

MaltaPost p.l.c.
Preliminary Statement of Half Yearly Results
For the six months ended 31 March 2022

Review of Performance

For the six months ended 31 March 2022, MaltaPost Group registered a profit before tax of €0.59 million, (2021: €1.40 million).

- Total revenue reduced to €15.7 million (2021: €20.2 million) following a decrease in international cross-border mail and parcel volumes as well as a drop in local single and bulk mail volumes;
- Total expenditure stood at €15.0 million (2021: €19.0 million) as a consequence of lower cross-border mail and parcel volumes, together with higher airfreight and increased cost of terminal dues.
- Cost-to-Income ratio rose to 95.6% (2021: 93.1%) due to the losses incurred to meet the Universal Postal Service Obligation.

While a number of its revenue streams continue to provide fair margins, MaltaPost is being forced to carry the unfair financial burden of subsidising most services within the Universal Service Obligation (USO), such as those relating to local and outbound mail. Despite repeated and well-justified requests to the Malta Communications Authority for tariff revisions dating as far back as 2018, a number of these requests remain pending, despite postal tariffs in Malta being the lowest in Europe and where the local 'Quality of Service' targets set by the Regulator remain among the highest in Europe.

The COVID-19 pandemic has had a most negative impact on the whole supply chain. This, coupled with Brexit and the EU decision to withdraw VAT exemption on certain items purchased from outside the EU all contributed to significant disruption and further costs. Such developments resulted in reduced postal volumes and the associated revenue. Concurrently, the Company was made to absorb the cost of massive increases in airfreight rates, higher terminal dues and to offer a service that was conditioned by limited flight connections.

Outlook

The outlook for the next six months of this financial year is indeed challenging. The Company continues its discussions with the Malta Communications Authority to revise the tariffs of the loss-making services. It is also requesting the Regulator to approve a tariff revision agreement so as to allow the Company to plan ahead and to make the necessary capital investment to sustain the medium and long-term commercial viability of the USO. This is the only way that MaltaPost can continue to deliver this essential service which is of general economic interest while also making a reasonable return. Concurrently, the Company remains committed to continue its internal cost-reduction programme and to make further investment in technology and last-mile delivery tools.

The Board of Directors thanks the management and staff for the continued commitment and dedication. Notwithstanding the negative impact of the pandemic and the lack of positive response from the Regulator, to date all MaltaPost outlets remain open while a smooth postal service continues to be provided to the community.

The Board is confident that the Company shall continue to respond to the rapidly changing market environment. It equally expects the Malta Communications Authority to react positively and with urgency to the Company's justified tariff revision requests thereby ensuring that Malta continues to be served by an efficient postal service.

Basis of preparation

This half-yearly report is being published in terms of Chapter 5 of the Capital Markets Rules of the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report comprises the reviewed (not audited) condensed consolidated interim financial statements for the six months ended 31 March 2022 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, "Interim Financial Reporting"). The condensed consolidated interim financial statements have been reviewed in accordance with the requirements of ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative statement of financial position has been extracted from the audited financial statements for the year ended 30 September 2021.

Accounting policies

The condensed consolidated interim financial statements as at and for the six-month period ended 31 March 2022 has been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, "Interim Financial Reporting"). The condensed consolidated interim financial statements information should be read in conjunction with the annual financial statements for the year ended 30 September 2021, which have been prepared in accordance with IFRSs as adopted by the EU.

New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. There is no impact on the adoption of these revisions on the Group's accounting policies and on the Group's financial results.

Impact of standards issued but not yet applied by the Group

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 October 2021. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Fair values of financial assets and liabilities

The Group's financial instruments which are measured at fair value comprise the Group's financial assets. The Group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the assets either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (Level 3)

As at 31 March 2022 and 30 September 2021, financial assets were valued using Level 1 inputs in view of the listing status of the assets. No transfers between different levels of the fair value hierarchy have occurred.

The fair values of all the Group's other financial assets and liabilities that are not measured at fair value are considered to approximate their respective carrying values due to their short-term nature.

Segment information

Operating segments

The Group primarily operates in one segment that comprises the provision of postal and related retail services to customers, which activities are substantially subject to the same risks and returns. Accordingly, the presentation of segment information as required by IFRS 8, *Operating segments*, within these financial statements is not deemed applicable.

Information about geographical segments

The Group's revenues are derived from operations carried out in Malta and its non-current assets are predominantly located in Malta.

Information about major customers

The Group does not have any particular major customer, as it largely derives revenue from a significant number of customers availing of its services. Accordingly, the Group does not deem necessary any relevant disclosures in respect of reliance on major customers.

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Condensed Consolidated Interim Statement of Financial Position

	Group	
	31 March	30 September
	2022	2021
	€000	€000
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	22,910	22,289
Right-of-use assets	1,489	1,534
Intangible assets	1,202	1,167
Investment in associate	1,341	1,507
Financial assets at fair value through other comprehensive income	2,789	2,900
Deferred tax asset	468	495
Total non-current assets	30,199	29,892
Current assets		
Inventories	658	700
Trade and other receivables	10,850	9,981
Current tax asset	5	8
Deposits with financial institutions	4,300	6,200
Cash and cash equivalents	5,698	4,943
Business of insurance accounts	614	448
Total current assets	22,125	22,280
Total assets	52,324	52,172

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Condensed Consolidated Interim Statement of Financial Position *(continued)*

	Group	
	31 March	30 September
	2022	2021
	€000	€000
	Unaudited	Audited
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	9,414	9,414
Share premium	7,367	7,367
Other reserves	3,845	3,898
Retained earnings	6,514	7,695
Total equity attributable to equity holders of the Company	27,140	28,374
Non-controlling interest	393	387
Total equity	27,533	28,761
Non-current liabilities		
Deferred tax liability	1,299	1,299
Lease liabilities	1,229	1,290
Provision for liabilities and charges	1,474	1,539
Total non-current liabilities	4,002	4,128
Current liabilities		
Lease liabilities	289	272
Provision for liabilities and charges	140	139
Trade and other payables	19,299	18,063
Current tax liability	1,061	809
Total current liabilities	20,789	19,283
Total liabilities	24,791	23,411
Total equity and liabilities	52,324	52,172

The condensed interim financial statements were approved by the Board of Directors on 18 May 2022 and were signed by:



Joseph Said
Chairman



Aurelio Theuma
Director

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Condensed Consolidated Interim Income Statement

	Group	
	1 October to 31 March	
	2022	2021
	€000	€000
	Unaudited	Unaudited
Revenue	15,563	20,225
Employee benefits expense	(7,798)	(8,166)
Depreciation and amortisation expense	(906)	(873)
Other expenses	(6,265)	(9,978)
Other income	126	208
Operating profit	720	1,416
Share of results of associate	(166)	(57)
Finance income	34	43
Profit before tax	588	1,402
Tax expense	(257)	(511)
Profit for the period	331	891
Attributable to:		
Owners of the Company	325	879
Non-controlling interest	6	12
Profit for the period	331	891
Earnings per share	€0.01	€0.02

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Condensed Consolidated Interim Statement of Comprehensive Income

	Group	
	1 October to 31 March	
	2022	2021
	€000	€'000
	Unaudited	Unaudited
Comprehensive income		
Profit for the period	331	891
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Losses from changes in fair value:		
Financial assets at fair value through other comprehensive income	(107)	(13)
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of defined benefit obligations	83	(21)
<i>Income tax relating to components of other comprehensive income:</i>		
Re-measurements of defined benefit obligations	(29)	7
Total other comprehensive income for the period	(53)	(27)
Total comprehensive income for the period	278	864
Attributable to:		
Owners of the Company	272	852
Non-controlling interest	6	12
Total comprehensive income for the period	278	864

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Condensed Consolidated Interim Statement of Changes in Equity

Group <i>Unaudited</i>	Attributable to owners of the Company				Total €000	Non-controlling interest €000	Total Equity €000
	Share capital €000	Share premium €000	Other reserves €000	Retained earnings €000			
	Balance at 1 October 2020	9,414	7,367	2,586			
Comprehensive income							
Profit for the financial period	-	-	-	879	879	12	891
Other comprehensive income							
Financial assets at fair value through other comprehensive income							
Losses from changes in fair value	-	-	(13)	-	(13)	-	(13)
Re-measurements of defined benefit obligations	-	-	(21)	-	(21)	-	(21)
Deferred tax thereon	-	-	7	-	7	-	7
Total other comprehensive income	-	-	(27)	-	(27)	-	(27)
Total comprehensive income	-	-	(27)	879	852	12	864
Transactions with owners							
Distributions:							
Dividends	-	-	-	(1,506)	(1,506)	-	(1,506)
Changes in ownership interest that do not result in loss of control:							
Non-controlling interest arising on acquisition of subsidiary	-	-	-	-	-	382	382
Total transactions with owners	-	-	-	(1,506)	(1,506)	382	(1,124)
Balance at 31 March 2021	9,414	7,367	2,559	7,175	26,515	394	26,909

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Condensed Consolidated Interim Statement of Changes in Equity *(continued)*

Group <i>Unaudited</i>	Attributable to owners of the Company					Non-controlling interest €000	Total equity €000
	Share capital €000	Share premium €000	Other reserves €000	Retained earnings €000	Total €000		
	Balance at 1 October 2021	9,414	7,367	3,898	7,695		
Comprehensive income							
Profit for the financial period	-	-	-	325	325	6	331
Other comprehensive income							
Financial assets at fair value through other comprehensive income							
Losses from changes in fair value	-	-	(107)	-	(107)	-	(107)
Re-measurements of defined benefit obligations, net of deferred tax	-	-	54	-	54	-	54
Total other comprehensive income	-	-	(53)	-	(53)	-	(53)
Total comprehensive income	-	-	(53)	325	272	6	278
Transactions with owners							
Distributions:							
Dividends	-	-	-	(1,506)	(1,506)	-	(1,506)
Total transactions with owners	-	-	-	(1,506)	(1,506)	-	(1,506)
Balance at 31 March 2022	9,414	7,367	3,845	6,514	27,140	393	27,533

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Condensed Consolidated Interim Statement of Cash Flows

	Group	
	1 October to 31 March	
	2022 €000 Unaudited	2021 €000 Unaudited
Cash flows from operating activities		
Cash from customers	13,786	18,180
Cash paid to suppliers and employees	(15,900)	(16,976)
Cash flows attributable to funds collected on behalf of third parties	3,954	1,496
	1,840	2,700
Cash generated from operating activities	(9)	(175)
Income tax paid		
Net cash generated from operating activities	1,831	2,525
Cash flows from investing activities		
Interest charged on lease liabilities	(25)	(27)
Interest received	56	76
Purchase of property, plant and equipment	(975)	(677)
Purchase of intangible assets	(252)	(334)
Purchase of investment in associate	-	(1,500)
Maturity of deposits with financial institutions	2,500	2,600
Proceeds from disposals / redemption of financial assets	(600)	270
Net cash from investing activities	704	408
Cash flows from financing activities		
Principal element of lease payments	(145)	(138)
Dividends paid	(1,501)	(1,505)
Net cash used in financing activities	(1,646)	(1,643)
Net movement in cash and cash equivalents	889	1,290
Cash and cash equivalents at beginning of period	5,423	6,058
Net cash acquired on acquisition	-	833
Cash and cash equivalents at end of period	6,312	8,181

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Statement pursuant to Capital Market Rules issued by the Malta Financial Services Authority

I confirm that to the best of my knowledge:

- The condensed consolidated interim financial statements, prepared in accordance with IAS 34 give a true and fair view of the financial position as at 31 March 2022, financial performance and cash flows for the period then ended, and conform with the requirements of the accounting standards adopted for use in the EU for interim financial statements, including adopted IAS 34: *Interim Financial Reporting*; and
- The interim directors' report includes a fair review of the information required in terms of the Capital Market Rules.



Joseph Gafa'
Chief Executive Officer



Independent auditor's report

To the Board of Directors of MaltaPost p.l.c.

Report on review of condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of MaltaPost p.l.c. and its subsidiaries (the 'Group') as at 31 March 2022 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 "Interim Financial Reporting"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

78, Mill Street,
Zone 5, Central Business District,
Mriehel, CBD 5090,
Malta

A handwritten signature in black ink, appearing to read 'Simon Flynn', is written over a horizontal line.

Simon Flynn
Partner

18 May 2022

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- a) The maintenance and integrity of the MaltaPost p.l.c. website is the responsibility of the Directors of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial information since this was initially presented on the website.
- b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.