1st Half 2023 Consolidated Results

Deliver the future connecting people and companies in a sustainable way

CTT - Correios de Portugal, S.A.

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- **Revenues**[1] reached €480.4m in 1H23 (+€34.0m; +7.6% y.o.y), growing across all business units, except Mail & Other, broken down as follows: Financial Services & Retail (+€22.1m; +91.4% y.o.y); Express & Parcels (+€18.6m; +15.2% y.o.y); Banco CTT (+€11.9m; +20.5% y.o.y); and Mail & Other (-€18.7m; -7.7% y.o.y).
- **Express & Parcels** achieved double-digit growth in volumes (34.4% y.o.y) and revenues (25.0% y.o.y) in 2Q23 driven by the performance in Portugal and Spain, the latter accounting for 59.6% of volumes and 53.4% of revenues in 2Q23. Growth acceleration in 2Q23 boosted revenues of this segment in 1H23 to €141.3m (+15.2% y.o.y).
- **Mail & Other** had a robust performance in 1H23, with revenues achieving €222.9m. Notably, 1Q22 was positively impacted by: (i) the revenues from the laptop sale project (€21.5m) in the business solutions segment; and (ii) additional revenues from international outbound mail due to the rerun of legislative elections in the European constituency (€3.5m). As such, it should be underlined that, excluding these two effects, Mail & Other revenues would have grown by €6.3m in 1H23 compared to 1H22 (+2.9% y.o.y).
- **Banco CTT** continued to grow in 1H23, with a positive performance of the net interest income, which amounted to €46.0m (+€11.6m; +33.8% y.o.y), underpinned by the growth of its consumer credit portfolio (auto) and mortgage loans and benefiting from more favourable interest rates. With the number of current accounts reaching 625k (23k more than in December 2022), Banco CTT posted a solid customer growth.
- **Financial Services & Retail** revenues registered a growth in 1H23, as a result of the greater attractiveness of public debt certificates, especially savings certificates. From June onwards, there was a drop in demand due to the change in the features of this product.
- **Recurring EBIT** reached €48.4m in 1H23 (+€29.7m; +159.3% y.o.y) with a margin of 10.1% (4.2% in 1H22) and growth in all business units.
- **Operating cash flow** stood at €55.6m in 1H23 (+€36.7m; +193.2% y.o.y).
- **Net profit**[2] of €26.0m in 1H23 (+€11.5m ; +79.0%y.o.y).

Consolidated results

€ million

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
Revenues[1]	**446.4**	**480.4**	**34.0**	**7.6%**	**211,7**	**238.6**	**26.9**	**12.7%**
Mail & Other	241.6	222.9	(18.7)	(7.7%)	108,1	108.6	0.4	0.4%
Express & Parcels	122.7	141.3	18.6	15.2%	61.3	76.7	15.3	25.0%
Banco CTT	57.9	69.8	11.9	20.5%	29.9	35.8	5.9	19.7%
Financial Services & Retail	24.2	46.3	22.1	91.4%	12.3	17.6	5.3	42.9%
Operating costs	**396.0**	**400.3**	**4.3**	**1.1%**	**183.3**	**199.4**	**16.1**	**8.8%**
EBITDA[3]	**50.4**	**80.1**	**29.6**	**58.7%**	**28.4**	**39.2**	**10.8**	**38.2%**
Depreciation & amortisation	31.8	31.7	(0.1)	(0.2%)	16.4	16.6	0.2	1.0%
Recurring EBIT	**18.6**	**48.4**	**29.7**	**»**	**12.0**	**22.7**	**10.7**	**89.2%**
Specific items	(2.1)	9.1	11.2	»	0.6	8.4	7.7	»
EBIT	**20.7**	**39.3**	**18.6**	**89.6%**	**11.3**	**14.3**	**3.0**	**26.1%**
Financial results (+/-)	(4.7)	(7.1)	(2.5)	(53.2%)	(2.5)	(4.0)	(1.5)	(58.9%)
Income tax for the period	1.5	6.1	4.6	»	(0.3)	0.4	0.7	»
Non-controlling interests	0.0	0.0	(0,0)	«	0.0	0.0	(0,0)	(93.0%)
Net profit for the period[2]	**14.5**	**26.0**	**11.5**	**79.0%**	**9.2**	**9.9**	**0.8**	**8.2%**

[1] Excluding specific items.
[2] Attributable to equity holders.
[3] Excluding specific items.

1. Operational and Financial Performance

Consolidated revenues

CTT's consolidated revenues amounted to €480.4m in 1H23, an increase of €34.0m (+7.6%) compared to 1H22 that reflects the growth in all business units, except Mail & Other, broken down as follows: Financial Services & Retail (+€22.1m; +91.4% y.o.y); Express & Parcels (+€18.6m; +15.2% y.o.y); Banco CTT (+€11.9m; +20.5% y.o.y); and Mail & Other (-€18.7m; -7.7% y.o.y).

Mail & Other

In 1H23, the **revenues of Mail & Other** amounted to €222.9m (-€18.7m; -7.7% y.o.y). This decline versus 1H22 continues to be impacted by two effects registered in 1Q22: (i) the revenues from the laptop sale project (€21.5m) in the **business solutions** segment; and (ii) additional revenues from **international outbound mail** in February 2022 due to the rerun of legislative elections in the European constituency (€3.5m).

Excluding those effects, the revenues of this business unit would have grown in 1H23 (+€6.3m; +2.9% y.o.y).

In 1H23, **transactional mail revenues** reached €178.8m (+€2.2m; +1.3% y.o.y), mainly due to the very positive performance of **registered mail** revenues (+€5.8m; +9.1% y.o.y) underpinned by the growth of contractual customers, especially in the government, banking and insurance sectors. **International outbound mail** revenues decreased by €1.4m (-6.4% y.o.y) penalised by the additional revenues from the legislative elections in 1Q22. Excluding this impact, they would have grown by €2.1m (+11.0% y.o.y). **International inbound mail** posted a growth of €0.7m (+7.9% y.o.y) as a result of the increase in revenues generated by the new offer aimed at international integrators, which offset the decline that has been observed in postal operators (terminal dues). There was a decline of €2.2m in **ordinary mail** (-3.1% y.o.y) and €0.9m in **priority mail** (-20.3% y.o.y) while **green mail** posted a slight growth of €0.1m (+1.5% y.o.y).

The remaining business lines posted: (i) growth in **parcels of the universal postal service** (+€0.3m; +8.5% y.o.y), **other mail products and services** (+€0.4m; +29.4% y.o.y); and (ii) decline in **editorial mail** (-€0.2m; -2.9% y.o.y), **advertising mail** (-€1.8m; -20.0% y.o.y) and **philately** (-€0.1m; -5.4% y.o.y).

In **philately**, it is noteworthy the issue of the 1st Portuguese Crypto Stamp under the motto “Collect the Future” in both physical and NFT (Non-Fungible Token) format.

In 1H23, **business solutions** recorded revenues of €22.0m (-€19.8m; -47.3% y.o.y). However, excluding the effect of the additional sale of laptops that took place in 1Q22, this segment would have grown €1.7m (+8.6% y.o.y). CTT continues to reinforce its focus on the **Business Process Services** and **Contact Center** areas by attracting and implementing new businesses in different sectors. Of note is the significant growth in: (ii) the solution of **management of administrative offences and administrative proceedings**, as new municipalities have joined it; and (ii) **digital components** with the provision of services for sending documents (invoices) with Qualified Electronic Signature pursuant to Decree-Law no. 28/2019, of 15 February, with CTT currently producing and sending several million digitally signed documents per month.

On 1 March 2023 there was an **update of the prices** of postal services provided in the scope of the universal service[4], defined in accordance with the Pricing Criteria set out in the Universal Postal Service Price Convention for the 2023-2025 period, which was entered into by the National Authority for Communications (ANACOM), the Consumer Directorate-General and CTT. For 2023 this update corresponds to a 6.24% average annual price variation, which also reflects the effect of the update of the special prices for bulk mail.

The average price change of the universal postal service in 1H23 was +6.35%.

Mail volumes

In 1H23, **addressed mail volumes** declined by 6.3% y.o.y. Excluding the one-off volumes of international outbound mail in February 2022, due to the rerun of the legislative elections in the European constituency, this decrease would have been 5.9% y.o.y.

Mail volumes

Million items

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
Transactional mail	206.6	194.4	(12.2)	(5.9%)	102.1	93.5	(8.6)	(8.4%)
Advertising mail	19.5	17.7	(1.9)	(9.6%)	11.2	11.7	0.5	4.7%
Editorial mail	13.9	12.9	(0.9)	(6.7%)	7.0	6.2	(0.7)	(10.7%)
Addressed mail	**240.0**	**225.0**	**(15.0)**	**(6.3%)**	**120.2**	**111.4**	**(8.8)**	**(7.3%)**
Unaddressed advertising mail	**208.1**	**137.4**	**(70.8)**	**(34.0%)**	**98.2**	**61.0**	**(37.3)**	**(37.9%)**

In 1H23, **transactional mail** volumes decreased by 5.9% y.o.y.

Ordinary mail declined (-6.6% y.o.y) as a consequence of the intrinsic trend in the postal sector due to the digital transformation of communications.

International outbound mail decreased by 13.7% y.o.y. (-2.7% y.o.y excluding the volumes from the legislative elections).

Despite the decline in **international inbound mail** (-6.9% y.o.y), there was an improvement compared to 4Q22, reversing the downward trend that began in the 2nd half of 2021 due to the fact that, on 1 July 2021, the abolition of the VAT exemption on postal items below €22 (*de minimis*) came into force, leading to the need for customs clearance of all items of non-EU origin. This resulted in an increase in customs transit times due to a complex and one-by-one process, which, ultimately, led to the migration of this type of flows to express networks.

In the opposite direction, **registered mail** volumes continued to grow (+7.2% y.o.y), driven by the dynamics of contractual customers, especially the government and banking & insurance sectors.

Addressed advertising mail volumes decreased by 9.6% y.o.y. and **unaddressed advertising mail** decreased by 34.0% y.o.y. The increase in the price of paper has led some of the customers to opt for a more digital strategy. New strategic partnerships were established with various entities to extend and complement the digital advertising offer, thus seeking to anticipate needs and add value to customers.

[4] Includes letter mail, editorial mail and parcels of the universal postal service, excluding international inbound mail.

Express & Parcels

Express & Parcels revenues amounted to €141.3m in 1H23 (+€18.6m; +15.2% y.o.y), thus achieving double-digit growth of 25.0% y.o.y.

Revenues in Portugal recorded €68.5m in 1H23 (+€7.0m; +11.4% y.o.y) and volumes totalled 18.0 million items (+18.2% y.o.y).

CEP revenues amounted to €63.1m in 1H23 (+€8.1m; +14.6% y.o.y), with a 17.6% y.o.y. increase of volumes per working day which was gradual over the quarters (+12.9% in 1Q23 and +22.4% in 2Q23). In fact, 2Q23 was the fifth consecutive quarter of accelerating growth in revenues from the CEP activity. This growth was driven essentially by e-commerce (B2C) customers, particularly large global marketplaces and national and international e-sellers. E-commerce has increasingly become an option for consumers due to its convenience, variety and supply.

The **banking documents delivery** product line recorded revenues of €2.1m in 1H23 (+2.6% y.o.y) in a moment when the capillarity of banking networks and the collection/delivery frequency have stabilised.

Revenues of the **cargo** product line amounted to €2.1m in 1H23 (-17.9% y.o.y), a reduction related to the change in the operating strategy, which aimed at repositioning this product line within positive margin levels (the contribution margin[5] in 1H23 was 17.6%). This implied the exit of some customers as well as the withdrawal from some activity sectors without operating synergies. It should be noted that over the course of the semester revenue decline slowed down (-25.9% in 1Q23 and -8.2% in 2Q23).

The **logistics** product line, which is a pillar of the development of the vertical integration strategy with CEP, recorded revenues of €1.6m in 1H23 (+13.3% y.o.y). This strong growth was underpinned by the recovery of a major customer and a three-month logistics operation won in response to a public tender.

CTT continued to roll out its 24-hour locker (**Locky**) network which allows customers to pick up, send and also to return their parcels with maximum convenience, 24 hours a day in most lockers, every day of the week. As of 2Q23, the new send/return functionality became available, initially in a pilot version in the Greater Lisbon area. It was progressively extended, in a phased manner, to the rest of the country.

As at the end of June 2023, CTT's Locky network comprised 664 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. Locky lockers are part of the CTT Delivery Points network, the largest and most capillary national network with more than 2,800 points where customers can collect and send their parcels.

Revenues in Spain stood at €70.7m in 1H23 (+18.7% y.o.y), with 23.1 million items (+17.3% y.o.y). It is worth highlighting the remarkable double-digit growth in 2Q23, both in revenues (+36.6% y.o.y) and volumes (+44.2% y.o.y).

The growth achieved in the quarter is already the result of increased and more focused marketing and commercial activities across the various client segments. In this particular, it should be noted that the growth achieved in the smaller client segments, i.e., those with daily volumes below 20,000 items, continues to accelerate and the outlook for this customer segments is rather favourable. Moreover, it should also be underlined that the large e-commerce clients segment (strategic clients), namely international e-sellers, also continued to show good progress leveraging on the onboarding of new relevant clients. Notwithstanding this good commercial performance in the large e-commerce clients

[5] Revenues minus direct operating costs (excludes overheads, essentially buildings and fleet).

segment, the contribution of the top 5 clients to overall revenues continued to decline, with the weight in 2Q23 down by 3.4 p.p. y.o.y.

This solid revenue performance allowed to achieve again in 2Q23 a positive recurring EBIT[6] of €1.2m.

It should be noted that CTT Express had an increase in volumes per working day of +46.6% y.o.y. in 2Q23, maintaining a quality service with high delivery efficiency rates.

The new unit in San Fernando de Henares is already operating at full capacity, adding to the capacity of the sorting network. Moreover, this unit also provides the customs clearance service, responding to the needs of non-EU customers. This new service is expected to be a growth driver in the future.

Revenues in Mozambique in 1H23 amounted to €2.2m (+28.1% y.o.y). This growth was driven by a partnership with a freight forwarder in Africa which started at the end of 1Q22.

Banco CTT

Banco CTT **revenues** reached €69.8m in 1H23 (+€11.9m; +20.5% y.o.y). Revenue growth was due to the positive performance of **net interest income**, which totalled €46.0m in 1H23 (+€11.6m; +33.8% y.o.y). Interest received increased by €21.2m compared to 1H22, benefiting from higher interest rates and volume growth, and interest paid increased by €9.6m compared to 1H22 due to the increase in interest rates on customer deposits and securitisations of auto loans.

Interest from **auto loans** amounted to €25.3m in 1H23 (+€3.8m; +21.3% y.o.y) and reached a loan portfolio net of impairments of €813.0m (+6.9% vs. December 2022). Auto loans production stood at €135.1m in 1H23 (+7.6% y.o.y).

The **cartão Universo** consumer credit portfolio generated revenues of €11.5m in 1H23 (+€1.2m; +11.8% y.o.y), with a balance sheet volume, net of impairments, of €299.9m in 1H23 (-€54.0m; -15.2% vs. December 2022). The progressive reduction of the partnership's portfolio, scheduled to end by 31 December 2023, in view of the current economic context, in particular interest rates and the associated cost of risk, will improve the risk profile and strengthen Banco CTT's balance sheet and solvency, increasing its flexibility.

Interest from **mortgage loans** stood at €9.2m in 1H23 (+€7.2m; +373.2% y.o.y), considering that in 1H23 Euribor rates are significantly higher than in 1H22, when they were negative. Base interest rates for mortgage loans reflected strong growth as a result of the rise in key interest rates defined by the European Central Bank (ECB), due to the increase in inflation in the Euro area. The mortgage loan portfolio net of impairments totalled €676.9m in 1H23 (+2.8% vs. December 2022). Mortgage loan production amounted to €87.9m in 1H23 (+€15.9m; +22.0% y.o.y).

Also worthy of note is other interest received, which increased by €6.5m in 1H23 compared to 1H22, to which contributed the **liquidity surplus at Banco de Portugal**.

Commissions received in this business unit reached €22.2m in 1H23, (+€0.6m; +2.9% y.o.y). Noteworthy are the following positive contributions in 1H23: (i) commissions from **accounts and cards**, which amounted to €6.0m (+€0.2m; +3.6% y.o.y), (ii) **payments**, which totalled €9.2m (+€0.4m; +4.6% y.o.y); and (iii) **insurance** amounting to €1.7m (+€0.3m; +19.0% y.o.y).

In terms of less favourable performance, as a result of the current economic context, there was a retraction: (i) in **savings products** (off-balance sheet) with a reduction of €3.5m, -0.4% compared to December 2022 in the net off-balance volume, with the respective commissions received amounting to

[6] Individual accounts.

€2.2m (-€0.0m; -3.4% y.o.y) which corresponds to a net off-balance sheet volume of €888.2m; and (ii) in commissions received on **consumer credit** (off-balance sheet) with €1.2m (-€0.1m; -9.1% y.o.y).

Customer deposits (Banco CTT consolidation) stood at €2,395.7m in June 2023 (+5.1% vs. December 2022), with a 50.2% increase in fixed-term deposits and a 12.5% reduction in sight deposits compared to December 2022. The **number of accounts** was 625k (23k more than in December 2022).

The **loan-to-deposit ratio** reached 75.0% as at the end of June 2023.

The **cost of risk** (consolidated and accumulated as at June 2023) stood at 1.4%, down by 0.1 p.p. compared to December 2022, influenced by higher levels of risk in the consumer credit portfolios, in particular with the Universo card.

Financial Services & Retail

Financial Services & Retail **revenues** amounted to €46.3m in 1H23 (+€22.1m; +91.4% y.o.y). There was a positive evolution in revenues in 1H23, which maintained the trend from 2022, as a result of the higher attractiveness of public debt certificates, especially savings certificates, against an interest rate backdrop more in favour of this savings product.

The launch of the new series on 5 June and the change in its marketing conditions, with lower maximum interest rates, a longer subscription period and a decrease in the maximum amount that can be placed, led to a drop in demand in June.

Financial services (excluding other revenues) posted revenues of €39.3m in 1H23 (+€23.9m; +155.7% y.o.y).

Public debt certificates (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €36.1m in 1H23 (+€25.1m; +228.8% y.o.y).

Subscriptions of these certificates amounted to €11,373.8m in 1H23, an average of €91.0m/day (€17.4m/day in 1H22), which compares to €8,138.0m subscribed throughout 2022. This is the outcome of a new interest rate conjuncture that places public debt as a more interesting investment alternative.

These positive results in public debt certificates made it possible to absorb the less favourable performance of **money orders**, which recorded revenues of €2.1m in 1H23 (-€0.8m; -27.7% y.o.y). The additional issues of social benefits in 1H22, created under the current macroeconomic framework, did not occur in 1H23, which was also burdened by the structural decline resulting from the substitution of this means of payment.

CTT reinforced the commercial dynamism of **non-banking financial products** in 2Q23, in the area of non-life insurance, including auto, health, personal accidents, multi-risk, etc., by entering into a distribution agreement with Generali.

Retail products and services (excluding other revenues) reached €6.2m in revenues in 1H23 (-€2.1m; -25.4% y.o.y).

This reduction is in line with the strategy defined for the retail network of discontinuing some products, including scratch cards, and repositioning its retail network as a service platform, including: (i) the offer of self-services including the distribution of mail and express and parcels products and services; (ii) the distribution of public debt; (iii) the marketing of insurance products; and (iv) the provision of convenience services for citizens. Aimed at improving customer service and experience, a strategy of digital channels and self-services is also being developed, focusing on the search for complementarity between physical and digital and between in-store and self-service.

Operating Costs

Operating costs totalled €441.1m in 1H23 (+€15.4m; +3.6% y.o.y).

Operating Costs

€ million

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
Staff costs	178.5	193.4	14.9	8.4%	86.7	95.7	9.0	10.4%
ES&S	165.4	173.0	7.6	4.6%	80.1	88.2	8.1	10.1%
Impairments & provisions	13.2	15.3	2.2	16.3%	7.4	7.3	(0.1)	(1.3%)
Other costs	38.9	18.5	(20.4)	(52.4%)	9.0	8.1	(0.9)	(10.3%)
Operating costs (EBITDA)	**396.0**	**400.3**	**4.3**	**1.1%**	**183.3**	**199.4**	**16.1**	**8.8%**
Depreciation & amortisation	31.8	31.7	(0.1)	(0.2%)	16.4	16.6	0.2	1.0%
Specific items	(2.1)	9.1	11.2	»	0.6	8.4	7.7	»
Corporate restructuring costs and strategic projects	3.6	4.5	0.9	24.9%	2.9	3.5	0.5	18.0%
Other non-recurring revenues and costs	(5.7)	4.6	10.3	»	(2.3)	4.9	7.2	»
Operating costs	**425.7**	**441.1**	**15.4**	**3.6%**	**200.3**	**224.3**	**24.0**	**12.0%**

Staff costs increased by €14.9m (+8.4% y.o.y) in 1H23, mostly as a result of the salary increase and the increase in the national minimum wage (+€8.1m), which constituted an additional effort by the Company due to the current economic situation. Additionally, the growth in the contact centre activity and document management of the Mail & Other corporate solutions business line, as well as in the Express & Parcels activity, also contributed to this evolution in costs.

External supplies & services costs increased by €7.6m (+4.6% y.o.y) due to the growth in direct costs of the Express & Parcels services (+€11.2m), partly offset by the reduction in direct costs of Mail services (-€6.8m y.o.y) to which the impact of the elections in 1Q22 was a contributing factor.

Impairments and provisions increased by €2.2m in 1H23 (+16.3% y.o.y), as a result of the growth in mortgage loans.

Other costs decreased by €20.4m (-52.4% y.o.y), mainly due to the business solutions laptop sale project that took place in 1Q22 (-€20.7m y.o.y).

Depreciation & amortisation decreased by €0.1m (-0.2% y.o.y) in 1H23, positively impacted by the revision of the useful life of some assets (-€1.9m). This effect was partly offset by investment in IT systems (+€1.4m), sorting equipment (+€0.3m) and by the implementation of new building and vehicle lease contracts which impacted amortisation (+€0.2m) due to the IFRS 16 accounting standard.

Specific items amounted to €9.1m in 1H23, due to: (i) restructuring costs, namely suspension agreements of employment contracts (+€3.4m); (ii) strategic projects (+€1.1m); (iii) reinforcement of the impairment loss relative to the former headquarters (+€5.2m); (iv) the change of head office building (-€0.6m); and (v) gross gains from the appreciation of contracted derivatives (-€0.0m).

Staff

On 30 June 2023, the number of CTT **employees** (permanent employees and fixed-term employees) was 13,385, up 582 compared to 30 June 2022 (+4.5% y.o.y).

Headcount

	30.06.2022	30.06.2023	Δ	Δ%
Mail & Other	10,993	11,175	182	1.7%
Express & Parcels	1,299	1,636	337	25.9%
Banco CTT	480	536	56	11.7%
Financial Services & Retail	31	38	7	22.6%
Total, of which:	**12,803**	**13,385**	**582**	**4.5%**
Permanent	11,315	11,392	77	0.7%
Fixed-term contracts	1,488	1,993	505	33.9%
Portugal	12,122	12,418	296	2.4%
Other geographies	681	967	286	42.0%

There was an increase in the number of employees in all business units, mainly in the Express & Parcels business unit (+337) and Banco CTT (+56). The Mail & Other business unit also grew, as a result of the increment in the Contact Centre and the Document Management activity of the business solutions area (+243), which was partially compensated by the prosecution of the Human Resources optimisation programme underway mainly in the central structure.

Together, the areas of operations and distribution within the mail network (5,504 employees, of whom 3,978 are delivery postmen and women) and the retail network (2,198 employees) represented circa 67.6% of CTT's permanent staff.

Recurring EBIT

Recurring EBIT stood at €48.4m in 1H23 (+€29.7m; +159.3% y.o.y), with a margin of 10.1% (4.2% in 1H22). All business units posted recurring EBIT growth: Financial Services & Retail by +€16.8m (+149.9% y.o.y); Mail & Other by +€6.6m (+378.4% y.o.y.); Banco CTT by +€4.2m (+76.3% y.o.y); and Express & Parcels by +€2.2m (+58.7% y.o.y).

Recurring EBIT by business unit

€ million

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
EBIT by business unit	**18.6**	**48.4**	**29.7**	**»**	**12.0**	**22.7**	**10.7**	**89.2 %**
Mail & Other	(1.7)	4.8	6.6	»	1.6	2.2	0.6	37.9%
Express & Parcels	3.7	5.9	2.2	58.7%	2.4	5.2	2.8	120.1%
Banco CTT	5.5	9.7	4.2	76.3%	2.1	5.4	3.3	»
Financial Services & Retail	11.2	27.9	16.8	149.9 %	6.0	9.9	3.9	65.8 %

It is worth highlighting in 2Q23 the growth of recurring EBIT in Express & Parcels (+€2.8m; +120.1% y.o.y), leveraged mainly on the growth of recurring EBIT in Spain (+€2.3m; +239.9% y.o.y) based on the increase in e-commerce volumes (+44.2%). This performance allowed Spain to return to a positive recurring EBIT[7] in 2Q23.

[7] Individual accounts.

Financial results and Net profit

The **consolidated financial results** amounted to -€7.1m (-€2.5m; -53.2% y.o.y).

Financial Results

€ million

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
Financial results	**(4.7)**	**(7.1)**	**(2.5)**	**(53.2)%**	**(2.5)**	**(4.0)**	**(1.5)**	**(58.9%)**
Financial income, net	(4.6)	(7.1)	(2.6)	(56.6)%	(2.5)	(4.0)	(1.6)	(63.2%)
Financial costs and losses	(4.6)	(7.7)	(3.2)	(69.6)%	(2.4)	(4.2)	(1.9)	(79.8%)
Financial income	0.0	0.6	0.6	»	(0.1)	0.2	0.3	»
Gains/losses in subsidiaries, associated companies and joint ventures	(0.1)	0.0	0.1	101.7 %	(0.1)	0,0	0,1	113.5%

Financial costs and losses incurred amounted to €7.7m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.6m, the most significant increase of which is due to the increase in the discount rate in the 2022 valuation, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €1.7m and interest expense on bank loans for an amount of €2.2m.

In 1H23, CTT obtained a **consolidated net profit** attributable to equity holders of €26.0m, which is €11.5m above 1H22. The evolution of consolidated net income was positively impacted by the growth of recurring EBIT (+€29.7m) and negatively affected by (i) the worsening of financial results (-€2.5m), (ii) the unfavourable evolution of the corporate income tax for the period (+€4.6m), (iii) specific items, as in 1H22 CTT registered a gain of €2.1m as compared to a loss of €9.1m registered in 2023.

Investment

Capex stood at €11.3m in 1H23 (-€0.7m; -5.6% y.o.y).

This evolution is justified above all by the investment made in sorting centres as of late. CTT maintains its focus on improving IT systems, especially in the area of Express & Parcels and Banco CTT where investment in IT systems to support the business was reinforced.

Cash flow

In 1H23, the Company generated an operating **cash flow** of €55.6m (+€36.7m). The growth of operating cash flow is primarily explained by (i) the favourable performance in terms of generated EBITDA (+€50.4m to €80.1m), as well as by (ii) the positive evolution of working capital (+€15.0m). The €2.5m reduction in the non-cash items at the EBITDA level was offset by higher cash costs related with specific items (a deterioration of €11.2m). On the other hand, the capex in 1H23 was broadly stable as compared to 1H22.

In terms of working capital, the evolution observed results from a positive performance of EBITDA-related items, reflecting a more efficient management of accounts receivable and accounts payable which positively impacted the average collection period, as well as the average payment deadlines.

Cash flow

€ million

	1H22	1H23	Δ	Δ%	2Q22	2Q23	Δ	Δ%
EBITDA	50.4	80.1	29.6	58.7 %	28.4	39.2	10.8	38.2%
Non-cash items*	(3.4)	(0.9)	2.5	74.2 %	(1.1)	(1.3)	(0.2)	(17.0%)
Specific items**	2.1	(9.1)	(11.2)	«	(0.6)	(8.4)	(7.7)	«
Capex	(12.0)	(11.3)	0.7	5.6 %	(6.1)	(5.8)	0.3	5.0%
Δ Working capital	(18.2)	(3.2)	15.0	82.5 %	(12.0)	(12.4)	(0.4)	(3.3%)
Operating cash flow	**19.0**	**55.6**	**36.7**	**»**	**8.6**	**11.5**	**2.8**	**33.0%**
Employee benefits	(7.5)	(8.3)	(0.8)	(10.2)%	(3.4)	(3.9)	(0.5)	(15.8%)
Tax	(7.6)	0.6	8.2	108.0 %	(7.6)	0.7	8.3	109.2%
Free cash flow	**3.8**	**47.9**	**44.1**	**»**	**(2.4)**	**8.3**	**10.7**	**»**
Debt (principal + interest)	(8.0)	27.2	35.2	»	(4.1)	(7.6)	(3.5)	(85.7%)
Dividends	(17.7)	(17.9)	(0.2)	(1.3)%	(17.7)	(17.9)	(0.2)	(1.3%)
Acquisition of own shares	(15.4)	(0.2)	15.2	99.0 %	(13.7)	(0.2)	13.6	98.8%
Disposal of buildings	0.0	0.0	(0,0)	(76.6)%	0.0	0.0	(0,0)	(86.8%)
Investments in associated companies and joint ventures	(0.2)	(0.7)	(0.6)	«	(0.2)	(0.7)	(0.6)	«
Change in adjusted cash	**(37.3)**	**56.3**	**93.7**	**»**	**(38.0)**	**(18.1)**	**19.9**	**52.4%**
Δ Liabilities related to Financial Serv. & others and Banco CTT, net[8]	(6.0)	(160.8)	(154.8)	«	112.2	(220.0)	(332.1)	«
Δ Other[9]	12.7	(15.7)	(28.4)	«	6.9	(14.7)	(21.5)	«
Net change in cash	**(30.6)**	**(120.2)**	**(89.6)**	**«**	**81.1**	**(252.7)**	**(333.8)**	**«**

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

Consolidated balance sheet

Consolidated balance sheet

€ million

	31.12.2022	30.06.2023	Δ	Δ%
Non-current assets	2,253.3	2,279.9	26.6	1.2%
Current assets	1,804.2	1,765.0	(39.2)	(2.2%)
Assets	**4,057.5**	**4,044.9**	**(12.6)**	**(0.3%)**
Equity	**224.9**	**233.2**	**8.3**	**3.7%**
Liabilities	**3,832.6**	**3,811.7**	**(20.9)**	**(0.5%)**
Non-current liabilities	789.4	780.1	(9.3)	(1.2%)
Current liabilities	3,043.1	3,031.6	(11.6)	(0.4%)
Equity and consolidated liabilities	**4,057.5**	**4,044.9**	**(12.6)**	**(0.3%)**

[8] The change in net liabilities of Financial Services 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.

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

The key aspects of the comparison between the **balance sheet** as at 30.06.2023 and that as at 31.12.2022 are as follows:

- **Assets** decreased by €12.6m, mainly due to the decrease in cash and cash equivalents following the reduction in public debt subscriptions (-€120.2m), the decrease in Investment in securities at amortised cost (-€95.6m) as a result of the divestment in public debt securities. This decrease was partly attenuated by the increase in Other banking financial assets (+€166.3m) as a result of the increase in bank applications made by Banco CTT in central banks, as well as by the growth in loans and advances to bank customers (+€17.1m) and the increase in Other current assets (+€24.0m) explained essentially by the increase in the collateral supporting Banco CTT's derivatives operations and the higher amounts to be reimbursed related to the Mobility Subsidy of the Autonomous Regions.

- **Equity** increased by €8.3m following the net profit attributable to shareholders of the CTT Group in 1H23 in the amount of €26.0m and the payment of dividends amounting to €17.8m that took place in CTT, SA.

- **Liabilities** decreased by €20.9m, mostly due to the reduction in accounts payable (-€160.6m) largely due to lower subscriptions of public debt securities, the decrease in Debt securities issued at amortised cost (-€37.2m) following the number of withdrawals occurred. On the other hand, there was an increase in Banking clients' deposits and other loans (+€142.5m), as well as in Medium and long-term debt as a result of the combined effect of the commercial paper programmes contracted and the payment of a tranche of the loan with Novo Banco (+€19.0m), and an increment in Other current liabilities (+€19.9m).

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

€ million

	31.12.2022	30.06.2023	Δ	Δ%
Non-current assets	687.9	680.3	(7.6)	(1.1%)
Current assets	566.0	475.1	(90.9)	(16.1%)
Assets	**1,253.9**	**1,155.4**	**(98.5)**	**(7.9%)**
Equity	**225.2**	**233.4**	**8.3**	**3.7%**
Liabilities	**1,028.7**	**922.0**	**(106.7)**	**(10.4%)**
Non-current liabilities	331.1	359.4	28.3	8.5%
Current liabilities	697.6	562.6	(135.0)	(19.4%)
Equity and consolidated liabilities	**1,253.9**	**1,155.4**	**(98.5)**	**(7.9%)**

Liabilities related to employee benefits

Liabilities related to employee benefits (post-employment and long-term benefits) stood at €208.3m in June 2023, down by €1.9m compared to December 2022, broken down as specified in the table below:

Liabilities related to employee benefits

€ million

	31.12.2022	30.06.2023	Δ	Δ%
Total liabilities	**210.2**	**208.3**	**(1.9)**	**(0.9%)**
Healthcare	190.4	189.0	(1.4)	(0.7%)
Healthcare (321 Crédito)	1.0	1.0	0.1	5.6%
Suspension agreements	10.3	11.2	0.9	8.3%
Other long-term employee benefits	5.1	5.0	(0.1)	(1.6%)
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	5.4%
Pension plan	0.2	0.2	(0,0)	(3.8%)
Other benefits	3.0	1.7	(1.3)	(44.3%)
Deferred tax assets	(59.5)	(59.2)	0.3	0.5%
Current amount of after-tax liabilities	**150.7**	**149.1**	**(1.6)**	**(1.1%)**

These liabilities related to employee benefits are associated with deferred tax assets amounting to €59.2m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €149.1m.

Consolidated net debt

Consolidated net debt

€ million

	31.12.2022	30.06.2023	Δ	Δ%
Net debt	**29.8**	**(7.6)**	**(37.3)**	**(125.4%)**
ST & LT debt	**196.0**	**215.0**	**19.0**	**9.7%**
of which Finance leases (IFRS16)	125.9	117.0	(8.9)	(7.0%)
Adjusted cash (I+II)	**166.2**	**222.5**	**56.3**	**33.9%**
Cash & cash equivalents	**456.5**	**336.3**	**(120.2)**	**(26.3%)**
Cash & cash equivalents at the end of the period (I)	**410.8**	**306.3**	**(104.5)**	**(25.4%)**
Other cash items	45.7	30.0	(15.7)	(34.4%)
Other Financial Services liabilities, net (II)	**(244.6)**	**(83.8)**	**160.8**	**65.7%**

The key aspects of the comparison between the **consolidated net debt** as at 30.06.2023 and that as at 31.12.2022 are as follows:

- **Adjusted cash** grew by €56.3m, as the positive performance of the operating cash flow (+€55.6m) offset the payment of employee benefits (-€8.3m), the payment of dividends (-€17.9m), the acquisition of own shares and investments in associated companies (-€0.9m), as well as the contracting of commercial paper programmes (+€34.9m).

- **Short-term & long-term debt** increased by €19.0m essentially due to the combined effect of the decrease in lease liabilities (-€8.9m), the payment of a tranche of the loan with Novo Banco (-€7.0m) and the contracting of the above-mentioned commercial paper programmes (+€34.9m).

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

€ million

	31.12.2022	30.06.2023	Δ	Δ%
Net debt with Banco CTT under equity method	**192.6**	**174.6**	**(17.9)**	**(9.3%)**
ST & LT debt	**192.0**	**211.6**	**19.6**	**10.2%**
of which Finance leases (IFRS16)	122.0	113.7	(8.3)	(6.8%)
Adjusted cash (I+II)	**(0.5)**	**37.0**	**37.5**	**»**
Cash & cash equivalents	**361.2**	**245.7**	**(115.5)**	**(32.0%)**
Cash & cash equivalents at the end of the period (I)	**361.2**	**245.7**	**(115.5)**	**(32.0%)**
Other cash items	(0.0)	0,0	0,0	(148.0%)
Other Financial Services liabilities, net (II)	**(361.7)**	**(208.7)**	**153.0**	**42.3%**

2. Other highlights

Regulatory issues

Within the regulatory framework in force since February 2022 and the agreement on the criteria to be met for the pricing of postal services that make up the basket of services within the universal service obligation (Universal Postal Service Price Convention) for the 2023-2025 period, of 27 July 2023, the prices of these services were updated on 1 March 2023, as announced to the market on 26 January 2023. The update corresponds to an average annual price variation of 6.58%. The overall average annual price variation, also reflecting the effect of the update of special prices for bulk mail, is 6.24%.

Main ESG milestones achieved

CTT is a committed partner of all those who aim to create solutions that contribute to mitigate the increasingly present problems of **climate change**. The first and most relevant axis of action is the accelerated electrification of the fleet that guarantees the last mile of distribution.

Today, 15.8% of last-mile distribution vehicles are already electric. We have also reinforced our investment this year to double electrification in our last-mile fleet segment by early 2024. It should be noted that the distance travelled by CTT's whole fleet of alternative vehicles increased by 68.9% compared to 1H22, due to the expansion of this type of vehicle and its activity.

Carbon emissions of scopes 1, 2 and 3 decreased by 7.6% year-on-year. This performance improvement was mainly driven by the outsourced road transport fleet activity.

The other strategic front for CTT is the promotion of circular economy. In this field, 66.0% of the products in our offer already incorporate recycled or reused materials, which positions the Company well on the path to achieving the target of incorporating this type of material in 80% of the mail, parcel and express offer by 2025. Of note is the publication of the “Europa - Peace: the Highest Value of Humanity” philatelic brochure, printed entirely on 100% uncoated recycled paper, a pioneering initiative in Portugal.

In the **social component**, the first focus of attention is obviously on CTT people. With a headcount that has once again exceeded the 13,000 mark, all measures aimed at the internal public have a non-negligible social impact on Portuguese society.

To this end, the management's commitment to certification as a Family-Responsible Company (efr) was reaffirmed, and work began on a closer relationship with middle management and employees, through a new figure: the efr Ambassador. All ambassadors have received training on the topic and are now the contact persons authorised to represent their colleagues on the subject of work-family-life balance.

The Fast Track Leadership Programme was started, which aims to cover the more than 1,400 managers of the CTT Group. In 1H23, 675 participants took part, with 3,541 hours of training.

In the connection between the **internal social component and the commitment to the community**, the topic of volunteering arises. CTT's Volunteer Pool, which already has a long and rich history, has been revitalised in recent months with a new programme communication methodology. The Company's departments were challenged to get their teams to participate in volunteering actions in favour of the surrounding community. This approach allowed the expansion of the active volunteer base to a further 118 CTT staff, through the organisation of the first three departmental volunteering actions, with an excellent participation rate by the teams involved and a 95% satisfaction rate. The activities chosen involved cleaning a beach, supporting a wildlife recovery centre and removing an invasive species in a classified area.

Regarding the support to community projects, we highlight the launch of the pilot "Ask an ecologist" initiative, which led 21 schools across the continental territory to gather their students in classrooms and compose, in the form of a letter, structured questions around the theme of ecology, to scientists from the Portuguese Ecology Society. The result was 153 letters sent and entitled to scientifically substantiated answers. The role of CTT was to provide not only the writing material - which included stamps expressly chosen to illustrate environmental themes - but also to ensure the costs associated with the shipments.

In a more structural way, 2023 marked the beginning of a new approach to the theme of philanthropy and social impact. To this end, an internal survey was launched, aimed at the Company's leadership, in order to determine which social impact themes CTT should focus on. This survey was then extended to the rest of the internal public and to other critical stakeholders, such as investors, business customers, suppliers and the community in general. At the same time, a training process was initiated, which will lead to the establishment of a new language to address social impact topics.

Share Buy-back programme

In the context of the share buy-back programme announced to the market on 21 June 2023, as at 30 June 2023, CTT had already acquired 87,474 shares. As a consequence, on 30 June 2023, the Company held an aggregated total of 1,465,606 own shares, representing 1.02% of its share capital, including 1,378,132 own shares previously held.

As at 20 July 2023, date of the last communication on this subject to the market, CTT had already acquired 356,818 shares. As a consequence, on that date the Company held, as a result of the transactions carried out in the context of the share buyback programme, an aggregated total of 1,734,950 own shares, representing 1,21% of its share capital, including 1,378,132 own shares previously held.

Outlook for 2023

One of CTT's main objectives is to grow in volumes and capture market share in the **Express & Parcels** segment both in Portugal and Spain, which supports margin expansion. For **Mail**, deepening the relationship with commercial clients will allow CTT to expand cross-selling of business solutions, e-commerce and mail in tandem. At the same time, controlling costs will be paramount to stabilise margins. In the area of **Financial Services & Retail**, CTT will continue to leverage the retail network by increasingly providing more services to citizens, such as insurance products, in parallel with public debt placements. **Banco CTT** should continue to benefit from the higher interest rate environment, while it is focused on growing the customer base and strengthening client's relationships.

Following the 1H23 results, CTT reaffirms the recurring EBIT guidance of "at least €80m in 2023".

Risk outlook is as follows: (1) high geopolitical uncertainty; and (2) macro risks will continue to be relevant and persistent, namely inflation and possible economic downturn as a consequence of increasing rates by central banks.

Recurring EBIT guidance reflects continued growth and transformation, notwithstanding a challenging environment. With a strong balance sheet and sustainable cash flow, CTT will continue to implement an attractive shareholder remuneration policy.

3. Subsequent events

On 7 July 2023, the Board of Directors of Banco de Portugal decided not to oppose the acquisition of a qualified direct holding of 100% of the capital and voting rights of Payshop Portugal by CTT, under the terms approved on 8 July 2022 by the Board of Directors of Banco CTT.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the first half of 2023.

Lisbon, 27 July 2023

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 29-Q of the Portuguese Securities Code. It is also available on CTT website at:
https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?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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