

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Interest income on loans receivable	-	-	542,116	386,243
Interest income on term deposits	25,485	37,436	25,485	37,436
Investment income	**25,485**	**37,436**	**567,601**	**423,679**

8. FINANCE COST

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Lease interest	2,096,333	2,079,535	2,096,333	2,079,535
Finance cost	**2,096,333**	**2,079,535**	**2,096,333**	**2,079,535**

9. OTHER OPERATING EXPENSES

		The Group		The Company	
(in EUR)	Notes	2020	2019	2020	2019
Air traffic services	34	929,611	929,611	929,611	929,611
Cleaning		900,213	1,315,288	832,685	1,245,007
Ground handling services	34	608,728	1,946,478	608,728	1,946,478
Insurance		388,593	384,153	372,682	368,013
Legal and professional fees		664,228	1,652,187	644,328	1,629,017
Lease payments on low-value items	33	20,210	13,746	20,210	13,746
Marketing and communication costs		4,145,975	5,930,982	4,349,618	6,116,950
Miscellaneous operating expenses		3,568,503	4,226,809	3,480,643	4,044,464
Other security services		193,950	205,916	159,293	146,868
Passenger security service		826,781	2,253,743	826,781	2,253,743
Repairs and maintenance		1,663,522	2,611,103	1,388,892	2,274,468
Net exchange differences		10,007	20,262	9,343	20,814
Restricted areas security service	34	1,778,125	1,471,875	1,778,125	1,471,875
Telecommunications		124,954	111,232	122,939	109,027
Utilities		1,871,529	2,878,105	1,863,594	2,863,910
Other operating expenses		**17,694,929**	**25,951,490**	**17,387,472**	**25,433,991**

The impact of Covid-19 on the operating expenses of the Group and the Company is disclosed in more detail in Note 2.

Expenses incurred with entities under government control are disclosed in note 32 and 34.

9. OTHER OPERATING EXPENSES (CONTINUED)

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

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Audit of the financial statements	**64,700**	64,700	**51,200**	51,200
Other assurance	**13,000**	54,490	**13,000**	54,490
Tax services	**27,350**	47,540	**19,500**	37,035

10. KEY MANAGEMENT PERSONNEL COMPENSATION

Directors' Compensation	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Short-term benefits:				
Fees	**60,797**	67,552	**60,797**	67,552
Management remuneration	**477,084**	508,647	**477,084**	508,647
Social security costs	**2,499**	2,420	**2,499**	2,420
	540,380	**578,619**	**540,380**	**578,619**

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 23,702 (2019: EUR 81,434). These amounts are included with other operating expenses.

Also, during the year under review, the Company maintained professional indemity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to EUR 15,060 (2019: EUR 14,909). These amounts are included with other operating expenses.

11. STAFF COSTS AND EMPLOYEE INFORMATION

Staff Costs	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Wages and salaries	**7,431,657**	9,977,695	**7,226,229**	9,756,626
Social security costs	**485,787**	707,628	**469,060**	691,880
Retirement benefit costs	**84,699**	109,471	**84,699**	109,471
Other retirement benefit costs	**646,449**	45,000	**646,449**	45,000
	8,648,592	**10,839,794**	**8,426,437**	**10,602,977**

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

11. STAFF COSTS AND EMPLOYEE INFORMATION (CONTINUED)

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

Average No. of Employees	The Group		The Company	
(Number)	2020	2019	2020	2019
Business development, operations and marketing	**221**	226	**212**	217
Finance, IT and IM	**25**	25	**25**	25
Firemen	**48**	47	**48**	47
Met office	**15**	14	**15**	14
Technical and engineering	**68**	67	**68**	67
	377	379	**368**	370

12. GOVERNMENT ASSISTANCE

The Maltese Government announced a number of measures to financially support businesses whose operation was significantly impacted by the Covid-19 pandemic. Malta International Airport was eligible to benefit from the Covid Wage Supplement under Annex A, receiving EUR 800 on a monthly basis per full-time employee starting from 9 March 2020 until March 2021.

During the reporting period, the Group received EUR 2,552,277 in government grants under the Covid Wage Supplement. These amounts were deducted from the line item 'Staff Costs' in the Consolidated Statement of Comprehensive Income.

The Group and the Company also benefitted from the Tax Deferral Scheme whereby payments owed to the Government of Malta amounting to EUR 471,083 for the period March to June were deferred for payment until 2021.

13. INCOME TAX EXPENSE

Income tax recognised in profit or loss is as follows:

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Current tax expense	336,628	18,817,740	212,253	18,211,937
Deferred tax	(1,859,269)	(153,960)	(2,035,739)	(278,746)
Income tax (credit)/expense for the year	**(1,522,641)**	**18,663,780**	**(1,823,486)**	**17,933,191**

13. INCOME TAX EXPENSE (CONTINUED)

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

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
(Loss)/Profit before Tax	(5,773,073)	52,597,097	(6,451,370)	50,545,258
Tax at applicable rate of 35 %	(2,020,575)	18,408,984	(2,257,980)	17,690,840
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	329,066	321,075	270,324	262,572
Other net difference between accounting and tax deductible items of expenditure	(4,690)	(4,467)	(4,690)	(4,467)
Other differences	173,558	(61,812)	168,860	(15,754)
Income tax (credit)/expense for the year	**(1,522,641)**	**18,663,780**	**(1,823,486)**	**17,933,191**

Deferred tax recognised in other comprehensive income is as follows:

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Deferred tax debit/(credit) on defined benefit pension plans	-	72,532	-	72,532

14. DIVIDENDS

The net final dividend for 2019 originally proposed on 26 February 2020 of EUR 10.0 cents per ordinary share (EUR 13,530,000) was withdrawn following the spread of the pandemic that curtailed the airport operations during the reporting year as announced by the Company on 22 April 2020. The net final dividend for 2018 of EUR 12,177,000 (EUR 9.0 cents per ordinary share) proposed by the directors during 2018 was paid in the comparative period on 28 May 2019.

No net interim dividend payment for the current reporting year has been paid whereas in the comparative year a net interim dividend of EUR 4,059,000 (EUR 3.0 cents per ordinary share) was paid to ordinary shareholders of the Company.

Taking into consideration the net loss of EUR 4.2 million in 2020, the fluidity of the current situation and the limited visibility of the way ahead, the Board of Directors believes that, with a view to manage the Company's cash reserves, it is prudent not to recommend a dividend payment for the year 2020.

15. PROPERTY, PLANT AND EQUIPMENT

The Group (in EUR)	Land held on temporary emphyteusis		Related Aerodrome Licence	Buildings		Furniture, fixtures, plant and equipment	Motor vehicles	Total
	Subject to operating leases	Not subject to operating leases		Subject to operating leases	Not subject to operating leases			
COST								
At 1 January 2019	**17,986,515**	**58,567,090**	**10,746,985**	**15,486,825**	**55,553,658**	**68,493,183**	**1,561,531**	**228,395,787**
Additions	-	-	-	151,189	5,712,417	13,417,301	93,979	19,374,886
Write-offs	-	-	-	-	-	(3,846,611)	(55,517)	(3,902,128)
At 1 January 2020	**17,986,515**	**58,567,090**	**10,746,985**	**15,638,014**	**61,266,075**	**78,063,873**	**1,599,993**	**243,868,545**
Additions	-	-	-	429,511	1,216,125	13,945,717	524,498	16,115,852
Disposals	-	-	-	-	-	-	(71,580)	(71,580)
At 31 December 2020	**17,986,515**	**58,567,090**	**10,746,985**	**16,067,525**	**62,482,200**	**92,009,590**	**2,052,911**	**259,912,816**
ACCUMULATED DEPRECIATION								
At 1 January 2019	**2,201,789**	**8,414,361**	**-**	**6,222,961**	**22,322,732**	**34,994,446**	**1,187,138**	**75,343,427**
Provision for the year	281,752	1,076,744	221,587	306,896	1,100,883	4,867,211	141,287	7,996,360
Write-offs	-	-	-	-	-	(3,846,610)	(55,518)	(3,902,128)
At 1 January 2020	**2,483,541**	**9,491,105**	**221,587**	**6,529,857**	**23,423,615**	**36,015,047**	**1,272,907**	**79,437,659**
Provision for the year	268,757	1,095,492	221,587	359,844	1,018,869	5,677,451	146,839	8,788,839
Eliminated on disposal	-	-	-	-	-	-	(71,580)	(71,580)
At 31 December 2020	**2,752,298**	**10,586,597**	**443,174**	**6,889,701**	**24,442,484**	**41,692,498**	**1,348,166**	**88,154,918**
CARRYING AMOUNT								
At 31 December 2019	**15,502,974**	**49,075,986**	**10,525,398**	**9,108,157**	**37,842,460**	**42,048,826**	**327,086**	**164,430,887**
At 31 December 2020	**15,234,217**	**47,980,493**	**10,303,811**	**9,177,824**	**38,039,716**	**50,317,092**	**704,745**	**171,757,898**

No depreciation is being charged on assets not yet available for use amounting to EUR 10,280,992 (2019: EUR 16,913,608).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company (in EUR)	Land held on temporary emphyteusis		Related Aerodrome Licence	Buildings		Furniture, fixtures, plant and equipment	Motor vehicles	Total
	Subject to operating leases	Not subject to operating leases		Subject to operating leases	Not subject to operating leases			
COST								
At 1 January 2019	**26,314,185**	**50,239,420**	**10,746,985**	**15,209,796**	**54,559,909**	**67,504,753**	**1,539,176**	**226,114,224**
Additions	-	-	-	139,552	500,594	11,612,993	93,979	12,347,119
Write-offs	-	-	-	-	-	(3,846,611)	(55,517)	(3,902,128)
At 1 January 2020	**26,314,185**	**50,239,420**	**10,746,985**	**15,349,348**	**55,060,503**	**75,271,136**	**1,577,638**	**234,559,215**
Additions	-	-	-	25,920	94,081	6,606,322	524,498	7,250,821
Disposals	-	-	-	-	-	-	(71,580)	(71,580)
At 31 December 2020	**26,314,185**	**50,239,420**	**10,746,985**	**15,375,268**	**55,154,584**	**81,877,458**	**2,030,556**	**241,738,456**
ACCUMULATED DEPRECIATION								
At 1 January 2019	**3,398,230**	**7,217,920**	**-**	**6,222,961**	**22,322,732**	**34,303,345**	**1,165,272**	**74,630,460**
Provision for the year	434,855	923,642	221,587	306,813	1,100,586	4,778,861	140,799	7,907,143
Write-offs	-	-	-	-	-	(3,846,610)	(55,518)	(3,902,128)
At 1 January 2020	**3,833,085**	**8,141,562**	**221,587**	**6,529,774**	**23,423,318**	**35,235,596**	**1,250,553**	**78,635,475**
Provision for the year	436,696	927,553	221,587	290,249	1,053,496	5,459,833	146,839	8,536,253
Eliminated on disposal	-	-	-	-	-	-	(71,580)	(71,580)
At 31 December 2020	**4,269,781**	**9,069,115**	**443,174**	**6,820,023**	**24,476,814**	**40,695,429**	**1,325,812**	**87,100,148**
CARRYING AMOUNT								
At 31 December 2019	**22,481,100**	**42,097,858**	**10,525,398**	**8,819,574**	**31,637,185**	**40,035,540**	**327,085**	**155,923,740**
At 31 December 2020	**22,044,404**	**41,170,305**	**10,303,811**	**8,555,245**	**30,677,770**	**41,182,029**	**704,744**	**54,638,308**

No depreciation is being charged on assets not yet available for use amounting to EUR 6,057,346 (2019: EUR 8,226,395).

In addition, the cost of fully depreciated plant and equipment amounts to EUR 18,314,731 (2019: EUR 15,298,080) for both the Group and the Company.

16. INVESTMENT PROPERTY

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

(in EUR) COST	The Group	The Company
At 1 January 2019	**21,206,590**	**341,460**
Additions from subsequent expenditure	495,000	-
At 1 January 2020	**21,701,590**	**341,460**
Additions from subsequent expenditure	178,956	-
At 31 December 2020	**21,880,546**	**341,460**
ACCUMULATED DEPRECIATION		
At 1 January 2019	**4,991,045**	**-**
Provision for the year	804,859	6,969
At 1 January 2020	**5,795,904**	**6,969**
Provision for the year	805,130	6,969
At 31 December 2020	**6,601,034**	**13,938**
CARRYING AMOUNT		
At 31 December 2019	**15,905,686**	**334,491**
At 31 December 2020	**15,279,512**	**327,522**

The Company's investment property comprises the portion of the right-of-use asset in relation to the temporary emphyteusis of the leasehold land classified as investment property with a carrying amount of EUR 334,491 at 1 January 2020 (2019: EUR 341,460) less depreciation charge for the year of EUR 6,969 (2019: EUR 6,969) resulting in the carrying amount of EUR 327,522 at 31 December 2020 (2019: EUR 334,491).

During the year, direct operating expenses of EUR 801,732 (2019: EUR 964,472), which arose from the investment property, were incurred. Such expenses were incurred in generating rental income during the year.

16. INVESTMENT PROPERTY (CONTINUED)

Fair Value

Based on an internal valuation carried out by the directors of the Company, the fair value of the investment property was in the region of EUR 36 million at the balance sheet date (2019: EUR 40 million).

The fair value measurement is categorised within Level 3 of the fair value hierarchy. The model is based on the present value of the net cash flows expected to be generated by the property on the basis of market expectations and includes the rates stipulated in the existing contracts with tenants, expected increase in rents after the non-cancellable period, occupancy rates and all other costs attributable to these assets. The expected net cash flows are discounted using a discount factor representing a weighted average cost of capital that is considered appropriate in the circumstances. The net cash flows reflect the amounts in the 2021 budget and long-term corporate planning.

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

17. INVESTMENT IN SUBSIDIARIES

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

Share Capital	The Company	
(in EUR)	2020	2019
Airport Parking Limited	1,200	1,200
Sky Parks Development Limited	2,001,200	2,001,200
Sky Parks Business Centre Limited	1,200	1,200
Kirkop PV Farm Limited	1,200	1,200
Investment in subsidiaries	**2,004,800**	**2,004,800**

The Company holds a 100% (2019: 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% (2019: 100%) ownership in the ordinary share capital of Sky Parks Development Limited, a limited company incorporated in Malta, whose principal activity is to manage real estate projects within the land which is currently under the management of the Group.

The Company holds a 100% (2019: 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% (2019: 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.

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Airport Parking Ltd
Level 2
Malta International Airport Head Office
Malta International Airport
Luqa LQA 4000

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

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

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

The following table shows financial information for the consolidated subsidiaries:

Airport Parking Ltd (in EUR)	2020	2019
Profit for the year	**15,120**	465,946
Share Capital	**1,200**	1,200
Retained Earnings	**1,773,930**	1,758,810
Total Equity	**1,775,130**	1,760,010

Sky Parks Development Ltd (in EUR)	2020	2019
Profit for the year	**469,567**	415,006
Share Capital	**2,001,200**	2,001,200
Accumulated Losses	**(2,202,633)**	(2,672,200)
Total Equity	**(201,433)**	(671,000)

Sky Parks Business Centre Ltd (in EUR)	2020	2019
Profit for the year	**40,956**	440,296
Share Capital	**1,200**	1,200
Retained Earnings	**1,453,108**	1,412,152
Total Equity	**1,454,308**	1,413,352

18. LOANS RECEIVABLE

The Company (in EUR)	Loans to subsidiary
Amortised cost	
At 31 December 2020	**26,822,478**
Less: Amount expected to be settled within 12 months (shown under current assets)	1,290,720
Amount expected to be settled after 12 months	**25,531,758**

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

The Company has granted four unsecured loans to subsidiaries. One of these loans was granted in the comparative period and represents a loan commitment of EUR 20 million which was partly drawn down during the current reporting period (EUR 5.7 million) and the previous year (EUR 4.9 million). The interest rates of all loans are at arm's length and comprise a margin which is over and above the bank base rate.

Two loans with a total amount outstanding as at the end of the reporting period of EUR 11.6 million (2019: EUR 12.9 million) are being repaid on equal annual instalments until 2029, whilst the loan granted in the comparative period which amounts to EUR 10.6 million is repayable from 2024 and shall be repaid in full by the year 2040. Repayments of the fourth loan with an amount outstanding of EUR 4.6 million (2019: EUR 4.6 million) will commence in 2030.

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

The Company (in EUR)	Loans to subsidiary
Carrying amount	
At 31 December 2018	**18,797,918**
Additions	4,900,000
Repayments	(1,290,720)
At 31 December 2019	**22,407,198**
Additions	5,706,000
Repayments	(1,290,720)
At 31 December 2020	**26,822,478**

19. DEFERRED TAXATION

The Group (in EUR)	31.12.2018	Movement for the year	31.12.2019	Movement for the year	31.12.2020
Arising on:	**Recognised in Total Comprehensive Income:**				
Accelerated tax depreciation	(1,905,924)	(239,314)	(2,145,238)	930,722	**(1,214,516)**
Provision for pension costs	1,209,000	(10,982)	1,198,018	96,728	**1,294,746**
Deferred income	1,711,586	(73,068)	1,638,518	(73,066)	**1,565,452**
Unabsorbed capital allowances	1,640,370	44,588	1,684,958	447,340	**2,132,298**
Leases	1,763,430	456,055	2,219,485	535,563	**2,755,048**
Future deductions of refinancing costs	882,333	(82,077)	800,256	(82,078)	**718,178**
Other temporary differences	187,618	114,555	302,173	4,060	**306,233**
Subtotal	5,488,413	209,757	5,698,170	1,859,269	**7,557,439**
Arising on:	**Other movements:**				
Revaluation of properties on privatisation	(608,891)	608,891	-	-	**-**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(402,687)	608,891	206,204	-	**206,204**
Total	**5,085,726**	**818,648**	**5,904,374**	**1,859,269**	**7,763,643**

The Company (in EUR)	31.12.2018	Movement for the year	31.12.2019	Movement for the year	31.12.2020
Arising on:	**Recognised in Total Comprehensive Income:**				
Accelerated tax depreciation	(484,778)	(142,363)	(627,141)	1,478,693	**851,552**
Provision for pension costs	1,209,000	(10,982)	1,198,018	96,728	**1,294,746**
Deferred income	1,711,586	(73,067)	1,638,519	(73,067)	**1,565,452**
Leases	1,763,428	456,058	2,219,486	535,563	**2,755,049**
Other temporary differences	199,253	104,898	304,151	(2,178)	**301,973**
Subtotal	4,398,489	334,544	4,733,033	2,035,739	**6,768,772**
Arising on:	**Other movements:**				
Revaluation of properties on privatisation	(608,891)	608,891	-	-	**-**
Provision for pension costs	206,204	-	206,204	-	**206,204**
Subtotal	(402,687)	608,891	206,204	-	**206,204**
Total	**3,995,802**	**943,435**	**4,939,237**	**2,035,739**	**6,974,976**

19. DEFERRED TAXATION (CONTINUED)

No movement was recorded in total comprehensive income during the current year for both the Group and the Company (2019: EUR 72,532) in connection with defined benefit plans.

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

20. INVENTORIES

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Consumables	**834,888**	872,242	**834,888**	872,242

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Short-term receivables				
Trade receivables	**2,260,977**	12,169,236	**1,980,265**	11,857,445
Receivables from other related parties	**2,196,490**	1,597,186	**2,177,191**	1,508,149
Receivables from subsidiaries	**-**	-	**4,597,302**	1,771,305
Other receivables	**1,748,887**	1,693,765	**950,090**	101,336
Prepayments and accrued income	**766,963**	1,740,506	**561,052**	1,458,403
	6,973,317	**17,200,693**	**10,265,900**	**16,696,638**
Long-term receivables				
Other receivables	**1,341,670**	551,851	**1,664,340**	1,292,091
Total receivables	**8,314,987**	**17,752,544**	**11,930,240**	**17,988,729**

Some prior year line items within Trade and other receivables were reclassified in line with current year presentation of the financial statements.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The receivables from other related parties of the Group and the Company of EUR 2,196,490 (2019: EUR 1,597,186) and EUR 2,177,191 (2019: EUR 1,508,149) respectively, is made up entirely from balances owed from entities under government control.

Impairment of Trade Receivables

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

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

	Loss Allowance		
The Group (in EUR)	Individual Assessment	Collective Assessment	Total
At 1 January 2019	98,836	63,017	161,853
Impairment loss	202,709	117,936	320,645
Reversal of impairment loss	(36,065)	-	(36,065)
At 31 December 2019	265,480	180,953	446,433
Impairment loss	34,111	203,390	237,501
Reversal of impairment loss	-	-	-
At 31 December 2020	**299,591**	**384,343**	**683,934**

The Company (in EUR)	Individual Assessment	Collective Assessment	Total
At 1 January 2019	70,697	63,017	133,714
Impairment loss	202,709	117,936	320,645
Reversal of impairment loss	(20,933)	-	(20,933)
At 31 December 2019	252,473	180,953	433,426
Impairment loss	-	203,390	203,390
Reversal of impairment loss	-	-	-
At 31 December 2020	**252,473**	**384,343**	**636,816**

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group

LT-ECL (in EUR)	Collective (not credit-impaired)	Collective (credit-impaired, but not POCI)	Individual (credit-impaired, but not POCI)	Total
Balance as at 1 January 2019	34,224	28,793	98,836	161,853
Addition	78,548	39,388	202,709	320,645
Reversal	-	-	(36,065)	(36,065)
Balance as at 31 December 2019	112,772	68,181	265,480	446,433
Addition	109,484	93,904	34,111	237,499
Balance as at 31 December 2020	**222,256**	**162,085**	**299,591**	**683,932**

The Company

LT-ECL (in EUR)	Collective (not credit-impaired)	Collective (credit-impaired, but not POCI)	Individual (credit-impaired, but not POCI)	Total
Balance as at 1 January 2019	34,224	28,793	70,697	133,714
Addition	78,548	39,388	202,709	320,645
Reversal	-	-	(20,933)	(20,933)
Balance as at 31 December 2019	112,772	68,181	252,473	433,426
Addition	109,484	93,904	-	203,388
Balance as at 31 December 2020	**222,256**	**162,085**	**252,473**	**636,816**

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

22. TRADE AND OTHER PAYABLES

Trade and Other Payables	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Short-term payables				
Trade payables	2,223,453	2,086,111	2,124,153	1,898,336
Other payables	318,952	-	336,742	139,991
Payables due to other related party	1,543,382	651,227	1,543,382	651,227
Payables due to subsidiaries	-	-	559,685	605,705
Contract liabilities	195,037	383,159	195,037	383,159
Deferred income	2,753,358	1,887,007	2,604,922	2,076,223
Accruals	36,958,428	36,444,632	34,650,907	35,977,900
	43,992,610	**41,452,136**	**42,014,828**	**41,732,541**
Long-term payables				
Other payables	2,340,067	2,340,067	903,968	903,968
Total Payables	**46,332,677**	**43,792,203**	**42,918,796**	**42,636,509**

Some prior year line items within Trade and other payables were reclassified in line with current year presentation of the financial statements.

Contract liabilities represent prepayments from contracts with customers in relation to VIP services. The balance as at 31 December 2019 of EUR 383,158 was fully recognised as revenue during the reporting period and the balance as at 1 January 2019 of EUR 409,174 was fully recognised as revenue during the comparative period.

Accruals at the end of the year, amounting to EUR 14.89 million (2019: EUR 12.60 million) are in respect to related parties.

Terms and conditions of the above financial liabilities:

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

All the above amounts are unsecured.

23. DEFERRED INCOME

The Group

(in EUR)	2019	Additions	Amortisation	2020
		Movement for the year		
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	6,346,328	-	(283,603)	**6,062,725**
European Commission grant	322,060	-	(40,255)	**281,805**
Government grant	9,991	-	(9,991)	**-**
Deposit received from tenant	110,355	6,626	-	**116,981**
Total deferred income as at 31 December	**6,788,734**	**6,626**	**(333,849)**	**6,461,511**
Less amounts included in trade and other payables	(333,849)			(333,859)
Amounts included in non-current liabilities	**6,454,885**			**6,127,652**

The Group

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

23. DEFERRED INCOME (CONTINUED)

The Company

(in EUR)	2019	Additions	Amortisation	2020
		Movement for the year		
Deferred income arising from the gain on the sale and leaseback of the buildings and fixtures upon privatisation	6,346,328	-	(283,603)	**6,062,725**
European Commission grant	322,060	-	(40,255)	**281,805**
Government grant	9,991	-	(9,991)	**-**
Total deferred income as at 31 December	**6,678,379**	**-**	**(333,849)**	**6,344,530**
Less amounts included in trade and other payables	(333,849)			(333,859)
Amounts included in non-current liabilities	**6,344,530**			**6,010,671**

The Company

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

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

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

24. PROVISION FOR RETIREMENT BENEFIT PLAN

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Non-current provision	**3,920,722**	3,880,077	**3,920,722**	3,880,077

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

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

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

The Group & The Company

(in EUR)	2020	2019
Present value of the provision for retirement benefits at 1 January	**3,880,077**	3,906,809
Payments effected	**-**	(289,877)
Recognised in Staff Costs		
Charge for the year	**40,645**	67,084
thereof Service costs	40,320	66,547
thereof Interest costs	325	537
Recognised in Other Comprehensive Income		
Actuarial gains resulting from changes in financial assumptions, gross of deferred tax	**-**	196,061
Present value of the provision for retirement benefits at 31 December	**3,920,722**	**3,880,077**

24. PROVISION FOR RETIREMENT BENEFIT PLAN (CONTINUED)

The year-end obligation includes EUR 3,494,556 (2019: EUR 3,285,400) in relation to retired employees.

The plan exposes the Group and the Company to such risks as (i) interest risk, since a decrease in market yields will increase the plan liability; (ii) longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability; and (iii) salary risk, since an increase in the salary of the plan participants will increase the plan liability.

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

	2020	2019
Discount rate(s)	**0.8%**	0.8%
Mortality rate(s) in years		
- Males	**79**	79
- Females	**83**	83

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

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

- If the discount rate is 25 basis points higher (lower) with all other assumptions held constant, the defined benefit obligation decreases by EUR 48,848 (increases by EUR 50,267) (2019: decreases by EUR 55,469 (increases by EUR 57,150)).
- If the life expectancy increases (decreases) by one year for both men and women with all other assumptions held constant, the defined benefit obligation increases by EUR 226,854 (decreases by EUR 230,929) (2019: increases by EUR 229,505 (decreases by EUR 225,131)).

The weighted average duration of the defined benefit obligation at 31 December 2020 is 17 years (2019: 18 years) in relation to employees that are still employed by the Company and 11 years (2019: 12 years) in relation to retired employees.

25. PROVISION FOR THE MIA BENEFIT PLAN

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Non-current provision	**319,851**	293,797	**319,851**	293,797

25. PROVISION FOR THE MIA BENEFIT PLAN (CONTINUED)

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

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

The Group & The Company		
(in EUR)	2020	2019
Present value of the provision for MIA benefit plan at 1 January	**293,797**	250,638
Payments effected	**(18,000)**	(10,400)
Recognised in Staff Costs		
Charge for the year	**44,054**	42,387
Recognised in Other Comprehensive Income		
Actuarial gains resulting from changes in financial assumptions, gross of deferred tax	**-**	11,172
Present value of the provision for MIA benefit plan at 31 December	**319,851**	**293,797**

26. SHARE CAPITAL

The Company	As at 31.12.2020 and 31.12.2019	
(in EUR)	Authorised	Issued and called up
111,809,746 "A" ordinary shares of EUR 0.25 each (81,179,990 of which have been issued, called up and fully paid)	27,952,436	20,294,997
74,539,840 "B" ordinary shares of EUR 0.25 each (54,120,000 of which have been issued, called up and fully paid)	18,634,960	13,530,000
14 "C" ordinary shares of EUR 0.25 each (10 of which have been issued, called up and fully paid)	4	3
	46,587,400	**33,825,000**

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

26. SHARE CAPITAL (CONTINUED)

Shareholders owning 5% or more of the Company's equity share capital at 31 December 2020 were:

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

* of which VIE (Malta) Limited constitutes 95.85%

The number of shareholders developed as follows:

Number of Shareholders	19.01.2021	12.10.2020	Change
1-500 shares	564	544	20
501-1,000 shares	830	812	18
1,001-5,000 shares	3,647	3,550	97
5,001 and over	1,515	1,479	36
	6,556	**6,385**	**171**

27. TERM DEPOSITS

The amount deposited into the fixed term deposit account did not change from the previous year (2019: EUR 5.0 million). The account has a maturity date of one year and carries a fixed interest rate.

28. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Cash and cash equivalents	**26,047,282**	28,174,981	**21,927,521**	26,691,276

29. LOSS / EARNINGS PER SHARE

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

29. LOSS / EARNINGS PER SHARE (CONTINUED)

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
(Loss)/Profit for the year attributable to ordinary equity holders of the company (in EUR)	**(4,250,430)**	33,933,317	**(4,627,884)**	32,612,067
Weighted average number of shares	**135,299,990**	135,299,990	**135,299,990**	135,299,990
(Loss)/Earnings per share attributable to ordinary equity holders of the Company (in EUR)	**(0.031)**	0.251	**(0.034)**	0.241

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

30. CAPITAL COMMITMENTS

	The Group		The Company	
(in EUR)	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment:				
Contracted but not provided for	**1,903,944**	9,416,173	**1,903,944**	2,587,772
Authorised but not contracted for	**10,242,915**	27,985,100	**10,242,915**	18,232,659
Investment property:				
Authorised but not contracted for	**550,000**	700,000	**-**	-

The impact of Covid-19 on the Group's capital expenditure programme is disclosed in more detail in Note 2.

31. CONTINGENT LIABILITIES

At reporting date, there existed the following contingent liabilities:

i. claims filed by former employees of the Company for unfair dismissal and wrong application of disciplinary procedures, the amount of which has not been determined;

ii. a claim filed by former CEO for unfair dismissal, the amount of which has not been determined;

iii. A judicial protest first lodged by the Government of Malta in 2008 relating to reimbursement of specified expenses and which were last estimated by the Government to amount to approximately EUR 6.3 million as at 31 December 2020 (2019: EUR 5.1 million).

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

32. RELATED PARTY DISCLOSURES

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

The Group	2020			2019		
(in EUR)	Related Party Activity	Total Activity	%	Related Party Activity	Total Activity	%
Revenue						
Related party transaction with:						
Entities controlled by Government *	6,438,124			22,218,790		
Entities that control the Company's parent	-			85		
	6,438,124	**32,189,163**	**20**	**22,218,875**	**100,232,676**	**22**
Other operating costs						
Related party transaction with:						
Entities controlled by Government *	4,013,395			2,937,771		
Key management personnel of the Group	579,142			674,961		
Entities that control the Company's parent	44,241			171,185		
	4,636,778	**17,694,929**	**26**	**3,783,917**	**25,951,490**	**15**

The Company	2020			2019		
(in EUR)	Related Party Activity	Total activity	%	Related Party Activity	Total activity	%
Revenue						
Related party transaction with:						
Entities controlled by Government *	6,001,387			21,874,408		
Subsidiaries	1,497,548			1,749,640		
Entities that control the Company's parent	-			85		
	7,498,935	**29,354,278**	**26**	**23,624,133**	**96,168,303**	**25**
Other operating costs						
Related party transactions with:						
Entities controlled by Government *	4,007,636			2,937,771		
Key management personnel of the Company	579,142			674,961		
Subsidiaries	225,000			225,000		
Entities that control the Company's parent	44,241			171,185		
	4,856,019	**17,387,472**	**28**	**4,008,917**	**25,433,991**	**16**

* This balance is exclusive of material contracts shown in Note 34.

32. RELATED PARTY DISCLOSURES (CONTINUED)

The Company has earned interest income amounting to EUR 542,116 (2019: EUR 386,243) on the loans granted to subsidiaries (see Note 18).

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 2020 with its substantial shareholders and their related parties are disclosed in Note 34.

Right-of-use assets presented in the Statement of Financial Position within Property, plant and equipment and Investment Property and recognised on 1 January 2019 in terms of IFRS 16 include the Group's right to use the land and the buildings held on temporary emphyteuses with annual ground rents payable to Malita Investments plc (previously to the Government of Malta) and the corresponding licence payable to the Government of Malta, as further disclosed in Note 34. The annual depreciation is recognised as an expense over the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The interest expense on the lease liability is recognised using the effective interest method.

33. LEASE ARRANGEMENTS

The Group and the Company as lessee

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

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

The lease terms under IFRS 16 for the temporary emphyteuses and the related aerodrome licence remain unchanged from IAS 17 and do not involve significant judgment as there are no extension, termination or purchase options from the perspective of the Group beyond the non-cancellable and enforceable period, with clauses

33. LEASE ARRANGEMENTS (CONTINUED)

for remote contingencies that are customary for the type of lease in place. The lease terms range from 58 years to 65 years, which are governed under a concession which was granted by the Government and which commenced in 2002 and ends in 2067 with a smaller lease being granted for the period 2010 to 2067.

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

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

The movements during the current year and the comparative year in relation to right-of-use assets classified as property, plant and equipment are disclosed below:

The Group & The Company (in EUR)	**Carrying amount 1 Jan 2020**	**Depreciation charge for the year**	**Carrying amount 31 Dec 2020**
Land held on temporary emphyteusis	64,578,959	(1,357,279)	63,221,680
Related aerodrome licence	10,525,398	(221,586)	10,303,812
Buildings	24,099,829	(1,074,702)	23,025,127
Motor vehicles	21,650	(21,650)	-
Total right-of-use assets classified as property, plant and equipment	**99,225,836**	**(2,675,217)**	**96,550,619**

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

The interest expense for the year on lease liabilities amounts to EUR 2,096,333 (2019: EUR 2,079,535) and is included in Note 8. Expenses relating to low value assets for which the recognition exemption is applied are presented in Note 9. Total cash outflows during the year in relation to leases amounted to EUR 536,912 (2019: EUR 1,693,705).

33. LEASE ARRANGEMENTS (CONTINUED)

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

The Group classifies all interest payments in relation to the lease liability within its operating cash flows in the Statement of Cash Flows to the extent that interest during the period exceeds the contractual cash payments.

The Group and the Company as lessor

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Lease income under operating leases recognised as income for the year	**4,688,975**	5,175,870	**2,965,947**	3,134,423
Lease income under operating leases relating to variable lease payments that do not depend on an index or a rate	**4,479,325**	14,713,235	**4,128,886**	14,829,565
Total lease income under operating leases recognised as income for the year	**9,168,300**	**19,889,105**	**7,094,833**	**17,963,988**

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Year 1	**3,943,157**	3,735,923	**1,282,266**	1,440,204
Year 2	**3,727,516**	3,641,366	**1,296,399**	1,458,467
Year 3	**2,525,518**	3,528,861	**1,302,064**	1,476,898
Year 4	**2,151,866**	2,559,360	**1,324,798**	1,482,563
Year 5	**1,773,020**	2,332,365	**1,341,895**	1,505,298
Year 6 and onwards	**18,507,325**	23,329,522	**20,668,483**	25,059,555
	32,628,402	**39,127,397**	**27,215,905**	**32,422,985**

Operating lease income receivable by the Group includes income from leases of portions of land held on temporary emphyteuses and classified as property, plant, and equipment. The term of the principal non-cancellable lease arrangements ranges between 5 months and 29 years and the lease receivables are adjusted upwards periodically by a specified rate.

Operating lease income receivable by the Group also includes the lease of the investment property built on a portion of land held on temporary emphyteuses. The term of the principal non-cancellable lease arrangements ranges between 6 months and 9 years. The leases include periodic adjustments by a specified rate and variable portions linked to the turnover of the lessees.

33. LEASE ARRANGEMENTS (CONTINUED)

Operating lease income also includes income from the lease to tenants of commercial property within the building held on temporary emphyteusis. The terms of these leases range from 1 month to 29 years. The leases include periodic adjustments by a specified rate and variable portions linked to the turnover of lessees.

Operating lease income receivable by the Company also includes income from the lease to a subsidiary of certain carparks situated on portions of land held on temporary emphyteusis and classified as property, plant and equipment and income from the lease of the land on which the investment property is built, which investment property is also situated on portions of land held on temporary emphyteusis. The leases terminate in 2048 and 2034 respectively. One of the leases includes periodic adjustments by a specified rate and the other comprises fixed annual amounts and variable portions linked to the turnover of the lessee.

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

The income above includes an amount of EUR 2,609,414 (2019: EUR 3,184,316) generated by the Group in relation to the business centre classified as investment property as well as an amount of EUR 75,443 (2019: EUR 75,443) generated by the Company in relation to the corresponding right-of-use assets in relation to the land on which the business centre is located. The Group and the Company generate EUR 6,558,886 and EUR 7,019,390 (2019: EUR 16,704,789 and EUR 17,888,545), respectively, from subleasing right-of-use assets that are classified as property, plant, and equipment.

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

34. MATERIAL CONTRACTS

The material contracts entered into by the Company in the year ended 31 December 2020 with its current substantial shareholders and their related parties are the following:

The Government of Malta

i. The terminal and other land lease agreements with Malita Investments plc for EUR 1,150,960 (2019: EUR 1,144,809);

ii. Licence Fee payable to the Government of Malta for the airport operation amounting EUR 496,157 (2019: EUR 496,157);

iii. The contract for contribution to the Malta Tourism Authority for EUR 232,937 (2019: EUR 232,937); the contracts for contributions payable towards the Route Development Fund that is administered by the Malta Tourism Authority for EUR 3,300,000 (2019: EUR 4,900,000); and a contract for the contribution for a calendar of events administered by the Malta Tourism Authority for EUR 8,000 (2019: EUR 1,380,000);

iv. The contract with the Armed Forces of Malta for the security of the restricted areas at the Airport for an expense of EUR 1,778,125 (2019: EUR 1,471,875);

34. MATERIAL CONTRACTS (CONTINUED)

v. The provision of Air Navigation Services and other services by Malta Air Traffic Services Limited for an expense of EUR 929,611 (2019: EUR 929,648);

vi. The provision of Meteorological Services and other services to Malta Air Traffic Services Limited for revenue of EUR 743,688 (2019: EUR 743,717);

vii. The contract with Enemalta Corporation for fuel throughput charges generated the amount of EUR 170,020 (2019: EUR 440,832) in revenue;

viii. The ground handling and concession agreements with Air Malta p.l.c. and its subsidiaries that generated income of EUR 1,283,037 (2019: EUR 1,984,254); and

ix. The contracts with Indis Malta Ltd. for the lease of land that generated income of EUR 1,082,385 (2019: EUR 1,021,415).

35. PARENT COMPANY

For the purposes of IFRS 10 Consolidated Financial Statements, it is considered that Articles 58.2 and 58.7 of the Company's Articles of Association combine so as to give Malta Mediterranean Link Consortium Limited ("MMLC"), which has its registered office at Palazzo Pietro Stiges, 60 St. Christopher Street, Valletta, Malta, control over the Company. MMLC has a 40% equity interest in Malta International Airport p.l.c. (the "Company").

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

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

VIE (Malta) Limited is controlled by VIE International Beteiligungsmanagement GmbH ("VINT"), which also controlled MMLC Holdings Malta Limited until the merger in November 2019. VINT does not produce consolidated financial statements. The ultimate parent of the Company is Flughafen Wien AG, whose registered office is Postfach 1, A-1300 Wien-Flughafen. Flughafen Wien AG's consolidated share in the Company amounts to 48.44%.

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

36. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At 31 December 2020 and 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, comprising trade and other receivables, cash and cash equivalents, term deposits, current loans receivable and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

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

37. FINANCIAL RISK MANAGEMENT

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

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

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Loans receivable	**-**	-	**26,822,478**	22,407,198
Trade and other receivables	**7,548,022**	16,012,038	**11,369,188**	16,530,326
Term deposit	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Cash and cash equivalents	**26,047,282**	28,174,981	**21,927,521**	26,691,276
Financial liabilities at amortised cost	**96,484,401**	94,145,043	**93,282,241**	92,913,871

Some prior year line items were reclassified in line with current year presentation of the financial statements.

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

	The Group		The Company	
(in EUR)	2020	2019	2020	2019
Recorded in profit or loss:				
Loans receivable	**-**	-	**542,116**	386,243
Trade and other receivables	**(237,500)**	(284,580)	**(203,390)**	(299,712)
Term deposit	**25,485**	37,436	**25,485**	37,436
Financial liabilities at amortised cost	**(2,096,333)**	(2,079,535)	**(2,096,333)**	(2,079,535)

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

Interest Rate Risk

The Group and the Company have term deposits as disclosed in Note 27 and cash at bank balances as disclosed in Note 28. The Company has also granted interest-bearing loans to its subsidiaries as disclosed in Note 18.

The Group and the Company are exposed to cash flow interest rate risk on financial instruments carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its investing and financing structure.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

		Effect on Profit before tax	
	Increase or Decrease (basis points)	The Group (in EUR)	The Company (in EUR)
2020	**+ 25**	**77,618**	**134,375**
	- 25	**(77,618)**	**(134,375)**
2019	+ 25	82,937	135,246
	- 25	(82,937)	(135,246)

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

Credit Risk

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

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

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

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

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

TRADE AND OTHER RECEIVABLES

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

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

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

TRADE RECEIVABLES – TESTED INDIVIDUALLY:

LT-ECL (credit-impaired but not POCI)	**The Group**		**The Company**	
(in EUR)	**2020**	**2019**	**2020**	**2019**
Internal rating grades				
Performing	-	-	-	-
In default	299,591	265,480	252,473	252,473
Gross carrying amount at 31 December 2020	**299,591**	**265,480**	**252,473**	**252,473**
Loss allowance at 31 December 2020	(299,591)	(265,480)	(252,473)	(252,473)
Net carrying amount at 31 December 2020	-	-	-	-

TRADE RECEIVABLES – TESTED COLLECTIVELY:

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

The Group

31 December 2020 (in EUR)	**Expected Credit Loss Rate**	**Gross Carrying Amount**	**LT-ECL**	**Net Carrying Amount**
Current (not past due)	0.3%	2,547,717	7,643	2,540,074
30 to 90 Days	0.4%	1,040,315	4,161	1,036,154
91 to 180 Days	7.0%	409,958	28,697	381,261
181 to 270 Days	18.3%	493,185	90,253	402,932
271 to 360 Days	43.1%	176,878	76,235	100,643
> 360 Days	100.0%	177,352	177,352	-
		4,845,405	**384,341**	**4,461,064**

The Group

31 December 2019 (in EUR)	**Expected Credit Loss Rate**	**Gross Carrying Amount**	**LT-ECL**	**Net Carrying Amount**
Current (not past due)	0.2%	3,493,136	6,985	3,486,151
30 to 90 Days	0.2%	9,420,171	19,933	9,400,238
91 to 180 Days	4.0%	681,750	25,669	656,081
181 to 270 Days	13.8%	184,249	25,426	158,823
271 to 360 Days	35.0%	100,203	35,072	65,131
> 360 Days	100.0%	67,868	67,868	-
		13,947,377	**180,953**	**13,766,422**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

The same ECL Rates are applied to the Company's debtors with a gross carrying amount of EUR 9,142,636 (2019: EUR 15,317,850), resulting in a net carrying amount of EUR 8,754,758 (2019: EUR 15,136,899) and a collective LT-ECL of EUR 384,341 (2019: EUR 180,953) of which an amount of EUR 177,352 (2019: EUR 67,868) is in relation to trade debtors that are more than 360 days past due.

The largest single customer of the Group, Air Malta p.l.c., has been going through years of restructuring, but has failed to produce sustainable bottom line results. Like all other airlines, Air Malta's operations have been severely curtailed in 2020 and the Maltese Government prepared a request to the EU for a substantial state aid injection. Air Malta p.l.c. accounts for EUR 1.5 million (2019: EUR 0.1 million) of the Group's trade and other receivables at year end and 19% (2019: 22%) of the Group's revenue for the year (recorded in all segments). The Company's exposure to this customer is not materially different to that of the Group. The maximum exposure in the reporting period to this customer was in the region of EUR 1.1 million (2019: EUR 5.6 million). The Board feels confident that the Group's and the Company's exposure to Air Malta p.l.c. will not jeopardize in any way the Group's ability to continue operations for the foreseeable future and that Air Malta p.l.c. will meet its obligations.

CASH AND CASH EQUIVALENTS

The cash at bank balances held by the Group and the Company are disclosed in Note 28. Currently the Group holds its cash at bank balances with reputable and investment grade rated banking institutions.

12m-ECL	The Group		The Company	
(in EUR)	2020	2019	2020	2019
External rating grades				
BBB negative (Fitch), BBB- stable (S&P)	24,047,222	28,086,505	19,927,462	26,602,800
A positive (Fitch), A- (S&P)	2,000,060	88,476	2,000,060	88,476
Gross/Net Carrying Amount at 31 December 2020	**26,047,282**	**28,174,981**	**21,927,521**	**26,691,276**

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

TERM DEPOSITS

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

12m-ECL	The Group		The Company	
(in EUR)	2020	2019	2020	2019
External rating grades				
BBB negative (Fitch), BBB- stable (S&P)	5,000,000	5,000,000	5,000,000	5,000,000
Gross/Net Carrying Amount at 31 December 2020	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**

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

LOANS RECEIVABLE

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

12m-ECL	The Company	
(in EUR)	2020	2019
Internal rating grades		
Performing	26,822,478	22,407,198
Gross/Net Carrying Amount at 31 December 2020	**26,822,478**	**22,407,198**

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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

The tables below summarise the maturity profile of the Group's and Company's financial liabilities as at 31 December 2019 and 2020 based on contractual undiscounted payments.

The Group

31 December 2020 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Lease Liability	53,168,052	135,777,282	1,653,267	7,178,114	126,945,901
Other payables	2,591,086	2,591,086	2,591,086		
Accruals	36,958,428	36,958,428	36,958,428		
Trade payables	3,766,835	3,766,835	3,766,835		
	96,484,401	**179,093,631**	**44,969,616**	**7,178,114**	**126,945,901**

The Group

31 December 2019 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Lease Liability	52,755,835	137,424,399	1,647,117	7,011,621	128,765,662
Other payables	1,857,985	1,857,985	1,857,985		
Accruals	36,444,632	36,444,632	36,444,632		
Trade payables	2,737,338	2,737,338	2,737,338		
	93,795,790	178,464,354	42,687,072	7,011,621	128,765,662

The Company

31 December 2020 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Lease liability	53,168,052	135,777,282	1,653,267	7,178,114	126,945,901
Other payables	1,236,062	1,236,062	1,236,062		
Accruals	34,650,907	34,650,907	34,650,907		
Trade payables	4,227,220	4,227,220	4,227,220		
	93,282,241	**175,891,471**	**41,767,456**	**7,178,114**	**126,945,901**

Some prior year line items were reclassified in line with current year presentation of the financial statements.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company

31 December 2019 (in EUR)	Carrying Amount	Gross Cash Flows	< 1 year	1-5 Years	> 5 years
Lease liability	52,755,835	137,424,399	1,647,117	7,011,621	128,765,662
Other payables	1,024,868	1,024,868	1,024,868		
Accruals	35,977,900	35,977,900	35,977,900		
Trade payables	3,155,268	2,549,563	2,549,563		
	92,913,871	176,976,730	41,199,448	7,011,621	128,765,662

The Group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows. The impact of Covid-19 on the liquidity position of the Group and the Company is disclosed in more detail in Note 2.

Capital Management

One of the objectives of the Group and the Company is to ensure that it maintains a strong credit rating and healthy capital ratios by means of proper management of its capital. The Group and the Company manage their capital structure and adjust it, in light of changes in economic conditions. No changes were made in the objectives and processes during the years ended 31 December 2020 and 31 December 2019.

The Company monitors its capital requirement on a periodic basis considering its current requirements. Capital primarily includes equity attributable to the equity holders. Based on recommendations of the directors, the Group and the Company balance their overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The impact of Covid-19 on the capital management of the Group and the Company is disclosed in more detail in Note 2.

Other than as disclosed in that note, the Group's and Company's policy in managing capital has remained unchanged from the prior year.

38. EVENTS AFTER THE REPORTING PERIOD

All events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as of 31 December 2020 for the Group and the Company, such as outstanding legal proceedings or claims for damages and other obligations or impending losses that must be recognised or disclosed in accordance with IAS 10 – are included in these consolidated financial statements.

The effects of Covid-19 on the Company and the Group are highlighted in Note 2. The rapid development and the constant changes surrounding this pandemic make it difficult to predict its ultimate impact. The extent of the success resulting from the roll out of the vaccines in Malta and across the world amid the spread of new variants is still being observed.

Developments are being monitored closely, on a continuous basis, by Management.

39. SIGNIFICANT ACCOUNTING POLICIES

Scope of Consolidation

The consolidated financial statements include all subsidiaries, with the exception of Kirkop PV Farm Limited, as its economic significance and influence on the financial position, financial performance and cash flows of the Group is immaterial. The net liability position of Kirkop PV Farm Limited is under EUR 3,000 (2019: under EUR 3,000). Kirkop PV Farm Limited did not commence to trade by the balance sheet date.

The 2020 and 2019 consolidated financial statements include Malta International Airport p.l.c as well as three domestic subsidiaries that are controlled by Malta International Airport p.l.c.

Subsidiaries included in the consolidated financial statements 2020 and 2019 are Airport Parking Limited, Sky Parks Development Limited and Sky Parks Business Centre Limited. For financial information on these subsidiaries see Note 17.

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.

Fair Value

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

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

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

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

Property, Plant, and Equipment

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

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

With effect from 1 January 2019, property, plant and equipment also include the right-of-use assets in

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Properties in the Course of Construction

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

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

Investment Property

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

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that

are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proceeds, if any, and the carrying amount, and are recognised in profit or loss in the period of derecognition.

Depreciation

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

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

With effect from 1 January 2019, property, plant and equipment, and investment property also include right-of-use assets in terms of IFRS 16. The accounting policy for right-of-use assets is included below in the Section entitled 'Leases'. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

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

Borrowing Costs

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

Investments in Subsidiaries

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

Impairment of Non-Financial Assets and Investments in Subsidiaries

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Other Financial Instruments

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

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

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

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

Other Financial Assets

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

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- An equity investment that is not held for trading may be irrevocably designated as at FVOCI with any subsequent changes in fair value being presented in OCI. This election is made on an investment-by-investment basis. Otherwise, the equity investment is measured at FVTPL.

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment of Other Financial Assets

Credit losses are determined based on the ECL model. The ECL model applies to financial assets measured at amortised cost, debt investments at FVOCI, lease receivables, and contract assets, but not to investments in equity instruments. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

ECLs are probability-weighted estimates of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured at the present value of all expected cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset. The measurement of ECLs is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Forward-looking information considered includes economic and industry indicators such as GDP,

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unemployment rates and/or industry projections as well as factors that are specific to the debtors, unless the effect is considered to be immaterial.

ECLs are determined by means of a three-stage model for impairment (the general approach) based on changes in credit risk since initial recognition.

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

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

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

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

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

SIMPLIFIED APPROACH

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

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure LT-ECLs on an individual instrument basis and in order to ensure that LT-ECLs are recognised before an asset becomes credit-impaired or an actual default occurs, LT-ECLs on the remaining financial assets are measured on a collective basis.

In such instances and where appropriate, the financial instruments are grouped on the basis of shared credit risk characteristics and the LT-ECLs are estimated using a provision matrix based on actual credit loss experience over past years, which is adjusted to reflect current conditions and the Group's view of economic conditions over the expected lives of the receivables. Such adjustments

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are based on factors that are specific to the debtors and economic and industry indicators such as GDP, unemployment rates and/or industry projections, where applicable, unless the effect is considered to be immaterial. For the purpose of the provision matrix, loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency over a selected period, taking into consideration the applicable credit terms for such debtors and the past due status. Unless the effect is immaterial, for receivables after 360 days, the loss rate is adjusted to take into consideration the proportion of actual recoveries over the selected period.

SIGNIFICANT INCREASE IN CREDIT RISK

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

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

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

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

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFINITION OF DEFAULT

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

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

CREDIT-IMPAIRED FINANCIAL ASSETS

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: significant financial difficulty of the issuer or the borrower, a breach of contract, such as a default or delinquency in interest or principal payments, the probability to enter bankruptcy or other financial reorganisation, the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider, the disappearance of an active market for that financial asset because of financial difficulties.

WRITE-OFF POLICY

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

LOAN COMMITMENTS

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

Financial Liabilities

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and short-term deposits

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

Inventories

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

Revenue Recognition

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

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

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

Revenue from leases reflects all income from renting office, retail, food and beverage, and advertising space including commissions based on sales as well as income from renting certain car parks. The accounting policies for this revenue stream are addressed below.

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

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

REGULATED REVENUE

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

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

In determining the transaction price, consideration is taken of variable fee-reducing rebates based on incentive agreements. Incentives are deducted from revenue in full and are included within the line item 'Trade and other payables'. Any such incentives which are not taken up are recognised

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as revenue only when it is highly probable that a significant reversal will not occur, that is, when the uncertainty associated with the incentives is subsequently resolved.

The performance obligation in relation to regulated revenue is satisfied over time. A receivable is recognised as the services are provided and included in the line item 'Trade and other receivables' until the actual payment is made by the respective customers.

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

UNREGULATED REVENUE

Unregulated revenue is income based on charges that are not regulated, but subject to fee structures that are negotiated with the Group's customers. Fees for each service are uniform among all customers.

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

- **Ground handling concession income** is revenue from ground handling and infrastructure providers for the right to provide their services (ground handling, fuelling) within the airport perimeter for the duration of the respective contracts. The performance obligation is to make the maintained airport infrastructure and equipment available so that the ground handling provider is able to provide its services to airlines and aircraft operators. The transaction price

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

follows a fee structure that is based on a variety of underlying metrics, such as the number of departing passengers, aircraft movements, maximum take-off weight, kilograms of freight and mail and litres of fuel. The Group has determined that it provides a daily service of access that is distinct, with the uncertainty related to the consideration receivable being also resolved on that basis and accordingly no further estimates are required in this regard. The performance obligation is satisfied over time. A receivable is recognised as the services are provided and included in the line item "Trade and other receivables" until the actual payment is made by the respective ground handling provider.

- **Car parking income** primarily represents revenue generated through the provision of car parking spaces at the car parks within the airport perimeter, other than revenue from rental income resulting from the lease of car parks which is addressed by the accounting policy on leases. The performance obligation is to provide and maintain car parking space for the duration of the stay. The transaction price follows a pre-determined fee structure that is based on parking time and that is payable immediately upon use. The performance obligation is satisfied over time. Besides, income from the sale of car park access cards, which allow customers to make use of the car park over a fixed period of time, is recognised over time on straight-line basis for the duration of the contract.

- **Income from VIP services** primarily represents revenue generated through the provision of services, such as access to airport lounges and ancillary services (e.g. porterage, meet-and-greet). The Group's performance obligation is to provide the services if and when requested by customers in line with underlying terms and conditions. The transaction price follows a fixed price structure. The performance obligation is satisfied over time. In addition, the Group issues membership cards that enable members to make use of a variety of VIP services and facilities provided by the airport, such as lounges and access to car parks, over a fixed period. Such revenue is recognised over time on a straight-line basis for the duration of the contract with any deferred income being recognised as a contract liability within the line item 'Trade and other payables'.

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

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provision of luggage trolleys, lost and found services and left luggage.

Interest income

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

Government Grants

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

Deferred Income

Deferred income arising from the gain on disposal of the buildings and fixtures that took place on the date of the privatisation of the Company in 2002 is transferred separately to the income statement in equal annual instalments over the remaining life of the underlying assets.

Leases

THE GROUP AS A LESSEE

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

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

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The Group measures the lease liability at the lease commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease (if that rate is readily determined) or the Group's incremental borrowing rate.

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

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

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made at or before the lease commencement date.

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

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

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

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

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

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

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

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the Statement of profit or loss and other comprehensive income, the Group presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. The lease payments attributable to low value items and short-term leases for which the recognition exemption is applied, together with variable lease payments not included in the measurement of the lease liability, are presented within 'other operating expenses.'

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

THE GROUP AS A LESSOR

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. Lease classification is made at inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.

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

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

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

Taxation

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets (including deferred tax assets for the carry forward of unused tax losses and unused tax credits) are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(or the unused tax losses and unused tax credits) can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

Employee Benefits

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

SHORT-TERM EMPLOYEE BENEFITS

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

RETIREMENT PLANS

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

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

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

Provisions

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

Currency Translation

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction.

39. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Dividends

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

Independent Auditor's Report

to the members of Malta International Airport p.l.c.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the individual financial statements of Malta International Airport p.l.c. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 124 to 192, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2020, 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 2020, 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 matter described below pertains to the audit of both the individual and the consolidated financial statements. This matter was 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 this matter.

Impairment assessment of assets following outbreak of Covid-19

The outbreak of Covid-19 and the consequent closure of Malta's borders to commercial flights during the first half of 2020 constituted a triggering event in terms of IAS 36 Impairment of Assets for the relevant group of assets described in more detail in note 2 to the financial statements.

An impairment assessment was carried out by the Company on these assets, whose carrying value at 31 December 2020 amounted to EUR 167.1mn (Company) and EUR171.8mn (Group). This year end impairment assessment, including sensitivity analyses carried out by the Company as explained in more detail in note 2, indicated no need for impairment provisions.

The Company's year-end impairment assessment was significant to our audit given the significance of the impact of Covid-19 on the Company's and the Group's results for the year ended 31 December 2020, and also because the impairment assessment relies heavily on forecasting future cash flows in the present environment which is highly uncertain. The forecasting of future cash flows has been based on various assumptions such as long term growth rate, the rate used to discount future cash flows, and assumptions around economic recovery of the industry in a post Covid-19 environment. Furthermore the assets tested for impairment represent more than 70% of the Company's and the Group's total assets.

Our audit procedures included:

- Involving an internal valuation specialist to assist us in evaluating the year end impairment methodology in connection with the discount rate used together with the mathematical accuracy of the model;
- Involving an internal valuation specialist to assist us with performing a sensitivity analysis to changes in the key inputs with a special focus on the forecasted passenger numbers taking into account available independent forecasts published by the airline industry;
- Assessing the directors' capability in forecasting through a retrospective review of actual performance in past years before 2020 against previous forecasts;
- Reviewing the appropriateness of the disclosures in the financial statements in connection with the impairment assessment.

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;

ii. the Chairman's message, the Chief Executive Officer's review, information on strategy and employees, the Aviation report, the Retail & Property report, the Sustainability Report, and supporting key data, investments and outlook information which is expected to be made available to us after the date of this audit report; and

iii. the Remuneration Report required under Listing Rule 12.26K which is also 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 and on the Remuneration Report 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 and set out in paragraph (i) above, 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 paragraphs (ii) and (iii) above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and, if necessary, to take appropriate action, considering our legal rights and obligations, to seek to have an uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared, for example by addressing the matter in a general meeting of shareholders.

When we read the Remuneration Report set out in paragraph (iii) above, which is expected to be made available to us after the date of this audit report, we will report separately thereon as required by Listing Rule 12.26N.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 99 to 110, 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 111, 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

This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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 Company and the Group or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company and the Group. The financial position of the Company and the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company and the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company and the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and the Group and to identify any facts or circumstances that may be materially relevant thereto.

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 and the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's and the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's and the Group's ability 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.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

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 112 to 123 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Matters on which we are required to report by exception under the Companies Act

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

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

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

Auditor tenure

We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group, following the Company's equity listing in December 2002, on 9 July 2003 for the financial year ended 31 March 2004, and were subsequently reappointed as statutory auditor by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm since the Company became a public interest entity covers financial periods totalling 17 years and 9 months.

Consistency of the audit report with the additional report to the Audit Committee

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

Annabelle Zammit Pace as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta

24 February 2021

Notes

Malta International Airport plc,
Luqa LQA 4000, Malta

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