MaltaPost p.l.c.
Preliminary Statement of Half Yearly Results
For the six months ended 31 March 2020

Review of Performance

For the six months ended 31 March 2020, MaltaPost registered a profit before tax of €1.41 million, similar to that of prior year (2019: €1.37 million).

- Total revenue increased to €17.2 million (2019: €17.0 million) following the local tariff revisions and increased parcel business;
- The increase in expenditure to €15.9 million (2019: €15.7 million) was marginal;
- Cost to income ratio improved to 92.1% (2019: 92.5%);
- Shareholders' funds remained stable at €26.3 million (2019: €26.9 million)

These half-yearly results however need to be considered in the light of the outbreak of the COVID-19 pandemic, and the unprecedented situation that has been unfolding. Significant declines in both postal and non-postal revenues were registered since March 2020 when compared to the same period in 2019, with the impact being most noticeable when very stringent measures, including an air travel ban were introduced.

Despite these exceptional circumstances, however MaltaPost remains fully operational also in compliance with its role as an essential service to the community. The efforts of all staff members to guarantee continuity of service have been significant, though not at the expense of health and safety. The Company continues to implement the health and safety measures in line with guidelines issued by Government and the National Health Authorities.

Outlook

As is to be expected, the financial performance going forward is not immune to the current global crisis. The imposition of restrictions on the movement of citizens, the closure of businesses, the travel ban and the curtailment of most flights shall significantly impair revenue streams.

In these exceptional circumstances and overshadowed by the lack of visibility and severity of the COVID-19 crisis, our key guiding priorities remain to ensure the safety of our customers and employees, the continuity of business operations to sustain revenue, cutting costs while protecting and maintaining the sound financial footings of the Company.

Given the nature of the uncertainties being faced, particularly the duration of the pandemic, the Company is not in a position to accurately and reliably estimate the full quantitative impact on the year 2020 results.

This notwithstanding, however, all the necessary and realistic decisions to maximise revenue and to manage costs are being made, while ensuring that capital expenditure is focused on urgent and strategic business transformation needs. Going forward, the Company believes that it has in place the appropriate risk management competencies to respond to this crisis, as well as the all-round resilience to withstand the formidable challenge brought about by the COVID-19 pandemic.

Basis of preparation

This half-yearly report is being published in terms of Chapter 5 of the Listing Rules of the Listing Authority – 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 2020 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 2019.

In the beginning of 2020, the outbreak of the COVID-19 drastically changed the economic situation worldwide and the economic slowdown also affected the Company. The outbreak of COVID-19 is having a negative impact on the Company's operations, resulting in a decline in mail volumes and thus revenues. The uncertainty surrounding the duration of the present situation is making the way towards recovery unclear. In view of this, the Company is continuously monitoring the economic and financial evolution of the Company, while looking for ways to overcome this challenging time. The Company's continuous assessment of the situation and the impact on its profitability and cash flow reserves, support the ongoing operations in a lower revenue environment, taking into account current and forecasted operating and other expenses, taxes and other obligations.

Although it is difficult to forecast the ultimate impact of this situation, on the basis of the assessments being made and updated, and other measures taken, the Directors are satisfied that the Company's financial position and its access to financing will enable it to absorb any negative repercussions brought about in the foreseeable future and that the going concern assumption remains appropriate.

Accounting policies

The condensed consolidated interim financial statements as at and for the six-month period ended 31 March 2020 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 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of this standard and the new accounting policy is disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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 2019. 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.

Changes in accounting policies and disclosures

The Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 October 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 October 2019:
- right-of-use assets – increase by €2,382,000
- lease liabilities – increase by €2,382,000

The recognised right-of-use assets relate to the following types of assets:

	As at 31 March 2020 Unaudited €000	As at 1 October 2019 Unaudited €000
Properties	**1,692**	2,013
Motor vehicles	**290**	369
Total right-of-use assets	**1,982**	2,382

Measurement of lease liabilities

	€000
Operating lease commitments disclosed as at 30 September 2019	212
Add: adjustments as a result of different treatment of extensions	2,013
Discounted using the incremental borrowing rate at the date of initial application	157
Lease liabilities recognised as at 1 October 2019	**2,382**
Of which are:	
Current lease liabilities	202
Non-current lease liabilities	2,180
	2,382

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The income statement includes the following amounts relating to leases:

	As at 31 March 2020 Unaudited €000
Depreciation charge of right-of-use assets	
Properties	138
Motor vehicles	33
	171
Interest expense (included in finance cost)	**32**
Expense relating to short-term leases / leases of low value assets	**312**

Operating lease charges to be reflected within the profit and loss during the period from 1 October 2019 to 31 March 2020 utilising the accounting principles of IAS 17, *Leases*, had IFRS 16 not been adopted, would have amounted to €166,843 for the Group. Hence, EBITDA for the period ended 31 March 2020 has been impacted favourably by these amounts in view of the adoption of the requirements of IFRS 16.

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 5 to 25 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the financial year ended 30 September 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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 2020 and 30 September 2019, investments were valued using Level 1 inputs in view of the listing status of the assets and accordingly 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.

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Condensed Consolidated Interim Statement of Financial Position
As at 31 March 2020

	Group	
	31 March 2020 €000 Unaudited	30 September 2019 €000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	**18,278**	17,903
Right-of-use assets	**1,982**	-
Intangible assets	**838**	688
Financial assets:		
Fair value through other comprehensive income	**3,958**	3,925
Deferred tax asset	**518**	543
Total non-current assets	**25,574**	23,059
Current assets		
Inventories	**754**	664
Trade and other receivables	**10,934**	9,484
Current tax asset	**-**	193
Deposits with financial institutions	**1,700**	4,700
Cash and cash equivalents	**3,710**	5,065
Total current assets	**17,098**	20,106
Total assets	**42,672**	43,165

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Condensed Consolidated Interim Statement of Financial Position *(continued)*
As at 31 March 2020

	Group	
	31 March 2020 €000 Unaudited	30 September 2019 €000 Audited
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**9,414**	9,414
Share premium	**7,367**	7,367
Other reserves	**2,545**	2,630
Retained earnings	**6,962**	7,545
Total equity	**26,288**	26,956
Non-current liabilities		
Deferred tax liability	**1,028**	1,028
Provision for liabilities and charges	**1,788**	1,827
Lease liabilities	**1,779**	-
Total non-current liabilities	**4,595**	2,855
Current liabilities		
Lease liabilities	**202**	182
Trade and other payables	**11,496**	13,168
Current tax liability	**91**	4
Total current liabilities	**11,789**	13,354
Total liabilities	**16,384**	16,209
Total equity and liabilities	**42,672**	43,165

The condensed interim financial statements were approved by the Board of Directors on 29 May 2020 and were signed by:

Joseph Said
Chairman

Aurelio Theuma
Director

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Condensed Consolidated Interim Income Statement
For the six months ended 31 March 2020

	Group	
	1 October to 31 March	
	2020	2019
	€000	€000
	Unaudited	Unaudited
Revenue	**17,247**	17,044
Employee benefits expense	**(7,893)**	(7,815)
Depreciation and amortisation expense	**(731)**	(483)
Other expenses	**(7,267)**	(7,475)
Operating profit	**1,356**	1,271
Finance income	**51**	97
Profit before tax	**1,407**	1,368
Tax expense	**(484)**	(465)
Profit for the period	**923**	903
Earnings per share	**€0.02**	€0.02

Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 31 March 2020

	Group	
	1 October to 31 March	
	2020	2019
	€000	’000
	Unaudited	Unaudited
Comprehensive income		
Profit for the period	**923**	903
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Gains from changes in fair value in financial assets:		
Fair value through other comprehensive income	**(132)**	64
Items that will not be reclassified to profit or loss		
Re-measurements of defined benefit obligations	**75**	42
Income tax relating to components of other comprehensive income:		
Re-measurements of defined benefit obligations	**(28)**	(12)
Total other comprehensive income for the period	**(85)**	94
Total comprehensive income for the period	**838**	997

Condensed Consolidated Interim Statement of Changes in Equity
For the six months ended 31 March 2020 (Unaudited)

Group	**Share capital** €000	**Share premium** €000	**Other reserves** €000	**Retained earnings** €000	**Total** €000
Balance at 1 October 2018	9,414	7,367	2,534	7,101	26,416
Comprehensive income					
Profit for the financial period	-	-	-	903	903
Other comprehensive income					
Available-for-sale financial assets:					
Gains from changes in fair value	-	-	64	-	64
Re-measurements of defined benefit	-	-	30	-	30
Total other comprehensive income	-	-	94	-	94
Total comprehensive income	-	-	94	903	997
Dividends	-	-	-	(1,506)	(1,506)
Total transactions with owners	-	-	-	(1,506)	(1,506)
Balance at 31 March 2019	**9,414**	**7,367**	**2,628**	**6,498**	**25,907**
Balance at 1 October 2019	9,414	7,367	2,630	7,545	26,956
Comprehensive income					
Profit for the financial period	-	-	-	923	923
Other comprehensive income					
Fair value through other comprehensive income					
Gains from changes in fair value	-	-	(47)	-	(47)
Re-measurements of defined benefit	-	-	(38)	-	(38)
Total other comprehensive income	-	-	(85)	-	(85)
Total comprehensive income	-	-	(85)	923	838
Dividends	-	-	-	(1,506)	(1,506)
Total transactions with owners	-	-	-	(1,506)	(1,506)
Balance at 31 March 2020	**9,414**	**7,367**	**2,545**	**6,962**	**26,288**

Condensed Consolidated Interim Statement of Cash Flows
For the six months ended 31 March 2020 (Unaudited)

	Group	
	1 October to 31 March	
	2020	2019
	€000	€000
Cash flows from operating activities		
Cash from customers	**11,539**	14,233
Cash paid to suppliers and employees	**(17,066)**	(15,013)
Cash flows attributable to funds collected on behalf of third parties	**3,731**	(3,510)
Cash used in operating activities	**(1,796)**	(4,290)
Income tax paid	**(208)**	(198)
Net cash used in operating activities	**(2,004)**	(4,488)
Cash flows from investing activities		
Finance income	**94**	87
Purchase of property, plant and equipment	**(1,198)**	(1,172)
Placements of deposits with financial institutions	**-**	(1,000)
Maturity of deposits with financial institutions	**3,000**	1,500
Proceeds from disposals / redemption of financial assets	**231**	-
Net cash from/(used in) investing activities	**2,127**	(585)
Cash flows from financing activities		
Dividends paid	**(1,478)**	(1,503)
Net cash used in financing activities	**(1,478)**	(1,503)
Net movement in cash and cash equivalents	**(1,355)**	(6,576)
Cash and cash equivalents at beginning of period	**5,065**	12,565
Cash and cash equivalents at end of period	**3,710**	5,989

Statement pursuant to Listing Rules issued by the Listing 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 2020, 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 Listing 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 subsidiary (the Group) as at 31 March 2020, the related condensed consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("the condensed consolidated interim financial statements"). The Directors are responsible for the preparation and fair presentation of these condensed consolidated interim financial statements 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 these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements 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 statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner

29 May 2020

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.