

Locky

03

CTT Business Units

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by ctt

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AGORA
O BOM
ESTÁ NO
SMART



3. CTT BUSINESS UNITS

3.1 Mail

GRI 2-6, GRI 201-1

In 2022, 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 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).

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 price change of the universal postal service²⁵ in 2022 was +5.84% y.o.y.

²⁵ Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

Mail volumes

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

Mail Volumes

	2021	2022	Δ	4Q21	4Q22	Δ
Transactional mail	415.7	391.5	-5.8%	102.2	92.6	-9.5%
Advertising mail	39.9	38.6	-3.4%	13.0	10.4	-20.6%
Editorial mail	29.0	27.6	-4.7%	7.5	7.2	-4.4%
Addressed mail	484.6	457.6	-5.6%	122.8	110.1	-10.3%
Unaddressed mail	449.9	424.6	-5.6%	116.7	109.7	-6.0%

Million items

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 flows 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.

Accessibility

GRI 2-6, 2-25, GRI 203-1, 203-2, GRI 413-2

As a Universal Postal Service provider, CTT's activity is of an intrinsically social nature. By definition, all residents in Portugal are potential customers, whether active or passive (receivers of letter mail).

With 65,971 customers per day being served at CTT post offices, and an average of 4,362 per access point, accessibility is one of the Company's hallmarks. The Company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion of the national territory.

At the end of 2022, the network of contact with the public consisted of 2,371 access points in operation, comprising 569 CTT post offices and 1,802 postal agencies, as well as 4,288 postman delivery rounds, ensuring the availability and accessibility of attendance and delivery services, establishing itself as a convenience and multi-service platform.

Supplementing this, the network also had 1,507 points of sale of stamps, 83 automatic stamp vending machines and 14 automatic vending machines of mail products. The network of letter boxes and mailboxes was composed of 10,735 items of equipment, located at 9,624 geographic points at a national level. Apart from these, there were also 5,271 Payshop agents.

The dimensioning of the postal network was determined by two critical factors: the capacity to generate business and the obligations to provide the aforesaid public service of universal character. This universal service implies that CTT is an operator committed to providing service throughout the entire country, in a permanent form, in the most far-flung and hidden corners, without exceptions and at the same price. This reality generates conflicting goals between the maintenance of the Company's economic sustainability and its social responsibility action towards the surrounding community, with the inherent costs. In this context and when necessary, CTT has established solutions with local partners, preferably Parish Councils, in this way keeping the relations of proximity and trust that CTT has upheld with the customers and population, and assuring the quality of service.

Any alteration and impact on the community of possible changes in the operating model are analysed internally, based on information collected on site by internal and external agents, so as to assure the satisfaction of the population. In this sense, another new post office was opened in 2022, in the Oeiras Parque Shopping Centre.

As established in the Concession Agreement, postal network density goals were defined for the three-year period 2018/2020, considering factors such as the distance to be travelled by customers in order to reach the closest access point, weighted by the urban or rural nature of the geographic areas, as well as the citizens' accessibility to the various mail services and the opening hours when they can use them. Full compliance with the objectives defined reinforces the Company's intention to maintain a network offering proximity and convenience to its customers and the population in general.

These objectives were maintained in 2021, due to the extension of the Concession Agreement that was to remain in force until 2020. In 2022, the same objectives apply, to which is added the requirement to maintain one post office per municipality and will be maintained until new ones are defined, under the procedure provided for in the new Concession Agreement, in force since 8 February 2022.

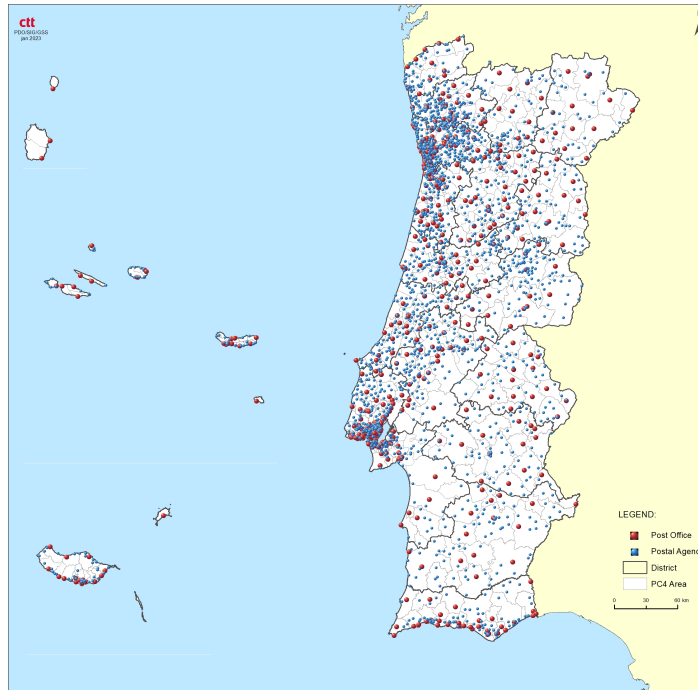
In European terms and based on the available data, which are shown in the table below, CTT continues to demonstrate a good level of penetration of the postal services, with a postal coverage above the EU average.

Density and postal coverage²⁶

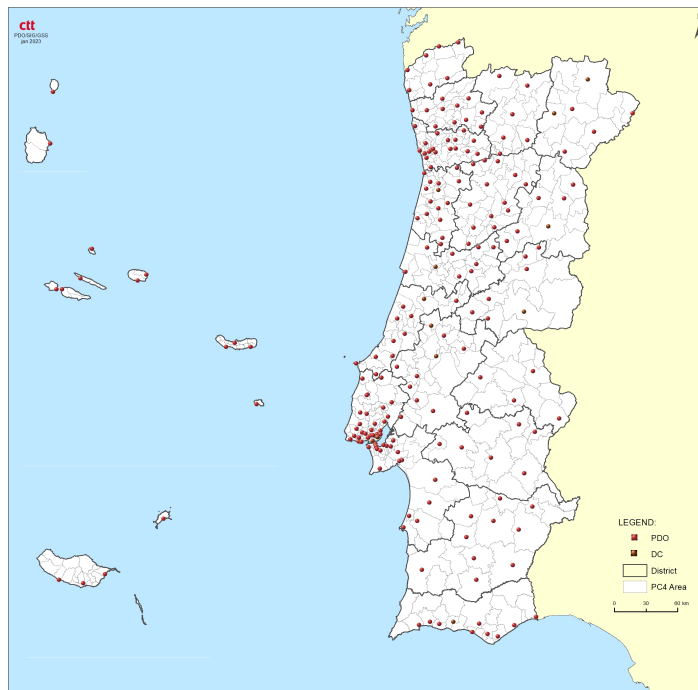
	Inhabitants per postal establishment					Km ² per postal establishment				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
EU average	4,989	5,030	4,967	5,081	n.d.	43	43	46	48	n.d.
Portugal	4,314	4,346	4,354	4,392	4,364	39	39	39	39	39

²⁶ Source: Universal Postal Union. Considering fixed postal establishments. European Averages data, not available in CTT Integrated Report 2021, were meanwhile disclosed. Portuguese data were slightly updated.

Retail network of post offices and postal agencies



Network of postal delivery offices



As a result of the auditing and inspection actions, 138 CTT post offices, 79 CTT access points and 63 postal distribution offices were audited, representing respectively 24%, 21% and 28% of the eligible universe. In the development of investigation actions, 25 were carried out for "Appropriation, temporary use of goods or cash from CTT or clients". For "Theft/tampering of postal items", 4 cases were investigated.

The Company continued to pursue modernisation and renovation work to improve accessibility by disabled people. The types of accesses which have been constructed include interior or exterior access ramps, lift platforms, removable ramps, ramping in public areas close to the entrance of the post office,

alteration of façades with door opening with side elevation, among others. Currently, around 95% of all the post offices currently have improved conditions of accessibility.

In 2022, the construction of access ramps for people with reduced mobility was not completed, and the contract works to create an access ramp in the CTT Picoas post office is dependent on authorisation from the Lisbon Municipal Council.

Supervision

As for CTT, the National Authority for Communications (ANACOM) is responsible for the regulation and supervision of the postal sector. CTT's activity, as a provider of the universal postal service, is subject to two types of audits on an annual basis.

- Audit of the annual values of quality of service indicators and of CTT's complaints and information requests system, to verify the reliability of results and adequacy of methodologies for determining service quality levels, as well as the complaints management system and requests for information. Following the audits for the years 2016 and 2017, concluded in 2018, ANACOM defined adjustments in the scope of the measurement system for the quality of service indicators, implemented on 1 July 2019. The results of the audit process relative to 2018, 2019 and 2020 are awaited.
- Audit of CTT's cost accounting system, to check the conformity of the system and the obtained results, as well as compliance with national and international rules, standards and good practices. The statement issued by ANACOM on 25 October 2022, on the audit to the results of the analytical accounting system for 2019, indicates that the results were produced in accordance with the applicable legal and regulatory provisions.

Eco portfolio

GRI 2-29, GRI 302-5, 305-5, 306-2

CTT has found that its customers progressively and consistently use more mail products that incorporate environmental protection features, demonstrating the customers' growing awareness of these arguments. Since their launch in 2010, the total sales of the range of CTT eco products represent a revenue of approximately €154m, to a large extent driven by the visibility of their environmental and carbon attributes.

Among last year's results, the eco range of Green Mail recorded close to 7.9 million items sold, corresponding to a slight 3% decline in relation to the previous year and representing a stabilisation of the market.

This fully ecological offer is committed to convenience combined with environmental protection, with the respective footprint in terms of direct emissions being compensated annually, without additional costs for customers. On average, 51 grams of CO₂ are emitted for each "green mail" item delivered by CTT, arising from the Company's direct activity.

The projects to offset unavoidable direct emissions are selected by the public through CTT's website, and involve support for initiatives that promote positive impacts in terms of the protection of biodiversity and the development of the local communities where they are located. The projects with the most votes from the public in 2022 were the national project "Conservation of river organisms", to preserve some of the most endangered freshwater fish species in our country, promote actions to reproduce these species and conservation measures of their habitat to then return them to the natural environment, and the project "Reforestation in Amazonia" in Brazil, which promotes forest protection and prevention of unplanned and illegal deforestation of native Amazonian forest, promoting sustainable forest management.

The range of eco direct marketing services provides a distinctive symbol for the campaigns which stand out positively due to their environmental performance, through compliance with various ecological criteria. This measure sought to project the use of the mail channel with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate end-of-life cycle management. In 2022, the eco range maintained its relative weight (42%) in the domestic volume of Direct Mail, involving around 16.4 million items.

Philately

GRI 2-6

During 2022, CTT's Philately issued 23 stamp issues of the Republic, 29 Postal Stationery, 3 thematic books and 2 annual stamp books.

During the year, there was a reduction in impulse buying in CTT post offices and a decrease in the number of stamp collectors, and therefore the limitations to potential revenues were maintained due to these constraints. Revenues accumulated during the period amounted to €4.5m, a negative evolution of 15.8% compared to the previous year.

From 1962 to 2022, CTT – Correios de Portugal was awarded 41 major philatelic design awards, to which must be added another 10 prizes for the graphic quality and contents of our books. With 51 of these distinctions granted, mostly by independent international juries, CTT's Philately is considered the most award-winning in Europe and one of the most awarded in the world. In 2022, it once again stood out for its innovation and art with the launch of the stamp issue "20 Years of the Euro" printed using four different printing techniques.

Commemorative philatelic issues of 2022	
<ul style="list-style-type: none"> • Portuguese Faces at the UN • Portuguese Numismatics (3rd group) • 100 Years of the First South Atlantic Air Crossing • Figures from Portuguese History and Culture • 175 Years of the Grémio Literário • 250th Anniversary of the Pombaline Reform of the University of Coimbra • Europa – Stories and Myths • Blessed Charles – Emperor of Austria I Madeira • The Romeiros of São Miguel, Azores – 500 Years since the Earthquake in Vila Franca do Campo • Antique Cities of the Mediterranean – EuroMed • 200 Years of Brazilian Independence – Joint issue Brazil-Portugal • End of the First Circumnavigation Voyage 1519-1522: 500 Years • 20 Years of the Euro • The First Portuguese Constitution of 1822: 200 Years • Solidarity with the Ukrainian People • The Importance of Vaccination • Supervisory Authority for Insurance and Pension Funds (ASF) - 40 Years • Archbishops of Braga (5th group) 	National and International Events
<ul style="list-style-type: none"> • Hunting in Portugal (2nd group) • The Seahorses from Ria Formosa • Epic Fishing Campaigns 	Environment and Sustainability
<ul style="list-style-type: none"> • Numismatics Self-adhesive stamps (3rd group) 	Self-adhesive

Special stamp issue

- Fantastic Beasts

Book editions

- Catalogue 200 CTT Editions: 1983-2021
- Family Life at the Table 1914-1945
- Epic Fishing Campaigns
- Hunting in Portugal - Sustainability and Gastronomy
- My Stamp Album 2022
- Portugal in Stamps 2022

More information on the plan of philatelic issues of CTT at:

<https://www.ctt.pt/particulares/filatelia/plano-emissoes/>

3.2 Express & Parcels

GRI 2-6, GRI 201-1

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 margin²⁷ 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

²⁷ Revenues less direct operating costs (excluding overheads, essentially buildings and fleet).

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.

Eco portfolio

GRI 2-29, GRI 302-5, 305-5, 306-2

In 2022, CTT launched a new offer, the Ciclo CTT service, in partnership with Loop and FNAC, that allows retailers to set up and test a circular economy operation. The objective is to promote the sale of reconditioned products from its customers, thus contributing to reducing the carbon footprint and promoting the reuse of items while maintaining their value and usefulness.

Already in 2021, CTT developed the Eco Reusable Packaging, for parcel delivery with an expected resilience capacity of up to 50 shipments, allowing the reduction of waste associated to single-use packaging solutions. By returning the packaging, buyers are contributing to more sustainable distribution.

The Green Deliveries offer also aroused the curiosity of CTT customers in 2021. This offer is available for business customers and enables all deliveries in the contracted places, currently in Lisbon and Porto, to be made exclusively with electric vehicles. This service fosters an improvement in the quality of the air in urban centres, as these vehicles do not imply emissions of pollutant particles. Since its launch in mid-2020, over 180 thousand items have been delivered, representing a revenue of approximately €250k.

It should be noted that CTT also acquires 100% of the electricity it consumes through renewable sources, which positively affects the carbon footprint associated with this offer.

In 2022, CTT acquired carbon credits, financing two projects. One of these projects is national, on "Wildlife recovery", and seeks to restore the wildlife biodiversity of Portuguese forests and make them more resilient to the effects of the climate change forecast for our country. The other one, in Brazil, promotes the prevention of unplanned and illegal deforestation of the native forest in an area inside the Amazon Biome and supporting the local community in the management of its forestry resources.

In Spain, the Spanish branch of CTT Expresso – Serviços Postais e Logística, S.A. (better known as CTT Express) launched new packaging formats that incorporate recycled plastic and are recyclable. This packaging possesses the Blue Angel stamp, a German certification that testifies to the endorsement of good ecological practices applied to the manufacture and functioning of a product or service.

3.3 Banco CTT

GRI 2-6

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 recorded 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).

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.

Eco portfolio

GRI 2-29, GRI 301-3, 306-2

In 2022, Banco CTT's commitment to sustainability was reinforced with the launch of the Sustainable Mortgage Loans, thus continuing to expand the offer of sustainable financial products. Through a campaign that favours the purchase of energy-efficient houses with special conditions in the mortgage, the goal is to save nature while reducing the instalments and the house's energy bill.

The offer of savings and investment solutions also includes the Banco CTT Sustainable Investment product, in partnership with Zurich insurance company. This is an insurance product linked to an investment fund for companies and institutions that carry out their activity by incorporating sustainable development principles and goals in line with the United Nations 2030 Agenda.

Furthermore, Banco CTT's adhesion as a pioneer member of the *Movimento Merece* (Merits Movement) reaped its first fruits, with the recycling of approximately 31 thousand bank cards, equivalent to 190 kg of plastic. According to the dynamics of the project, the planting of 600 trees was guaranteed, which is equivalent to an estimated saving of 15 tons of CO₂.

The association with the Eco-Schools Programme of the European Blue Flag Association was also maintained to support the BIO Vegetable Gardens project, contributing to the creation of vegetable gardens at 14 national schools. The objective is that these vegetable gardens should be used to create awareness and educate the school and local communities on the topic of sustainability, in particular by encouraging the students to create and maintain school vegetable gardens, cultivated in a biological manner, deepening knowledge related to biological agricultural practices and healthy and sustainable eating habits.

Also noteworthy is the renewal of Banco CTT's participation in the *Movimento Merece*, which promotes the collection and valuation of expired bank card waste, also converting this collection into a considerable number of trees planted, in partnership with Quercus.

3.4 Financial Services

GRI 2-6, GRI 201-1

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.

3.5 Future Perspectives

GRI 2-6, GRI 203-1

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 characterized 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 the 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%**.

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.