Malta International Airport plc

Interim condensed consolidated financial statements and Directors' report

30 June 2013

Contents

	Page
Interim Directors' report pursuant to Listing Rule 5.75.2	*1*
Condensed consolidated statement of comprehensive income	*2*
Condensed consolidated statement of financial position	*3*
Condensed consolidated statement of changes in equity	*4*
Condensed consolidated statement of cash flows	*5*
Notes to the interim condensed consolidated financial statements	*6 - 13*
Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority	*14*

Malta International Airport plc

Interim Directors' report pursuant to Listing Rule 5.75.2

Interim condensed consolidated financial statements 30 June 2013

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

Performance Review

Passenger movements in the first six months of 2013 increased by 9.2% over the corresponding period of 2012, reaching 1.73 million passengers (2012 - 1.58 million). This growth was driven by a 7.6% increase in capacity coupled with a one percentage point increase in seat load factor.

The results of the core markets were all positive bar for Germany. The United Kingdom, which is the largest market, registered an increase of 5.5%, with a second ranked Italy registering a significant growth of 16.9%. Germany, in third place suffered a drop of 2% whereas the French market registered an increase of 14.6%

During the first half of the year traffic has exceeded our forecast for the period partly due to the additional capacity that was brought on by the introduction of five new carriers as well as by the strong load factors from all carriers during the period. Given these traffic results for the first six months of the year and the revised schedule of traffic for the rest of 2013, we are revising our forecast for the entire 2013 from 3.63 million passenger movements to 3.89 million. This is 6.7% more than the passenger movements of 2012.

The group's turnover for the period at Euro 25.2 million is significantly higher than the same period last year (January to June 2012 – Euro 22.7 million), reflecting the increase in passenger numbers and the increase in non-aviation revenue from the subsidiary companies, Sky Parks Business Centre Limited and Airport Parking Limited. Revenue from the Airport segment compared to total revenue decreased from 71.9% to 69.8%; whilst the revenue from the Retail and Property segment increased from 27.0% to 29.5%. Staff costs have increased from Euro 3.7 million to Euro 3.9 million largely due to contractual collective agreements and a staff early retirement scheme carried out in the first quarter of 2013. Both operating costs and depreciation costs have also increased to reflect the additional commercial activity generated by Skyparks Business Centre. In the first six months of 2012, Skyparks Business Centre was not operational.

The profit for the period is Euro 5.11 million compared to the Euro 4.48 million for the same period in 2012, an increase of 14.1%.

Skyparks Business Centre

New tenants continued to take up residence at Skyparks Business Centre during the first six months of 2013. The fitting out process of the various offices is taking more time than anticipated but all areas are expected to be made available to tenants by the end of 2013. Up to 30 June 2013, the total cost of the building amounted to Euro 17.2 million. It is estimated that a further Euro 2 million will be required to complete the building to the internal fit-out standards contracted by prospective tenants. So far 90% of the available space in the building is covered by lease agreements in hand, some of which are yet to commence.

Dividends

The group is proposing a net dividend of €0.03 per share on all shares settled as at close of business on Monday 19 August 2013 and payable by not later than 23 September 2013.

Markus Klaushofer
Chief Executive Officer

By Order of the Board
7 August 2013

Malta International Airport plc

Condensed consolidated statement of comprehensive income

Period ended 30 June 2013

	Group	
	30 Jun 2013 6 months (unaudited) EUR	30 Jun 2012 6 months (unaudited) EUR
Revenue	**25,162,579**	22,712,328
Staff costs	**(3,942,506)**	(3,712,009)
Depreciation	**(2,600,925)**	(2,285,894)
Other operating expenses	**(9,756,838)**	(9,320,764)
Release of deferred income arising on the sale of terminal buildings and fixtures	**144,095**	144,095
Finance income	**306,901**	317,583
Finance costs	**(1,280,782)**	(814,331)
Profit before tax	**8,032,524**	7,041,008
Income tax expense	**(2,922,758)**	(2,566,484)
Profit for the period attributable to the ordinary equity holders of the Company	**5,109,766**	4,474,524
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain on available-for-sale financial assets	**(295)**	2,164
Total comprehensive income for the period attributable to the ordinary equity holders of the Company, net of tax	**5,109,471**	4,476,688
Earnings per share attributable to the ordinary equity holders of the Company	**3.78cents**	3.31cents

Malta International Airport plc

Condensed consolidated statement of financial position

30 June 2013

	Group	
	30 Jun 2013 (unaudited) EUR	31 Dec 2012 (audited) EUR
ASSETS		
Non-current assets		
Property, plant and equipment	**97,652,989**	98,108,470
Investment property	**17,417,836**	16,901,518
Available-for-sale financial assets	**967,485**	967,780
Deferred tax assets	**3,007,988**	3,151,289
	119,046,298	119,129,057
Current assets		
Inventories	**878,020**	866,765
Trade and other receivables	**19,115,841**	16,781,579
Cash and short term deposits	**18,299,298**	17,466,190
	38,293,159	35,114,534
TOTAL ASSETS	**157,339,457**	154,243,591
EQUITY AND LIABILITIES		
Equity attributable to ordinary shareholders of the Company		
Share capital	**33,825,000**	33,825,000
Revaluation reserve	**1,398,371**	1,422,687
Fair value reserve	**6,184**	6,479
Retained earnings	**26,826,256**	27,091,067
Total equity	**62,055,811**	62,345,233
Non-current liabilities		
Bank loans	**60,054,563**	61,900,986
Deferred income	**6,602,891**	6,751,988
Provision for retirement benefit plan	**3,309,069**	3,243,473
Provision for MIA benefit plan	**104,497**	102,573
	70,071,020	71,999,020
Current liabilities		
Trade and other payables	**21,488,775**	17,000,505
Bank loan	**2,283,923**	2,283,923
Current tax liabilities	**1,439,928**	614,910
	25,212,626	19,899,338
Total liabilities	**95,283,646**	91,898,358
TOTAL EQUITY AND LIABILITIES	**157,339,457**	154,243,591

Malta International Airport plc

Condensed consolidated statement of changes in equity

Period ended 30 June 2013

Group

	Share capital EUR	Revaluation reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2012	**33,825,000**	**1,471,327**	**1,459**	**24,027,375**	**59,325,161**
Profit for the period	-	-	-	4,474,524	4,474,524
Other comprehensive income	-	-	2,164	-	2,164
Total comprehensive income for the period	-	-	2,164	4,474,524	4,476,688
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(37,423)	-	37,423	-
Deferred tax on revaluation	-	13,107	-	-	13,107
Dividends paid	-	-	-	(5,412,000)	(5,412,000)
Balance at 30 June 2012	**33,825,000**	**1,447,011**	**3,623**	**23,127,322**	**58,402,956**

	Share capital EUR	Revaluation reserve EUR	Fair value reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2013	**33,825,000**	**1,422,687**	**6,479**	**27,091,067**	**62,345,233**
Profit for the period	-	-	-	5,109,766	5,109,766
Other comprehensive income	-	-	(295)	-	(295)
Total comprehensive income for the period	-	-	(295)	5,109,766	5,109,471
Difference between historical cost depreciation charge and actual depreciation for the year calculated on the revalued amount	-	(37,423)	-	37,423	-
Deferred tax on revaluation	-	13,107	-	-	13,107
Dividends paid	-	-	-	(5,412,000)	(5,412,000)
Balance at 30 June 2013 (unaudited)	**33,825,000**	**1,398,371**	**6,184**	**26,826,256**	**62,055,811**

Malta International Airport plc

Condensed consolidated statement of cash flows

Period ended 30 June 2013

	Group	
	30 Jun 2013 6 months (unaudited) EUR	30 Jun 2012 6 months (unaudited) EUR
Cash flows from operating activities		
Profit before tax	**8,032,524**	7,041,008
Adjustments for:		
Operating items	**3,374,147**	2,687,054
Working capital movements	**1,011,741**	(2,593,705)
Cash flows from operations	**12,418,412**	7,134,357
Interest paid	**(1,280,782)**	(814,331)
Income taxes paid	**(1,268,468)**	(1,157,145)
Net cash flows from operating activities	**9,869,162**	5,162,881
Cash flows from investing activities		
Payments for property, plant and equipment	**(1,298,401)**	(1,166,582)
Payments for investment property	**(786,131)**	(4,290,009)
Interest received	**306,901**	317,583
Net cash flows used in investing activities	**(1,777,631)**	(5,139,008)
Cash flows from financing activities		
Proceeds from bank loan	**-**	3,854,887
Repayment of bank loans	**(1,846,423)**	(1,846,423)
Dividends paid	**(5,412,000)**	(5,412,000)
Net cash flows used in financing activities	**(7,258,423)**	(3,403,536)
Net movement in cash and cash equivalents	**833,108**	(3,379,663)
Cash and cash equivalents at the beginning of the period	**17,466,190**	19,089,928
Cash and cash equivalents at the end of the period	**18,299,298**	15,710,265

1. Corporate information

The interim condensed consolidated financial statements of the group for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors of the 7 August 2013.

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 2013 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 2013 and for the six months then ended reflect the financial position and the performance of Malta International Airport plc and its subsidiaries Airport Parking Limited, Sky Parks Development Limited, and Sky Parks Business Centre Limited. The comparative amounts reflect the position of the group as included in the audited financial statements ended 31 December 2012 and the unaudited results for the period ended 30 June 2012.

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 2012.

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 2012, except as otherwise disclosed below:

- The group has applied the Revised IAS 19 Employee Benefits, which is applicable for annual periods beginning on or after 1 January 2013. This Standard represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. Where applicable, the group has revised its accounting policy for post-employment benefits in line with the revised IAS 19, which requires (i) the recognition of changes in defined benefit obligations (and in the fair value of plan assets) when they occur, (ii) the recognition of actuarial gains and losses in Other comprehensive income (rather than through profit or loss) and (iii) the acceleration of the recognition of past service costs. Although this Standard is applied retrospectively (except as otherwise indicated therein) the adoption of this Standard did not have a quantitative impact on these interim financial statements.

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

Significant accounting policies (continued)

- The group has applied IFRS 13 Fair Value Measurement, which is applicable for annual periods beginning on or after 1 January 2013. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The adoption of IFRS 13 in these interim financial statements resulted in certain additional disclosures in connection with financial assets and financial liabilities.

- The group has applied the June 2011 Amendment to IAS 1, entitled Presentation of Items of Other Comprehensive Income. This Amendment is applicable for annual periods beginning on or after 1 July 2012. This Amendment requires companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement.

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.

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:

1. 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
2. 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
3. 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 and concluded that IFRIC 12 does not apply in its entirety to the company and its group. 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.

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, tax and deferred income arising from the sale of terminal buildings and fixtures (EBIT). However, 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.

The results of the segments are reported below:

	Group	
	30 Jun 2013	30 Jun 2012
	EUR	EUR
Airport		
Segment revenue (external)	**17,563,862**	16,334,384
Segment EBIT	**4,824,223**	3,872,873
Retail and property		
Segment revenue (external)	**7,419,017**	6,130,627
Segment EBIT	**3,858,387**	3,275,222
Other segment		
Segment revenue (external)	**179,700**	247,317
Segment EBIT	**179,700**	245,566
Total		
Segment revenue (external)	**25,162,579**	22,712,328
Segment EBIT	**8,862,310**	7,393,661

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 7.5%, mainly from an increase in passenger throughput in the first 6 months of the year.
The segment's EBIT has increased by 24.6% when compared to the previous six months.

4. Operating segment information (continued)

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. Income and costs from Airport Parking Limited, Sky Parks Development Limited, and Sky Parks Business Centre Limited are also allocated within the Retail & Property segment. Revenue from this segment has increased by 21% over the same period last year.

Other segment

Other segment comprises the 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.

30 June 2013

	Airport EUR	**Retail and property EUR**	**Other segment EUR**	**Group EUR**
Segment revenue (external)	17,563,862	7,419,017	179,700	25,162,579
Segment operating costs	(12,739,639)	(3,560,630)	-	(16,300,269)
Segment EBIT	4,824,223	3,858,387	179,700	8,862,310
Finance income				306,901
Finance cost				(1,280,782)
Release of deferred income arising on the sale of terminal buildings and fixtures				144,095
Profit before tax				**8,032,524**

30 June 2012

	Airport EUR	Retail and property EUR	Other segment EUR	Group EUR
Segment revenue (external)	16,334,384	6,130,627	247,317	22,712,328
Segment operating costs	(12,461,511)	(2,855,405)	(1,751)	(15,318,667)
Segment EBIT	3,872,873	3,275,222	245,566	7,393,661
Finance income				317,583
Finance cost				(814,331)
Release of deferred income arising on the sale of terminal buildings and fixtures				144,095
Profit before tax				7,041,008

4. Operating segment information (continued)

Segment assets

	Group	
	30 Jun 2013 (unaudited) EUR	31 Dec 2012 (audited) EUR
Assets by segment		
Airport	**78,622,651**	77,910,286
Retail and property	**55,564,015**	53,881,281
Total assets in reported segments	**134,186,666**	131,791,567
Assets not allocated to a specified segment		
Financial assets	**967,485**	967,780
Deferred tax assets	**3,007,988**	3,151,289
Inventories	**878,020**	866,765
Cash and short term deposits	**18,299,298**	17,466,190
Total not allocated	**23,152,791**	22,452,024
Group assets	**157,339,457**	154,243,591

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 €1.3 million (2012 - €1.2 million) on the completion of various projects within the terminal.

Borrowing costs

No borrowing costs were capitalised during the first six months of 2013 (€Nil in 2012).

7. Investment property

Sky Parks Development Ltd, the subsidiary set up to build the Business Centre, had works in progress amounting to €0.8 million (2012 - €4.3 million) for the first six months of the year on the continuation of the project.

8. Available-for-sale financial assets

	Local unlisted Equity Shares	Local Listed Fund	Total
	EUR	EUR	EUR
At 31 December 2012	884,696	83,084	967,780
At 30 June 2013	**884,696**	**82,789**	**967,485**

Available-for-sale financial asset - Local unlisted equity shares

The company has an investment in unlisted securities which present it with an opportunity for returns through dividends.

Available-for-sale financial asset - Fund

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013, the group and the company held the following financial instruments measured at fair value:

	30.06.2013 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Assets measured at fair value				
Fund	**82,789**	**82,789**	-	-

As at 31 December 2012 the group and the company held the following financial instruments measured at fair value:

	31.12.2012 EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Assets measured at fair value				
Fund	83,084	83,084	-	-

8. Available-for-sale financial assets (continued)

As per the group's and company's accounting policy, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

During the reporting periods ended 30 June 2013 and 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

9. Borrowings

Repayments of bank loans amounting to €1.8 million (2012: €1.8 million) were made in line with previously disclosed repayment terms.

10. Contingencies and commitments

There were no changes in contingent liabilities as reported in the group's annual financial statements of 2012.

At 30 June 2013, the group had capital commitments of approximately €1.0 million (31.12.2012 - €1.3 million) in respect of works within the terminal.

11. 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:

	30.06.2013			30.06.2012		
	Related party activity EUR	**Total activity** EUR	%	Related party activity EUR	Total activity EUR	%
Revenue:						
Related party transactions with:						
Companies which are controlled by Government	**9,242,112**	**25,162,579**	**37**	8,534,988	22,712,328	38
Staff and other operating costs:						
Related party transactions with:						
Key management personnel of the Group	**324,420**			228,837		
Related parties other than the parent and key management personnel of the Group	**2,621,876**			1,187,381		
	2,946,296	**13,699,344**	**22**	1,416,218	13,032,773	11

12. Dividends

During the interim period, a net dividend of €0.040 (2012: €0.040) per share was paid to the shareholders of the parent company.

13. Fair value of financial assets and financial liabilities

At 30 June 2013 and 31 December 2012 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities that are not measured at fair value. The fair values of non-current financial liabilities are not materially different from their carrying amounts.

Investments in available for sale equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are stated at cost since the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reliably assessed. It is not possible to disclose the range of estimates within which fair value is highly likely to lie.

14. Seasonality of the airport business

The revenue and earnings of the first six months of the year generally represents around 48% of the total annual revenue and earnings of the group. The first quarter of the year is generally around 17% and the second quarter is approximately 31% 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 2013

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 2013, 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