

# **Malta International Airport plc**

**Interim condensed consolidated  
financial statements and Directors'  
report**

30 June 2011

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# Malta International Airport plc

## Interim Directors' report pursuant to Listing Rule 5.75.2

Interim condensed consolidated financial statements 30 June 2011

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These interim condensed consolidated financial statements comprise the interim consolidated financial statements of Malta International Airport plc and its subsidiaries Airport Parking Ltd and Sky Parks Development Ltd.

### Performance Review

Passenger movements at Malta International Airport in the first six months of 2011 grew by 12.7% over the corresponding period of 2010, reaching 1,556,058 passengers. Aircraft movements and seat capacity for the same period were +4.4% and +6.8% respectively, on those between January and June of last year.

The core markets all registered an increase in the first half of this year. The United Kingdom, which is still the top destination, registered an increase of 7%; with a second ranked Italy registering an increase of 5.5%. A significant increase of 21% and 22.3% were registered in the German and French markets respectively. Spain also registered a notable increase of 14.9% between January and June of 2011 over the same period in 2010.

The positive results achieved during the first six months of the year will continue in the second half of the year albeit at a reduced rate. Nevertheless Malta International Airport expects passenger movements for the full year 2011 to reach 3.4 million in 2011, an increase of 3.2% over 2010. One must also bear in mind however, that our home carrier Air Malta is still undergoing a restructuring process. The Directors will continue to monitor the situation on an on-going basis, we do not, however, expect this process to affect the passenger flows of 2011.

The group's turnover for the period is €22.7 million (Jan to Jun 2010 – €22.2 million) which is 2.2% higher than the turnover for the same period last year. Revenue from aviation fees has not increased in proportion to the passenger number due to higher incentive schemes that are expected to be paid for the first six months of 2011 and the reduction in revenue from aviation concessions due to the reduction in fuel handling user fees. Staff costs have decreased from €4.7 million to €4.5 million (3.4%) due to a reduction in staff as a result of an early retirement scheme introduced in 2010. Other operating costs went up marginally from €8.5 million to €8.8 million (3.2%).

The profit for the period is €3.96 million, up by 11.3% compared to the same period of 2010 (January – June).

### Dividends

The group is proposing a net interim dividend of €0.03 per share on all shares settled as at close of business on Monday 8 August 2011 and payable by not later than 15 September 2011.

By order of the Board

27 July 2011

# Malta International Airport plc

## Condensed consolidated statement of comprehensive income

Period ended 30 June 2011

	Group 30-Jun-11 6 months (unaudited) €	Group 30-Jun-10 6 months (unaudited) €
Revenue	22,669,644	22,186,118
Staff costs	(4,534,090)	(4,694,087)
Depreciation	(2,454,878)	(2,635,010)
Other operating expenses	(8,807,415)	(8,534,357)
Finance income	211,475	75,514
Finance costs	(942,444)	(896,891)
Release of deferred income arising on the sale of terminal buildings and fixtures	144,049	144,095
Profit before tax	6,286,341	5,645,382
Income tax expense	(2,325,946)	(2,088,791)
<b>Profit for the period attributable to the ordinary equity holders of the company</b>	<b>3,960,395</b>	<b>3,556,591</b>
<b>Other comprehensive income</b>		
Net (loss)/gain on available-for-sale financial assets	(3,350)	3,853
<b>Total comprehensive income for the period attributable to the ordinary equity holders of the company, net of tax</b>	<b>3,957,045</b>	<b>3,560,444</b>
<b>Earnings per share attributable to the ordinary equity holders of the company</b>	<b>2.93c</b>	<b>2.63c</b>

Earnings per share for the comparative period has been restated as a result of the share split effected on 1 June 2010, which resulted in an increase in the number of ordinary shares in issue from 67,650,000 to 135,300,000 shares.

# Malta International Airport plc

## Condensed consolidated statement of financial position

30 June 2011

	Group 30-Jun-11 (unaudited) €	Group 31-Dec-10 (audited) €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	99,843,346	101,298,166
Investment property	6,259,789	2,838,828
Available-for-sale financial assets	965,011	968,361
Deferred tax assets	4,201,171	4,112,114
	<u>111,269,317</u>	<u>109,217,469</u>
<b>Current assets</b>		
Inventories	911,371	773,424
Trade and other receivables	15,559,607	13,837,871
Current tax asset	1,584,600	878,994
Cash and short term deposits	9,443,391	10,025,521
	<u>27,498,969</u>	<u>25,515,810</u>
<b>Total assets</b>	<u>138,768,286</u>	<u>134,733,279</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to ordinary shareholders</b>		
Share capital	33,825,000	33,825,000
Revaluation reserve	1,495,661	1,519,977
Fair value reserve	3,710	7,060
Retained earnings	20,099,925	20,837,607
<b>Total equity</b>	<u>55,424,296</u>	<u>56,189,644</u>
<b>Non-current liabilities</b>		
Bank loan	54,855,361	53,769,636
Deferred income	7,867,790	7,171,254
Provision for retirement benefit plan	3,142,652	3,142,652
Provision for MIA benefit plan	93,595	78,084
	<u>65,959,398</u>	<u>64,161,626</u>
<b>Current liabilities</b>		
Trade and other payables	12,689,031	11,685,155
Bank loan	1,747,226	1,846,423
Current tax liabilities	2,144,620	46,716
Provision for retirement benefit plan	803,715	803,715
	<u>17,384,592</u>	<u>14,382,009</u>
<b>Total liabilities</b>	<u>83,343,990</u>	<u>78,543,635</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>138,768,286</u>	<u>134,733,279</u>

# Malta International Airport plc

## Condensed consolidated statement of changes in equity

Period ended 30 June 2011

	Share capital (unaudited) €	Revaluation reserve (unaudited) €	Fair value reserve (unaudited) €	Retained earnings (unaudited) €	Total (unaudited) €
Balance at 1 January 2010	31,516,376	1,568,622	(3,202)	20,295,226	53,377,022
Profit for the period	-	-	-	3,556,591	3,556,591
Net gain on available-for-sale financial asset	-	-	3,853	-	3,853
Total comprehensive income for the period	-	-	3,853	3,556,591	3,560,444
Capitalisation of retained earnings to increase the issued share capital of the company	2,308,624	-	-	(2,308,624)	-
Difference between historical depreciation charge and actual depreciation for the period calculated on the revalued amount	-	(37,423)	-	37,423	-
Deferred tax liability on revaluation	-	13,107	-	-	13,107
Dividends paid	-	-	-	(3,856,050)	(3,856,050)
Balance at 30 June 2010	33,825,000	1,544,306	651	17,724,566	53,094,523
<b>Balance at 1 January 2011</b>	<b>33,825,000</b>	<b>1,519,977</b>	<b>7,060</b>	<b>20,837,607</b>	<b>56,189,644</b>
Profit for the period	-	-	-	3,960,395	3,960,395
Net loss on available-for-sale financial asset	-	-	(3,350)	-	(3,350)
Total comprehensive income for the period	-	-	(3,350)	3,960,395	3,957,045
Difference between historical depreciation charge and actual depreciation for the period calculated on the revalued amount	-	(37,423)	-	37,423	-
Deferred tax liability on revaluation	-	13,107	-	-	13,107
Dividends paid	-	-	-	(4,735,500)	(4,735,500)
<b>Balance at 30 June 2011</b>	<b>33,825,000</b>	<b>1,495,661</b>	<b>3,710</b>	<b>20,099,925</b>	<b>55,424,296</b>

# Malta International Airport plc

## Condensed consolidated statement of cash flows

Period ended 30 June 2011

	<b>Group 30-Jun-11 6 months (unaudited) €</b>	<b>Group 30-Jun-10 6 months (unaudited) €</b>
<i>Net cash flows from operating activities</i>	<b>6,361,881</b>	5,709,781
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(561,918)</b>	(1,438,206)
Purchase of investment property	<b>(3,420,961)</b>	-
Disposal of property, plant and equipment	<b>140,450</b>	-
Grants in respect of capital expenditure	<b>100,000</b>	-
Interest received	<b>211,475</b>	75,514
<i>Net cash flows used in investing activities</i>	<b>(3,530,954)</b>	(1,362,692)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	<b>3,296,934</b>	-
Repayment of borrowings	<b>(1,974,491)</b>	(1,846,423)
Dividends paid	<b>(4,735,500)</b>	(3,856,050)
<i>Net cash flows used in financing activities</i>	<b>(3,413,057)</b>	(5,702,473)
<b>Net movement in cash and cash equivalents</b>	<b>(582,130)</b>	(1,355,384)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,025,521</b>	2,466,597
<b>Cash and cash equivalents at the end of the period</b>	<b>9,443,391</b>	1,111,213

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

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### 1. Corporate information

The interim condensed consolidated financial statements of the group for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors of the 27 July 2010.

Malta International Airport plc is a public company incorporated and domiciled in Malta whose shares are publicly traded.

The principal activities of the company and its subsidiaries ('the group') are the development, operation and management of Malta's airport.

### 2. Basis of preparation and significant accounting policies

#### *Basis of preparation*

These interim condensed consolidated financial statements for the six months ended 30 June 2011 have been extracted from the unaudited management accounts of the group and have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in terms of the Malta Financial Services Authority Listing Rules.

The financial information of the group as at 30 June 2011 and for the six months then ended reflect the performance and the financial position of Malta International Airport plc and its subsidiaries Airport Parking Ltd and Sky Parks Development Ltd. The comparative amounts reflect the position of the group as included in the audited financial statements ended 31 December 2010 and the results for the period ended 30 June 2010.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2010.

#### *Significant accounting policies*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2010, except for the impact of the adoption of the Standards described below, which are effective for annual periods beginning on or after 1 January 2011.

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

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### 2. Basis of preparation and significant accounting policies (continued)

#### *Significant accounting policies (continued)*

##### IAS 24 (revised in 2009) – Related Party Disclosures

The revised Standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The group has re-assessed its related party relationships which resulted in the identification of new related parties and those which no longer qualify as a related party under the revised Standard. In accordance with the requirements of the revised Standard, the comparative disclosures for the period ended 30 June 2010 have been restated as disclosed in Note 10 to the financial statements. The adoption of the Revised Standard did not have any impact on the financial position or performance of the group.

##### Amendments to IAS 1 – Presentation of Financial Statements and IAS 34 – Interim Financial Reporting

The amendments to IAS 1 - Presentation of Financial Statements clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The group has provided this analysis in the statement of changes in equity.

The amendments to IAS 34 - Interim Financial Reporting require additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The adoption of these amendments did not have any impact on the financial position or performance of the group.

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

Except as discussed below, the directors did not make any significant judgments in the process of applying the company's accounting policies which can significantly affect the amounts recognised in the interim condensed consolidated financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

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### 3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

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, after appropriate detailed consultation, have concluded that IFRIC 12 does not apply in its entirety to the company and its group.

### 4. Operating segment information

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

For management purposes the group is organised into operating segments based on the nature of its operations and has three 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 and tax (EBIT).

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

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### 4. Operating segment information (continued)

The results of the segments are reported below:

#### Segment Results in €000

	30-Jun-11	30-Jun-10	Change in %
<b>Airport</b>			
Segment Revenue (external)	<b>16,467.9</b>	16,337.5	0.8%
Segment EBIT	<b>3,537.7</b>	3,387.8	4.4%
<b>Retail &amp; Property</b>			
Segment Revenue (external)	<b>5,827.9</b>	5,603.1	4.0%
Segment EBIT	<b>3,072.4</b>	2,820.5	8.9%
<b>Other Segments</b>			
Segment Revenue (external)	<b>373.8</b>	245.5	52.3%
Segment EBIT	<b>263.1</b>	114.4	130.0%

#### Airport segment

The Airport segment basically 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.

The revenue from this segment has increased by 0.8%, mainly from an increase in passenger throughput in the first 6 months of the year. This resulted in an increase of 4.4% in the segment's EBIT as compared to the previous six months.

#### Retail & Property segment

The Retail & 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. Costs by Sky Parks Development Ltd have been allocated to this segment. Income and costs from Airport Parking Ltd (the subsidiary that operates the car parks) are also allocated within the Retail & Property segment. Revenue from this segment increased by 4% over the same period last year due to more income from rents and recharges.

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

### 4. Operating segment information (continued)

#### Other segments

Other segments comprise services that do not fall under the Airport and the Retail and Property segments. These include miscellaneous income and disbursement fees from third parties and costs associated with this income.

##### Revenue and Segment Reporting 2011

30-June-11 in €000	Airport	Retail & Property	Other Segments	Group
Segment Revenue (external)	16,467.9	5,827.9	373.8	22,669.6
Segment Operating costs	12,930.2	2,755.5	110.7	15,796.4
Segment EBIT	3,537.7	3,072.4	263.1	6,873.2
Investment income				211.5
Finance cost				(942.4)
Release of deferred income arising on the sale of terminal buildings and fixtures				144.0
<b>Profit before tax</b>				<b>6,286.3</b>

##### Revenue and Segment Reporting 2010

30-June-10 in €000	Airport	Retail & Property	Other Segments	Group
Segment Revenue (external)	16,337.5	5,603.1	245.5	22,186.1
Segment Operating costs	12,949.8	2,782.6	131.1	15,863.5
Segment EBIT	3,387.8	2,820.5	114.4	6,322.7
Investment income				75.5
Finance cost				(896.9)
Release of deferred income arising on the sale of terminal buildings and fixtures				144.1
Profit before tax				5,645.4

##### Segment Assets

(unaudited)

in €000

	30-Jun-11	31-Dec-10
<b>Assets by Segment</b>		
Airport	76,837.1	75,808.6
Retail & Properties	44,825.4	41,595.0
Other Segments	0.0	0.0
<b>Total assets in reported segments</b>	<b>121,662.5</b>	<b>117,403.6</b>
<b>Assets not allocated to a specific segment</b>		
Financial assets	965.0	968.4
Deferred tax assets	4,201.2	4,112.1
Inventories	911.4	773.4
Other receivables	0.0	571.2
Receivables due from taxation	1,584.6	879.0
Cash and cash equivalent	9,443.4	10,025.5
<b>Total not allocated</b>	<b>17,105.7</b>	<b>17,329.7</b>
<b>Group assets</b>	<b>138,768.2</b>	<b>134,733.3</b>

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

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### 5. Income tax

The interim period income tax is based on the corporate tax rate of 35%.

### 6. Property, plant and equipment

During the first six months of the year the group spent €0.56 million on the completion of various projects such upgrading of taxiways, Airfield infrastructure, and other projects within the terminal.

#### *Borrowing costs*

No borrowing costs were capitalised during the first six months of 2011 (€Nil in 2010).

### 7. Investment property

Sky Parks Development Ltd, the subsidiary set up to build and operate the Business Centre, had works in progress amounting to €3.4 million for the first six months of the year on the continuation of the project.

### 8. Borrowings

Repayments of bank loans amounting to €2.0 million (2010: €1.8 million) were made in line with previously disclosed repayment terms.

### 9. Contingencies and commitments

There were no changes in contingent liabilities as reported in the group's annual financial statements of 2010.

At 30 June 2011, the group had capital commitments of approximately €11.4 million in respect of works at the new Business Centre and other works within the terminal.

# Malta International Airport plc

## Notes to the interim condensed consolidated financial statements

30 June 2011

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### 10. Related party disclosures

During the course of the period, the group entered into transactions with related parties as set out below:

The related party transactions in question were:

	30-Jun-11			30-Jun-10		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<b>Revenue:</b>						
<i>Related party transactions with:</i>						
Related parties other than the parent and key management personnel of the Group	9,679,360			10,194,494		
	<u>9,679,360</u>	<u>22,669,644</u>	<u>43</u>	<u>10,194,494</u>	<u>22,186,118</u>	<u>46</u>
<b>Other operating costs:</b>						
<i>Related party transactions with:</i>						
Key management personnel of the Group	220,182			315,152		
Related parties other than the parent and key management personnel of the Group	1,318,940			1,652,976		
	<u>1,539,122</u>	<u>13,341,505</u>	<u>12</u>	<u>1,968,128</u>	<u>13,228,444</u>	<u>15</u>

### 11. Dividends

During the interim period, a net dividend of €0.035 (2010: €0.057) per share was paid to the shareholders of the parent company.

### 12. Seasonality of the airport business

The revenue and earnings of the first six months of the year represent around 40% of the total annual revenue and earnings of the group. The first quarter of the year is generally around 16% and the second quarter is approximately 24% of the total revenue and earnings of the group.

## Malta International Airport plc

### Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

30 June 2011

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I confirm that to the best of my knowledge:

- a. the condensed consolidated financial statements give a true and fair view of the financial position of the group as at 30 June 2011, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements (*adopted IAS 34 'Interim Financial Reporting'*); and
- b. the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



Austin Calleja  
Chief Financial Officer