

Consolidated Results

2021



committed to deliver

CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY 2021 CONSOLIDATED RESULTS

- **Revenues**¹ grew to €847.9m in 2021 (+13.8% y.o.y), which reflects a consistence business transformation process aimed at having lower dependence from the legacy business. This trend was underpinned by the growth in Express & Parcels (+32.5% y.o.y), Banco CTT (+20.4% y.o.y) and Financial Services & Retail (+11.0% y.o.y). The growth in the Mail & other business unit (+4.3% y.o.y) was driven by the development of business solutions, including the acquisition of NewSpring Services.
- **Express & Parcels** continues to reach new revenue highs (€255.7m) driven by the strong performance of the Iberian region, with (i) Spain delivering on the results of the outlined strategy, growing by €45.0m (+62.3% y.o.y), and (ii) Portugal growing by €17.1m (+14.5% y.o.y). In 2021, Spain represented 45.9% of the Express & Parcels segment revenues, with this share growing by 8.4 p.p. y.o.y. in 2021.
- **Recurring EBIT** amounted to €60.1m in 2021, growing by €18.6m y.o.y., with significant increases of €12.2m in Express & Parcels and €3.4m (+70.0% y.o.y) in Banco CTT.
- **Operating cash flow** stood at €61.8m in 2021, up €18.8m (+43.9% y.o.y).
- **Net profit**⁵ of €38.4m, an increase of €21.7m (+130.4% y.o.y), this growth being driven mainly by the increase in recurring EBIT. The net profit includes non-recurring effects (net income) for an amount of €1.8m.

Consolidated Results

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
	€ million							
Revenues ¹	745.2	847.9	102.6	13.8%	211.0	235.0	24.0	11.4%
Mail & other	426.1	444.4	18.3	4.3%	115.3	125.5	10.2	8.8%
Mail	422.9	440.3	17.4	4.1%	114.2	123.6	9.4	8.3%
Central structure	3.2	4.1	1.0	29.9%	1.2	2.0	0.8	63.9%
Express & Parcels	193.0	255.7	62.7	32.5%	61.5	69.3	7.9	12.8%
Banco CTT	82.1	98.9	16.8	20.4%	22.4	26.8	4.4	19.7%
Financial Services & Retail	44.0	48.9	4.8	11.0%	11.8	13.3	1.5	13.1%
Operating costs (EBITDA) ²	641.6	729.8	88.2	13.7%	172.8	199.8	27.0	15.7%
EBITDA ³	103.6	118.1	14.5	14.0%	38.2	35.2	-3.0	-8.0%
Depreciation & amortization ⁴	62.1	58.0	-4.1	-6.6%	16.1	14.8	-1.3	-8.0%
Recurring EBIT	41.5	60.1	18.6	44.8%	22.1	20.4	-1.8	-7.9%
Specific items	7.0	-1.8	-8.8	-125.5%	4.9	4.0	-0.9	-18.4%
EBIT	34.5	61.9	27.4	79.3%	17.2	16.4	-0.9	-4.9%
Financial results (+/-)	-11.4	-11.1	0.3	2.8%	-3.0	-3.0	-0.0	-0.5%
Income tax for the period	6.4	12.2	5.9	92.1%	1.9	1.2	-0.7	-35.4%
Non-controlling interests	0.1	0.2	0.1	92.5%	0.0	0.1	0.0	>>
Net profit for the period ⁵	16.7	38.4	21.7	130.4%	12.3	12.1	-0.2	-2.0%

¹ Excluding specific items.

² In 2021 and in 2020 (proforma), operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.

³ Excluding depreciation & amortization and specific items.

⁴ Depreciation & amortization were positively impacted in 2021 by the revision of the useful life of some assets.

⁵ Attributable to equity holders.

1. Operational and Financial Performance

Consolidated revenues

CTT's consolidated revenues grew in 2021⁶ as a result of the business transformation process, with less reliance on the legacy mail business and greater focus on growing businesses such as Express & Parcels, Banco CTT and Business Solutions. In 2021, CTT consolidated its Iberian presence, investing in the expansion and coverage of its Express & Parcels network and benefiting from the growth of this business in Portugal and Spain.

Revenues grew by 13.8% in 2021 to €847.9m, up by €102.6m compared to 2020, reflecting the notable performance of (i) Express & Parcels, which grew €62.7m (+32.5% y.o.y), followed by (ii) Mail & other with +€18.3m (+4.3% y.o.y), (iii) Banco CTT with +€16.8m (+20.4% y.o.y) and (iv) Financial Services & Retail with +€4.8m (+11.0% y.o.y). It should be noted that all business areas of CTT posted growth in 2021.

Mail

Mail revenues amounted to €440.3m in 2021, which corresponded to a growth of €17.4m versus 2020 (+4.1% y.o.y).

The growth registered in this business unit resulted mostly from: (i) the very positive contribution of **business solutions** (+€13.1m; +82.8% y.o.y), which includes four months of activity of the new company NewSpring Services (+€8.0m) and an increase of €5.1m in revenues relative to business solutions projects largely explained by the revenue related to a computer sales project in 4Q21 (€5.2m); (ii) a very positive increase in **registered mail** (+€11.3m; +10.1% y.o.y); and (iii) the favourable performance of **international outbound mail** (+€6.2m; +15.9% y.o.y), boosted by additional revenues booked in December 2021 associated with the January 2022 parliamentary elections (€5.9m).

Business solutions recorded revenues of €29.0m in 2021 (+€13.1m; +82.8% y.o.y), driven by the integration of NewSpring Services in CTT's Business Solutions base offer in September 2021. This acquisition is part of CTT's portfolio diversification strategy aimed at accelerating growth in business solutions, by combining NewSpring's expertise in Business Process Outsourcing (BPO) and Contact Center solutions with CTT's commercial network, thus creating cross-selling opportunities with the B2B sales channel already in place.

The growth registered in these business lines was partially penalized by the revenue decline in **international inbound mail** (-€8.3m; -21.3% y.o.y) and in **ordinary mail** (-€5.2m; -3.6% y.o.y).

The year 2021 allowed for the recovery of growth in other products in this business unit (+€1.9m y.o.y), which benefited from the boost in **advertising mail** (+3.5% y.o.y), **editorial mail** (+1.5% y.o.y), **universal service parcels** (+7.4% y.o.y), **philately and other mail products and services** (+5.2% y.o.y).

Against a backdrop of continued restrictions in the access of customers to the CTT Retail Network, **philately** revenues totalled €5.4m. Thirty-two stamps of the Republic were issued, as well as 24 postal stationery, three thematic books and two annual books.

In 2021, the average variation in prices of the universal postal service⁷ was 1.72% y.o.y.

In 4Q21, revenues of the Mail business unit amounted to €123.6m, which corresponds to a growth of €9.4m (+8.3% y.o.y), due to the above-mentioned good performances of **business solutions** (+€12.8m; +371.6% y.o.y) and **international outbound mail** (+€4.8m; +42.0% y.o.y).

⁶ In 2021, the context of the COVID-19 pandemic, declared in March 2020 by the World Health Organization, continued.

⁷ Including letter mail, editorial mail and parcels of the universal postal service, excluding international inbound mail.

Mail volumes

In 2021, the **addressed mail** volumes registered an improvement in the negative trend (-16.5% in 2020 compared to 2019 and -6.3% in 2021 compared to 2020), benefiting from the comparison with the more restrictive lockdown period in 2020.

Mail volumes

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Transactional mail	447.2	415.7	-31.5	-7.0%	110.4	102.2	-8.2	-7.4%
Advertising mail	39.7	39.9	0.2	0.4%	11.3	13.0	1.8	15.9%
Editorial mail	30.0	29.0	-1.1	-3.5%	7.9	7.5	-0.4	-4.6%
Addressed mail	516.9	484.6	-32.4	-6.3%	129.6	122.8	-6.8	-5.2%
Unaddressed mail	412.3	449.9	37.5	9.1%	107.0	116.7	9.7	9.1%

Million items

In 2021, **transactional mail** volumes declined by 7.0% y.o.y, primarily driven to the declines in **ordinary mail** (-8.0% y.o.y) and in **international inbound mail** (-27.8% y.o.y). The performance of ordinary mail was affected by the trend registered in contractual clients of the banking and insurance and utilities and telecom segments, which made the biggest contribution to this decline. The worsening of the decline in **international inbound mail** in 2H21 was greatly impacted by the entry into force as of 1 July 2021 of the regulation abolishing the exemption of VAT on mail items below €22 ("*de minimis*"), which means that every item originating in extra-EU countries is now subject to customs clearance which translates into increased customs transit times. In the opposite direction, it should be highlighted the growth of **registered mail** (+8.3% y.o.y), driven by the dynamics of contractual customers, especially the government sector, and that of **international outbound mail** (+14.5% y.o.y), impacted by the December mailing of ballot papers associated with the legislative elections. Excluding this effect, the growth would have been 4.8% y.o.y.

In 2021, **unaddressed advertising mail** volumes increased by 9.1% y.o.y. and **addressed advertising mail** volumes by 0.4% y.o.y. In 2021, the **CTTAds** brand was launched to reinforce CTT's positioning as a business partner for advertising solutions, with emphasis on the offer of digital advertising packages and databases that will allow companies to carry out segmented actions to their potential targets and thus obtain better results in their campaigns.

In 4Q21, addressed mail volumes declined by 5.2% y.o.y. This improved performance in 4Q21 as compared to the remainder of the year reflects a noteworthy growth in **addressed advertising mail** (+1.8 million items) and a lower decline in volumes from customers of the utilities and telecom sectors, with a strong contribution in the period from the government and municipalities' mail flows.

Express & Parcels

Express & Parcels **revenues** totalled €255.7m in 2021, an increase of €62.7m (+32.5% y.o.y).

In the **Iberian market**, revenues stood at €252.5m, growing of €62.2m (+32.7% y.o.y) compared to 2020. **CEP** (*Courier, Express and Parcels*) represented €234.4m (+39.7% y.o.y), and volumes totalled 72.8 million items, growing by 43.5% over 2020. CEP growth in the Iberian market was boosted by e-commerce (B2C) growth in Iberia, which was particularly reflected in the good performance of the CEP operation in Spain.

In **Portugal**, Express & Parcels **revenues** recorded €135.1m in 2021, growing €17.1m (+14.5% y.o.y) over 2020, and volumes totalled 32.7 million items, representing a growth of 15.2% y.o.y.

The Express & Parcels business performance in Portugal in 2021 was based on the **CEP** business growth, whose revenues amounted to €118.5m (+22.8% y.o.y). The **cargo** business revenues totalled €8.2m (-28.3% y.o.y),

those of the **banking** documents delivery business €4.4m (-32.5% y.o.y) and those of the **logistics** business amounted to €3.2m (+31.0% y.o.y).

The performance of the **CEP** business was mainly related to e-commerce (B2C), with particular focus on large global marketplaces, due to market growth and to the capture in 2Q21 of a major worldwide e-commerce platform. The “back-to-school” campaign gave a relevant contribution to this performance, as a result of CTT gaining the schoolbook logistics and distribution operation of one of the largest sales channels for this product. As a result, CEP volumes reached 31.7 million items (+22.7% y.o.y). Moreover, it should be noted that the schoolbook logistics and distribution operation also impacted positively the **logistics** segment.

In the **cargo** product line, the strong reduction in revenues is related to the change in the operating strategy which aimed to address the negative margin of this business line, leading to its outsourcing to a partner, who is now responsible for its operation. This change implied commercial renegotiations with certain customers and the implementation of decisions that penalized revenues, such as the discontinuation of the tyre delivery service, which ultimately had a positive impact on margin. As a result of these actions, the Company was able to achieve a positive contribution margin in this product line in 4Q21.

The **banking** documents delivery product line continued under pressure in a context of continued reduction of the capillarity of banking networks and increasingly lower utilization thereof.

CTT continued to roll out its **24-hour Locker** strategy to both the general public and private premises (both residential and corporate), as well as Click&Collect. These allow the clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). Lockers also improve operational efficiency at the delivery point, as they concentrate more items per delivery point, thus reducing unitary costs. At the end of December 2021, CTT's parcel locker network comprised 187 lockers, in various locations around the country, namely in hospitals, intermodal transport platforms, shopping centres, university campuses, physical retail networks, parking lots, gas stations or, in the case of private lockers, in condominiums and in office/business areas.

On 06.12.2021, CTT signed a **partnership agreement with YunExpress**, the logistics business unit of the Chinese company Zongteng Group, to create a joint venture that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. This partnership aims to further develop CTT's already leading network of lockers for e-commerce in Portugal, which will be open to any carrier. CTT plans to install 1,000 lockers by the end of 2022, thus offering the largest and most widespread national network of lockers that will be part of the current network of more than 2,000 CTT Pick-up / Drop Off Points (PUDOs) where clients can collect their parcels.

CTT and Sonae revisited the terms of their e-commerce partnership, with the aim of CTT focusing on its core logistic competences. Hence, in January 2022, CTT sold its stake in the **Dott** marketplace⁸ to Worten with both entities, CTT and Worten, reinforcing their strategic logistics partnership.

Revenues in Spain stood at €117.3m in 2021, growing by €45.0m (+62.3% y.o.y). In 4Q21 revenues amounted to €32.4m, representing a growth of €8.4m (+34.7% y.o.y) over 4Q20. Volumes totalled 41.1 million items, an increase of 65.0% y.o.y.

During 4Q21, the Black Friday, Christmas and Sales campaigns boosted online commerce, and CTT Express saw an increase in activity, handling circa 11 million items, 33.7% above 4Q20, with a daily average of over 200k items in peak times.

CTT Express ended the year 2021 positioned as a reference operator in the Iberian urgent parcels market. Significant investments were made in quality of service and in the capillarity of its network – nationwide in Spain – and its differentiation from the competition has evolved sustainably over time.

⁸ The Dott marketplace investment is accounted for by the equity method.

The Company proceeds with its strategy of investing in technology and innovation and is rolling out new solutions that will improve the consumers' purchase experience. The investment already made, together with activity growth and new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing agreements allowed for a reduction in unit handling costs (-9.4%), transportation (-28.0%) and distribution (-4.1%) in 2021 compared to the previous year. Investment and growth also allowed for the dilution of structural costs and, thus, the consequent increase in the profitability. As a result, Spanish operations exceeded the target announced in 2019 by achieving positive EBITDA in the full-year 2021.

CTT's ambition for its operation in Spain is to increase market share and improve profitability. More specifically, CTT aims to grow in the B2C market through a more efficient distribution network based on its own operations, capture B2B market share through a more competitive business model in attracting franchisees, and become the benchmark operator for Iberian shipments.

Revenues in Mozambique in 2021 stood at €3.2m, growing by 19.0% y.o.y. The growth achieved was supported by the business in the health area (collection of biological samples) and the banking sector. On a domestic level, 4Q21 was characterized by a more favourable economic environment, with companies experiencing an increase in demand that led to renewed growth in production and the hiring of more personnel.

Banco CTT

Banco CTT **revenues** reached €98.9m in 2021, an increase of €16.8m (+20.4% y.o.y).

This growth was mainly driven by the partnership with Sonae Financial Services (which started in April 2021) whereby Banco CTT became the sole lender for the **Cartão Universo** loan book. This business generated revenues of €10.2m, with a net balance sheet volume of €292.1m in December 2021, thus surpassing the initial plans.

Revenue growth was due to the positive performance of **net interest income** that reached €55.8m in 2021, €11.1m above 2020 (+25.0% y.o.y).

Interest from **consumer credit** grew by €4.3m (+12.7% y.o.y), as **auto loans and leasing** reached a loan portfolio net of impairments of €648.8m (+15.8% vs. December 2020). Auto loans production stood at €213.8m in 2021 (+10.3% y.o.y), as 321 Crédito increased its production market share in the 2nd half of 2021 by 1.1 p.p. (from 10.2% as at the end of June to 11.3% at the end of the year) compared to the remaining players in the auto loan market for used vehicles.

Interest from **mortgage loans** recorded a decline of €0.2m (-3.9% y.o.y), with a €594.8m mortgage loan portfolio net of impairments (+13.4% vs. December 2020). Mortgage loan production amounted to €133.0m, a decrease of €26.9m (-16.8% y.o.y) compared to 2020. This decline stems from the change in focus to products with higher risk-adjusted profitability, such as consumer credit and auto loans.

Commissions received in this business unit reached €39.3m, up by €5.8m versus 2020 (+17.5% y.o.y). It should be highlighted the positive contributions of (i) commissions received regarding **accounts and cards**, which amounted to €10.6m, an increase of €3.4m (+46.8% y.o.y), (ii) **savings products** (off-balance sheet), which totalled €3.6m, growing by €1.2m (+49.0% y.o.y) that resulted from a net volume off-balance sheet of €708.6m, corresponding to 65.3% above December 2020, and (iii) **payments**, which totalled €17.5m, a growth of €0.6m (+3.3% y.o.y).

Banco CTT commercial performance continued to allow for growth in **customer deposits** to €2,122.8m (+25.7% vs. December 2020) and in the **number of accounts** to 573k (56k more than in December 2020).

The **loan-to-deposit ratio** reached 72.7% at the end of 2021.

As at 31 December 2021, Banco CTT had no active **moratoria** in any credit segment. Of the expired moratoria, there are about €3.5m in arrears of more than 30 days, which represent circa 5.4% of the total private moratoria expired.

Financial Services & Retail

Financial Services & Retail **revenues** amounted to €48.9m in 2021, representing an increase of €4.8m (+11.0% y.o.y).

Financial services (excluding other revenues) obtained revenues of €31.1m in 2021, an increase of €0.2m (+0.7% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €22.7m, which increased by €0.6m (+2.9% y.o.y) compared to 2020. Placements of these certificates amounted to €4,428.0m, an average of €17.6m/day versus €15.2m/day in 2020. This was the result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.
- Revenues originated by the **remaining savings and insurance products** (capitalization insurance and others) amounted to €1.2m, growing by 10.6% (+€0.1m y.o.y). The negative impact of the maturity of a part of the product portfolio was offset by the actions taken to enlarge the offer of new investment, savings and insurance solutions. As a result, placements amounted to €43.7m in the second half of 2021, thus allowing the diversification of savings in the customer base as well as the attraction of new clients.
- **Money orders** revenues reached €5.5m, corresponding to -€0.5m (-8.6% y.o.y), as a result of the structural changes in the means of payment.
- **CTT payment services** posted revenues of €1.6m in 2021, slightly above the previous year's (+1.9% y.o.y). In 1H21, this product benefited from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service. However, in 2H21 there has been a slowdown.

In 4Q21, CTT continued to develop its savings offering, with the objective to enlarge the range of products available, and of non-life insurance, which already includes auto, health, personal accidents, and third-party liability products. This segment presents a significant growth potential and will be strategically addressed in the context of the Financial Services segment offering, thus leveraging further CTT's distribution network.

Revenues of **Retail products and services** (excluding other revenues) reached €17.6m in 2021, an increase of €4.6m (+35.2% y.o.y), underpinned by the distribution of lotteries and "scratch cards", with the latter commercialized as of 4Q20 and gradually expanded to the whole Retail Network.

The easing of the lockdown restrictive measures has led to a gradual pickup of the Air Transport Allowance business, with a growth of 138.9% y.o.y. in 2H21 following a decrease of 38.0% y.o.y. in 1H21.

To be noted is also the increased demand for p.o.boxes (+17.2% y.o.y) and books (+13.6% y.o.y), evidenced by the results of the campaigns launched for their marketing. Conversely, merchandising products sales declined by 40.5%, heavily influenced by the decrease in sales of "personal protective equipment" due to the change in the pandemic context in 2021.

A number of retail initiatives were launched in 2021, of which the following are highlighted: (i) the resizing of the lottery and "scratch cards" segment and of its supplier management; (ii) the launch of own editions of books and the repositioning of the offer; (iii) the partnership with Worten for the launch of a line of small household appliances with their own display in CTT post offices and the launch of a line of small gadgets from other suppliers, with a counter display; (iv) the reformulation of the partnership with ForAll Phones and of the reconditioned products business model; and (v) the opening of CTT's first outlet store, located in Lisbon (Restauradores), with the aim of selling older products at lower prices, allowing for improved sales and stock management.

Operating Costs

Operating costs totalled €786.0m in 2021, a growth of €75.3m (+10.6% y.o.y) over 2020.

Operating Costs

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Staff costs	338.6	346.9	8.2	2.4%	88.0	87.6	-0.4	-0.5%
ES&S	254.1	327.4	73.3	28.8%	73.9	92.3	18.4	24.9%
Impairments & provisions	15.3	11.4	-3.9	-25.5%	2.1	2.6	0.5	24.2%
Other costs	33.6	44.1	10.6	31.4%	8.8	17.3	8.5	97.5%
Operating costs (EBITDA)⁹	641.6	729.8	88.2	13.7%	172.8	199.8	27.0	15.7%
Depreciation & amortization	62.1	58.0	-4.1	-6.6%	16.1	14.8	-1.3	-8.0%
Specific items	7.0	-1.8	-8.8	-125.5%	4.9	4.0	-0.9	-18.4%
Corporate restructuring costs and strategic projects	4.2	12.7	8.5	»	2.7	2.9	0.2	6.0%
Other non-recurring revenues and costs	2.8	-14.5	-17.2	«	2.2	1.2	-1.1	-48.0%
Operating costs	710.7	786.0	75.3	10.6%	193.7	218.6	24.9	12.8%

Staff costs increased by €8.2m (+2.4% y.o.y) in 2021, essentially in the growth business areas, in particular in Banco CTT (+€3.4m y.o.y) – due to increased commercial activity and team reinforcement in the wake of the partnership with Sonae Financial Services – and in Express & Parcels (+€3.3m y.o.y), primarily due to activity growth in Spain. In the Financial Services & Retail business unit staff costs decreased €0.8m. In Mail & other these costs grew €2.2m y.o.y, due to the acquisition of NewSpring Services (+€3.9m). Excluding this change in the consolidation perimeter, these costs would have declined by €1.6 m, as a result of the measures taken to increase productivity and the focus on operating efficiency.

External supplies & services costs increased by €73.3m (+28.8% y.o.y) in 2021, mostly due to the increased Express & Parcels activity in Iberia and the commercial boost, with emphasis on: direct and commercial costs (+€57.8m), physical and technological resources (+€7.7m), temporary work (+€5.9m) and uniforms (+€0.5m). Excluding the effect of NewSpring Services (+€2.8m), the growth in external supplies & services costs would have been €70.4m (+27.7% y.o.y).

Impairments and provisions decreased by €3.9m in 2021 (-25.5% y.o.y), as a result of the changes in the credit risk matrices and the improvement of the economic situation, given that the same period of the previous year was strongly impacted by the pandemic and uncertainty, mainly at the level of auto loans. In 4Q21, impairments and provisions were negatively impacted by the growth in the Universo card consumer credit portfolio, which requires the initial recognition of estimated impairments related to the estimated duration of the credit.

Other costs grew by €10.6m (+31.4% y.o.y), mainly in the Mail & other business unit (+€4.4m) due to the growth of business solutions (+€5.0m y.o.y in connection with the laptop sale project referred to above) and printing & finishing, and in Financial Services & Retail business unit (+€4.8m), the latter due to the growth of “scratch card” sales.

Depreciation & amortization posted a decrease of €4.1m in 2021 (-6.6% y.o.y), positively impacted by the revision of the useful life of some assets (-€6.8m) and partially offset by new building lease contracts which impacted amortization (+€1.9m), due to the IFRS 16 accounting standard.

⁹ In 2021 and in 2020 (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant to this standard.

Specific items amounted to –€1.8m, due to: (i) a capital gain of €17.8m booked in connection with the sale of public debt securities to optimize Banco CTT’s balance sheet against a backdrop of the rollout of the partnership with Sonae; (ii) a net capital gain of €1.0m booked essentially in connection with the sale of real estate; (iii) restructuring costs of €11.1m, of which €10.6m correspond to suspension agreements of employment contracts, (iv) an impairment loss of €1.4m related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, (v) recording of an impairment for a €2.2m investment in the entity Mktplace, and (vi) €2.3m of other costs related to the COVID-19 pandemic and one-off projects.

Staff

As at 31 December 2021, the CTT **headcount** (permanent and fixed-term staff) consisted of 12,608, an increase of 374 (+3.1%) compared to 31 December 2020. These figures incorporate the inorganic effect of NewSpring Services which had an impact of +770 employees. Excluding this effect, the number of staff would be 11,838, corresponding to a decrease of 396 (-3.2% y.o.y).

Headcount

	30.12.2020	30.12.2021	Δ	Δ%
Mail & other	10,445	10,866	421	4.0%
Express & Parcels	1,319	1,258	-61	-4.6%
Banco CTT	435	455	20	4.6%
Financial Services & Retail	35	29	-6	-17.1%
Total, of which:	12,234	12,608	374	3.1%
Permanent	10,767	11,283	516	4.8%
Fixed-term contracts	1,467	1,325	-142	-9.7%
Portugal	11,671	12,015	344	2.9%
Other geographies	563	593	30	5.3%

Excluding the inorganic effect, there was a decrease in the number of staff in almost all business units, especially in Mail & other (-346) largely due to the ongoing projects to increase the productivity of operations, which have adapted the network to the new profile of the mail flows and reduced the need for additional hiring, as well as the HR optimization program underway mainly in the central structure, which resulted in 97 suspension agreements of employment contracts so far and is envisaged to accommodate 38 more.

Together, the areas of operations and distribution within the mail network (5,676 employees, of whom 4,256 are delivery postmen and women) and the retail network (2,357 employees) represented circa 71.2% of CTT’s permanent staff. Excluding the integration of NewSpring Services, this staff would represent 74.1%

Recurring EBIT

In 2021, **recurring EBIT** stood at €60.1m, growing by €18.6m (+44.8% y.o.y) compared to 2020, with a margin of 7.1% (5.6% in 2020). Note that all business units contributed favourably to recurring EBIT growth.

This performance was mainly due to the strong recurring EBIT growth of €12.2m in Express & Parcels and €3.4m (+70.0%) in Banco CTT. The contribution of Mail & other was €1.7m (+10.6% y.o.y) and Financial Services & Retail €1.3m (+6.4% y.o.y).

Despite this growth, the international inbound mail revenue loss resulting from the elimination of VAT exemption on mail items below €22 (“*de minimis*”), as of 1 July 2021, strongly impacted the recurring EBIT of 2H21.

Recurring EBIT by business unit

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
EBIT by business unit	41.5	60.1	18.6	44.8%	22.1	20.4	-1.8	-7.9%
Mail & Other	16.0	17.7	1.7	10.6%	9.7	7.9	-1.7	-18.0%
Mail	70.1	65.0	-5.1	-7.2%	21.6	17.4	-4.2	-19.4%
Central structure	-54.1	-47.3	6.8	12.5%	-12.0	-9.5	2.5	20.5%
Express & Parcels	0.2	12.4	12.2	»	3.9	5.4	1.5	38.4%
Banco CTT	4.8	8.2	3.4	70.0%	4.4	2.4	-1.9	-44.6%
Financial Services & Retail	20.5	21.8	1.3	6.4%	4.3	4.7	0.4	10.5%

€ million

Financial Results and Net Profit

The **consolidated financial results** amounted to -€11.1m in 2021, corresponding to an improvement of €0.3m (+2.8% y.o.y).

Financial Results

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
Financial results	-11.4	-11.1	0.3	2.8%	-3.0	-3.0	-0.0	-0.5%
Financial income, net	-9.6	-8.5	1.1	11.8%	-2.3	-2.1	0.2	8.8%
Financial costs and losses	-9.7	-8.5	1.1	11.7%	-2.4	-2.1	0.2	8.7%
Financial income	0.0	0.0	0.0	26.4%	0.0	0.0	0.0	10.3%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.7	-2.6	-0.8	-46.9%	-0.7	-0.9	-0.2	-33.4%

€ million

Financial costs and losses incurred amounted to €8.5m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.6m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.1m and interest expense on bank loans for an amount of €1.7m.

In 2021, CTT obtained a **consolidated net profit** attributable to equity holders of €38.4m, which is €21.7m above 2020, positively impacted by the evolution of EBIT (+€27.4m) and financial results (+€0.3m), and negatively by the corporate income tax for the period (+€5.9m).

Investment

Capex stood at €36.1m in 2021, corresponding to 8.1% more (+€2.7m) than in 2020.

The Company maintained the focus of investment on the fastest growing business unit where the transformation of its business model is being streamlined, i.e. the Express & Parcels (+€3.8m), thus ensuring increase in capacity and optimization of its processes.

Investment decreased in the remaining business units (-€1.1m), particularly in Banco CTT's information systems, given the high investment made in previous years.

To be noted is the investment of €2.9m relative to the adaptations made to information systems, postal equipment and new facilities in order to accommodate the new model for customs clearance of extra-EU items in response to changes in the VAT regulation for e-commerce, which entered into force on 01.07.2021 across the EU.

Cash flow

In 2021, the Company generated an operating **cash flow** of €61.8m, corresponding to €18.8m more than in 2020.

Cash flow

	2020	2021	Δ	Δ%	4Q20	4Q21	Δ	Δ%
	€ million							
EBITDA	103.6	118.1	14.5	14.0%	38.2	35.2	-3.0	-8.0%
Non-cash items*	-13.1	-18.9	-5.8	-44.3%	-5.4	-5.1	0.3	6.1%
Specific items**	-7.0	1.8	8.8	125.5%	-4.9	-4.0	0.9	18.4%
Capex	-33.4	-36.1	-2.7	-8.1%	-15.2	-14.7	0.5	3.5%
Δ Working capital	-7.2	-3.0	4.1	57.6%	14.2	-1.1	-15.2	-107.4%
Operating cash flow	42.9	61.8	18.8	43.9%	26.9	10.4	-16.5	-61.3%
Employee benefits	-12.1	-12.8	-0.7	-5.8%	-3.8	-3.3	0.6	14.5%
Tax	-9.0	-3.6	5.3	59.6%	-1.1	-1.2	-0.2	-15.2%
Free cash flow	21.8	45.3	23.5	107.5%	22.0	5.9	-16.1	-73.2%
Debt (principal + interest)	-1.5	-10.8	-9.2	<<	-0.6	-0.6	-0.0	-4.8%
Dividends	0.0	-12.8	-12.8	-	0.0	0.0	0.0	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	0.0	0.0	-
Disposal of buildings	0.0	2.2	2.2	-	0.0	0.0	0.0	-
Financial investments	-0.3	-15.7	-15.4	<<	-0.6	-0.7	-0.1	-10.6%
Change in adjusted organic cash	20.0	1.9	-18.1	-90.4%	20.8	4.6	-16.2	-77.9%
Inorganic cash - NewSpring	0.0	4.9	4.9	-	0.0	0.0	0.0	-
Change in adjusted cash	20.0	6.8	-13.2	-65.9%	20.8	4.6	-16.2	-77.9%
Δ Liabilities related to Financial Serv. & others and Banco CTT, net ¹⁰	63.9	351.3	287.4	>>	112.8	-59.1	-172.0	<<
Δ Other ¹¹	-8.8	1.6	10.3	117.8%	-1.0	-0.6	0.5	45.7%
Net change in cash	75.2	359.7	284.5	>>	132.6	-55.1	-187.7	-141.6%

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating cash flow in 2021 resulted mainly from the positive performance of EBITDA, a level of investment equivalent to that of the previous year, as well as a positive evolution of the change in working capital (+€4.1m). This is largely explained by the lower level of investment in 4Q20 vis-à-vis the same period of 2019, which positively impacted the working capital related to investment in 2021.

¹⁰ The change in net liabilities of Financial Services & Retail and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities / banking financial assets, of entities of the CTT Group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

¹¹ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques / clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

Consolidated Balance Sheet

Consolidated Balance Sheet

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Non-current assets	1,984.3	1,970.3	-14.0	-0.7%
Current assets	910.6	1,614.9	704.3	77.3%
Assets	2,894.9	3,585.2	690.3	23.8%
Equity	150.3	174.5	24.3	16.2%
Liabilities	2,744.6	3,410.7	666.0	24.3%
Non-current liabilities	493.4	705.3	211.9	42.9%
Current liabilities	2,251.2	2,705.4	454.1	20.2%
Equity and consolidated liabilities	2,894.9	3,585.2	690.3	23.8%

The key aspects of the comparison between the **consolidated balance sheet** as of 30.12.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €690.3m, mostly due to the strong growth in credit to banking clients (+€448.6m) especially auto loans and credit cards, cash & cash equivalents (+€359.7m), following the strong increase in clients' deposits at Banco CTT and the securitization operation carried out by 321 Crédito. The growth was also due to investments in assets at fair value through profit or loss (+€25.0m) as a result of the investment in participation units of a real estate investment fund (REIT) and other assets (+€35.8m) was offset by the decrease in the captions investments in securities (-€177.5m) resulting from the disposal of securities portfolios.
- **Equity** increased by €24.3m due to the recognition of a net profit attributable to the CTT Group equity holders in 2021 corresponding to €38.4m, the increase in reserves as a result of the constitution of the reserve associated with the share plan (€1.2m) and the increase in other changes in equity (€3.6m) following the update in liabilities related to employee benefits. In the opposite direction, there was the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m.
- **Liabilities** increased by €666.0m, underpinned by the increase in banking clients' deposits and other loans (+€433.0m), and in other banking financial liabilities (+€238.8m) arising from the securitization operation carried out by 321 Crédito. Conversely, there was a decrease in items such as bank loans (-€5.7m), mostly as a result of the payment of the first tranche of the BBVA/Bankinter loan.

The CTT Group consolidated balance sheet excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated Balance Sheet with Banco CTT under equity method

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Non-current assets	638.8	680.2	41.4	6.5%
Current assets	484.0	454.9	-29.2	-6.0%
Assets	1,122.8	1,135.0	12.2	1.1%
Equity	150.3	173.9	23.5	15.7%
Liabilities	972.5	961.1	-11.4	-1.2%
Non-current liabilities	444.0	422.5	-21.5	-4.8%
Current liabilities	528.5	538.6	10.1	1.9%
Equity and consolidated liabilities	1,122.8	1,135.0	12.2	1.1%

The **liabilities related to employee benefits** (post-employment and long-term benefits) stood at €283.1m in December 2021, corresponding to €0.1m above December 2020, broken down as specified in the table below:

Liabilities related to employee benefits

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Total liabilities	283.0	283.1	0.1	0.0%
Healthcare	271.2	263.5	-7.6	-2.8%
Healthcare (321 Crédito)	1.4	1.5	0.0	2.5%
Suspension agreements	2.8	9.5	6.7	244.6%
Other long-term employee benefits	6.9	6.5	-0.4	-5.6%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-5.8%
Pension plan	0.3	0.3	-0.1	-17.4%
Other benefits	0.2	1.6	1.4	»
Deferred tax assets	-79.3	-78.6	0.7	0.9%
Current amount of after-tax liabilities	203.7	204.5	0.8	0.4%

These liabilities related to employee benefits are associated with deferred tax assets amounting to €78.6m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €204.5m.

Consolidated net debt

Consolidated net debt

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Net debt	71.4	58.9	-12.6	-17.6%
ST & LT debt	206.9	201.1	-5.7	-2.8%
of which Finance leases (IFRS16)	115.2	115.3	0.1	0.1%
Adjusted cash (I+II)	135.4	142.3	6.8	5.1%
Cash & cash equivalents	518.2	877.9	359.7	69.4%
Cash & cash equivalents at the end of the period (I)	498.8	857.0	358.1	71.8%
Other cash items	19.4	20.9	1.6	8.1%
Other Financial Services liabilities, net (II)	-363.4	-714.7	-351.3	-96.7%

The key aspects of the comparison between the **consolidated net debt** as of 31.12.2021 and that as at 31.12.2020 are as follows:

- **Adjusted cash** increased by €6.8m, as the positive performance of the operating cash flow (+€61.8m) more than offset the payment of employee benefits (-€12.8m), debt service (-€10.8m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and financial investments for an amount of €15.7m.
- **Short-term & long-term debt** decreased by €5.7m, mainly due to the reduction in short-term bank loans of CTT (-€5.8m) in the context of the scheduled amortization.

CTT Group net debt excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

Consolidated net debt with Banco CTT under equity method

	31.12.2020	31.12.2021	Δ	Δ%
				€ million
Net debt with Banco CTT under equity method	153.9	182.4	28.5	18.5%
ST & LT debt	204.7	198.5	-6.2	-3.0%
of which Finance leases (IFRS16)	113.0	112.6	-0.4	-0.3%
Adjusted cash (I+II)	50.8	16.1	-34.7	-68.3%
Cash & cash equivalents	286.4	215.2	-71.3	-24.9%
Cash & cash equivalents at the end of the period (I)	286.5	215.2	-71.3	-24.9%
Other cash items	-0.0	-0.0	-0.0	-43.6%
Other Financial Services liabilities, net (II)	-235.7	-199.1	36.6	15.5%

2. Other Highlights

REGULATORY ISSUES

On 23.12.2021, the Council of Ministers communicated the approval, on same date, of the decree amending the legal framework applicable to the provision of postal services in Portugal, which was promulgated on 5 February 2022. The corresponding Decree-Law no. 22-A/2022 was published on 07.02.2022. The new concession agreement thus entered into force and will have a duration of approximately seven years - until 31.12.2028.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process.

3. Subsequent Events

On 13.01.2022, the shareholding in Mktplace - Comércio Eletrónico, S.A. (Dott), was sold to Worten - Equipamentos para o Lar, SA. The sale of the stake in Dott, which was set up as an e-commerce catalyst with the purpose of promoting the digitalization of companies and entry into e-commerce, arises in the context of strengthening the partnership between CTT and Worten in the area of e-commerce. The two logistics companies working on deepening their partnership at an Iberian level, in areas such as instant delivery, multiple distribution flows for e-commerce parcels and also logistics, including fulfilment for sellers on the Worten marketplace, in order to maximize the growth of their respective businesses.

On 16 March 2022, CTT announced the intention of its Board of Directors to propose to the 2022 Annual General Meeting the payment of a dividend of Euro 12 cents per share. This proposal represents a dividend yield of approximately 2.6% and a payout ratio of approximately 47.3%. The proposal is subject to several conditions, including market conditions, CTT's financial and patrimonial situation and other applicable legal and regulatory terms.

At the same time, CTT announced that its Board of Directors approved the implementation of a share buyback program amounting to the overall value of €18m, equivalent to 2.7% of CTT's market capitalization. This program, to be implemented until the end of 2022, has the objectives of (1) repurchasing a maximum of up to 4.65 million shares, representing a maximum of up to Euro 2,325,000, which corresponds to 3.1% of the share capital, and (2) reducing the same amount of the share capital through the cancellation of the acquired shares.

4. Future Perspectives

2021 was a year of marked transformation at CTT across all business areas: (1) **Express & Parcels** registered significant and continued growth, on the back of increased e-commerce penetration, which reflects a transformation of consumer habits, and of solid market share gains in Spain; (2) the decline of international inbound revenues in **Mail & other** was more than compensated by the growth registered in business solutions in the wake of the acquisition and consolidation of NewSpring Services and focused commercial stance in the marketing of outsourcing services and other projects and contracts thus enlarging CTT's share of wallet in its mail clients; (3) **Financial Services & Retail** went through a record year in the placement of public debt using CTT's branches and launched new insurance and savings solutions together with a broader retail offering anchored on the new store layout, and (4) **Banco CTT** established a partnership with Sonae Financial Services to become the sole lender of the Universo credit card while continuing to register noticeable growth in the auto loans space, in mortgage loans and in on- and off-balance sheet savings. 2021 was also characterized by a strong focus on productivity and efficiency of logistics operations, including mail and express and parcels, with CTT launching relevant initiatives to reduce unitary costs while improving quality. As a result of this transformation, CTT has a differentiated and truly Iberian value proposition and its Spanish operation is already the largest contributor to express and parcels volumes. CTT aims at continuing the transformation of its business and the optimization of its operations.

The main pillars of Company's strategy for 2022 are: (1) CTT will be focused on expanding its integrated Iberian footprint to enable grabbing the full potential of e-commerce convergence in Portugal and Spain; (2) CTT will continue to carry out transformation initiatives, namely through inroads in business services and logistics, to drive revenue sustainability by reducing dependence on traditional mail services; (3) CTT will continue to launch new services and products to increase the appeal of CTT's retail offering, and (4) CTT will continue to foster Banco CTT's growth, which is underpinned by balance sheet optionality and potential equity and industry partnerships.

Moreover, the new universal service framework with a more balanced and sustainable concession contract should allow for a structural improvement in profitability of mail services. CTT will also continue to focus its efforts on rolling out more initiatives to further improve efficiency and profitability of its operations, which are already visible, aiming at compensating pressure in mail revenues.

The Company will be watchful and will analyse inorganic expansion opportunities, that may exist, namely in logistics and fulfilment segments.

CTT will focus on minimizing the impact of relevant and persistent macro and industry risks, including geopolitical uncertainty, inflation, cost of energy and raw materials, COVID-19 and de minimis impact on mail revenues as well as of those severe risks that are affecting the functioning of logistics chains, namely those originated in Asia.

For 2022, the guidance is as follows: (1) high single-digit decline is expected in mail volumes; (2) Iberian Express & Parcels volumes are expected to grow by low double digit, subject to normalization in supply chains; (3) expected revenue growth of mid-to-high single digit, and (4) recurring EBIT is expected to be within €65-75m range, more geared towards 2H22. In effect annual mail price increases entered into force on 7 March 2022 while the de minimis impact will annualize as from 3Q22 and Express & Parcels will have a more demanding comparable in 1H22 due to the lockdown period of 1Q21.

CTT aims to implement a remuneration policy that is attractive, constituting an adequate source of income for its shareholders, and that, simultaneously, continues to enable the Company's financial capacity to maintain strategic flexibility to meet the goals of investment in business growth and to continue to position CTT as a reference in logistics and e-commerce in Portugal and Spain. This remuneration policy includes an ordinary dividend component, which is intended to have a greater recurrence, and a share repurchase component, which will be more casuistic and applicable according to market conditions.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. statutory reported financial information for the 2021 financial year, audited by an auditor registered with the Portuguese Securities Market Commission (CMVM).

Lisbon, 16 March 2022

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT website at:

https://www.ctt.pt/grupo-ctt/investidores/informacao-financeira/divulgacao-resultados?language_id=1.

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This document contains forward-looking statements. All the statements herein which are not historical facts, including, but not limited to, statements expressing our current opinion or, as applicable, those of our directors regarding the financial performance, the business strategy, the management plans and objectives concerning future operations and investments are forward-looking statements. Statements that include the words “expects”, “estimates”, “foresees”, “predicts”, “intends”, “plans”, “believes”, “anticipates”, “will”, “targets”, “may”, “would”, “could”, “continues” and similar statements of a future or forward-looking nature identify forward-looking statements.

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