

ctt



03

CTT Business Units



- 3.1 Mail
- 3.2 Express & Parcels
- 3.3 Banco CTT
- 3.4 Financial Services
- 3.5 Future Perspectives

A future in e-commerce

3. CTT BUSINESS UNITS

3.1 Mail

GRI 102-2, GRI 201-1

Mail revenues amounted to €440.3m in 2021, which corresponded to a growth of €17.4m versus 2020 (+4.1% y.o.y).

The growth registered in this business unit resulted mostly from: (i) the very positive contribution of **business solutions** (+€13.1m; +82.8% y.o.y), which includes four months of activity of the new company NewSpring Services (+€8.0m) and an increase of €5.1m in revenues relative to business solutions projects largely explained by the revenue related to a computer sales project in 4Q21 (€5.2m); (ii) a very positive increase in **registered mail** (+€11.3m; +10.1% y.o.y); and (iii) the favourable performance of **international outbound mail** (+€6.2m; +15.9% y.o.y), boosted by additional revenues booked in December 2021 associated with the January 2022 parliamentary elections (€5.9m).

Business solutions recorded revenues of €29.0m in 2021 (+€13.1m; +82.8% y.o.y), driven by the integration of NewSpring Services in CTT's Business Solutions base offer in September 2021. This acquisition is part of CTT's portfolio diversification strategy aimed at accelerating growth in business solutions, by combining NewSpring's expertise in Business Process Outsourcing (BPO) and Contact Center solutions with CTT's commercial network, thus creating cross-selling opportunities with the B2B sales channel already in place.

The growth registered in these business lines was partially penalized by the revenue decline in **international inbound mail** (-€8.3m; -21.3% y.o.y) and in **ordinary mail** (-€5.2m; -3.6% y.o.y).

The year 2021 allowed for the recovery of growth in other products in this business unit (+€1.9m y.o.y), which benefited from the boost in **advertising mail** (+3.5% y.o.y), **editorial mail** (+1.5% y.o.y), **universal service parcels** (+7.4% y.o.y), **philately and other mail products and services** (+5.2% y.o.y).

Against a backdrop of continued restrictions in the access of customers to the CTT Retail Network, **philately** revenues totalled €5.4m. Thirty-two stamps of the Republic were issued, as well as 24 postal stationery, three thematic books and two annual books.

In 2021, the average price change of the universal postal service⁵⁸ was 1.72% y.o.y.

In 4Q21, revenues of the Mail business unit amounted to €123.6m, which corresponds to a growth of €9.4m (+8.3% y.o.y) vis-à-vis 4Q20, due to the above-mentioned good performances of **business solutions** (+€12.8m; +371.6% y.o.y) and **international outbound mail** (+€4.8m; +42.0% y.o.y).

Mail volumes

In 2021, the **addressed mail** volumes registered an improvement in the negative trend (-16.5% in 2020 compared to 2019 and -6.3% in 2021 compared to 2020), benefiting from the comparison with the more restrictive lockdown period in 2020.

⁵⁸ Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

Mail Volumes

	2020	2021	Δ	4Q20	4Q21	Δ
Transactional mail	447.2	415.7	-7.0%	110.4	102.2	-7.4%
Advertising mail	39.7	39.9	0.4%	11.3	13.0	15.9%
Editorial mail	30.0	29.0	-3.5%	7.9	7.5	-4.6%
Addressed mail	516.9	484.6	-6.2%	129.6	122.8	-5.3%
Unaddressed mail	412.3	449.9	9.1%	107.0	116.7	9.1%

Million items

In 2021, **transactional mail** volumes declined by 7.0% y.o.y, primarily driven to the declines in **ordinary mail** (-8.0% y.o.y) and in **international inbound mail** (-27.8% y.o.y). The performance of ordinary mail was affected by the trend registered in contractual clients of the banking and insurance and utilities and telecom segments, which made the biggest contribution to this decline. The worsening of the decline in **international inbound mail** in 2H21 was greatly impacted by the entry into force as of 1 July 2021 of the regulation abolishing the exemption of VAT on mail items below €22 (“de minimis”), which means that every item originating in extra-EU countries is now subject to customs clearance which translates into increased customs transit times.

In the opposite direction, it should be highlighted the growth of **registered mail** (+8.3% y.o.y), driven by the dynamics of contractual customers, especially the government sector, and that of **international outbound mail** (+14.5% y.o.y), impacted by the December mailing of ballot papers associated with the legislative elections. Excluding this effect, the growth would have been 4.8% y.o.y.

In 2021, **unaddressed advertising mail** volumes increased by 9.1% y.o.y. and **addressed advertising mail** volumes by 0.4% y.o.y. In 2021, the **CTTAds** brand was launched to reinforce CTT's positioning as a business partner for advertising solutions, with emphasis on the offer of digital advertising packages and databases that will allow companies to carry out segmented actions to their potential targets and thus obtain better results in their campaigns.

In 4Q21, addressed mail volumes declined by 5.2% y.o.y. This improved performance in 4Q21 as compared to the remainder of the year reflects a noteworthy growth in **addressed advertising mail** (+1.8 million items) and a lower decline in volumes from customers of the utilities and telecom sectors, with a strong contribution in the period from the government and municipalities' mail flows.

Accessibility

GRI 102-6, GRI 203-1, 203-2, GRI 302-4, GRI 413-2, 414-2

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 over 17 million customers being served in our post offices in 2021, accessibility is one of its distinctive features. The company provides the largest contact network at a national level, operating as a structuring and determinant element for social cohesion within the country.

At the end of the year, network of contact with the public consisted of 2,356 operational access points, comprising 570 post offices and 1,786 postal agencies (with 18 postal agencies being temporarily closed, due to the COVID-19 pandemic situation), as well as 4,648 postman delivery rounds, ensuring the availability and accessibility of the attendance and delivery service, embodying a convenient and multi-service platform.

Supplementing this, the network also had 1,513 points of sale of stamps, 83 automatic stamp vending machines and 11 automatic vending machines of mail products. The network of letter boxes and

mailboxes was composed of 10,742 items of equipment, located at 9,630 geographic points at a national level. Apart from these, there are also 5,161 Payshop agents.

The dimensioning of the postal network is 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 action of social responsibility 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 onsite by internal and external agents, so as to assure the satisfaction of the population.

As established in the Concession Contract, 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.

In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with a postal coverage above the EU average.

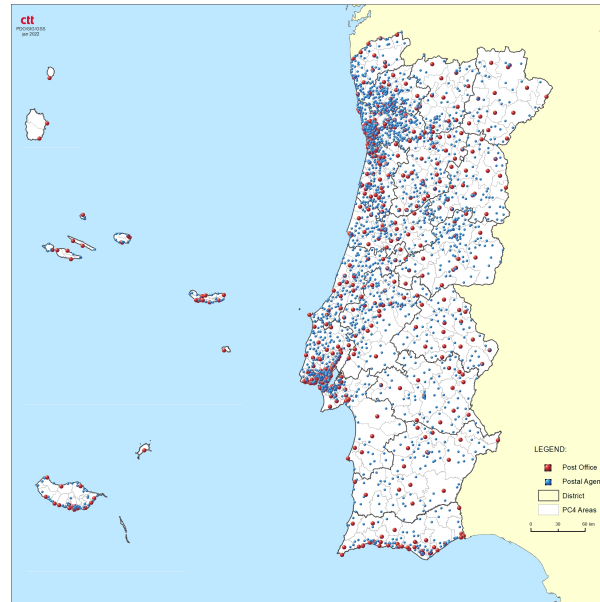
Density and postal coverage

	Inhabitants per postal establishment					Km ² per postal establishment				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
EU average	5,167	4,989	5,030	4,967	n.a.	45	43	43	46	n.a.
Portugal	4,350	4,314	4,346	4,354	4,393	39	39	39	39	39

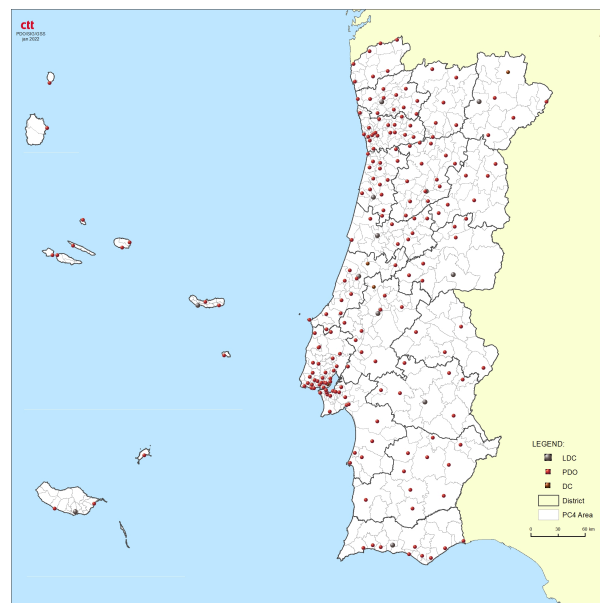
Source: UPU.

Note: Considering fixed postal establishments.

Retail network of post offices and postal agencies



Network of postal delivery offices



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. Thus, around 95% of all the post offices currently have improved conditions of accessibility.

Reference is made to the improvement works of the accesses to Odemira post office, in 2021, involving the construction of ramp and the creation of an outer door opening on the façade of the post office.

Eco portfolio

GRI 102-43, 102-44, 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 its launch in 2010, the total sales of the range of CTT eco products represent a revenue of approximately €139m, to a large extent driven by the visibility of their environmental and carbon attributes.

Green mail is a 100% ecological offer leveraged on its convenience combined with environmental protection, ensuring the carbon neutrality of its products through the offsetting of unavoidable direct emissions, without extra costs to the customers. In spite of the decline in absolute terms, the eco range of "green mail" recorded close to 7.9 million items sold, corresponding to a 3% decline in relation to the previous year. On average, 49 grams of CO₂ are emitted for each "green mail" item delivered by CTT, arising from the Company's direct activity. For this purpose, CTT acquires carbon credits, funding two projects. One is the national project "Conservation of Woods", which fosters the planting of indigenous species, original trees and bushes of the Portuguese flora, and the other is an international project that promotes the use of renewable biomass, through a factory that produces bricks and other construction materials in the Northeast of Brazil.

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 channel of mail with ecological merit, through the use of ecological raw materials, responsible production processes and appropriate end-of-life cycle management. In 2021, the eco range maintained its relative weight (42%) in the domestic volume of Direct Mail, involving around 16.9 million items.

Philately

GRI 102-2

In 2021, CTT's Philately issued 32 stamp issues of the Republic, 24 Postal Stationery, 3 thematic books and 2 annual stamp books.

During the year there were still significant restrictions on the access of customers to our post offices, and therefore the limitations to potential revenues were maintained due to this constraint. Revenues accumulated during the period amounted to €5.5m, a negative evolution of 2.5% compared to the previous year.

From 1962 to 2021, 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 2021, it once again stood out for its innovation and art with the launch of the world's first graphene philatelic souvenir sheet, with the insertion of Miguel Torga's "Poema Esperança", and received the Philatelic Campaign of the Year Award from the World Post and Parcels Awards.

Commemorative philatelic issues of 2021	
<ul style="list-style-type: none"> • Figures from History and Culture • King Manuel I • 100 Years of the Portuguese Communist Party • Centenary of the League of Combatants • 200th Anniversary of the End of the Inquisition in Portugal • World Tuberculosis Day 2021 (labels) • Centenary of the Faculties of Pharmacy: Coimbra, Lisbon and Porto • Holocaust Memory • Alfredo da Silva's 150th Birthday • 400th Anniversary of the Terço da Armada • EuroMed 2021 - Traditional Jewellery of the Mediterranean • Bicentenary of Freedom of the Press in Portugal • Archbishops of Braga (4th group) • World Figures from History and Culture • Seara Nova - 100 Years 	National and International Events
<ul style="list-style-type: none"> • 90 Years of Madeira Regional Archive • Tiger Meet 2021 • Europa Issue – Endangered National Wildlife • Portugal-Singapore – Joint issue • Terras do Barroso – World Agricultural Heritage • The Discovery of Antarctica • Hunting in Portugal (1st group) • Portuguese Presidency of the Council of the European Union • United Nations Decade of Ocean Sciences for Sustainable Development • Protected Areas in Portugal • Five Centuries of the Portuguese Presence in the Southern Seas: Remembering João da Nova • 440 Years of the Battle of Salga • 500th Anniversary of Ferdinand Magellan's Arrival in the Philippines • 2021 – European Year of Rail • International Year of Peace and Trust (labels) 	Environment and Sustainability
<ul style="list-style-type: none"> • Numismatics Self-adhesive stamps (2nd group) 	Self-adhesive

Definitive stamps issue

- Portuguese Numismatics (2nd group)

Book editions

- The History of Ballet in Portugal
- The Post Office – Faces and Stories
- King Manuel I – Adventures and Misadventures of a King of Portugal
- My Stamp Album 2021
- Portugal in Stamps 2021

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

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

3.2 Express & Parcels

GRI 102-2, GRI 201-1

Express & Parcels **revenues** totalled €255.7m in 2021, an increase of €62.7m (+32.5% y.o.y).

In the **Iberian market**, revenues stood at €252.5m, growing of €62.2m (+32.7% y.o.y) compared to 2020. **CEP** (Courier, Express and Parcels) represented €234.4m (+39.7% y.o.y), and volumes totalled 72.8 million items, growing by 43.5% over 2020. CEP growth in the Iberian market was boosted by e-commerce (B2C) growth in Iberia, which was particularly reflected in the good performance of the CEP operation in Spain.

In **Portugal**, Express & Parcels **revenues** recorded €135.1m in 2021, growing €17.1m (+14.5% y.o.y) over 2020, and volumes totalled 32.7 million items, representing a growth of 15.2% y.o.y.

The Express & Parcels business performance in Portugal in 2021 was based on the **CEP** business growth, whose revenues amounted to €118.5m (+22.8% y.o.y). The **cargo** business revenues totalled €8.2m (-28.3% y.o.y), those of the **banking** documents delivery business €4.4m (-32.5% y.o.y) and those of the **logistics** business amounted to €3.2m (+31.0% y.o.y).

The performance of the **CEP** business was mainly related to e-commerce (B2C), with particular focus on large global marketplaces, due to market growth and to the capture in 2Q21 of a major worldwide e-commerce platform. The “back-to-school” campaign gave a relevant contribution to this performance, as a result of CTT gaining the schoolbook logistics and distribution operation of one of the largest sales channels for this product. As a result, CEP volumes reached 31.7 million items (+22.7% y.o.y). Moreover, it should be noted that the schoolbook logistics and distribution operation also impacted positively the **logistics** segment.

In the **cargo** product line, the strong reduction in revenues is related to the change in the operating strategy which aimed to address the negative margin of this business line, leading to its outsourcing to a partner, who is now responsible for its operation. This change implied commercial renegotiations with certain customers and the implementation of decisions that penalized revenues, such as the discontinuation of the tyre delivery service, which ultimately had a positive impact on margin. As a result of these actions, the Company was able to achieve a positive contribution margin in this product line in 4Q21.

The **banking** documents delivery product line continued under pressure in a context of continued reduction of the capillarity of banking networks and increasingly lower utilization thereof.

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 the clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). Lockers also improve operational efficiency at the delivery point, as they concentrate more items per delivery point, thus reducing unitary costs. At the end of December 2021, CTT's parcel locker network comprised 187 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.

On 06.12.2021, CTT signed a **partnership agreement with YunExpress**, the logistics business unit of the Chinese company Zongteng Group, to create a joint venture that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. This partnership aims to further develop CTT's already leading network of lockers for e-commerce in Portugal, which will be open to any carrier. CTT plans to install 1,000 lockers by the end of 2022, thus offering the largest and most widespread national network of lockers that will be part of the current network of more than 2,000 CTT Pick-up / Drop Off Points (PUDOs) where clients can collect their parcels.

CTT and Sonae revisited the terms of their e-commerce partnership, with the aim of CTT focusing on its core logistic competences. Hence, in January 2022, CTT sold its stake in the **Dott marketplace**⁵⁹ to Worten with both entities, CTT and Worten, reinforcing their strategic logistics partnership.

Revenues in Spain stood at €117.3m in 2021, growing by €45.0m (+62.3% y.o.y). In 4Q21 revenues amounted to €32.4m, representing a growth of €8.4m (+34.7% y.o.y) over 4Q20. Volumes totalled 41.1 million items, an increase of 65.0% y.o.y.

During 4Q21, the Black Friday, Christmas and Sales campaigns boosted online commerce, and CTT Express saw an increase in activity, handling circa 11 million items, 33.7% above 4Q20, with a daily average of over 200k items in peak times.

CTT Express ended the year 2021 positioned as a reference operator in the Iberian urgent parcels market. Significant investments were made in quality of service and in the capillarity of its network - nationwide in Spain - and its differentiation from the competition has evolved sustainably over time.

The Company proceeds with its strategy of investing in technology and innovation and is rolling out new solutions that will improve the consumers' purchase experience. The investment already made, together with activity growth and new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing agreements allowed for a reduction in unit handling costs (-9.4%), transportation (-28.0%) and distribution (-4.1%) in 2021 compared to the previous year. Investment and growth also allowed for the dilution of structural costs and, thus, the consequent increase in the profitability. As a result, Spanish operations exceeded the target announced in 2019 by achieving positive EBITDA in the full-year 2021.

CTT's ambition for its operation in Spain is to increase market share and improve profitability. More specifically, CTT aims to grow in the B2C market through a more efficient distribution network based on its own operations, capture B2B market share through a more competitive business model in attracting franchisees, and become the benchmark operator for Iberian shipments.

Revenues in Mozambique in 2021 stood at €3.2m, growing by 19.0% y.o.y. The growth achieved was supported by the business in the health area (collection of biological samples) and the banking sector. On a domestic level, 4Q21 was characterized by a more favourable economic environment, with companies experiencing an increase in demand that led to renewed growth in production and the hiring of more personnel.

⁵⁹ The Dott marketplace investment is accounted for by the equity method.

Eco portfolio

GRI 102-43, GRI 302-5, 305-5, 306-2

CTT launched an innovative pilot project in 2021, aimed at the use of reusable packaging for online purchases. The new Reusable Eco Packaging has a stipulated resistance capacity for sending it up to 50 times, enabling reduction of waste associated with the single-use packaging solutions used in the e-commerce market, reduction of the carbon footprint associated with its production, and promoting a more circular economy through reuse.

The Green Deliveries offer also aroused the curiosity of CTT customers in 2021. This offer is available for corporate 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 particulates. Since its launch in mid-2020, over 124 thousand items have been delivered, representing a revenue of approximately €182k. 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.

CTT once again put the projects for carbon offsetting of the express offer in Portugal to public vote, through the CTT website. The direct emissions that were not possible to avoid are fully offset by supporting two projects, one in Portugal and the other international, with positive environmental benefits in terms of the biodiversity and development of the local communities in which they operate. The winning projects, those most voted by the public, were the national project of "Wildlife recovery", which 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, and the project of "Prevention of deforestation", in Brazil, promoting 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, 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 102-2, GRI 203-1, 203-2

Banco CTT **revenues** reached €98.9m in 2021, an increase of €16.8m (+20.4% y.o.y).

This growth was mainly driven by the partnership with Sonae Financial Services (which started in April 2021) whereby Banco CTT became the sole lender for the **Cartão Universo** loan book. This business generated revenues of €10.2m, with a net balance sheet volume of €292.1m in December 2021, thus surpassing the initial plans.

Revenue growth was due to the positive performance of **net interest income** that reached €55.8m in 2021, €11.1m above 2020 (+25.0% y.o.y).

Interest from **consumer credit** grew by €4.3m (+12.7% y.o.y), as **auto loans and leasing** reached a loan portfolio net of impairments of €648.8m (+15.8% vs. December 2020). Auto loans production stood at €213.8m in 2021 (+10.3% y.o.y), as 321 Crédito increased its production market share in the 2nd half of 2021 by 1.1 p.p. (from 10.2% as at the end of June to 11.3% at the end of the year) compared to the remaining players in the auto loan market for used vehicles.

Interest from **mortgage loans** recorded a decline of €0.2m (-3.9% y.o.y), with a €594.8m mortgage loan portfolio net of impairments (+13.4% vs. December 2020). Mortgage loan production amounted to €133.0m, a decrease of €26.9m (-16.8% y.o.y) compared to 2020. This decline stems from the change in focus to products with higher risk-adjusted profitability, such as consumer credit and auto loans.

Commissions received in this business unit reached €39.3m, up by €5.8m versus 2020 (+17.5% y.o.y). It should be highlighted the positive contributions of (i) commissions received regarding **accounts and cards**, which amounted to €10.6m, an increase of €3.4m (+46.8% y.o.y), (ii) **savings products** (off-balance sheet), which totalled €3.6m, growing by €1.2m (+49.0% y.o.y) that resulted from a net volume off-balance sheet of €708.6m, corresponding to 65.3% above December 2020, and (iii) **payments**, which totalled €17.5m, a growth of €0.6m (+3.3% y.o.y).

Banco CTT commercial performance continued to allow for growth in **customer deposits** to €2,122.8m (+25.7% vs. December 2020) and in the **number of accounts** to 573k (56k more than in December 2020).

The **loan-to-deposit ratio** reached 72.7% at the end of 2021.

As at 31 December 2021, Banco CTT had no active **moratoria** in any credit segment. Of the expired moratoria, there are about €3.5m in arrears of more than 30 days, which represent circa 5.4% of the total private moratoria expired.

Eco portfolio

GRI 102-43, GRI 302-5, 305-5, 306-2

Committed to expanding the offer of savings and investment solutions, the Banco CTT Sustainable Investment product was launched 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 joined the Eco-Schools Programme of the European Blue Flag Association 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.

In an eco-friendly attitude, the new Banco CTT debit cards sent to the customers are 100% produced using recycled plastic.

3.4 Financial Services

GRI 102-2, GRI 201-1, 203-1

Financial Services & Retail **revenues** amounted to €48.9m in 2021, representing an increase of €4.8m (+11.0% y.o.y).

Financial services (excluding other revenues) obtained revenues of €31.1m in 2021, an increase of €0.2m (+0.7% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €22.7m, which increased by €0.6m (+2.9% y.o.y) compared to 2020. Placements of these certificates amounted to €4,428.0m, an average of €17.6m/day versus €15.2m/day in 2020. This was the result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.
- Revenues originated by the **remaining savings and insurance products** (capitalization insurance and others) amounted to €1.2m, growing by 10.6% (+€0.1m y.o.y). The negative impact of the maturity of a part of the product portfolio was offset by the actions taken to enlarge the offer of new investment, savings and insurance solutions. As a result, placements amounted to €43.7m in the second half of 2021, thus allowing the diversification of savings in the customer base as well as the attraction of new clients.
- **Money orders** revenues reached €5.5m, corresponding to -€0.5m (-8.6% y.o.y), as a result of the structural changes in the means of payment.
- **CTT payment services** posted revenues of €1.6m in 2021, slightly above the previous year's (+1.9% y.o.y). In 1H21, this product benefited from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service. However, in 2H21 there has been a slowdown.

In 4Q21, CTT continued to develop its savings offering, with the objective to enlarge the range of products available, and of non-life insurance, which already includes auto, health, personal accidents, and third-party liability products. This segment presents a significant growth potential and will be strategically addressed in the context of the Financial Services segment offering, thus leveraging further CTT's distribution network.

Revenues of **Retail products and services** (excluding other revenues) reached €17.6m in 2021, an increase of €4.6m (+35.2% y.o.y), underpinned by the distribution of lotteries and "scratch cards", with the latter commercialized as of 4Q20 and gradually expanded to the whole Retail Network.

The easing of the lockdown restrictive measures has led to a gradual pickup of the Air Transport Allowance business, with a growth of 138.9% y.o.y. in 2H21 following a decrease of 38.0% y.o.y. in 1H21.

To be noted is also the increased demand for p.o.boxes (+17.2% y.o.y) and books (+13.6% y.o.y), evidenced by the results of the campaigns launched for their marketing. Conversely, merchandising products sales declined by 40.5%, heavily influenced by the decrease in sales of "personal protective equipment" due to the change in the pandemic context in 2021.

A number of retail initiatives were launched in 2021, of which the following are highlighted: (i) the resizing of the lottery and "scratch cards" segment and of its supplier management; (ii) the launch of own editions of books and the repositioning of the offer; (iii) the partnership with Worten for the launch of a line of small household appliances with their own display in CTT post offices and the launch of a line of small gadgets from other suppliers, with a counter display; (iv) the reformulation of the partnership with ForAll Phones and of the reconditioned products business model; and (v) the opening of CTT's first outlet store, located in Lisbon (Restauradores), with the aim of selling older products at lower prices, allowing for improved sales and stock management.

3.5 Future Perspectives

GRI 102-2, 102-6, GRI 203-1

2021 was a year of marked transformation at CTT across all business areas: (1) **Express & Parcels** registered significant and continued growth, on the back of increased e-commerce penetration, which reflects a transformation of consumer habits, and of solid market share gains in Spain; (2) the decline of international inbound revenues in **Mail & other** was more than compensated 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) **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 the new store layout, and (4) **Banco CTT** established a partnership with Sonae Financial Services to become the sole lender of the Universo credit card while continuing to register noticeable growth in the auto loans space, in mortgage loans and in on- and off-balance sheet savings. 2021 was also characterized by a strong focus on productivity and efficiency of logistics operations, including mail and express and parcels, with CTT launching relevant initiatives to reduce unitary costs while improving quality. 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 optimization of its operations.

The main pillars of Company's strategy for 2022 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 services and logistics, 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 contract should allow for a structural improvement in profitability of mail services. CTT will also continue to focus its efforts on rolling out more initiatives to further improve efficiency and profitability of its operations, which are already visible, aiming at compensating pressure in mail revenues.

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

CTT will focus on minimizing 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 2022, the guidance is as follows: (1) high single-digit decline is expected in mail volumes; (2) Iberian Express & Parcels volumes are expected to grow by low double digit, subject to normalization in supply chains; (3) expected revenue growth of mid-to-high single digit, and (4) recurring EBIT is expected to be within €65-75m range, more geared towards 2H22. In effect annual mail price increases entered into force on 7 March 2022 while the de minimis impact will annualize as from 3Q22 and Express & Parcels will have a more demanding comparable in 1H22 due to the lockdown period of 1Q21.

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.