

Consolidated Results

1st Half 2021



committed to deliver

CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY

1ST HALF 2021 CONSOLIDATED RESULTS

- **Revenues¹** grew by 18.2% y.o.y in 1H21 to €412.8m, an increase of €63.6m, accelerating a growth trend that started in 3Q20 (+0.3% y.o.y.) and continued in 4Q20, 1Q21 and 2Q21 (+5.1%, +14.1% and +22.6%, respectively). Notable is the performance of the Express & Parcels business unit with a €40.7m (+47.8% y.o.y.) growth, followed by Mail & other with +€13.4m (+6.6% y.o.y.), Banco CTT with +€7.3m (+19.0% y.o.y.), and Financial Services & Retail with +€2.2m (+10.3% y.o.y.).
- **Express & Parcels** continues to post record revenues with €125.8m in 1H21, driven by the strong performance of the Iberian region, as Spain delivered on the results of the outlined strategy, growing by €25.3m (+79.5% y.o.y.) and Portugal by €15.3m (+29.6% y.o.y.). In 1H21, Spain represented 45.5% of the revenues of the Express & Parcels segment, with this share growing by 8.0 p.p. y.o.y. in 1H21.
- **Recurring EBIT** amounted to €28.7m in 1H21, growing by €23.0m versus 1H20, with significant increases of €9.0m in Mail & other, €8.7m (+268.7% y.o.y.) in Express & Parcels, and €4.6m (+206.9% y.o.y.) in Banco CTT. Financial Services & Retail contributed with €0.7m (+6.6%) to this growth.
- **Operating cash flow** stood at €37.8m in 1H21, up €33.9m (+870.9% y.o.y.).
- **Net profit⁵** of €17.2m, €19.2m more than in 1H20. The growth was driven mainly by the increase in recurring EBIT. The net profit in 1H21 includes non-recurring effects for an amount of €2.3m.

Consolidated Results

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
	€ million							
Revenues¹	349.2	412.8	63.6	18.2%	169.3	207.5	38.2	22.6%
Mail & other	204.2	217.6	13.4	6.6%	94.0	109.0	15.0	15.9%
Mail	202.8	216.1	13.3	6.6%	93.4	108.3	15.0	16.0%
Central structure	1.3	1.5	0.1	8.1%	0.7	0.6	-0.0	-1.8%
Express & Parcels	85.1	125.8	40.7	47.8%	47.8	62.4	14.6	30.5%
Banco CTT	38.4	45.7	7.3	19.0%	18.9	24.5	5.6	29.5%
Financial Services & Retail	21.5	23.7	2.2	10.3%	8.5	11.6	3.1	36.1%
Operating costs (EBITDA)²	313.5	355.5	42.0	13.4%	157.3	179.2	21.9	13.9%
EBITDA³	35.7	57.3	21.6	60.6%	11.9	28.3	16.3	136.6%
Depreciation & amortization ⁴	30.0	28.6	-1.4	-4.7%	15.6	14.6	-1.0	-6.2%
Recurring EBIT	5.7	28.7	23.0	407.4%	-3.6	13.6	17.3	476.4%
Specific items	0.8	-2.3	-3.1	-394.1%	0.8	-1.5	-2.2	-290.2%
EBIT	4.9	31.0	26.1	537.1%	-4.4	15.1	19.5	443.7%
Financial results (+/-)	-5.9	-5.4	0.5	9.3%	-2.8	-2.7	0.1	3.9%
Income tax for the period	0.9	8.4	7.5	836.2%	-1.6	3.9	5.5	344.2%
Non-controlling interests	0.1	0.1	0.0	22.4%	0.0	0.0	0.0	34.7%
Net profit for the period⁵	-2.0	17.2	19.2	966.1%	-5.7	8.5	14.2	249.8%

¹ Excluding specific items.

² In 2021 and in the same period of the previous year (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant to this standard.

³ Excluding depreciation & amortization and specific items.

⁴ Depreciation & amortization were positively impacted in 1H21 by the revision of the useful life of some assets.

⁵ Attributable to equity holders.

1. OPERATIONAL AND FINANCIAL PERFORMANCE

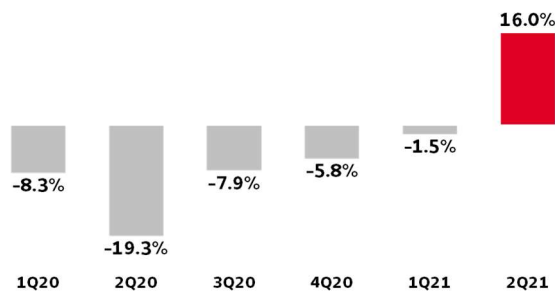
Economic activity in 1H21 showed a recovery, although relevant restrictions are still imposed on the population and the economic activities, whose return to normality has been greatly influenced by the emergence of new variants of the Coronavirus SARS-CoV-2 that triggered the COVID-19 pandemic.

Mail

Revenues of the Mail business unit reflect a consistent recovery that began after 2Q20, with 2Q21 posting a €15.0m growth (+16.0% y.o.y.).

Evolution of mail revenues

(Δ% vs. the same period of the previous year)



It should, however, be noted that the main impact of the lockdown enacted as part of the fight against the COVID-19 pandemic was felt in 2Q20, while in 2021 the main impact of the lockdown occurred in the first quarter. Thus, revenue evolution in 1Q21 was penalized by this effect, while in 2Q21 revenue growth benefited from the comparable base of 2Q20.

In 1H21, **Mail revenues** grew by €13.3m (+6.6%) vis-à-vis 1H20 to €216.1m. This was a solid performance, given the economic context and the secular trend in Mail services and resulted mostly from higher **transactional mail** revenues (+€12.3m; +7.1% y.o.y.), which benefited from the contribution of higher value-added mail items, which also have a higher value per item, leading to a lower dependence on ordinary mail – whose weight in revenues decreased from 37% in 1H20 to 34% in 1H21 – and a greater importance of registered mail and international inbound mail, whose weight in revenues grew from 34% in 1H20 to 37% in 1H21. Simultaneously, there was a positive influence of advertising mail (+€0.5m; +5.9% y.o.y.), editorial mail (+€0.2m; +2.8% y.o.y.), universal service parcels (+€1.2m; +46.1% y.o.y.), philately and other mail products and services (+€0.2m; +6.2% y.o.y.), which was only attenuated by the decrease in business solutions (–€1.2m; –14.3% y.o.y.).

Mail volumes

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Transactional mail	228.3	216.0	-12.3	-5.4%	102.0	108.9	6.9	6.8%
Advertising mail	19.6	19.1	-0.6	-2.8%	8.5	9.0	0.5	5.5%
Editorial mail	15.1	14.7	-0.4	-2.4%	7.5	7.5	0.0	-0.1%
Addressed mail	263.0	249.8	-13.2	-5.0%	118.1	125.4	7.4	6.2%
Unaddressed mail	183.2	222.1	39.0	21.3%	67.8	130.1	62.4	92.1%

In 1H21, **transactional mail** volumes declined by 5.4%, but there was a year-on-year recovery in most of the other products, especially **registered mail** (+11.0%) and **green mail** (+16.0%). The decline in domestic **ordinary mail** was 7.7%, with contractual clients of the banking and insurance segments continuing to make the biggest contribution to this evolution.

The evolution of **international mail** continued to be strongly influenced by the COVID-19 pandemic that caused a bottleneck in the international air logistics network, despite the improvement seen in recent months. In 1H21, **international outbound mail** volumes increased by 0.5%, while **international inbound mail** posted a decrease of 1.9%. In the latter flow, 2Q21 saw the transfer of business associated with tracked mail items to the express segment, which is starting to assume greater importance.

In **advertising mail**, as some advertisers have resumed campaigns during 2Q21, especially in the retail and consumer goods areas, the activity showed a recovery. In 1H21, **unaddressed advertising mail** volumes recorded a 21.3% y.o.y. increase while **addressed advertising mail** volumes decreased by 2.8% y.o.y. A new **Digital Media** offer accessible through the CTT website was launched at the end 1H21, enabling companies to access advertising investment packages on the main media platforms. This service was launched in partnership with Opus Opera, a company of the Omnicom Media Group, and will work as a catalyst of digitalization of Portuguese companies by removing barriers to the adoption of new technologies.

In 1H21, **business solutions** recorded revenues of €7.1m, corresponding to a decline of 14.3% y.o.y.. This is mainly a result of the significant drop in sales prices of Personal Protective Equipment and the high sales volumes achieved in 2Q20, in the context of the support that CTT gave its clients by making this equipment available in a scarce market. CTT continues to focus on expanding and optimizing its current portfolio, having launched contact center services to strengthen its offer in the field of business process outsourcing (BPO).

Although the effects of the pandemic are still very present, especially in terms of access to the CTT Retail Network, **philately** revenues amounted to €2.4m in 1H21, corresponding to a slight growth (+0.8% y.o.y.). To be highlighted is the award obtained by the CTT philatelic souvenir sheet with a graphene insert – issued to promote hope despite the pandemic – which was considered the Best World Philatelic Campaign of the Year 2020 by the World Post & Parcel Awards 2021.

On 1 April, the new 2021 prices for postal services provided within the scope of the universal service came into force. These were determined in accordance with the Universal Postal Service Pricing Criteria defined by ANACOM. Prices of other postal services provided by CTT were also updated on that date. The average variation in prices of the universal postal service⁶ in 1H21 was 2.55% compared to 1H20.

Express & Parcels

Express & Parcels revenues totaled €125.8m in 1H21, up €40.7m (+47.8% y.o.y.).

In the **Iberian market**, revenues stood at €124.3m, an increase of €40.7m (+48.6% y.o.y.). **CEP** (Courier, Express and Parcels) represented €114.4m, up 56.8% y.o.y., and volumes totaled 35.8 million items, representing a 59.6% growth over 1H20.

In **Portugal, Express & Parcels revenues** recorded €67.1m in 1H21, up €15.3m (+29.6% y.o.y.), and volumes totaled 16.2 million items, corresponding to a growth of 30.6% y.o.y..

The Express & Parcels business performance in Portugal in 1H21 was based on the **CEP** business growth, whose revenues amounted to €58.6m (+41.1% y.o.y.). The **cargo** business revenues stood at €4.6m (-13.6% y.o.y.), those of the **banking** documents delivery business totaled €2.3m (-31.5% y.o.y.) and those of the **logistics** business amounted to €1.2m (+2.5% y.o.y.).

The increment in the CEP business was mainly due to e-commerce (B2C), with greater relevance in the food, sports and leisure, education and culture, and consumer electronics sectors while winning a large e-commerce platform in 2Q21. The cargo and banking documents delivery businesses were the most impacted by the restrictions caused by the COVID-19 pandemic. In logistics, the anticipated departure of a major customer in 1Q21 was offset by new businesses.

During 1H21, CTT continued to invest in the development of new platforms, systems and applications aimed at promoting the adoption of e-commerce by e-sellers and e-buyers. In this context, several initiatives were launched, with emphasis on: (1) the expansion, after having made it available in the United States of America and in the United Kingdom, of the CTT service International Virtual Address to online shops in Spain and other European countries that do not ship to Portugal; (2) the shipping plug-in platform that allows its customers to automate their shipments through CTT by integrating online shops created in Prestashop, Shopify, Magento and Woocommerce; and (3) the partnership with Habitat Invest that led to the first online parcels sorting center to be installed in Portugal in July 2021 in a residential building with the ambition of transforming the market and ensuring the convenience of homeowners when receiving digital parcels. Furthermore, during 1H21, CTT continued to roll out its 24-hour Lockers strategy to both the general public and companies. These allow the clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). At the end of 1H21, CTT's parcel locker network offers 97 24-hour Lockers, in various locations around the country, namely in intermodal transport platforms, shopping centers, university campuses, physical retail networks or, in the case of corporate lockers, in companies.

The Dott marketplace⁷, launched in May 2019 in partnership with Sonae, had, as of the end of June 2021, 1.6k registered vendors on the platform and more than 5 million products available for sale. At the end of 1H21, there were circa 350k registered users (+30% vs. March 2021). This evolution evidences the strong growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at €57.2m in 1H21, up €25.3m (+79.5%) versus 1H20. Volumes totaled 20.4 million items, growing by 80.7% compared to 1H20. As a result of this growth, CTT Espresso Spain reached EBITDA breakeven in 2Q21 (€1.5m and €1.3m in 2Q21 and 1H21, respectively, on individual accounts). This performance is ahead of plan of EBITDA breakeven during 2021, disclosed in the 3Q19

⁶ Including letter mail, editorial mail and parcels of the universal postal service, excluding international inbound mail.

⁷ The Dott marketplace investment is accounted for by the equity method.

earnings. In 2Q21, recurring EBIT was also breakeven, at €0.0m.

The strong growth seen in 2020 has been confirmed in 2021, with CTT Expresso Spain positioning itself as a reference operator in the Iberian urgent parcels market. The reasons why clients trust increasingly more CTT Expresso Spain to handle Iberian shipments include above-average quality of service levels, ability to treat and distribute, particularly in peak times, as well as flexibility and adaptability.

The strategy of investing in new facilities, as well as in technology and innovation, to improve the quality of service and the handling and delivery processes was maintained. The second phase of the mechanization process of the Madrid sorting center is already underway, which is intended to be operational in August 2021, thus following on from the investment already made which included the sorting centers of Barcelona (launched in August 2020), Madrid (launched in October 2020), and Valencia (launched in January 2021), as well as the installation of 26 new delivery offices and 9 expansions to increase capacity. To strengthen capacity and coverage in Spain, 4 new sorting centers are planned for 4Q21 and 1Q22. These investments will allow the Company to serve an increasing number of customers and prepare the operation in Spain to accommodate the growth that is anticipated for the coming quarters. This investment, together with the growth already observed and the new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing contracts, have been leading to a decrease in variable costs and the consequent increase in the profitability of the Spanish operations.

Revenues in Mozambique stood at €1.5m in 1H21, 4.9% above 1H20. The growth achieved in 2Q21, which offset the decrease seen in 1Q21, was supported by the business in the health area (collection of biological samples). The high level of uncertainty regarding the evolution of the COVID-19 pandemic (despite the reduction or even elimination of some restrictive measures) and the political and military instability in the north of the country continue, leading to direct consequences on economic activity.

Banco CTT

Banco CTT revenues reached €45.7m in 1H21, an increase of €7.3m (+19.0%) vis-à-vis 1H20. A year-on-year growth of €5.6m (+29.5%) was recorded in 2Q21 versus €1.7m (+8.7%) in 1Q21.

The revenue growth was driven by the positive performance of **net interest income** that reached €25.7m in 1H21, €4.4m above (+20.4%) 1H20, with a 29.4% growth in 2Q21 vs. 2Q20.

In April 2021, Banco CTT started a partnership with Sonae Financial Services whereby it became the sole lender for the **Cartão Universo** credit book. This business generated revenues of €2.6m in 2Q21, with a net balance sheet volume of €185.5m.

Interest from **consumer credit** grew by €2.0m (+12.4%) in **auto loans and leasing** production, producing a credit portfolio net of impairments of €602.3m (+6.1% compared to December 2020). The beginning of the year continued to be affected by the temporary closure of auto dealerships due to the lockdown measures, affecting the capture of new proposals.

Interest from **mortgage loans** remained in line with the previous year, growing by €0.02m (+0.8%), with a €564.0m mortgage loan portfolio net of impairments (+7.5% vs. December 2020). Mortgage loan production amounted to €69.3m, a decrease of €15.7m (-18.5%) compared to 1H20, reflecting the effects of the economic downturn caused by the pandemic context.

Commissions received of this business unit reached €18.1m, up €3.0m (+19.5%) compared to 1H20.

To be noted are the positive contributions of the commissions received regarding **accounts and cards**, which amounted to €4.8m, an increase of €2.1m (+79.5%); **savings products** (off-balance sheet), which totaled €1.6m, growing by €0.5m (+46.3%) resulting from a net volume off-balance sheet of €549.5m, 28.1% above December 2020; **insurance**, for a total amount of €1.1m, up €0.2m (+22.1%); and **payments**, which totaled €8.0m, a growth of €0.1m (+0.7%).

Banco CTT business performance continued to allow for growth in **customer deposits** to €1,906.7m (+12.9% vs. December 2020) and in the **number of accounts** to 543k (26k more than at the end of 2020).

The **loan-to-deposit ratio** reached 70.7% at the end of 1H21.

As of 30 June 2021, there were 725 **moratoria**, corresponding to a total exposure of €40.1m (€30.8m regarding mortgage loans, €6.7m auto loans, and €2.6m other loans), representing 3.3% of the total gross credit to clients portfolio. Of the expired moratoria, there are about €2.9m in arrears of more than 30 days, which represent circa 11% of the total private moratoria expired as of 30 September 2020.

Financial Services & Retail

Financial Services & Retail revenues amounted to 23.7m in 1H21, representing an increase of €2.2m (+10.3%) compared to 1H20. The year-on-year growth recorded in 2Q21 was €3.1m (+36.1%).

Financial services (excluding other revenues) obtained revenues of €16.1m in 1H21, a decrease of €0.4m (-2.2%) versus 1H20. In 2Q21, the growth was 24.1% vs. 2Q20, broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth), with revenues of €12.1m, increased by €0.1m (+0.5%) versus 1H20, posting €2,341m in subscriptions (+21.1% vs. 1H20), with an average of €18.9m/day vs. €15.6m/day in the same period of the previous year.

The amount of subscriptions in 2Q21 recorded a 98.7% year-on-year growth, as a result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.

- **Capitalization insurance** products negatively impacted the evolution of revenues by €0.3m (-50.7%) compared to 1H20, due to maturity of the product portfolio.

In June, the process of widening and diversifying the offer of new investment/savings/insurance solutions began. This will allow the consolidation of the growth in the sale of financial products.

- **Money orders** revenues of €2.8m decreased by 6.3% (-€0.2m) versus 1H20, as a result of the structural effect of the changes in the means of payments for this service.
- **CTT payment services** posted revenues of €0.9m in 1H21, up €0.1m (+11.9%) vis-à-vis 1H20, benefiting from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service.

The **retail products and services** (excluding other revenues) obtained revenues of €7.5m in 1H21, an increase of €2.5m (+50.8%) versus 1H20, mainly due to the gambling business line (+125.5% vs 1H20) driven by the sale of "scratch cards" as of 4Q20 and the progressive expansion of this sale to the whole Retail Network.

The easing of the restrictive measures associated with the lockdown in 2Q21 led to higher growth in retail products and services revenues in the period than in 1Q21 (+66.7% in 2Q21 compared to +37,1% in 1Q21).

CTT has been strengthening its position in order to leverage return to growth after the lockdown period, by creating a product offering suited to the store formats and the context of the retail network, as well as stimulating impulse buying. In this context, CTT launched the CTT Reading Card, which offers discounts in the purchase of books at CTT retail network, and expanded the partnership with Forall Phones to all the CTT post offices in district capital cities.

Operating Costs

Operating costs totaled €381.8m in 1H21, an increase of €37.5m (+10.9% y.o.y.).

Operating Costs

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Staff costs	170.1	177.3	7.1	4.2%	81.9	88.1	6.2	7.6%
ES&S	116.3	154.6	38.3	33.0%	57.9	78.9	21.0	36.3%
Impairments & provisions	11.1	5.8	-5.3	-47.7%	8.2	3.4	-4.8	-58.5%
Other costs	16.0	17.8	1.8	11.3%	9.3	8.8	-0.5	-5.7%
Operating costs (EBITDA)⁸	313.5	355.5	42.0	13.4%	157.3	179.2	21.9	13.9%
Depreciation & amortization	30.0	28.6	-1.4	-4.7%	15.6	14.6	-1.0	-6.2%
Specific items	0.8	-2.3	-3.1	-394.1%	0.8	-1.5	-2.2	-290.2%
Corporate restructuring costs and strategic projects	0.6	9.4	8.8	»	0.2	8.9	8.6	»
Other non-recurring revenues and costs	0.2	-11.7	-11.9	«	0.5	-10.3	-10.9	«
Operating costs	344.3	381.8	37.5	10.9%	173.7	192.3	18.7	10.8%

Staff costs increased by €7.1m (+4.2% y.o.y.) in 1H21, mostly in the Express & Parcels (+€2.9m) and Banco CTT (+€2.2m) business units where there was a sharp growth in business. The remaining business units, i.e. Mail & other and Financial

Services & Retail, posted a growth of €2.1m, driven by the steady increase in health costs (+€1.5m) due to the easing of restrictions related to the COVID-19 pandemic, and the

⁸ In 2021 and in the same period of the previous year (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant to this standard.

increase in allowances (+€0.4m) and overtime work (+€0.2m) in the operational areas.

External supplies & services costs increased by €38.3m (+33.0% y.o.y.), especially with regard to: direct costs (+€32.2m), temporary work (+€2.7m), physical and technological resources (+€3.0m) and uniforms (+€0.4m), driven mainly by the growth in the Express & Parcels and Banco CTT business units.

Impairments and provisions decreased by €5.3m (-47.7% y.o.y.), as a result of the changes in the credit risk matrices and the improvement of the economic situation, given that the same period of the previous year was strongly impacted by the pandemic and uncertainty, mainly at the level of auto loans.

Other costs grew by €1.8m (+11.3%), due to the growth of scratch card sales (+€2.3m), which was partly offset by other direct and commercial costs (-€0.5m).

Depreciation & amortization posted a decrease of €1.4m in 1H21 (-4.7% y.o.y.), positively impacted by the revision of the

useful life of some assets (-€3.1m) and partially offset by new building lease contracts which impacted amortization (+€1.8m), due to the IFRS 16 accounting standard.

Specific items totaled -€2.3m (-€3.1m y.o.y.), explained primarily by: (i) €8.2m restructuring charge, of which €8.0m is a non-cash provision for 118 suspension agreements of employment contracts; (ii) a €14.4m capital gain booked in connection to the sale of public debt securities to optimize Banco CTT balance sheet against a backdrop of the rollout of the partnership with Sonae, and (iii) expenses of €3.9m related with an initial IFRS9 adjustment with the acquisition of the credit stock of Cartão Universo, COVID-19 related costs and other one-off projects.

Staff

As of 30 June 2021, the CTT **headcount** (permanent and fixed-term staff) consisted of 12,261 employees, 246 more (+2.0%) than as of 30 June 2020.

Headcount

	30.06.2020	30.06.2021	Δ	Δ%
Mail & other	10,382	10,412	30	0.3%
Express & Parcels	1,175	1,361	186	15.8%
Banco CTT	420	453	33	7.9%
Financial Services & Retail	38	35	-3	-7.9%
Total, of which:	12,015	12,261	246	2.0%
Permanent	10,806	10,867	61	0.6%
Fixed-term contracts	1,209	1,394	185	15.3%
Portugal	11,487	11,607	120	1.0%
Other geographies	528	654	126	23.9%

There was an increase in the number of staff, mainly in the expanding business units, i.e. Express & Parcels (+186) and Banco CTT (+33).

Together, the areas of operations and distribution within the basic network (5,835 employees, of whom 4,247 delivery postmen and women) and the retail network (2,428 employees) represent circa 76% of CTT's permanent staff.

Recurring EBIT

In 1H21, **recurring EBIT** stood at €28.7m, up €23.0m (+407.4% y.o.y.), with a margin of 7.0% (1.6% in 1H20). Note that all areas contributed favorably to recurring EBIT growth.

This performance was due to a strong recurring EBIT growth of €9.0m in Mail & other, €8.7m (+268.7%) in Express & Parcels and €4.6m (+206.9%) in Banco CTT. In the Financial Services & Retail business unit the evolution was +€0.7m (+6.6%).

Recurring EBIT by business unit

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Recurring EBIT by business unit	5.7	28.7	23.0	407.4%	-3.6	13.6	17.3	476.4%
Mail & other	0.6	9.6	9.0	>>	-4.1	4.7	8.8	213.3%
Mail	30.1	35.8	5.7	18.9%	10.0	18.2	8.2	81.9%
Central structure	-29.6	-26.2	3.4	11.3%	-14.1	-13.5	0.6	4.3%
Express & Parcels	-3.2	5.4	8.7	268.7%	0.5	2.9	2.3	430.3%
Banco CTT	-2.2	2.4	4.6	206.9%	-3.4	1.0	4.3	129.8%
Financial Services & Retail	10.6	11.3	0.7	6.6%	3.3	5.1	1.8	53.5%

€ million

Financial Results and Net Profit

The **consolidated financial results** amounted to -€5.4m, corresponding to an improvement of €0.5m (+9.3% y.o.y.).

Financial Results

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Financial results	-5.9	-5.4	0.5	9.3%	-2.8	-2.7	0.1	3.9%
Financial income, net	-4.7	-4.2	0.5	10.4%	-2.2	-2.1	0.1	5.4%
Financial costs and losses	-4.7	-4.3	0.5	9.9%	-2.2	-2.1	0.1	4.6%
Financial income	0.0	0.0	0.0	323.2%	0.0	0.0	0.0	561.5%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.2	-1.1	0.1	4.9%	-0.6	-0.6	0.0	-1.5%

€ million

Financial costs and losses incurred amounted to €4.3m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €1.8m, interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €1.5m, and interest rates for an amount of €0.9m.

In 1H21, CTT obtained a **consolidated net profit** attributable to equity holders of €17.2m, €19.2m above 1H20, positively impacted by the evolution of EBIT (+€26.1m) and financial results (+€0.5m), and negatively by the corporate income tax for the period (+€7.5m).

Investment

Capex stood at €11.7m in 1H21, corresponding to 7.6% more (+€0.8m) than in 1H20.

The Company maintained the focus of investment on the fastest growing business unit, i.e. the Express & Parcels (+€2.0m), thus ensuring support to and optimization of its activity.

Investment was reduced in the remaining business units (-€1.2m).

Cash flow

In 1H21, CTT generated an operating **cash flow** of €37.8m, up €33.9m compared to 1H20.

Cash flow

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
	€ million							
EBITDA	35.7	57.3	21.6	60.6%	11.9	28.3	16.3	136.6%
Non-cash items*	-2.3	-9.3	-7.0	-305.8%	1.2	-4.3	-5.5	-453.4%
Specific items **	-0.8	2.3	3.1	394.1%	-0.8	1.5	2.2	290.2%
Capex	-10.9	-11.7	-0.8	-7.6%	-5.3	-5.9	-0.5	-10.3%
Δ Working capital	-17.8	-0.7	17.1	95.8%	-15.0	5.4	20.4	136.1%
Operating cash flow	3.9	37.8	33.9	870.9%	-7.9	25.0	32.9	415.4%
Employee benefits	-5.1	-6.6	-1.5	-29.5%	-1.9	-3.4	-1.5	-80.1%
Tax	0.6	0.0	-0.6	-94.7%	0.7	-0.2	-0.9	-129.7%
Free cash flow	-0.6	31.3	31.9	»	-9.2	21.4	30.5	332.8%
Debt (principal + interest)	-0.7	-2.8	-2.1	-273.8%	-0.6	-2.6	-2.0	-351.1%
Dividends	0.0	-12.8	-12.8	-	0.0	-12.8	-12.8	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	-6.4	-6.4	-
Financial investments	0.0	-0.8	-0.8	-	0.0	-0.8	-0.8	-
Change in adjusted cash	-1.3	8.6	9.9	756.6%	-9.7	-1.1	8.6	88.5%
Δ Liabilities related to Financial Services & other and Banco CTT, net ⁹	-34.9	128.0	162.9	467.1%	181.8	96.6	-85.2	-46.9%
Δ Other ¹⁰	-10.2	-0.1	10.2	99.4%	-74.5	0.7	75.1	100.9%
Net change in cash	-46.4	136.6	183.0	394.3%	97.6	96.1	-1.5	-1.5%

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating **cash flow** in 1H21 resulted mainly from the positive performance of EBITDA, a level of investment equivalent to that of the previous year and an evolution of working capital (-€0.7m) strongly influenced by the lower impact that capex-related working capital had in this semester, as a consequence of the lower level of investment in 4Q20 compared to the same period of 2019.

⁹ 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.

¹⁰ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques / clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

Consolidated Balance Sheet

Consolidated Balance Sheet

	31.12.2020	30.06.2021	Δ	Δ%
				€ million
Non-current assets	1,984.3	1,834.3	-150.0	-7.6%
Current assets	910.6	1,262.3	351.7	38.6%
Assets	2,894.9	3,096.6	201.7	7.0%
Equity	150.3	148.8	-1.5	-1.0%
Liabilities	2,744.6	2,947.8	203.2	7.4%
Non-current liabilities	493.4	480.6	-12.8	-2.6%
Current liabilities	2,251.2	2,467.2	216.0	9.6%
Equity and consolidated liabilities	2,894.9	3,096.6	201.7	7.0%

The key aspects of the comparison between the **consolidated balance sheet** as of 30.06.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €201.7m, mostly due to the solid growth in Credit to banking clients (+€253.7m), especially mortgage loans and credit cards, Cash & cash equivalents (+€136.6m), following the strong increase in clients' deposits at Banco CTT, partially attenuated by the decrease in Investments in securities (-€206.4m) as a result of the disposal of securities portfolios.
- **Equity** decreased by €1.5m due to the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m. Conversely, the net profit attributable to the CTT Group equity holders in 1H21 is accounted for an amount of €17.2m, and there

was an increase in reserves as a result of the constitution of the reserve associated with the Share plan (€0.4m).

- **Liabilities** increased by €203.2m, underpinned by the increase in Banking clients' deposits and other loans (+€217.2m) and in Other current liabilities (+€16.0m), mostly as a consequence of the increased staff costs. Conversely, items such as Other accounts payable (-€34.3m) decreased, to a large extent following the reduction in the amounts of the subscriptions of Treasury Certificates.

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

Consolidated Balance Sheet with Banco CTT under equity method

	31.12.2020	30.06.2021	Δ	Δ%
				€ million
Non-current assets	638.8	657.2	18.4	2.9%
Current assets	484.0	454.1	-29.9	-6.2%
Assets	1,122.8	1,111.4	-11.5	-1.0%
Equity	150.3	148.8	-1.5	-1.0%
Liabilities	972.5	962.5	-10.0	-1.0%
Non-current liabilities	444.0	441.9	-2.1	-0.5%
Current liabilities	528.5	520.6	-7.9	-1.5%
Equity and consolidated liabilities	1,122.8	1,111.4	-11.5	-1.0%

The **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €279.9m in 1H21, -€3.1m compared to December 2020, as specified in the table below:

These liabilities related to employee benefits are associated with deferred tax assets amounting to €77.9m. Thus, the current amount of the liabilities related to employee benefits net of deferred tax assets associated thereto is €202.0m.

Liabilities related to employee benefits

	31.12.2020	30.06.2021	Δ	Δ%
	€ million			
Total liabilities	283.0	279.9	-3.1	-1.1%
Healthcare	271.2	269.3	-1.8	-0.7%
Healthcare (321 Crédito)	1.4	1.5	0.1	4.4%
Suspension agreements	2.8	1.7	-1.1	-38.9%
Other long-term employee benefits	6.9	6.8	-0.2	-2.3%
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	3.7%
Pension plan	0.3	0.3	0.0	-3.3%
Other benefits	0.2	0.1	-0.1	-62.8%
Deferred tax assets	-79.2	-77.9	1.3	1.7%
Current amount of after-tax liabilities	203.8	202.0	-1.8	-0.9%

Consolidated net debt

Consolidated net debt

	31.12.2020	30.06.2021	Δ	Δ%
	€ million			
Net debt	71.4	61.7	-9.8	-13.7%
ST & LT debt	206.9	205.7	-1.2	-0.6%
of which Finance leases (IFRS16)	115.2	115.9	0.7	0.6%
Adjusted cash (I+II)	135.4	144.0	8.6	6.3%
Cash & cash equivalents	518.2	654.7	136.6	26.4%
Cash & cash equivalents at the end of the period (I)	498.8	635.4	136.6	27.4%
Other cash items	19.4	19.3	-0.1	-0.3%
Other Financial Services liabilities, net (II)	-363.4	-491.5	-128.0	-35.2%

The key aspects of the comparison between the consolidated net debt as of 30.06.2021 and that as at 31.12.2020 are as follows:

- Adjusted cash increased by €8.6m as the positive performance of the operating cash flow (+€37.8m) more than offset the payment of employee benefits (-€6.6m), debt service (-€2.8m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and supplementary capital subscriptions at Dott-branded marketplace (-€0.8m).
- Short-term & long-term debt decreased by €1.2m mainly due to the reduction in short-term bank loans of CTT Expresso's branch in Spain (-€1.9m) offset by an increase in liabilities related to lease contracts in the scope of IFRS 16 (+€0.7m).

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

Consolidated net debt with Banco CTT under equity method

	31.12.2020	30.06.2021	Δ	Δ%
Net debt with Banco CTT under equity method	153.9	174.8	20.9	13.6%
ST & LT debt	204.7	203.8	-0.9	-0.4%
of which Finance leases (IFRS16)	113.0	114.0	1.0	0.9%
Adjusted cash (I+II)	50.8	29.0	-21.8	-42.9%
Cash & cash equivalents	286.4	214.4	-72.0	-25.1%
Cash & cash equivalents at the end of the period (I)	286.5	214.5	-72.0	-25.1%
Other cash items	0.0	0.0	0.0	-34.7%
Other Financial Services liabilities, net (II)	-235.7	-185.4	50.2	21.3%

2. OTHER HIGHLIGHTS

Outlook for the 2021 financial year

It is expected that the year 2021 will continue to be marked by the unfolding of the COVID-19 pandemic and the initiatives aimed at combating it carried out by the various governments and public health authorities. Thus, it is also expected that the economic framework will be marked by a context of high uncertainty, which will affect society in general and the Group's business, which could impact the estimates made so far. Management will continue to monitor its implications for the business, making the decisions that are timely and appropriate, and providing all necessary information to the various stakeholders.

In 2021, CTT expects to continue to deliver sustained growth, supported by the dynamism of Express & Parcels resulting from the steady growth of e-commerce, as well as the continued good performance of Banco CTT. In this context, CTT will continue to focus its investments on these areas in order to support its growth. In particular, CTT expects that: (1) the Express & Parcels and Banco CTT business units will continue to drive revenue growth, which will translate into higher profitability for the Company; (2) the continued acceleration of initiatives in the digital area will allow CTT to strengthen its competitive position as an e-commerce enabler.

Additionally, in a context where the measures to combat the COVID-19 pandemic are expected to have gradual success, CTT now forecasts reaching an EBIT above €60m in the 2021 financial year.

Given the recent progress on the unfolding of the process leading to the new concession contract, we reaffirm confidence that it will be formalized within the term of the current extension. This should improve CTT's ability to fulfil the universal service obligations under a more sustainable framework.

3. SUBSEQUENT EVENTS

On 16 June 2021, CTT, through its subsidiary CTT Soluções Empresariais, S.A., entered into an agreement for the acquisition of the total share capital of **NewSpring Services, S.A.** and its holding **HCCM – Outsourcing Investment, S.A.**, companies operating in the Business Process Outsourcing (BPO) and Contact Center market, for the amount of 7 million Euros (Enterprise Value) due at the closing of the transaction, with earnouts agreed, depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

This transaction is part of CTT's portfolio diversification strategy and the acceleration of growth in its business units, in particular the consolidation of the Business Solutions platform.

The acquisition is subject to a set of conditions precedent, including the non-opposition of the Portuguese Competition Authority (AdC), which occurred on 23 July 2021. On that date, the Board of Directors of AdC adopted a decision not to oppose this operation, considering that it is not likely to create significant barriers to effective competition in the identified relevant markets.

FINAL NOTE

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 1st half of 2021 with limited revision by an auditor registered with the Portuguese Securities Market Commission (CMVM).

Lisbon, 5 August 2021

The Board of Directors

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

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

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Forward-looking statements

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.

All forward-looking statements included herein involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the results of our operations, growth strategy and liquidity, and the wider environment (specifically, market developments, investment opportunities and regulatory conditions).

Although CTT believes that the assumptions beyond such forward-looking statements are reasonable when made, any third parties are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of CTT, what could cause the models, objectives, plans, estimates and / or projections to be materially reviewed and / or actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements (in particular, the objectives, estimates and projections as well as the corresponding assumptions) do neither represent a commitment regarding the models and plans to be implemented, nor are they guarantees of future performance, nor have they been reviewed by the auditors of CTT. You are cautioned not to place undue reliance on the forward-looking statements herein.

All forward-looking statements included herein speak only as at the date of this document. Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.