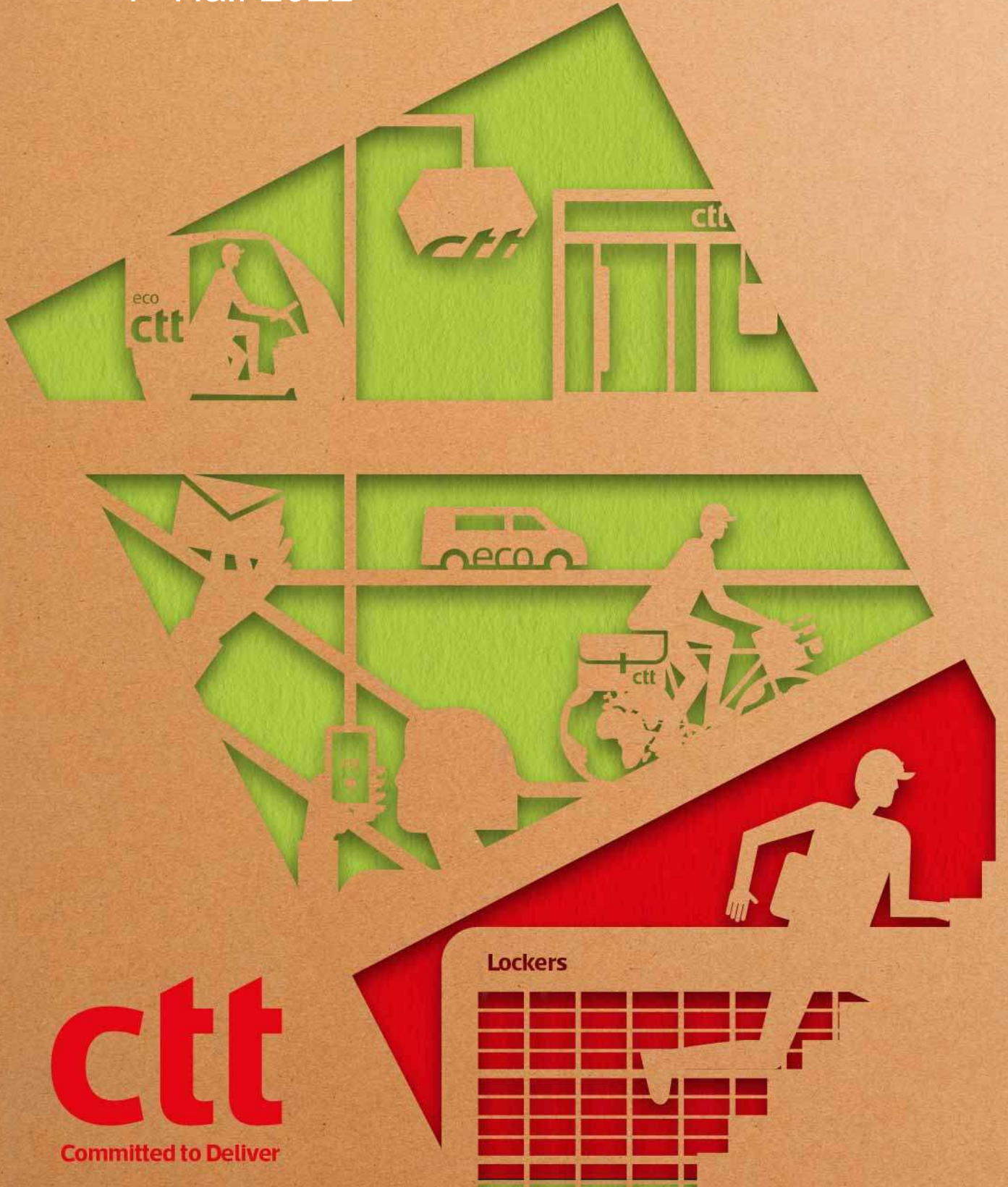


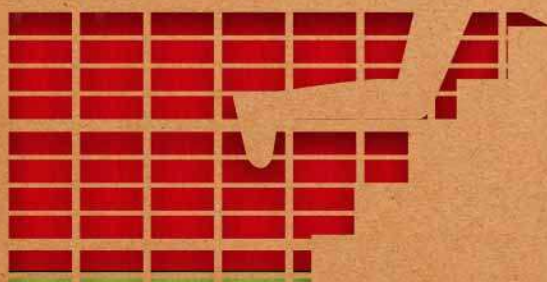
Consolidated Results

1st Half 2022



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Lockers



CTT – CORREIOS DE PORTUGAL, S.A.

1ST HALF 2022 CONSOLIDATED RESULTS

- **Revenues¹** grew by 8.2% to €446.4m in 1H22, an increase of €33.6m compared to 1H21 that reflects the performance of the Mail & Other business unit (+€24.0m; +11.0% y.o.y), Banco CTT's growth (+€12.3m; +26.8% y.o.y) and Financial Services & Retail (+€0.5m; +2.2% y.o.y). Revenues of the Express & Parcels business unit declined (-€3.1m; -2.5% y.o.y).
- **Mail & Other** was positively influenced by the consolidation of NewSpring Services (+€11.9m), the record of the revenues associated to a laptop sale project started in 4Q21 (+€21.5m) and penalized by the sharp decrease in revenues from international inbound mail (-€10.8m) which continues to be impacted by the end of the VAT exemption on lower-value extra-EU products (*de minimis*).
- **Banco CTT** maintained its growth path in 1H22, with its recurring EBIT having more than doubled in the period to €5.5m (+128.9% y.o.y). The growth of the auto loan portfolio was a key contributor to this performance, as its production reached the highest level ever in 2Q22 (€65.2m) totaling €125.5m (+37.3% y.o.y) in 1H22. The same happened with the consumer credit portfolio, driven by the partnership with Sonae.
- The **Express & Parcels** business unit in Portugal posted a decrease (-€5.6m; -8.4% y.o.y) to €61.5m, albeit it should be highlighted that in 2Q22 there was a growth of 1.9% y.o.y, which is a recovery when compared with the trend observed in 1Q22. In Spain there was a slowdown in its growth profile (+€2.3m; +4.0% y.o.y) to €59.5m. Moreover, on another note, it should be highlighted that the E&P segment registered a favorable evolution of its operational profitability, with EBITDA in both geographies registering a growth in the quarter.
- **Recurring EBIT** reached €18.6m in 1H22, a decrease of €10.1m (-35.0% y.o.y) versus 1H21 as a result of the decline in Mail & Other (-€11.3m), due to the decline in higher-value and higher-margin mail volumes. However, it should be noted that the recurring EBIT reached €12.0m in 2Q22 (-12.2% y.o.y), reflecting the expected improvement in the trend in 2Q22. In effect, the recurring EBIT registered in 2Q22 stood in at the middle of the range that was guided in the Capital Markets Day held in the past June.
- **Operating cash flow** stood at €19.0m in 1H22, down €18.9m (-49.8% y.o.y).
- **Net profit⁴** reached €14.5m, a decrease of €2.6m (-15.3% y.o.y).

Consolidated results

	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
Revenues¹	412.8	446.4	33.6	8.2%	207.5	211.7	4.2	2.0%
Mail & Other	217.6	241.6	24.0	11.0%	109.0	108.1	-0.8	-0.8%
Express & Parcels	125.8	122.7	-3.1	-2.5%	62.4	61.3	-1.1	-1.7%
Banco CTT	45.7	57.9	12.3	26.8%	24.5	29.9	5.4	22.0%
Financial Services & Retail	23.7	24.2	0.5	2.2%	11.6	12.3	0.7	6.3%
Operating costs (EBITDA)²	355.5	396.0	40.5	11.4%	179.2	183.3	4.1	2.3%
EBITDA³	57.3	50.4	-6.9	-12.0%	28.3	28.4	0.1	0.5%
Depreciation & amortization	28.6	31.8	3.2	11.1%	14.6	16.4	1.8	12.4%
Recurring EBIT	28.7	18.6	-10.1	-35.0%	13.6	12.0	-1.7	-12.2%
Specific items	-2.3	-2.1	0.2	10.6%	-1.5	0.6	2.1	142.9%
EBIT	31.0	20.7	-10.3	-33.2%	15.1	11.3	-3.8	-24.9%
Financial results (+/-)	-5.4	-4.7	0.7	13.1%	-2.7	-2.5	0.2	7.2%
Income tax for the period	8.4	1.5	-6.9	-82.2%	3.9	-0.3	-4.2	-108.4%
Non-controlling interests	0.1	0.0	-0.1	-78.5%	0.0	0.0	-0.0	-125.6%
Net profit for the period⁴	17.2	14.5	-2.6	-15.3%	8.5	9.2	0.7	7.9%

¹ Excluding specific items.

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

³ Excluding depreciation & amortization and specific items.

⁴ Attributable to equity holders.

1. Operational and Financial Performance

It should be noted that 1H22 was negatively marked by several factors, such as the international economic environment associated with the Russia/Ukraine military conflict, causing constraints in the global supply chain of goods, and the long-term effects of the COVID-19 pandemic.

Consolidated Revenues

CTT revenues grew by 8.2% in 1H22 to €446.4m, up by €33.6m compared to 1H21, reflecting the performances of the Mail & Other business unit (+€24.0m; +11.0% y.o.y), Banco CTT's growth (+€12.3m; +26.8% y.o.y) and Financial Services & Retail (+€0.5m; +2.2% y.o.y). Revenues of the Express & Parcels business unit declined (-€3.1m; -2.5% y.o.y).

Mail

Mail & Other revenues amounted to €241.6m in 1H22, which corresponded to a year-on-year growth of €24.0m (+11.0% y.o.y).

The growth registered in this business unit was catalyzed by the **business solutions** segment (+€34.6m) reflecting the integration of NewSpring Services in CTT's Business Solutions base offer in September 2021 (+€11.9m) and the €22.7m growth of the business solutions base largely explained by the revenue related to a laptop sale project started in the last quarter of 2021 (+€21.5m).

In 1H22, mail service revenues registered a variation of -5.0% (-€10.4m) compared with 1H21, penalized by the strong decrease in the revenues of **international inbound mail** (-€10.8m; -53.5%).

It should be noted that in 1H22 addressed mail volumes, excluding international inbound mail, declined only by 2.2% in comparison with 1H21, which had never occurred in the last 5 years. The associated revenues grew by 1.0%. This situation resulted from the good performance of the business channel, which mitigated the decline in activity in the retail channel due to the reduced demand for e-commerce small packets, which resulted in pressure on the average price due to the mix effect between the business channel and the retail channel, with a higher unit value.

The growth in the revenues of **registered mail** (+€4.0m; +6.6% y.o.y), **priority mail** (+€0.2m; +5.8% y.o.y) and **international outbound mail** (+€2.9m; +14.7% y.o.y) should be highlighted, although without the additional revenue in the month of February due to the rerun of the legislative elections in the European constituency, they would have slightly decreased by €0.6m (-3.2%).

The remaining business lines posted decreases: **ordinary mail** (-€3.9m; -5.3% y.o.y), **green mail** (-€1.0m; -19.8% y.o.y), **editorial mail** (-€0.4m; -6.6% y.o.y), **advertising mail** (-€0.3m; -3.7% y.o.y), **parcels** (-€0.4m; -11.1% y.o.y), **philately** (-€0.3m; -10.3% y.o.y) and **other mail products and services** (-€0.1m; -8.7% y.o.y).

Business solutions recorded revenues of €41.8m (+€34.6m) due to the consolidation of NewSpring Services (+€11.9m) and the revenues related to the laptop sales project (+€21.5m) in 1Q22. Excluding these effects, the revenues have grown by 17.4% y.o.y, as a result of the continued focus on diversifying the offer and strengthening existing skills.

Also noteworthy within the business solutions segment are: (1) the growth of the document management business, with the attraction of new clients, namely utilities, banking and services and new municipalities for the solution of management of administrative offences; (2) the launch at the end of May of a new version of the e-Carta hybrid mail product, which allows small and medium-sized enterprises to digitalise their mail dispatch processes; and (3) the reinforcement of the IT equipment offer and the launch of a new stationery catalogue, consolidating CTT's strategy of becoming the partner of reference, in a "one-stop-shop" logic, for national companies.

On 7 March, the new 2022 prices for postal services provided in the scope of the universal service came into force, set out in accordance with Law 17/2012, of 26 April, as amended by Decree-Law 22-A/2022, of 7 February (Postal Law).

In 1H22, the average variation in prices of the universal postal service⁵ was 4.93% y.o.y.

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

Mail volumes

In 1H22, **addressed mail** volumes posted a decline of 3.9% compared to 1H21.

Mail volumes

	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
Transactional mail	216.0	206.6	-9.4	-4.3%	108.9	102.1	-6.8	-6.3%
Advertising mail	19.1	19.5	0.5	2.4%	9.0	11.2	2.2	23.9%
Editorial mail	14.7	13.9	-0.9	-5.9%	7.5	7.0	-0.5	-7.1%
Addressed mail	249.8	240.0	-9.8	-3.9%	125.4	120.2	-5.2	-4.1%
Unaddressed mail	222.1	208.1	-14.0	-6.3%	130.1	98.2	-31.9	-24.5%

Transactional mail volumes declined by 4.3% y.o.y, due to more marked declines in **international inbound mail** (-36.3% y.o.y). This downward trend has been observed since 2H21 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 containing goods, which resulted in an increase in customs transit times.

In the opposite direction, **registered mail** grew (+8.7% y.o.y), driven by the dynamics of contractual customers, especially the government and services sector, as did **international outbound mail** (+7.7% y.o.y), impacted by the effect of the rerun of the elections in the European constituency. Excluding this effect, there would have been a decrease of 4.4% y.o.y.

In 1H22, **addressed advertising mail** volumes increased by 2.4% and **unaddressed advertising mail** decreased by 6.3%.

A new CTT Ads Creativity solution was launched, in partnership with the Milford agency, for the strategic and creative development of communication campaigns. The "CTT Ads Success Stories" campaign continued, with the aim of boosting the advertising offer among clients with online businesses, to promote trial of advertising solutions.

Express & Parcels

Express & Parcels **revenues** amounted to €122.7m in 1H22, a year-on-year decrease of €3.1m (-2.5%).

It should be noted that 1Q22 was impacted by a difficult year-on-year comparison, as 1Q21 was a quarter affected by the effect of the restrictions associated with the COVID-19 pandemic, particularly the second lockdown, which strongly boosted the e-commerce activity.

In **Portugal** in 2Q22, the CEP activity resumed the path of growth in volumes per working day by 3.5%, supported essentially by e-commerce (B2C) customers, with a particular focus on large global marketplaces.

In 1H22, the **logistics** product line, which is a pillar of the development of vertical integration with the CEP business, continued its double-digit growth (+19.4% y.o.y), based on attracting new customers, which in 1Q22 enabled the complete logistical operation of the supply of computers and peripherals to Portuguese schools to be carried out.

Revenues of the **cargo** product line amounted to €2.6m in 1H22, decreasing by 44.9% compared to 1H21, a reduction related to the change in the operating strategy, which aimed to find a solution to position this product line at positive margin levels.

The **banking** documents delivery product line closed the semester with revenues of €2.1m (-9.1% y.o.y) and remained under pressure in a context of continued reduction of the capillarity of banking networks, as well as of lower collection/delivery frequency.

CTT continued to roll out its **24-hour Locker** strategy to both the general public and private premises (both residential and corporate), as well as Click&Collect. These allow 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 June 2022, CTT's parcel locker network comprised 350 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.

In late 2021, CTT entered into a partnership with YunExpress, of the Zongteng Group, and created the Open Lockers joint venture to manage and develop the 24-hour Lockers business in the Iberian Peninsula, aimed at deploying a wide locker network in Portugal by the end of 2022.

Revenues in Spain stood at €59.5m in 1H22, corresponding to 4.0% above 1H21 and a 32.7% growth of the contribution margin⁶, anchored on an increase in the average price, which was higher than the evolution of unit costs, allowing this quarter to present again a positive recurring EBIT⁷. The implementation of a new commercial model and expansion of the offer will allow for the consolidation of the growth trajectory in the second half of 2022.

The Company maintains its strategy of investing in technology and innovation, as well as the start-up of new own delivery offices during this year that will allow the Company to move forward in its commitment to Iberian growth.

Revenues in Mozambique in 1H22 stood at €1.7m, 13.0% above 1H21. The growth achieved was supported by the partnership with a freight forwarder in Africa.

Banco CTT

Banco CTT **revenues** reached €57.9m in 1H22, an increase of €12.3m (+26.8% y.o.y).

Revenue growth was due to the positive performance of **net interest income**, which totaled €34.4m in 1H22, €8.7m above 1H21 (+33.7% y.o.y).

The **Cartão Universo** consumer credit portfolio generated revenues of €10.3m in 1H22, with a net balance sheet volume of €324.1m as at June 2022, a growth of €32.0m (+11.0%) compared to December 2021.

Interest from **consumer credit** amounted to €21.5m in 1H22, growing by €3.4m (+18.8% y.o.y) and **auto loans** reached a loan portfolio net of impairments of €698.8m (+7.7% vs. December 2021). Auto loans production stood at €125.5m in 1H22 (+37.3% y.o.y).

Interest from **mortgage loans** recorded a year-on-year increase of 11.9%, with a €629.3m mortgage loan portfolio net of impairments (+5.8% vs. December 2021). Mortgage loan production amounted to €72.0m, a year-on-year growth of €2.7m (+3.9% y.o.y).

Commissions received in this business unit reached €21.6m, up €3.5m vis-à-vis 1H21 (+19.1% y.o.y). Worthy of note are the positive contributions of (i) commissions received regarding **accounts and cards**, which amounted to €5.8m (+€0.9m; +19.2% y.o.y), (ii) **savings products** (off-balance sheet), which totaled €2.3m (+€0.7m; +42.1% y.o.y) as a result of a net volume off-balance sheet of €840.5m, 18.6% above December 2021, (iii) **consumer credit** (off-balance sheet) amounting to €1.4m (+€0.5m; +64.6% y.o.y), and (iv) **payments**, which totaled €8.8m (+€0.7m; +9.0% y.o.y).

Banco CTT's good commercial performance continued to allow for growth in **customer deposits** to €2,259.6m (+6.4% vs. December 2021) and in the **number of accounts** to 581k (8k more than in December 2021).

The **loan-to-deposit ratio** reached 73.4% as at the end of June 2022.

Financial Services & Retail

Financial Services & Retail **revenues** amounted to €24.2m in 1H22, representing a year-on-year increase of €0.5m (+2.2% y.o.y).

There was a positive evolution in revenues in 2Q22, with a growth of €0.7m (+6.3% y.o.y) compared to 2Q21, as in 1Q22 these had fallen (-€0.2m; -1.7% y.o.y) compared to 1Q21.

⁶ Revenues less direct operating costs (excludes overheads, essentially buildings and fleet).

⁷ Individual accounts.

Financial services (excluding other revenues) obtained revenues of €15.4m, a decrease of €0.8m (-4.7% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) sustained growth, as this product attracted savings in the amount of €2,154.1m, with an average of €17.4m/day (€18.9m/day in 1H21) despite the instability in the international context, the increase in the inflation rate and the 6.4% reduction in the maturity of the certificates affecting the amounts that could be recaptured. The projection for the month of July points to an increase of this kind of saving product, whose rate of return (indexed to the 3-month EURIBOR) has been rising since the beginning of the year.
- **Non-banking financial products** in the area of property and casualty insurance and health plan were reinforced, as they tend to gain weight in CTT's financial retail. In 2H22, placements amounted to €46.0m.
- **Money orders** revenues reached €3.0m in 1H22, up by 5.4% relative to 1H21. The additional issues of other social benefits, created under the current macroeconomic framework, have contributed to mitigate the structural decline associated with the substitution of this means of payment.
- **CTT payment services** posted revenues of €0.8m in 1H22, declining by €0.1m (-7.6% y.o.y). It should be noted that the beginning of the year 2021 benefited from the referral of tax payments to the CTT retail network, as a result of the pandemic contingency measures.

Retail products and services (excluding other revenues) reached revenues of €8.4m in 1H22, an increase of €0.9m (+11.9% y.o.y), driven by the distribution of social gambling (+20.7%). Sales in this business line have been boosted, focusing on good commercial practices, namely with regard to the factors of exposure and commercial approach in customer service.

CTT has been reinforcing its positioning in the retail segment through a more robust, more regular and more comprehensive offer in the Retail network and CTT outlets, promoting recurrent and impulse buying, and boosting the sale of specific products, particularly convenience technology.

Operating costs

Operating costs totaled €425.7m, a year-on-year growth of €43.9m (+11.5% y.o.y).

Operating costs								
	€ million							
	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
Staff costs	177.3	178.5	1.2	0.7%	88.1	86.7	-1.4	-1.6%
ES&S	154.6	165.4	10.8	7.0%	78.9	80.1	1.1	1.5%
Impairments & provisions	5.8	13.2	7.4	127.8%	3.4	7.4	4.0	117.9%
Other costs	17.8	38.9	21.1	118.5%	8.8	9.0	0.3	3.1%
Operating costs (EBITDA)⁸	355.5	396.0	40.5	11.4%	179.2	183.3	4.1	2.3%
Depreciation & amortization	28.6	31.8	3.2	11.1%	14.6	16.4	1.8	12.4%
Specific items	-2.3	-2.1	0.2	10.6%	-1.5	0.6	2.1	142.9%
Corporate restructuring costs and strategic projects	9.4	3.6	-5.8	-61.7%	8.9	2.9	-5.9	-66.7%
Other non-recurring revenues and costs	-11.7	-5.7	6.1	51.6%	-10.3	-2.3	8.0	77.6%
Operating costs	381.8	425.7	43.9	11.5%	192.3	200.3	8.0	4.2%

Staff costs increased by €1.2m (+0.7% y.o.y) in 1H22, essentially in the Mail & Other business unit (+€1.9m y.o.y), due to the acquisition of NewSpring Services (+€6.4m), and in Banco CTT (+€0.3m y.o.y) due to increased commercial activity and team reinforcement in the wake of the partnership with Sonae Financial Services. This growth was partly offset by the remaining business units (-€1.0m y.o.y). Excluding the change in the consolidation perimeter, these costs would have declined by €5.2m, as a result of the measures taken to increase productivity and the focus on operating efficiency.

⁸ From 2021 onwards, operating costs (EBITDA) include impairments and provisions as well as the impact of the leases covered by IFRS 16 and presented pursuant to this standard.

External supplies & services costs increased by €10.8m (+7.0% y.o.y), both due to the inorganic effect of the acquisition of NewSpring Services (+€3.9m y.o.y), and to business growth, with emphasis on: direct costs, impacted by the effect of legislative elections (+€3.3m), and the growth in business solutions (+€0.6m y.o.y), temporary work (+€1.5m y.o.y), as well as physical and technological resources (+€1.5m y.o.y).

Impairments and provisions increased by €7.4m in 1H22 (+127.8% y.o.y), as a result of the growth in the auto loan portfolio and the Universo credit card.

Other costs grew by €21.1m (+118.5% 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 referred to above).

Depreciation & amortization increased by €3.2m (+11.1% y.o.y), as a result of investment carried out in IT systems (+€1.5m y.o.y) and postal equipment (+€0.3m y.o.y) partially offset by new building and vehicle lease contracts which impacted amortization (+€1.3m y.o.y), due to the IFRS 16 accounting standard.

Specific items amounted to -€2.1m, due to: (i) other non-recurring revenues and costs (-€5.7m y.o.y), which include gross gains and losses arising from the valuation of contracted derivatives (-€5.0m y.o.y); (iii) restructuring costs (+€2.4m y.o.y), including suspension agreements of employment contracts; and (iv) strategic projects (+€1.2m y.o.y).

The valuation of the derivative structure in the amount of €5.0m, as mentioned above, is the result of the MTM (Mark to Market) of the interest rate derivative in the form of a Cap Agreement and Interest Rate Swap, associated with the Ulisses 2 and 3 securitization operations.

Staff

As at 30 June 2022, the CTT **headcount** (permanent and fixed-term staff) consisted of 12,803, an increase of 542 (+4.4%) compared to 30 June 2021. These figures incorporate the inorganic effect of NewSpring Services which had an impact of +846 employees. Excluding this effect, the number of staff would be 11,957, corresponding to a decrease of 302 (-2.5% y.o.y) compared to 30 June 2021.

Headcount

	30.06.2021	30.06.2022	Δ	Δ%
Mail & Other	10,412	10,993	581	5.6%
Express & Parcels	1,361	1,299	-62	-4.6%
Banco CTT	453	480	27	6.0%
Financial Services & Retail	35	31	-4	-11.4%
Total, of which:	12,261	12,803	542	4.4%
Permanent	10,867	11,315	448	4.1%
Fixed-term contracts	1,394	1,488	94	6.7%
Portugal	11,607	12,122	515	4.4%
Other geographies	654	681	27	4.1%

Excluding the inorganic effect, there was a decrease in the number of staff in almost all business units, especially in Mail & Other (-279) where projects to increase the productivity of operations have been underway, which have adapted the network to the new profile of the mail flows and reduced the need for additional hiring, as well as the HR optimization program underway mainly in the central structure.

Together, the areas of operations and distribution within the mail network (5,534 employees, of whom 4,190 are delivery postmen and women) and the retail network (2,312 employees) represented circa 69.3% of CTT's permanent staff. Excluding the integration of NewSpring Services, this staff would represent 71.7%.

Recurring EBIT

Recurring EBIT stood at €18.6m in 1H22, decreasing by €10.1m (-35.0% y.o.y), with a margin of 4.2% (7.0% in 1H21).

This performance was due to the decline in EBIT in the various business units, except Banco CTT (+€3.1m; +128.9% y.o.y), with greater expression in Mail & Other (-€11.3m; -118.1% y.o.y) due to the decline in higher-value and higher-margin mail volumes.

However, it should be noted that the recurring EBIT reached €12.0m in 2Q22 (-€1.7m; -12.2% y.o.y), reflecting the expected improvement in the trend in 2Q22. In effect, the recurring EBIT registered in 2Q22 stood in at the middle of the range that was guided in the Capital Markets Day held in the past June.

The growth in Financial Services & Retail revenues in 2Q22 was accompanied by a significant improvement in recurring EBIT in that period, corresponding to +17.2% compared to 2Q21, and to a recovery regarding 1Q22 (-15.3% y.o.y).

Recurring EBIT by business unit

	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
	€ million							
Recurring EBIT by Business Unit	28.7	18.6	-10.1	-35.0%	13.6	12.0	-1.7	-12.2%
Mail & Other	9.6	- 1.7	-11.3	-118.1%	4.7	1.6	-3.1	-66.6%
Express & Parcels	5.4	3.7	-1.7	-31.7%	2.9	2.4	-0.5	-18.1%
Banco CTT	2.4	5.5	3.1	128.9%	1.0	2.1	1.1	109.6%
Financial Services & Retail	11.3	11.2	-0.1	-0.6%	5.1	6.0	0.9	17.2%

Financial Results and Net Profit

Consolidated financial results amounted to -€4.7m, an improvement of €0.7m (+13.1% y.o.y).

Financial Results

	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
	€ million							
Financial results	-5.4	-4.7	0.7	13.1%	-2.7	-2.5	0.2	7.2%
Financial income, net	-4.2	-4.6	-0.3	-7.1%	-2.1	-2.5	-0.4	-16.8%
Financial costs and losses	-4.3	-4.6	-0.3	-6.8%	-2.1	-2.4	-0.2	-11.1%
Financial income	0.0	0.0	-0.0	-51.8%	0.0	-0.1	-0.1	«
Gains/losses in subsidiaries, associated companies and joint ventures	-1.1	-0.1	1.0	90.9%	-0.6	-0.1	0.5	90.1%

Financial costs and losses incurred amounted to €4.6m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €2.0m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €1.6m and interest expense on bank loans for an amount of €0.8m.

In 1H22, CTT obtained a **consolidated net profit** attributable to equity holders of €14.5m, which is €2.6m below 1H21, negatively impacted by the evolution of EBIT (-€10.3m y.o.y) and positively by financial results (+€0.7m y.o.y) and by the corporate income tax for the period (-€6.9m y.o.y).

Investment

Capex stood at €12.0m in 1H22, up 2.0% (+€0.2m y.o.y) compared to 1H21.

Although the same level of investment was achieved in this semester, the Company increased its investment in IT systems to support the Bank's business (+€0.6m y.o.y) and in the implementation of a physical-digital omnichannel strategy for the private customers segment (+€1.0m y.o.y). On the other hand, there was a decrease in other areas (-€1.3m y.o.y).

Cash flow

In 1H22, the Company generated an operating **cash flow** of €19.0m, a year-on-year decrease of €18.9m (-49.8%).

Cash flow

	1H21	1H22	Δ	Δ%	2Q21	2Q22	Δ	Δ%
	€ million							
EBITDA	57.3	50.4	-6.9	-12.0%	28.3	28.4	0.1	0.5%
Non-cash items*	-9.3	-3.4	6.0	63.9%	-4.3	-1.1	3.2	74.0%
Specific items**	2.3	2.1	-0.2	-10.6%	1.5	-0.6	-2.1	-142.9%
Capex	-11.7	-12.0	-0.2	-2.0%	-5.9	-6.1	-0.2	-3.3%
Δ Working capital	-0.7	-18.2	-17.5	«	5.4	-12.0	-17.4	«
Operating cash flow	37.8	19.0	-18.9	-49.8%	25.0	8.6	-16.4	-65.6%
Employee benefits	-6.6	-7.5	-1.0	-14.7%	-3.4	-3.4	0.1	2.6%
Tax	0.0	-7.6	-7.6	«	-0.2	-7.6	-7.4	«
Free cash flow	31.3	3.8	-27.5	-87.7%	21.4	-2.4	-23.7	-111.2%
Debt (principal + interest)	-2.8	-8.0	-5.2	-187.3%	-2.6	-4.1	-1.5	-59.6%
Dividends	-12.8	-17.7	-4.9	-38.5%	-12.8	-17.7	-4.9	-38.5%
Acquisition of own shares	-6.4	-15.4	-9.0	-139.8%	-6.4	-13.7	-7.3	-114.4%
Disposal of buildings	0.0	0.0	0.0	-	0.0	0.0	0.0	-
Financial investments	-0.8	-0.2	0.6	80.5%	-0.8	-0.2	0.6	80.5%
Change in adjusted cash	8.6	-37.3	-45.9	«	-1.1	-38.0	-36.8	«
Δ Liabilities related to Financial Serv. & others and Banco CTT, net ⁹	128.0	-6.0	-134.0	-104.7%	96.6	112.2	15.6	16.1%
Δ Other ¹⁰	-0.1	12.7	12.8	»	0.7	6.9	6.2	»
Net change in cash	136.6	-30.6	-167.2	-122.4%	96.1	81.1	-15.1	-15.7%

*Impairments, Provisions and IFRS 16 affecting EBITDA

**Specific items affecting EBITDA

The negative evolution of the operating cash flow in 1H22 resulted mainly from the negative performance of EBITDA and pressure on working capital as a result of a one-off increase in the average collection period.

In addition to the effects mentioned above, the €19.0m operating cash flow in 1H22 continues to be negatively impacted the payments occurred in this semester still related to the investment made in 4Q21.

Consolidated Balance sheet

Consolidated Balance sheet

	31.12.2021	30.06.2022	Δ	Δ%
	€ million			
Non-current assets	1,970.3	2,136.4	166.1	8.4%
Current assets	1,614.9	1,737.0	122.1	7.6%
Assets	3,585.2	3,873.4	288.2	8.0%
Equity	174.5	191.6	17.1	9.8%
Liabilities	3,410.7	3,681.8	271.1	7.9%
Non-current liabilities	705.3	853.1	147.8	21.0%
Current liabilities	2,705.4	2,828.7	123.3	4.6%
Equity and consolidated liabilities	3,585.2	3,873.4	288.2	8.0%

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.

The key aspects of the comparison between the **consolidated balance sheet** as at 30.06.2022 and that as at 31.12.2021 are as follows:

- **Assets** grew by €288.2m, mostly due to the growth in credit to banking clients (+€115.7m), especially mortgage loan and auto loans, as well as to the increase in investments in securities at amortized cost (+€187.2m), and accounts receivable (+€15.4m) as a result of the ordinary increment of the Postal Operators' balances as well as a one-off increase in the average collection period. These increases were partly attenuated by the decrease in cash and cash equivalents (-€30.6m) mostly due to the payment of dividends and the share buy-back.
- **Equity** increased by €17.1m following the net profit attributable to shareholders of the CTT Group in 1H22 in the amount of €14.5m and the increase in reserves as a result of the constitution of the reserve associated with the share plan (+€0.8m) and the increase in the heading Other changes in equity (+€34.0m) 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 €15.4m and the distribution of dividends for an amount of €17.7m.
- **Liabilities** increased by €271.1m, underpinned by the increase in banking clients' deposits and other loans (+€122.3m) and the increase in Other banking financial liabilities (+€203.1m) following the securitization operation Ulisses Finance No. 3. On the contrary, there was a decrease in the Employee benefits item(-€48.4m) following the recalculation of the corresponding liabilities following the upward revision of the discount rates used to calculate them.

CTT's Real Estate strategy

1. Yield Portfolio

As disclosed in the press release to the market on 19 June 2022, CTT has entered into exclusive negotiations with a third party ("Third Party") aimed at creating a vehicle ("Vehicle") to own and manage this portfolio, which essentially comprises (1) CTT's points of presence, particularly own retail stores that normally are located in the center of municipalities, throughout Portugal and (2) the warehouses and logistics / distribution centers that are core part of CTT's logistics network in Portugal.

This new entity, which will incorporate the assets considered in the scope of the Yield Portfolio, will be managed externally, by a specialized and independent asset manager, and will be majority owned by CTT (~75%) New investor(s), both institutional and family offices, will take a minority position in the vehicle.

The management of this Yield Portfolio is aimed at yield generation, both internally and with third parties, of properties that are part of CTT's current and future network and that do not currently have relevant real estate development opportunities.

2. Development Portfolio

With regard to the Development Portfolio, this comprises, among others, properties that may become, in the near future, non-essential for CTT's logistics networks and which have a potential for real estate development and promotion in specific projects.

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	30.06.2022	Δ	Δ%
				€ million
Non-current assets	680.2	682.5	2.4	0.4%
Current assets	454.9	416.9	-37.9	-8.3%
Assets	1,135.0	1,099.5	-35.5	-3.1%
Equity	173.9	191.9	18.0	10.3%
Liabilities	961.1	907.6	-53.5	-5.6%
Non-current liabilities	422.5	376.7	-45.8	-10.8%
Current liabilities	538.6	530.9	-7.7	-1.4%
Equity and consolidated liabilities	1,135.0	1,099.5	-35.5	-3.1%

Liabilities related to employee benefits (post-employment and long-term benefits) stood at €235.6m in June 2022, down €47.6m compared to December 2021, broken down as specified in the table below:

Liabilities related to employee benefits

	31.12.2021	30.06.2022	Δ	Δ%
	€ million			
Total liabilities	283.1	235.6	-47.6	-16.8%
Healthcare	263.5	215.0	-48.5	-18.4%
Healthcare (321 Crédito)	1.5	1.1	-0.4	-28.1%
Suspension agreements	9.5	10.8	1.3	13.9%
Other long-term employee benefits	6.5	5.5	-1.0	-15.2%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-13.2%
Pension plan	0.3	0.2	-0.0	-13.4%
Other benefits	1.6	2.7	1.1	66.7%
Deferred tax assets	-78.6	-65.7	12.8	16.3%
Current amount of after-tax liabilities	204.5	169.8	-34.7	-17.0%

The decrease in the Healthcare item (-€48.5m) results from the recalculation of the liabilities following the upward revision of the discount rates used to calculate them.

These liabilities related to employee benefits are associated with deferred tax assets amounting to €65.7m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €169.8m.

Consolidated net debt

Consolidated net debt

	31.12.2021	30.06.2022	Δ	Δ%
	€ million			
Net debt	58.9	97.2	38.4	65.2%
ST & LT debt	201.1	202.2	1.0	0.5%
of which Finance leases (IFRS16)	115.3	125.0	9.7	8.4%
Adjusted cash (I+II)	142.3	104.9	-37.3	-26.3%
Cash & cash equivalents	877.9	847.3	-30.6	-3.5%
Cash & cash equivalents at the end of the period (I)	857.0	813.6	-43.3	-5.1%
Other cash items	20.9	33.6	12.7	60.8%
Other Financial Services liabilities, net (II)	-714.7	-708.7	6.0	0.8%

The key aspects of the comparison between the **consolidated net debt** as at 30.06.2022 and that as at 31.12.2021, are as follows:

- **Adjusted cash** decreased by €37.3m, despite the positive performance of the operating cash flow (+€19.0m) that did not offset the payment of employee benefits (-€7.5m), tax payments (-€7.6m), debt service (-€8.0m), the acquisition of own shares (-€15.4m) and the payment of dividends (-€17.7m).
- **Short-term & long-term debt** increased by €1.0m essentially due to the combined effect of the increase in lease liabilities (+€9.7m) and the reduction in Bank loans (-€8.7m).

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

	31.12.2021	30.06.2022	Δ	Δ%
	€ million			
Net debt with Banco CTT under equity method	182.4	227.9	45.5	25.0%
ST & LT debt	198.5	200.1	1.6	0.8%
of which Finance leases (IFRS16)	112.6	122.9	10.3	9.1%
Adjusted cash (I+II)	16.1	-27.8	-43.9	-272.6%
Cash & cash equivalents	215.2	170.5	-44.6	-20.7%
Cash & cash equivalents at the end of the period (I)	215.2	170.6	-44.6	-20.7%
Other cash items	0.0	0.0	0.0	81.2%
Other Financial Services liabilities, net (II)	-199.1	-198.4	0.7	0.3%

2. Other Highlights

REGULATORY ISSUES

The concession agreement sets out that, for the year 2022, which will be the transition period, the **prices** of the services included in the universal postal service offer to be implemented by CTT 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 pricing proposal was submitted to ANACOM on 28 February and the new prices entered into force on 7 March 2022, without prejudice to the evaluation to be carried out by ANACOM, in accordance with the provisions of said agreement.

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 following the information sent to ANACOM on 28 February 2022.

The aforementioned updates correspond to an average annual price variation of 5.84% for the year 2022.

In the 1st half of 2022, work was carried out leading to the definition of the criteria to be followed in the pricing of the postal services within the basket of the universal postal service for the three-year period 2023-2025.

Following the negotiation process conducted by the parties (ANACOM, DGC and CTT), agreement was reached in principle on a draft text for the Convention to be concluded for the period 2023-2025, which was under public consultation until 15 July 2022. Subsequently, the Convention in its final wording was signed by the parties and is to be notified to the Government by the deadline set for this purpose.

SHARE BUY-BACK PROGRAM

In the context of the Share Buy-back Program announced to the market on 16 March 2022, as at 30 June 2022 the Company had already acquired 4,207,721 shares. As a consequence, on 30 June 2022, the Company held, as a result of the transactions carried out within said Program, an aggregated total of 5,707,722 own shares, representing 3.81% of its share capital, including 1,500,001 own shares previously acquired.

As at 21 July 2022, date of the communication to the market of the last Interim report on the transactions carried out in the context of the share buy-back program, the Company had already acquired 4,359,721 shares. Hence, on 21 July 2022, the Company held, as a result of the transactions carried out within the Buy-back Program, an aggregated total of 5,859,722 own shares, representing 3.91% of its share capital, including 1,500,001 own shares previously acquired.

CAPITAL MARKETS DAY

On 23 June 2022, the Company held CTT Capital Markets Day 2022. During this event, the Management team reviewed the Company's continued transformation strategy anchored on business and commerce services and presented the new strategy and the ESG (Environment, Social and Governance) and financial targets for the 2022-25 period.

Financial ambition and guidance for 2025:

1. Revenue CAGR of 7-10% to achieve group **revenues** within the range of €1,100m-€1,250m;
2. EBIT CAGR of 14-19% to achieve group **recurring EBIT** within the range of €100m-€120m; and
3. Group consolidated cumulative **CAPEX** of €160m-€180m for the period between 2022-25, equivalent to €40m-€45m per year, aimed at increasing the sorting capacity across Portugal and Spain, developing the lockers network in Portugal, developing IT to drive improvements in customer experience and efficiency and improving quality of service.

Key ESG targets for 2025 and 2030:

1. **Environmental:** accelerate the decarbonization path to achieve **net-zero by 2030** with 100% of green vehicles in the last mile, and 50% of green last-mile vehicles by 2025;
2. **Social (internal):** Caring for people and diversity experience: (i) achieve **gender parity of top and mid-management by 2025**, and (ii) become one of the top employers in Portugal by leveraging employee's centric culture as one of the key priorities;
3. **Social (external):** Ambitious promotion of our local community: (i) enable CTT employees to spend 3 days per year in volunteering and social programs that lead to a positive impact on local communities and (ii) ensure that 1% of EBIT is invested in social programs by 2025; and
4. **Leading ESG operating model:** introduce specific incentives linked to ESG goals to 50% of top and mid-management by 2025.

MAIN ESG ACHIEVEMENTS

- **More Eco-friendly delivery offices**
Noteworthy is the entry into operation of 4 Delivery Offices equipped exclusively with electric vehicles totaling 5 of such facilities in the national territory: 1000 Lisboa, 1300 Lisboa, 2750 Cascais, 9880 Santa Cruz da Graciosa (Azores) and 9400 Porto Santo (Madeira). As these vehicles do not emit particles and NOx during their use and, as CTT acquires 100% of electricity from renewable sources, the carbon impact of the electric vehicles operated by CTT is zero, contributing to better air quality in cities.
- **Increased green fleet**
As a pioneer company in the incorporation of electric vehicles in its vehicle fleet and in the permanent innovation of its products and services, CTT tested several electric vehicles in an operational context: Citroen AMI Cargo, Maxus and eDeliver 3 and 9 vans, and Arrival vehicles. CTT's fleet currently includes 497 alternative vehicles, predominantly electric vehicles, corresponding to 12.5% of the total fleet. To be noted is that, during the reporting period, 71 more light goods vehicles and 44 motorbikes started operating and the charging infrastructure was reinforced with the installation of 63 chargers on the mainland Portugal and in the autonomous regions. The distance travelled by CTT's fleet of alternative vehicles increased by 124% in relation to 2021, not only due to the increased number of this type of vehicles in CTT's own fleet but also due to the optimization and expansion of the Company's activity.
- **efr certification**
Pursuing the CTT People management strategy and believing that conciliation between professional, personal and family life is fundamental for the balance of each one of us and of the organization, CTT applied, in this context, to obtain efr (family-responsible entity) Certification for the companies CTT, CTT Expresso and CTT Contacto. During the 1st half of 2022, the various stages necessary to obtain this certification continued and the Company has obtained the certification of family-responsible entity awarded by the Fundación MásFamilia, in partnership with ACEGE and certified by APCER.
- **A Tree for the Forest**
As for the preservation of the environment and biodiversity, planting activities related to the "A Tree for the Forest" project, which had been suspended or carried out with no participation of volunteers due to the pandemic restrictions, were resumed. This is a joint initiative of CTT and Quercus which has already had 8 annual editions and aims to reforest some areas of the country with native species, namely protected areas, Classified Areas and National Forests at high risk of fire or more affected by forest fires, having already allowed the plantation of more than 100,000 trees. A few weeks before the beginning of spring and with the collaboration of over 500 volunteers who joined this cause, around 6,000 trees of native species were planted, corresponding to the kits sold in the previous edition of the project. This action took place at Mata da Machada, in Barreiro.
- **CTT Reusable ECO Packaging distinguished with an honorable mention**
The pilot project CTT Reusable ECO Packaging, launched in 2021, was distinguished with an honorable mention in the ceremony of the 3rd edition of the National Sustainability Award, promoted by Jornal de Negócios. This is the largest editorial initiative in Portugal and rewards organizations that stand out for their performance and good sustainability practices in the environmental, social and governance areas.

- **Solidarity campaign “Help the people of Ukraine”**

The first half of the year was indelibly marked by the war in Ukraine and CTT joined various other partners and once again used its nationwide retail network to collect donations, its transport logistics to concentrate and ship those donations to their final destination. The solidarity campaign "Help the people of Ukraine" was available to CTT customers between 2 and 8 March in all CTT post offices, from north to south of the country, including the Autonomous Regions of Madeira and Azores. Anyone could come to our post offices and leave a package with their donated goods. As a result, 40 tons of donated goods were sent to Ukraine, in 240 pallets of materials, which loaded eight trucks and one plane. The participation of several partners should be highlighted: TAP, Transportes Bernardo Marques, Transportes Pascoal, Transportes Figueiredo e Figueiredo and Galp, as well as almost 50 volunteers from CTT, who dedicated themselves to the heavy logistics work of preparing these shipments.

OUTLOOK FOR 2022

Within the context of increased macro-economic and persistent geopolitical risks, the 2022 guidance is confirmed as follows:

1. Mid-to-high single-digit decline in **mail volumes**, improved from high single-digit prior guidance;
2. Low double-digit growth in **Iberian E&P volumes**, unchanged and subject to normalization of supply chains;
3. Mid-to-high single-digit **revenue** growth, unchanged;
4. **Recurring EBIT** in FY22 expected to be above €65m, and within the original guidance range.

The risk outlook is maintained as follows: (1) macro risks are relevant and persistent, namely, geopolitical uncertainty, inflation, cost of energy and raw materials and *de minimis*; (2) the COVID-19 pandemic continues to represent a relevant risk factor; and (3) there are also severe risks in the functioning of logistics chains, namely originated in Asia.

The revenue and recurring EBIT guidance reflect continued growth and transformation, notwithstanding a challenging environment.

3. Subsequent Events

Within the scope of the authorization conferred at the Annual General Meeting of Shareholders held on 21 April 2022, on 27 July 2022, the Board of Directors of the Company resolved to increase the maximum pecuniary amount and number of shares that may be acquired under the **share buyback program of the Company** (the "Buy-back Program") as follows:

- Maximum pecuniary amount of the Buy-back Program: it is increased by 3,600,000 EUR (three million six hundred Euros) now being up to 21,600,000;
- Maximum number of shares to be acquired under the Buy-back Program: it is increased by 1,900,000 shares, being now up to 6,550,000 CTT's shares, representing up to 4.37% of the respective share capital.

The other terms and conditions of the Buy-back Program approved by the Board of Directors and the 2022 Annual General Meeting and communicated on 16 March 2022 remain unchanged.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 1st half of 2022 with limited revision by an auditor registered with the Portuguese Securities Market Commission (CMVM).

Lisbon, 27 July 2022

The Board of Directors

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

CTT – Correios de Portugal, S.A.

Guy Pacheco
Market Relations Representative of CTT

Nuno Vieira
Director of Investor Relations of CTT

Contacts:
Email: investors@ctt.pt
Fax: + 351 210 471 996
Telephone: + 351 210 471 087

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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.