



Consolidated Results 2022



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people and companies in a  
sustainable way**



## CTT – CORREIOS DE PORTUGAL, S.A. 2022 CONSOLIDATED RESULTS

- **Revenues<sup>1</sup>** increased by 6.9% to €906.6m in 2022, an increase of €58.8m as compared to 2021, growing across all business units: Mail & Other (+€16.5m; +3.7% y.o.y), Banco CTT (+€27.1m; +27.4% y.o.y), Financial Services & Retail (+€11.8m; +24.2% y.o.y) and Express & Parcels (+€3.3m; +1.3% y.o.y).
- **Mail & Other** was positively impacted in 2022 by the growth of the business solutions (+€38.2m), including the consolidation effect of NewSpring Services as from 30 August 2021 (+€14.2m), and penalised by the strong decrease of the revenues from international inbound mail (-€12.6m), affected by the end of the VAT exemption on lower-value extra-EU products (*de minimis*) that entered into force on 1 July 2021.
- **Express & Parcels** grew revenues, notwithstanding a challenging economic environment: +1.3% y.o.y (+€3.3m) to €259.0m in 2022 and +2.8% y.o.y (+€1.9m) to €71.2m in 4Q22. Portugal recorded a 5.1% growth in revenues in 4Q22 while in 2022 revenues reached €132.2m (-€3.0m; -2.2% y.o.y). CEP performance in Portugal in 4Q22 confirms the recovery that took place since 2Q22. In Spain, revenues grew to €122.9m in 2022, up by €5.6m (+4.8% y.o.y) as compared to 2021.
- **Banco CTT** continued to grow, with revenues and recurring EBIT increasing to €126.0m and €14.4m, respectively, in 2022 (+27.4% and +76.9% y.o.y, respectively). The favourable activity evolution was anchored on the growth of the bank's loan portfolio. This performance was underpinned primarily by the growth of the auto loan portfolio that reached a new peak in production in 4Q22 (€69.5m), totalling €262.4m in 2022 (+22.7% y.o.y).
- **Financial Services & Retail** revenues grew by 24.2% y.o.y. in 2022 to €60.7m (+59.0% y.o.y in 4Q22 to €21.2m). Revenue growth benefited from the increase in the subscription of public debt certificates, especially in savings certificates, as their attractiveness has been increasing since the beginning of the year due to a new interest rate conjuncture that places public debt as a more interesting investment alternative.
- **Recurring EBIT** stood at €64.5m in 2022, reaching €25.8m in 4Q22, thus confirming the improvement trend throughout 2022 (€20.1m in 3Q22, €12.0m in 2Q22 and €6.7m in 1Q22).
- **Operating cash flow** stood at €99.6m in 2022, up €37.8m (+61.2% y.o.y) compared to 2021.
- **Net profit<sup>4</sup>** reached €36.4m, an increase of €2.0m (-5.2% y.o.y) vis-à-vis 2021.

### Consolidated results

	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
	€ million							
<b>Revenues<sup>1</sup></b>	<b>847.9</b>	<b>906.6</b>	<b>58.8</b>	<b>6.9%</b>	<b>235.0</b>	<b>243.8</b>	<b>8.9</b>	<b>3.8%</b>
Mail & Other	444.4	460.9	16.5	3.7%	125.5	115.4	-10.1	-8.0%
Express & Parcels	255.7	259.0	3.3	1.3%	69.3	71.2	1.9	2.8%
Banco CTT	98.9	126.0	27.1	27.4%	26.8	36.0	9.2	34.3%
Financial Services & Retail	48.9	60.7	11.8	24.2%	13.3	21.2	7.9	59.0%
<b>Operating costs (EBITDA)<sup>2</sup></b>	<b>729.8</b>	<b>777.3</b>	<b>47.6</b>	<b>6.5%</b>	<b>199.8</b>	<b>201.4</b>	<b>1.6</b>	<b>0.8%</b>
<b>EBITDA<sup>3</sup></b>	<b>118.1</b>	<b>129.3</b>	<b>11.2</b>	<b>9.5%</b>	<b>35.2</b>	<b>42.5</b>	<b>7.3</b>	<b>20.7%</b>
Depreciation & amortisation	58.0	64.8	6.8	11.7%	14.8	16.7	1.9	12.9%
<b>Recurring EBIT</b>	<b>60.1</b>	<b>64.5</b>	<b>4.4</b>	<b>7.4%</b>	<b>20.4</b>	<b>25.8</b>	<b>5.4</b>	<b>26.3%</b>
Specific items	-1.8	8.4	10.2	»	4.0	12.6	8.6	»
<b>EBIT</b>	<b>61.9</b>	<b>56.1</b>	<b>-5.7</b>	<b>-9.3%</b>	<b>16.4</b>	<b>13.1</b>	<b>-3.3</b>	<b>-20.0%</b>
Financial results (+/-)	-11.1	-9.4	1.7	14.9%	-3.0	-2.3	0.7	23.8%
<b>EBT</b>	<b>50.8</b>	<b>46.7</b>	<b>-4.1</b>	<b>-8.1%</b>	<b>13.4</b>	<b>10.8</b>	<b>-2.6</b>	<b>-19.1%</b>
Income tax for the period	12.2	10.4	-1.8	-15.1%	1.2	2.8	1.5	126.1%
Non-controlling interests	0.2	-0.1	-0.3	-134.4%	0.1	-0.0	-0.1	«
<b>Net profit for the period<sup>4</sup></b>	<b>38.4</b>	<b>36.4</b>	<b>-2.0</b>	<b>-5.2%</b>	<b>12.1</b>	<b>8.1</b>	<b>-4.0</b>	<b>-33.0%</b>

<sup>1</sup> Excluding specific items.

<sup>2</sup> From 2021 onwards, operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.

<sup>3</sup> Excluding depreciation & amortisation and specific items.

<sup>4</sup> Attributable to equity holders.

## 1. Operational and Financial Performance

### Consolidated revenues

In 2022, **CTT revenues** reached €906.6m, an increase of €58.8m (+6.9% y.o.y) compared to 2021, reflecting the growth in all business units, as follows: (i) Banco CTT (+€27.1m; +27.4% y.o.y); (ii) Financial Services & Retail (+€11.8m; +24.2% y.o.y); (iii) Express & Parcels (+€3.3m; +1.3% y.o.y), and (iv) Mail & Other (+€16.5m; +3.7% y.o.y), including the consolidation of NewSpring Services as from 30 August 2021, which represented €14.2m.

### Mail

The **revenues of Mail & Other** amounted to €460.9m in 2022, which corresponded to a growth of €16.5m (+3.7% y.o.y) compared to 2021.

The growth registered in this business unit was boosted by the **business solutions** segment (+€38.2m). This reflected (i) the full integration of company NewSpring Services, a company specialising in Business Process Outsourcing BPO and Contact Centre, in CTT's offer (as referred to above) and (ii) the growth of the business solutions base, largely explained by the revenue related to a laptop sale project that started in the last quarter of 2021 and still generated revenues in 1Q22 (+€16.3m).

In 2022, **transactional mail revenues** reached €341.7m, representing a decline of €19.6m (-5.4% y.o.y) compared to 2021, penalised mainly by the sharp decline in the revenues of **international inbound mail** (-€12.6m; -40.9% y.o.y) due to the end of the VAT exemption in low-value extra-EU purchases ("*de minimis*") as from 1 July 2021. This decline had a special impact in the first three quarters of the year, with a recovery in 4Q22. Furthermore, the decrease in transactional mail revenues is also explained by the revenue decline registered in **ordinary mail** (-€4.5m; -3.3% y.o.y) and in **international outbound mail** (-€3.1m; -6.8% y.o.y), this latter partly penalised by the impact of the legislative elections in 4Q21 and 1Q22. Excluding this impact, the revenues from international outbound mail in 2022 would have decreased by €0.7m (-1.8% y.o.y). Additionally, transactional mail revenues would have decreased €17.2m (-4.8% y.o.y). On another note, in 2022, transactional mail benefited from the growth in revenues of **registered mail** (+€2.4m; +1.9% y.o.y) and **priority mail** (+€0.1m; +0.9% y.o.y) and was penalised by the decline in **green mail** (-€1.7m; -16.4% y.o.y).

The remaining business lines posted decrease in revenues: **editorial mail** (-€0.6m; -4.8% y.o.y), **advertising mail** (-€1.5m; -8.1% y.o.y), **parcels** of the universal service (-€0.2m; -2.7% y.o.y), **philately** (-€0.9m; -15.8% y.o.y) and **other mail products and services** (-€0.1m; -3.1% y.o.y).

As referred to above, in 2022, **business solutions** recorded revenues of €67.3m, an increase of €38.2m compared to 2021 (including the effect of changing consolidation perimeter amounting to €14.2m), with emphasis on: (i) the growth of **Business Process Services**; (ii) the growth of the **document management** business, which attracted new customers; (iii) the growth in the business associated with the solution of management of administrative offences and administrative proceedings, as new municipalities have joined it; (iv) the implementation of the new **e-Carta** hybrid mail platform, which allows small and medium-sized companies to digitalise their mail processes; and (v) the growth of **digital components** with the provision of services for sending documents (invoices) with Qualified Electronic Signature as per Decree-Law no. 28/2019, of 15 February, with CTT currently producing and sending several million digitally signed documents per month.

The average variation in prices of the universal postal service<sup>5</sup> in 2022 was +5.84% y.o.y.

### Mail volumes

In 2022, **addressed mail** volumes declined by 5.6% compared to 2021.

	Mail volumes							
	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
Transactional mail	415.7	391.5	-24.2	-5.8%	102.2	92.6	-9.7	-9.5%
Advertising mail	39.9	38.6	-1.3	-3.4%	13.0	10.4	-2.7	-20.6%
Editorial mail	29.0	27.6	-1.4	-4.7%	7.5	7.2	-0.3	-4.4%
<b>Addressed mail</b>	<b>484.6</b>	<b>457.6</b>	<b>-26.9</b>	<b>-5.6%</b>	<b>122.8</b>	<b>110.1</b>	<b>-12.7</b>	<b>-10.3%</b>
<b>Unaddressed mail</b>	<b>449.9</b>	<b>424.6</b>	<b>-25.2</b>	<b>-5.6%</b>	<b>116.7</b>	<b>109.7</b>	<b>-7.1</b>	<b>-6.0%</b>

<sup>5</sup> Including letter mail, editorial mail, and parcels of the universal postal service, excluding international inbound mail.

In 2022, **transactional mail** volumes decreased by 5.8% y.o.y, mainly due to the declines in **ordinary mail** (-4.6% y.o.y), an intrinsic trend in the postal sector primarily due to the digital transformation of communications, as well as in **international inbound mail** (-28.3% y.o.y) and **international outbound mail** (-15.4% y.o.y). Excluding the impact of legislative elections in 4Q21 and 1Q22, the declines registered in 2022 in transactional mail and international outbound mail volumes would have been 5.7% y.o.y and 13.2% y.o.y, respectively.

It should be noted that the downward trend in **international inbound mail** observed since 2H21 continued in 2022 due to the entry into force as of 1 July 2021 of the abolition of the VAT exemption on postal items below €22 ("*de minimis*"), leading to the need for customs clearance of all items of extra-EU origin, which 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 traffic to express networks.

In the opposite direction, **registered mail** volumes grew (+1.4% y.o.y) in 2022, driven by the dynamics of contractual customers, especially the government and Utilities & Telcos sectors, as did **priority mail** (+1.1% y.o.y).

In 2022, **addressed advertising mail** volumes decreased by 3.4% y.o.y. and **unaddressed advertising mail** decreased by 5.6% y.o.y.

In 2022, CTT continued to develop (i) the CTT Ads Creativity solution, in partnership with the Milford agency, for the strategic and creative development of communication campaigns, and (ii) the "CTT Ads Success Stories" campaign, with the aim of boosting the advertising offer for clients with online businesses, to promote trial of advertising solutions.

## Express & Parcels

Express & Parcels **revenues** amounted to €259.0m in 2022, a year-on-year increase of €3.3m (+1.3%).

In 2022, **revenues in Portugal** recorded €132.2m, a year-on-year decrease of €3.0m (-2.2% y.o.y), and volumes totalled 33.1 million items, a growth of 1.1% vis-à-vis 2021. It should be noted that 1Q22 was impacted by a difficult year-on-year comparison, as 1Q21 was a quarter marked by the effect of the restrictions associated with the COVID-19 pandemic, particularly the second lockdown, which strongly boosted the e-commerce activity.

**CEP revenues** amounted to €118.9m in 2022, corresponding to +0.4% y.o.y. The annual comparison shows a steady recovery trend quarter after quarter and it should be noted that in 4Q22 revenues grew 8.7% y.o.y, maintaining the CEP activity a growth trajectory in terms of volumes per working day (+15.3% y.o.y). This growth was boosted by a very strong peak season, underpinned essentially by e-commerce (B2C) customers, particularly large global marketplaces and national and international e-sellers.

The **logistics** product line, which is a pillar of the development of the vertical integration strategy with CEP, recorded revenues of €3.4m in 2022, a growth of 8.9% y.o.y. based on attracting new customers and on the logistical operation of supplying computers and peripherals to Portuguese schools.

Revenues of the **cargo** product line amounted to €4.9m in 2022 (-40.2% y.o.y), a reduction related to the change in the operating strategy, which aimed at repositioning this product line within positive margin levels. This implied the exit of some customers as well as the withdrawal from some activity sectors without operating synergies.

The **banking** documents delivery product line recorded revenues of €4.3m (-3.4% y.o.y). Although still under pressure in a context of continued reduction of the capillarity of banking networks, as well as of lower collection/delivery frequency, it is worth noting that this product line registered a 5.3% growth in 4Q22 when compared to 4Q21.

In the end of 2021, CTT entered into a partnership with Zongteng Group and created the Open Lockers joint-venture to manage and develop the 24-hour Lockers business in the Iberian Peninsula.

Aiming at installing a vast network of lockers in Portugal, in 2022 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 the Click&Collect product. These lockers allow clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). As at the end of December 2022, CTT's parcel locker network comprised 508 24-hour 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.

**Revenues in Spain** stood at €122.9m in 2022 (+4.8% y.o.y). The contribution margin<sup>6</sup> grew by 28.0% y.o.y, driven by the increase in the average unitary prices. As a result, CTT Express reached break even in 2022 with a positive recurring EBIT in the individual accounts.

The inflationary context, the energy crisis and the contraction of consumption in the last months of 2022 have impacted the volume growth profile in Spain. In effect, the Express and Parcel activity in Spain is specially exposed to e-commerce (B2C) and, in particular, to large global marketplaces. CTT Express has been implemented a new commercial model and enlarging its commercial offer to be able to grow in new market segments, namely in national e-sellers and in B2B clients, aiming at underpinning its growth trajectory.

CTT Express closed the peak season with record numbers in terms of efficiency in the first delivery attempt, as a result of planning, process standardisation and the investment made with the entry into operation of new, automated facilities. The stability of the service and the response to the customers' needs made it possible to strengthen the confidence of existing customers and attract new ones.

**Revenues in Mozambique** in 2022 stood at €3.9m (+20.5% y.o.y). Growth was driven by a partnership with a freight forwarder in Africa.

## **Banco CTT**

Banco CTT **revenues** reached €126.0m in 2022, an increase of €27.1m (+27.4% y.o.y) over 2021.

Revenue growth was due to the positive performance of **net interest income**, which totaled €74.4m in 2022, €18.6m above 2021 (+33.3% y.o.y).

The **Cartão Universo** consumer credit portfolio generated revenues of €21.6m in 2022, with a balance sheet volume, net of impairments, of €353.8m in December 2022, a growth of €61.7m (+21.1%) compared to December 2021.

The significant change in the overall macroeconomic and financial environment justified the need for Banco CTT and Universo, IME, S.A. to revisit the terms underlying the Agreement in the area of financial services they had signed on 1 April 2021. In this context, on 20 December 2022 the parties communicated to the market that they had agreed the terms for the termination of the Agreement with a view to ending the partnership by 31 December 2023. Hence, Banco CTT received a termination indemnity of €1.9m in December 2022. With the implementation of this agreement, Banco CTT will gain optionality in its strategic development and will release liquidity and capital that will reinforce its profitable development and growth.

Interest from **consumer credit** reached €45.4m in 2022, up €7.6m (+20.2% y.o.y) compared to 2021 and **auto loans** reached a loan portfolio net of impairments of €760.3m (+17.2% vs. December 2021). Auto loans production stood at €262.4m (+22.7% y.o.y).

Interest from **mortgage loans** recorded a year-on-year increase of 46.6%, a year-on-year growth of €1.8m. The 4Q22 was the most impacted, with a growth in interest of +167.7% compared to 4Q21, when Euribor rates were negative. In fact, reference rates for mortgage loans rose sharply in 2022, as a result of the increase in key interest rates set by the European Central Bank (ECB), due to the increase in inflation in the Euro area. The mortgage loan portfolio net of impairments totalled €658.6m (+10.7% vs. December 2021). Mortgage loan production amounted to €145.6m, a year-on-year growth of 9.4% (+€12.5m).

**Commissions received** in this business unit reached €45.5m, a year-on-year growth of €6.2m (+15.6% y.o.y). Worthy of note are the positive contributions of (i) commissions from **accounts and cards**, which amounted to €12.7m (+€2.0m; +19.1% y.o.y), (ii) **savings products** (off-balance sheet), which totalled €4.5m (+€0.9m; +24.2% y.o.y) as a result of a net volume off-balance sheet of €891.7m, 25.8% above December 2021, (iii) **insurance** amounting to €3.2m (+€0.8m; +35.1% y.o.y), (iv) **consumer credit** (off-balance sheet) with an amount of €2.7m (+€0.9m; +53.5% y.o.y), and (v) **payments**, which totalled €18.5m (+€1.0m; +5.8% y.o.y).

<sup>6</sup> Revenues less direct operating costs (excluding overheads, essentially buildings and fleet).

Banco CTT's good commercial performance continued to allow for growth in **customer deposits** to €2,283.3m (+7.6% vs. December 2021) and in the **number of accounts** to 602k (29k more than in December 2021).

The **loan-to-deposit ratio** reached 77.9% as at the end of December 2022.

The **cost of risk** (consolidated and accumulated as at December 2022) stood at 1.5%, an increase of 0.4 p.p. compared to 2021, inherent to the growth in the customer loan portfolio and the macroeconomic environment.

## Financial Services & Retail

Financial Services & Retail **revenues** amounted to €60.7m in 2022, a year-on-year increase of €11.8m (+24.2% y.o.y). There was a positive evolution in revenues throughout 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. Therefore, the evolution of revenues of Financial Services & Retail was as follows: 1Q22: -1.7% y.o.y (equivalent to -€0.2m); 2Q22: +6.3% y.o.y (+€0.7m); 3Q22: +29.1% y.o.y (+€3.5m), and 4Q22: +59.0% y.o.y (+€7.9m).

**Financial services** (excluding other revenues) obtained revenues of €41.9m, a year-on-year increase of €10.8m (+34.8% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €33.5m in 2022, up €10.8m (+47.5% y.o.y) compared to 2021.

Subscriptions of these certificates amounted to €8,138.0m in 2022, an average of €32.7m/day versus €17.6m/day in 2021. The 2H22 saw an increase in this type of savings with subscriptions 186.8% above 2H21 and an average of €71.5m/day in 4Q22, representing a growth of €57.3m/day versus 4Q21 (+402.8%). As referred to above, this growth was supported mainly by Savings Certificates, as their attractiveness has been increasing since the beginning of the year due to a new interest rate conjuncture that places public debt as a more interesting investment alternative.

- Subscriptions of **non-banking financial products**, in the area of non-life insurance and health plans, reached €46.2m in 2022. CTT, in articulation with its business partners, intends to promote commercially this business line of activity, having the expectation of improving its growth profile in future quarters.
- **Money orders** recorded revenues of €6.0m in 2022, up by €0.5m (+9.5% y.o.y) compared to 2021. The additional issues of social benefits, created under the current macroeconomic framework, have contributed to mitigate the structural decline associated with the substitution of this means of payment.

**Retail products and services** (excluding other revenues) reached €18.0m in revenues in 2022, a year-on-year increase of €0.5m (+2.7% y.o.y).

During 2022, CTT carried out a process of maturing and analysing the retail network strategy which is to be carried out during 2023. In this context, CTT has set out the ambition to reposition its retail network as a service platform, including: (i) 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. In order to improve customer service and its 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 €850.5m in 2022, a year-on-year growth of €64.5m (+8.2% y.o.y).

### Operating costs

	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
Staff costs	346.9	351.8	5.0	1.4%	87.6	88.3	0.7	0.8%
ES&S	327.4	337.9	10.5	3.2%	92.3	88.8	-3.5	-3.8%
Impairments & provisions	11.4	26.3	14.9	130.4%	2.6	8.9	6.3	»
Other costs	44.1	61.3	17.2	38.9%	17.3	15.3	-2.0	-11.4%
<b>Operating costs (EBITDA)<sup>7</sup></b>	<b>729.8</b>	<b>777.3</b>	<b>47.6</b>	<b>6.5%</b>	<b>199.8</b>	<b>201.4</b>	<b>1.6</b>	<b>0.8%</b>
Depreciation & amortisation	58.0	64.8	6.8	11.7%	14.8	16.7	1.9	12.9%
Specific items	-1.8	8.4	10.2	»	4.0	12.6	8.6	»
Corporate restructuring costs and strategic projects	12.7	9.2	-3.5	-27.3%	2.9	3.9	1.0	36.2%
Other non-recurring revenues and costs	-14.5	-0.9	13.6	94.1%	1.2	8.8	7.6	»
<b>Operating costs</b>	<b>786.0</b>	<b>850.5</b>	<b>64.5</b>	<b>8.2%</b>	<b>218.6</b>	<b>230.7</b>	<b>12.1</b>	<b>5.5%</b>

**Staff costs** increased by €5.0m (+1.4% y.o.y) in 2022, essentially in the Mail & Other business unit (+€3.4m y.o.y), due to the acquisition of NewSpring Services (+€9.4m). Excluding the change in the consolidation perimeter, these costs would have declined by €4.5m (-1.3%), as a result of the measures taken to increase productivity and the focus on operating efficiency.

**External supplies & services costs** increased by €10.5m (+3.2% y.o.y) compared to 2021, both due to the inorganic effect of the acquisition of NewSpring Services (+€4.5m y.o.y), and to business growth, with emphasis on temporary work (+€2.1m y.o.y). The current economic environment, due to price increases and the effects of the war in Ukraine, had an unfavourable impact on physical and technological resources (+€4.1m), which was partially offset by other costs (-€0.2m).

**Impairments and provisions** increased by €14.9m in 2022 (+130.4% y.o.y), primarily as a result of the growth in the Universo credit card portfolio.

**Other costs** grew by €17.2m (+38.9% y.o.y), mainly in the Mail & Other business unit due to the growth of business solutions (+€20.7m y.o.y in connection with the laptop sale project).

**Depreciation & amortisation** increased by €6.8m (+11.7% y.o.y) compared to 2021, not only due to the inorganic effect of the acquisition of NewSpring Services (+€1.2m) but also due to investment in IT systems (+€2.7m) and postal equipment (+€0.8m), and to new building and vehicle lease contracts which impacted amortisation (+€2.5m), due to the IFRS 16 accounting standard.

**Specific items** amounted to a net loss of €8.4m in 2022, which compares with a net gain of €1.8m in 2021. In 2022, specific items are detailed according to the following categories: (1) corporate centre restructuring costs amounting to €5.0m (as compared to €11.1m in 2021), which includes primarily suspension agreements of employment contracts; (2) costs associated with strategic projects amounting to €4.3m (as compared to €1.6m in 2021), and (3) a non-recurring net gain amounting to -€0.9m (as compared to a gain of -€14.5m in 2021). This mainly includes (i) gains from the appreciation of contracted derivatives (-€9.7m), which were partially offset by (ii) extraordinary compensation to the employees for coping with the macroeconomic context of inflation (€2.4m); (iii) the costs related to early exit from the head office building (€3.6m); (iv) the provision for CTT Express to face the notification issued by the *Comisión Nacional de los Mercados y la Competencia* (€1.9m).

The valuation of the derivative structure in the amount of €9.7m, as mentioned above, is the result of the MTM (Mark to Market) of the interest rate derivatives in the form of a Cap Agreement (associated with the Ulisses 1 and Ulisses 2 securitisation operations) and Interest Rate Swap (associated with the Ulisses 3 securitisation operation and a derivative existing in Banco CTT).

<sup>7</sup> From 2021 onwards, operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.

## Staff

As at 31 December 2022, **CTT headcount** (permanent and fixed-term staff) consisted of 12,506, a decrease of 102 (-0.8%) compared to 31 December 2021.

### Headcount

	31.12.2021	31.12.2022	Δ	Δ%
Mail & Other	10,866	10,612	-254	-2.3%
Express & Parcels	1,258	1,345	87	6.9%
Banco CTT	455	513	58	12.7%
Financial Services & Retail	29	36	7	24.1%
<b>Total, of which:</b>	<b>12,608</b>	<b>12,506</b>	<b>-102</b>	<b>-0.8%</b>
Permanent	11,283	11,192	-91	-0.8%
Fixed-term contracts	1,325	1,314	-11	-0.8%
Portugal	12,015	11,788	-227	-1.9%
Other geographies	593	718	125	21.1%

There was a decrease in the number of staff in Mail & Other (-254) where projects are ongoing to increase productivity in operations by adapting the network to the new profile of the mail flows thus reducing the need for additional hiring, as well as the HR optimisation programme underway mainly in the central structure.

Together, the areas of operations and distribution within the mail network (5,384 employees, of whom 4,041 are delivery postmen and women) and the retail network (2,255 employees) represented circa 68.3% of CTT's permanent staff.

## Recurring EBIT

**Recurring EBIT** stood at €64.5m in 2022, increasing €4.4m (+7.4% y.o.y) vis-à-vis 2021, with a margin of 7.1% (the same as in 2021). Banco CTT's recurring EBIT posted growth (+€6.3m; +76.9% y.o.y), as well as Financial Services & Retail (+€9.0m; +41.4% y.o.y), while the remaining business units posted decrease. In Mail & Other, the decrease (-€7.0m; -39.6% y.o.y) was due to the decline in higher-value and higher-margin mail volumes. In Express & Parcels (-€3.9m; -31.4% y.o.y), the decline was due to the increased costs associated with the expansion of sorting centres and the increase in fuel prices, while in Portugal there was also a decrease in the average revenue per item due to the change of the product mix (greater flows of smaller items).

The recurring EBIT also benefited from the cost savings associated with the move of CTT's headquarters already envisaged in the quick wins shared with the market, namely those related with the optimisation of facilities. The impact in 2022 is €3.4m and the annual impact in the future will be equivalent.

### Recurring EBIT by business unit

	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
<b>Recurring EBIT by Business Unit</b>	<b>60.1</b>	<b>64.5</b>	<b>4.4</b>	<b>7.4%</b>	<b>20.4</b>	<b>25.8</b>	<b>5.4</b>	<b>26.3%</b>
Mail & Other	17.7	10.7	-7.0	-39.6%	7.9	5.9	-2.0	-25.8%
Express & Parcels	12.4	8.5	-3.9	-31.4%	5.4	3.8	-1.6	-29.8%
Banco CTT	8.2	14.4	6.3	76.9%	2.4	4.9	2.5	101.9%
Financial Services & Retail	21.8	30.8	9.0	41.4%	4.7	11.2	6.5	139.2%

It is worth pointing out that in 4Q22 recurring EBIT grew €5.4m, up by 26.3% y.o.y, to €25.8m, benefiting from the contributions of Financial Services & Retail and Banco CTT business units.



## Financial Results and Net Profit

**Consolidated financial results** amounted to -€9.4m, corresponding to an improvement of €1.7m (+14.9% y.o.y) compared to 2021.

### Financial Results

	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
<b>Financial results</b>	<b>-11.1</b>	<b>-9.4</b>	<b>1.7</b>	<b>14.9%</b>	<b>-3.0</b>	<b>-2.3</b>	<b>0.7</b>	<b>23.8%</b>
Financial income, net	-8.5	-9.2	-0.7	-8.5%	-2.1	-2.3	-0.2	-8.1%
Financial costs and losses	-8.5	-9.3	-0.7	-8.5%	-2.1	-2.3	-0.2	-8.3%
Financial income	0.0	0.0	-0.0	18.6%	-0.0	0.0	0.0	-57.4%
Gains/losses in subsidiaries, associated companies and joint ventures	-2.6	-0.2	2.4	92.7%	-0.9	0.0	0.9	101.2%

€ million

Financial costs and losses incurred amounted to €9.3m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.9m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.2m and interest expense on bank loans for an amount of €1.7m.

In 2022, CTT obtained a **consolidated net profit** attributable to equity holders of €36.4m, which is €2.0m below 2021. The evolution of consolidated net income was positively impacted (i) by the growth of recurring EBIT (+€4.4m); (ii) by the improvement in the net financial results (+€1.7m), and (iii) by the favourable evolution of the corporate income tax for the period (-€1.8m y.o.y), while it was negatively affected (iv) by the specific items, given that in 2021 CTT registered a gain of €1.8m as compared to a loss of €8.4m registered in 2022.

## Investment

**Capex** stood at €37.0m in 2022, up by €0.8m (+2.3% y.o.y) compared to 2021.

This evolution is justified above all by the growth in the banking business, which led to strengthening the support systems of the activity (+€1.1m), and by the implementation of the physical-digital omnichannel strategy for the private customers segment (+€1.5m). On the other hand, there was a decrease in the acquisition of parcel processing equipment compared to the previous year (-€1.7m).

## Cash flow

In 2022, the Company generated an operating **cash flow** of €99.6m, a year-on-year increase of €37.8m (+61.2% y.o.y). The growth of operating cash-flow was primarily explained by: (i) the favourable EBITDA performance (+€11.2m to €129.3m), and by (ii) the very positive evolution of working capital (+€25.9m). Moreover, the reduction in the non-cash items at the EBITDA level amounting to €11.8m was largely offset by the higher cash costs related with specific items (a unfavourable evolution of €10.2m). Also, the capex in 2022 was broadly stable as compared to 2021.

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, namely regarding collections, which positively impacted the average collection period, as well as the recovery of amounts related to advance payments to third parties.

### Cash flow

	€ million							
	2021	2022	Δ	Δ%	4Q21	4Q22	Δ	Δ%
EBITDA	118.1	129.3	11.2	9.5%	35.2	42.5	7.3	20.7%
Non-cash items*	-18.9	-7.2	11.8	62.1%	-5.1	0.6	5.7	111.8%
Specific items**	1.8	-8.4	-10.2	«	-4.0	-12.6	-8.6	«
Capex	-36.1	-37.0	-0.8	-2.3%	-14.7	-17.1	-2.4	-16.2%
Δ Working capital	-3.0	22.8	25.9	»	-1.1	27.2	28.3	»
<b>Operating cash flow</b>	<b>61.8</b>	<b>99.6</b>	<b>37.8</b>	<b>61.2%</b>	<b>10.4</b>	<b>40.6</b>	<b>30.2</b>	<b>»</b>
Employee benefits	-12.8	-15.8	-3.0	-23.3%	-3.3	-4.4	-1.1	-33.5%
Tax	-3.6	-16.4	-12.7	«	-1.2	-0.7	0.5	42.1%
<b>Free cash flow</b>	<b>45.3</b>	<b>67.4</b>	<b>22.1</b>	<b>48.7%</b>	<b>5.9</b>	<b>35.5</b>	<b>29.6</b>	<b>»</b>
Debt (principal + interest)	-10.8	-16.0	-5.3	-49.1%	-0.6	-0.6	0.0	2.2%
Dividends	-12.8	-17.7	-4.9	-38.5%	0.0	0.0	-0.0	-
Acquisition of own shares	-6.4	-21.6	-15.2	«	0.0	0.0	0.0	-
Disposal of buildings	2.2	0.4	-1.8	-80.9%	0.0	0.4	0.4	»
Financial investments	0.0	12.0	12.0	-	0.0	12.0	12.0	-
Investments in associated companies and joint ventures	-15.7	-0.6	15.0	95.9%	-0.7	0.0	0.7	100.0%
Inorganic cash flow - NewSpring	4.9	0.0	-4.9	-100.0%	0.0	0.0	0.0	-
<b>Change in adjusted cash</b>	<b>6.8</b>	<b>23.9</b>	<b>17.1</b>	<b>»</b>	<b>4.6</b>	<b>47.3</b>	<b>42.7</b>	<b>»</b>
Δ Liabilities related to Financial Serv. & others and Banco CTT, net <sup>8</sup>	351.3	-470.1	-821.4	«	-59.1	87.8	146.9	»
Δ Other <sup>9</sup>	1.6	24.8	23.2	»	-0.6	11.5	12.0	»
<b>Net change in cash</b>	<b>359.7</b>	<b>-421.4</b>	<b>-781.1</b>	<b>«</b>	<b>-55.1</b>	<b>146.6</b>	<b>201.7</b>	<b>»</b>

\*Impairments, Provisions and IFRS 16 affecting EBITDA

\*\*Specific items affecting EBITDA

### Consolidated Balance sheet

#### Consolidated Balance sheet

	€ million			
	31.12.2021	31.12.2022	Δ	Δ%
Non-current assets	1,970.3	2,253.3	282.9	14.4%
Current assets	1,614.9	1,804.2	189.4	11.7%
<b>Assets</b>	<b>3,585.2</b>	<b>4,057.5</b>	<b>472.3</b>	<b>13.2%</b>
<b>Equity</b>	<b>174.5</b>	<b>224.9</b>	<b>50.4</b>	<b>28.9%</b>
<b>Liabilities</b>	<b>3,410.7</b>	<b>3,832.6</b>	<b>421.9</b>	<b>12.4%</b>
Non-current liabilities	705.3	789.4	84.1	11.9%
Current liabilities	2,705.4	3,043.1	337.8	12.5%
<b>Equity and consolidated liabilities</b>	<b>3,585.2</b>	<b>4,057.5</b>	<b>472.3</b>	<b>13.2%</b>

The key aspects of the comparison between the **consolidated balance sheet** as at 31.12.2022 and that as at 31.12.2021 are as follows:

- **Assets** grew by €472.3m, mostly due to the growth in credit to banking clients (+€235.7m), especially mortgage credit and auto loans, as well as to the increase in investments in securities at amortised cost (+€203.6m), and in other banking financial assets (+€447.2m) as a result of the bank applications made by Banco CTT in Banco de Portugal. These increases were partly attenuated by the decrease in cash and cash equivalents (-€421.4m) given the aforementioned bank applications made by Banco CTT, as well as the payment of dividends and the acquisition of own shares.
- **Equity** increased by €50.4m following the net profit attributable to shareholders of the CTT Group in 2022 in the amount of €36.4m and the increase in other changes in equity (+€50.9m) following the reduction in liabilities related to Employee benefits net of deferred tax assets. In the opposite direction, there was the acquisition of own shares in the amount of €21.6m, the share capital

<sup>8</sup> 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.

<sup>9</sup> 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.

reduction implying the reduction of reserves (-€13.2m) and the payment of dividends in the amount of €17.7m.

- **Liabilities** increased by €421.9m, underpinned by the increase in banking clients' deposits and other loans (+€123.8m), the increase in accounts payable (+€179.4m) largely due to the significant increase in the subscription of Savings/Treasury Certificates, and the increase in debt securities at amortised cost (+€167.8m) following the Ulisses Finance No.3 securitisation operation and the increase in financial liabilities at fair value through profit or loss (+€26.3m). In the opposite sense, there was a decrease in employee benefits (-€74.5m), due to the actuarial valuation carried out with reference to 31.12.2022 and the updating of the underlying assumptions, namely the increase in the discount rate.

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

	31.12.2021	31.12.2022	Δ	Δ%
				€ million
Non-current assets	680,2	687,9	7,7	1,1%
Current assets	454,9	566,0	111,1	24,4%
<b>Assets</b>	<b>1 135,0</b>	<b>1 253,9</b>	<b>118,9</b>	<b>10,5%</b>
<b>Equity</b>	<b>173,9</b>	<b>225,2</b>	<b>51,3</b>	<b>29,5%</b>
<b>Liabilities</b>	<b>961,1</b>	<b>1 028,7</b>	<b>67,6</b>	<b>7,0%</b>
Non-current liabilities	422,5	331,1	-91,5	-21,6%
Current liabilities	538,6	697,6	159,0	29,5%
<b>Equity and consolidated liabilities</b>	<b>1 135,0</b>	<b>1 253,9</b>	<b>118,9</b>	<b>10,5%</b>

**Liabilities related to employee benefits** (post-employment and long-term benefits) stood at €210.2m in December 2022, down by €72.9m compared to December 2021, broken down as specified in the table below:

### Liabilities related to employee benefits

	31.12.2021	31.12.2022	Δ	Δ%
				€ million
<b>Total liabilities</b>	<b>283.1</b>	<b>210.2</b>	<b>-72.9</b>	<b>-25.8%</b>
Healthcare	263.5	190.4	-73.2	-27.8%
Healthcare (321 Crédito)	1.5	1.0	-0.5	-35.1%
Suspension agreements	9.5	10.3	0.8	8.9%
Other long-term employee benefits	6.5	5.1	-1.4	-21.5%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-15.3%
Pension plan	0.3	0.2	-0.0	-16.9%
Other benefits	1.6	3.0	1.4	85.3%
Deferred tax assets	-78.6	-59.5	19.1	24.3%
<b>Current amount of after-tax liabilities</b>	<b>204.5</b>	<b>150.7</b>	<b>-53.9</b>	<b>-26.3%</b>

The decrease in healthcare (-€73.2m) results from the actuarial valuation carried out with reference to 31.12.2022 and the updating of the underlying assumptions, namely the increase in the discount rate.

These liabilities related to employee benefits are associated with deferred tax assets amounting to €59.5m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €150.7m.



## Consolidated net debt

### Consolidated net debt

	31.12.2021	31.12.2022	Δ	Δ%
<b>Net debt</b>	<b>58.9</b>	<b>29.8</b>	<b>-29.1</b>	<b>-49.4%</b>
<b>ST &amp; LT debt</b>	<b>201.1</b>	<b>196.0</b>	<b>-5.2</b>	<b>-2.6%</b>
of which Finance leases (IFRS16)	115.3	125.9	10.6	9.2%
<b>Adjusted cash (I+II)</b>	<b>142.3</b>	<b>166.2</b>	<b>23.9</b>	<b>16.8%</b>
<b>Cash &amp; cash equivalents</b>	<b>877.9</b>	<b>456.5</b>	<b>-421.4</b>	<b>-48.0%</b>
<b>Cash &amp; cash equivalents at the end of the period (I)</b>	<b>857.0</b>	<b>410.8</b>	<b>-446.2</b>	<b>-52.1%</b>
Other cash items	20.9	45.7	24.8	118.4%
<b>Other Financial Services liabilities, net (II)</b>	<b>-714.7</b>	<b>-244.6</b>	<b>470.1</b>	<b>65.8%</b>

The key aspects of the comparison between the **consolidated net debt** as at 31.12.2022 and that as at 31.12.2021, are as follows:

- **Adjusted cash** increased by €23.9m, as the positive performance of the operating cash flow (+€99.6m) offset the payment of employee benefits (-€15.8m), tax payments (-€16.4m), debt service (-€16.0m), the acquisition of own shares (-€21.6m), and the payment of dividends (-€17.7m), partially compensated by the receipt of €12.0 million from the sale of financial investments by Banco CTT.
- **Short-term & long-term debt** decreased by €5.2m essentially due to the combined effect of the increase in lease liabilities (+€10.6m) and the reduction in bank loans (-€14.3m).

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

	31.12.2021	31.12.2022	Δ	Δ%
<b>Net debt with Banco CTT under equity method</b>	<b>182.4</b>	<b>192.6</b>	<b>10.2</b>	<b>5.6%</b>
<b>ST &amp; LT debt</b>	<b>198.5</b>	<b>192.0</b>	<b>-6.4</b>	<b>-3.2%</b>
of which Finance leases (IFRS16)	112.6	122.0	9.3	8.3%
<b>Adjusted cash (I+II)</b>	<b>16.1</b>	<b>-0.5</b>	<b>-16.7</b>	<b>«</b>
<b>Cash &amp; cash equivalents</b>	<b>215.2</b>	<b>361.2</b>	<b>146.0</b>	<b>67.9%</b>
<b>Cash &amp; cash equivalents at the end of the period (I)</b>	<b>215.2</b>	<b>361.2</b>	<b>146.0</b>	<b>67.9%</b>
Other cash items	0.0	0.0	0.0	68.4%
<b>Other Financial Services liabilities, net (II)</b>	<b>-199.1</b>	<b>-361.7</b>	<b>-162.7</b>	<b>-81.7%</b>

## 2. Other Highlights

### REGULATORY ISSUES

On 23 December 2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The **new concession agreement** thus came into force and will have a duration of approximately seven years – until 31 December 2028.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the universal postal service 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. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

Pursuant to the new concession agreement of 6 January 2022 and Decree-Law no. 22-A/2022 published on 7 February 2022, the first year of the agreement is the transition period, hence, the **prices of the services included in the basket of the universal postal service** offer shall respect a maximum annual average variation of 6.80%, which considers the decline in mail volumes observed in the first nine months

of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021. The **special prices of the postal services** included in the universal postal service offer applicable to bulk mail senders were also updated on 7 March 2022. These updates corresponded to an average annual price variation of 5.84% for the year 2022.

While some impacts of the COVID-19 pandemic persisted in 2022, CTT continued to periodically report the status of the **postal network** to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service, until 21 February 2022 in the wake of the end of the state of calamity and beginning of the state of alert that was in force until 30 September 2022.

By deliberations dated 6 May 2022 and 6 July 2022, ANACOM granted CTT's requests regarding the deduction of the records of mail items in all national flows directly affected by the COVID-19 pandemic in the 2<sup>nd</sup> half of 2021, for the purposes of calculating the Quality of Service Indicators (QSI) of the year 2021, and in the months of January and February 2022, for the purposes of calculating the QSI of the year 2022.

On 28 June 2022, CTT was notified of ANACOM's decision which granted CTT's application for deferring the date for the entry into force of ANACOM's decision of 29 April 2021 on the delivery of postal items at premises other than the domicile.

On 27 July 2022, a **Convention** was signed between the sector regulator (ANACOM), the Directorate-General for the Consumer (DGC) and the universal service provider (CTT), defining the criteria to be applied to the **pricing of postal services** included in the basket of the universal postal service for the three-year period 2023-2025, in accordance with the provisions of article 14(4) of Law no. 17/2012 of 26 April (Postal Law), as amended by Decree-Law no. 22-A/2022 of 7 February, which has been notified to the Government.

The scope of the Convention thus covers the services of letter mail, parcels, and newspapers and periodicals which are part of the universal postal service offer, including registered mail services used in legal or administrative proceedings, and not applying to special prices of postal services included in the universal service offer applicable to bulk mail senders (subject to the specific regime provided for in article 14-A of the Postal Law).

The main features of the **pricing** of the services covered by the Convention are as follows:

- The maintenance of a maximum annual variation of the prices of the basket of services covered by the Convention, which will be ascertained as per the following formula:  
$$CPI - \Delta Volumes * (1 - VC) - E + K.$$

The referred maximum annual price variation thus takes into consideration historical figures relative to the inflation rate (CPI) in the last 12 months, the variation in volumes ( $\Delta Volumes$ ) excluding an indicator of the weight of variable costs (VC) in total costs associated to the universal service (value defined at 16% for each year) and an efficiency factor (E) associated to CTT's activity within the universal postal service (value defined at 0.5 percentage points for each year). In the event of significant contextual changes related to the conditions for the provision of the universal postal service, the application of an additional factor (K) is foreseen, the value of which shall be determined by agreement, upon proposal of any of the parties of the Convention.
- The definition for each price of a maximum annual variation of 15% and a maximum overall variation of 30% for the three-year period 2023-2025.
- The setting of a maximum annual variation of 4 cents for the price of ordinary domestic mail up to 20 grams, used by the occasional segment.
- The continued application of the principle of uniform tariffs, with the application of a single price throughout the territory, to domestic letter mail items up to 50 grams sent by users in the occasional segment and in registered mail items of the service of judicial and other postal notifications weighing up to 50 grams.
- The provision by CTT, free of charge, in the national and international service, of mail dispatches for the blind and partially sighted, with the exception of airmail surcharges, if any.

As announced to the market on 26 January 2023, an **update of the prices** of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to a 6.58% average annual price variation, took effect from 1 March 2023. The overall average annual price variation, including the effect of the update of the special prices for bulk mail, will be 6.24%.

## MAIN ESG MILESTONES ACHIEVED

CTT's transformation programme prioritises the integration of sustainability, in the environmental, social and governance dimensions in its business areas. CTT has the ambition to be Faster, Better and Greener and, to this end, has defined a sustainability programme for the 2025-2050 period.

In the **environmental dimension**, CTT is committed to achieving a zero carbon balance in net terms (Net-Zero) by 2030, with 50% "green" vehicles in the last mile by 2025 and 100% by 2030. The path towards energy transition and decarbonisation of the offer is being made in an accelerated manner, as CTT's fleet has almost 500 all-electric vehicles in circulation. At the end of 2022, the "green" last-mile fleet corresponded to 15.3% of the total number of vehicles.

CTT also intends to incorporate recycled and/or reused material in 80% of the mail and E&P offer by 2025 and 100% by 2030. The Company's daily activity involves the adoption of fairer practices in terms of the use of natural resources and innovation in our offer of products and services. It should also be noted that 55% of the mail, express and parcels offer already incorporated recycled materials in 2022, a practice that we intend to expand to more CTT products in the coming years.

It should be highlighted that CTT won, for the second time in its history, the prestigious CSR Coups de Coeur award, attributed by PostEurop, with the project of recycling masks against COVID-19 in the creation of new products, in partnership with TO-BE-GREEN.

In the **social dimension** and in particular with regard to employees, CTT's ambition is to ensure full gender parity in top and middle management by 2025 and to leverage a culture focused on the workers and their well-being. In 2022, women represented 40.5% of leadership positions in CTT's top and middle management (+0.1% than in the previous year).

It is also worth emphasising the certification of CTT, S.A., CTT Expresso and CTT Contacto as a Family-Responsible Company, by the Spanish foundation MásFamília, with the application of several measures to reconcile professional, personal and family life. CTT also won first place in the Employer Brand Research 2022 study, as the Attractive Company to Work for in Portugal, in the Transport sector (the prize was awarded by Randstad).

Focused on community outreach, in addition to strengthening its Iberian presence, CTT is committed to ensuring that 1% of recurring EBIT is invested in social impact programmes by 2025, for the benefit of local communities. During 2022, CTT dedicated over €600k to donations (+16.5% y.o.y), corresponding to 1.0% of the recurring EBIT. CTT also reinforced its invitation to employees and their families to participate in social and volunteering programmes. They responded positively to the call, donating more hours per participant in 2022 to this mission that positively impacts local communities.

Also in this regard, several social impact initiatives were implemented by CTT, of which the following stand out, just by way of example. The award of EPIS Social Grants to 5 female students enrolled in professional courses in the areas of Information Technologies, a strongly masculinised labour market, and the publication of the Solidarity Stamp dedicated to the people of Ukraine. The profits of this stamp, amounting to €50,000, reverted in full in favour of the reconstruction of a Psychological Support Centre for war traumas in Borodyanka, which will serve 10 thousand people and directly employ 40.

Additionally, CTT was distinguished as "Equity Champion - SME" in the Euronext Lisbon Awards. For the second consecutive year, the award recognised CTT as the Portuguese company with a market capitalisation of less than one billion euros that provided the highest return to its investors. The Investor Relations Director, Nuno Vieira, won the Best Investor Relations Officer award at the IRGA Awards, organised by Deloitte. These awards honour people and organisations that contribute to a more efficient, transparent, socially responsible and useful capital market for the national economy and society.

CTT got the 5<sup>th</sup> best score worldwide in the sustainability programme (SMMS) of the International Post Corporation, a distinction that illustrates its performance in the various ESG dimensions.

## 3. Subsequent Events

On 15 January 2023, the **new public debt distribution agreement was signed between CTT and IGCP** – Portuguese Treasury and Debt Management Agency, which entered into force on 20 January 2023, with a duration of three years. This agreement essentially maintains the commercial conditions of the previous one, but now includes additional satisfaction levels of the depositors, including the development of CTT's online channels, in addition to the traditional face-to-face channel of the CTT Retail Network.



As communicated to the market on 26 January 2023, an **update of the price** of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to an average annual price variation of 6.58%, took effect as from 1 March 2023. The overall average annual variation in prices, also reflecting the effect of updating special bulk mail prices, will be 6.24%.

As disclosed to the market on 7 March 2023, CTT contracted 35 million euros in **bank loans** in the form of commercial paper, **indexed to sustainability goals**, maturing in 2026, with two financial institutions – Novo Banco, S.A. and Banco Bilbao Vizcaya Argentaria S.A. – Portuguese Branch. These bank loans are set within CTT's Sustainability Related Financing Reference Framework that was the subject of a Second Party Opinion disclosed by S&P Global Ratings. Therefore, the referred financing lines are indexed to the goal of reducing carbon emissions of CTT's activity (scopes 1, 2 and 3 emissions) by at least 30% by 2025 in relation to 2013, which is validated by the Science Based Targets initiative and aligned with the best practices of the sector. With these operations, CTT consolidates the link between its financing cost and its performance in terms of sustainability, reinforcing and demonstrating its strategic relevance and the commitment to achieve ambitious leadership goals regarding ESG (Environment, Social and Governance) indicators.

With the exception of those mentioned above, after 31 December 2022 and up to the present date, no relevant or material facts have occurred in the Group's activities that have not been disclosed in the notes to the financial statements.

#### 4. Future Perspectives

2022 was a year in which we continued to walk the transformation path that we had set ourselves in all of CTT's business areas: (1) **Express & Parcels** continued to position itself to be an active part in promoting an increase in e-commerce penetration, both in Portugal and in Spain, in order to take advantage of changing consumer habits and thus obtain significant growth, underpinned by the growth of the Portuguese and Spanish markets and by the solid market share gains in Spain; (2) in **Mail & Other**, the decline of international inbound mail revenues was more than offset 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) **Banco CTT** continued to record notable growth in auto loans, mortgage loans and on- and off-balance sheet savings. 2022 was also characterised by continued strong focus on productivity and efficiency of logistics operations, including mail and express & parcels, with CTT launching relevant initiatives to reduce unitary costs while improving the quality of the services provided; (4) **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 services to citizens. 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 optimisation of its operations.

As part of its strategic reflection, CTT reviewed, with the participation of all its stakeholders, its strategic concepts of **Purpose**, **Mission** and **Vision**, having also redefined the CTT values. CTT's **Purpose**, which illustrates the reason for its existence and its essence as a company, is "Deliver the future, connecting people and companies in a sustainable way".

The **Vision**, which converts the purpose into aspirations and enunciates the medium-long term ambition, and the **Mission**, which expresses in a more tangible way how to achieve the vision, were defined for the two main business segments of CTT:

- For People, the vision is "To be the brand people trust in shipping and in financial and insurance services" and the mission is "To simplify people's lives in physical communication, savings, credit and insurance";
- For Companies, the vision is "To be the reference partner for companies, developing e-commerce and simplifying its physical and digital presence" and the mission is "To constantly innovate, offering logistics solutions and support services, with quality, focused on customer needs".

In this context, the main pillars of the Company's strategy for 2023 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 and logistics services, 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 agreement 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 on mail revenues.

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

CTT will focus on minimising 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 2023, the guidance is as follows:

- Mail volumes are expected to decline mid-single-digit;
- In Portugal, CEP volumes are expected to grow by low-to-mid single-digit with improved revenue per item, while in Spain, double-digit volume growth should be resumed;
- Financial Services are expected to register a robust growth;
- Banco CTT RoTE is expected to improve further.

On a consolidated basis, revenues should grow by mid-single digit while **recurring EBIT in FY23 is expected to grow at least 10%**.

Simultaneously, the risk outlook is the following: (1) high geopolitical uncertainty, and (2) macro risks continue to be relevant and persistent, namely inflation, cost of energy and raw materials.

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. Against this backdrop, on 16 March 2023, CTT announced the intention of its Board of Directors to propose to the 2023 AGM the payment of a dividend of 12.5 cents of euro per share. This proposal represents a dividend yield of approximately 4.1% and a payout ratio of approximately 47.7%. The proposal is subject to a number of conditions, namely market conditions, CTT's financial situation and assets, as well as legal and regularly applicable terms and conditions. Simultaneously, CTT also announced the intention of its Board of Directors to propose to the 2023 AGM, within the scope of the share buyback programme initiated in 2022, the cancellation of 1.43 million own shares acquired.

## Final Note

This press release is based on CTT – Correios de Portugal, S.A. statutory reported financial information for the 2022 financial year, audited by an auditor registered with the Portuguese Securities Market Commission (CMVM).

Lisbon, 16 March 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>.

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