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Lawrence Zammit set to resign from Air Malta chairman post



National airline losses reported to be in excess of €25 million

Karl Stagno-Navarra

Air Malta Chairman Lawrence Zammit is reported to have informed government that he is considering resigning his post during the first months on the new year, possibly when the Annual General Meeting is convened some time in March.

Informed sources have revealed to Business Today that well overdue financial results are in excess of €25 million, and the prospects for 2010 are

being considered as "crucial" for Air Malta's survival.

Contacted by Business Today, Lawrence Zammit refused to reply to any questions, however senior executives have told this paper that Prime Minister Lawrence Gonzi and Finance Minister Tonio Fenech are informed of the record losses.

Company CEO Joe Capello who also refused to comment about the reported losses, stated however that looking back at the April 2008 to March 2009 financial results, Air Malta had to incur

a fuel bill average of around US\$115 per barrel, practically double what it paid for during the previous year.

"To put this in perspective, every dollar change in the price of crude oil results in a €500,000 increase in our operating costs. The summer of 2008 saw the greatest rise in fuel price, while demand was strong and traffic was increasing. This rise could not have come at a worse time for the airline. That year Air Malta was hit by an increase of €30 million in fuel costs."

Air Malta, Capello said, was also hit by the drop in the value of the sterling against the euro, as 35 to 40 per cent of our traffic comes from the UK, where Air Malta sells in sterling. This meant as much as 25 per cent on the airline's revenue in the UK which translates to an additional cost of €10 million.

"When the price of fuel started falling, so did demand together with the increased competition that depressed considerably the yields that we were getting out of our traffic. In January to March of this year, Air

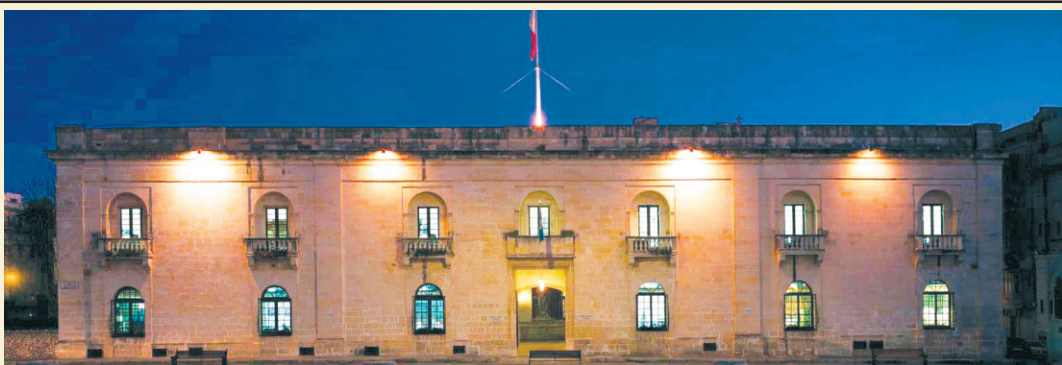
Malta suffered a fall in demand in its core markets which were all being affected by the economic crisis," Joe Capello concluded.

While 2009 has been proven to be a damning year for all major airlines around the world in the wake of global recession, the losses incurred by Air Malta are reportedly also connected to the resistance by unions to adapt to immediate reforms that are necessary to keep the company afloat.

The future of almost 2,000 employees is at stake, while Air Malta struggles to convince all unions that represent all categories that unless they understand the immediate need for flexibility and the continuation of the rescue plan signed in 2004.

While the unions are being told of the situation, Air Malta executives are concerned about the way the national airline is being treated by government, political parties and national institutions such as the Malta Tourism Authority.

"All must realise that it is not enough to praise the national airline or to define it as a strategic pillar for the Maltese economy. Real and immediate action is necessary," said a senior Air Malta official.



MSI loses small investors

Charlot Zahra

Following the recent €60 million rights issue by Middle Sea Insurance (MSI), the percentage of small investors in MSI has shrunk from 37.5 per cent before the rights issue to 18.5 per cent afterwards.

Out of around 4,489 small shareholders in MSI at the end of Financial Year 2008, only 1,149 took up their proportionate entitlement, in part or in full, or received entitlements from existing shareholders.

A further 346 shareholders, including eligible transferees, subscribed for excess shares for a total of 1,736,296 shares.

This means that 2,994 small shareholders or 66.6 per cent of the small shareholders in MSI did not subscribe at all to the rights issue at all.

As agreed prior to the rights issue, Bank of Valletta (BOV) and Mapre International, two of the three major

shareholder in MSI, took up the unallocated shares to increase their shareholding in the insurance company from 21.6 per cent and 21.0 per cent respectively pre-rights issue to 30.8 per cent respectively post-issue.

Significantly, the other major shareholder in MSI, Munich Re, did not increase its percentage shareholding in BOV, which stood at 20.8 per cent.

To prepare for this, during the Extraordinary General Meeting held by MSI on 20 November 2009, shareholders approved a resolution deleting Article 30 of the company's Memorandum of Association which stipulated that no single shareholder could hold more than 21 per cent shares in MSI.

The same EGM also approved the increase in the company's issued share capital from €36 million to €60 million.

Middle Sea had to increase its shareholding to €60 million after the negative performance of the insurance

company's insurance subsidiary in Italy, Progress Assicurazioni SpA.

In the first six months of this year, Middle Sea Group registered a pre-tax loss of €17.7 million. During the same period, operations from Progress Assicurazioni SpA registered a loss of €19.4 million.

During an interview with Business Today, MSI Executive Chairman Mario C Grech had explained that the Board of Directors had "two options – issuing a rights issue as we have done, or liquidate part of our balance sheet to cover the losses, thus selling part of our stake holding in MSV or sell it completely."

"We have decided to a share issue under which each existing shareholder will be getting 2.68 shares for each share it currently has," Grech had told Business Today.

The 60 million new shares will start trading in the MSE on 29 December 2009.

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