



**From a new CTT store concept
to whatever you need**

Committed to Deliver





03

CTT Business Units



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3.1 CTT BUSINESS UNITS

3.1 Mail

The pandemic accelerated the downward trend in mail volumes as a result of the acceleration of digitalization.

In 4Q20, **mail revenues** reached €114.2m, €7.0m lower (-5.8%) than those of the same period of 2019, with a significant recovery in transactional mail (-7.5%, which compares with -22.1% in 2Q20 and -9.5% in 3Q20), as a consequence of a considerable improvement in registered mail and international outbound mail

(mail categories with a higher price per item), addressed advertising mail and philately versus 3Q20. In the full year, revenues reached €422.9m, €48.4m below (-10.3%) those recorded in 2019, mainly due to the decline in the revenues of transactional mail (-€47.5m; -11.7%) and advertising mail (-€4.6m; -19.9%), mitigated by the revenue growth in business solutions (+€5.6m; +54.8%). It should be noted that, excluding the effect of volumes related to the elections of September 2019, the revenues decrease for the year would have been €43.0m (-9.2%).

Mail volumes

Million items

	4Q19	4Q20	Δ	2019	2020	Δ
Transactional mail	130.1	110.4	-15.1%	536.0	447.2	-16.6%
Advertising mail	12.6	11.3	-10.9%	48.2	39.7	-17.6%
Editorial mail	9.3	7.9	-15.3%	34.8	30.0	-13.7%
Addressed mail	152.1	129.6	-14.8%	619.0	516.9	-16.5%
Unaddressed mail	144.9	107.0	-26.1%	521.4	412.3	-20.9%

In 2020, **transactional mail** volumes decreased by 16.6%, due to reductions in all products, except for **green mail** (+40.9%) which continued to grow throughout the year mostly as a result of product substitution (after discontinuation of the registered mail and priority mail prepaid product lines). The decline of **ordinary domestic mail** reached 15.8%, mainly in contractual clients of the banking and insurance, telecommunications, utilities, and Government segments. **Registered mail** volumes declined by 13.8%, especially in the B2B segment in the 1st half of 2020.

The pandemic has also negatively impacted **international mail** volumes. The yearly decline in international **outbound** mail was 28.1%; excluding the effect of the volumes of the legislative elections of September 2019, that decrease would be 23.0%. International **inbound** mail posted an annual decrease of 20.7% due to the constraints in air cargo transportation.

The **advertising mail** business has been significantly affected, as the pandemic crisis led to reduced utilization of this type of mail, in some cases with full suspension of mailing campaigns. In terms of **addressed** advertising mail volumes there was some pick-up in 4Q20 vis-à-vis the decline recorded in 9M20 (-10.9% vs. -20.0%). In the full year, **unaddressed** advertising mail volumes posted a decrease of 20.9%.

The **business solutions** segment recorded revenues of €15.9m in 2020 (+54.8%). This growth was the result of the investment in products and services through new partnerships, the optimization of the existing offer and the intense commercial drive.

The average price change of the Universal Service⁴⁵ in 2020 versus the previous year was 1.76%. After the effect of applying the consumer compensation mechanism⁴⁶, the average year-on-year price variation was 1.42%.

Accessibility

As the 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 close to 68k customers/day at CTT post offices and a daily average of one postal item delivered per household, 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 2,366 operational access points, comprising 562 CTT post offices and 1,804 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 counter and delivery service, embodying a convenient and multi-service platform.

Supplementing this, the network also had 1,539 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 10,732 items of equipment, located at 9,615 geographic points at a national level. Apart from these, there are also 5,133 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 universal public service. 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, while assuring the quality of service.

Any alteration and impact on the community of possible changes in the operating model are analyzed internally, based on information collected onsite by internal and external agents, so as to assure the satisfaction of the population. In that regard, 23 new post offices were inaugurated in 2020.

As established in the Concession Agreement, for 2018/2020 the objectives were defined for postal network density considering factors such as the distance to be travelled by customers in order to reach the closest access point, according to 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.

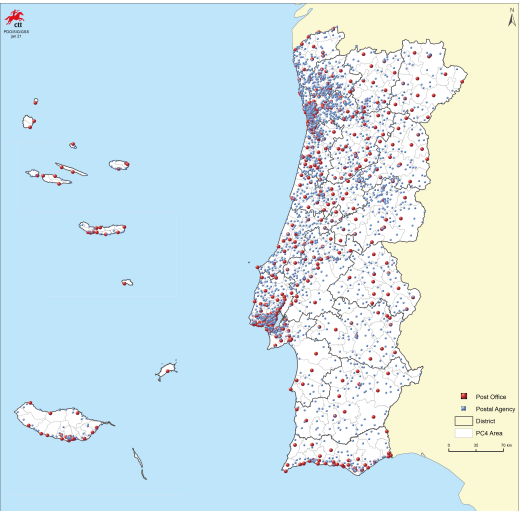
In European terms and based on the available data, CTT continues to show a good level of penetration of the postal services, with a postal coverage above the EU average.

⁴⁵ Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.
⁴⁶ Reduction of some prices of the basket of non-reserved services during the month of November, corresponding to -0.5 p.p. of the average price increase allowed for this basket of services, and 0.31% deduction to the special prices of domestic ordinary mail during the months of November and December.

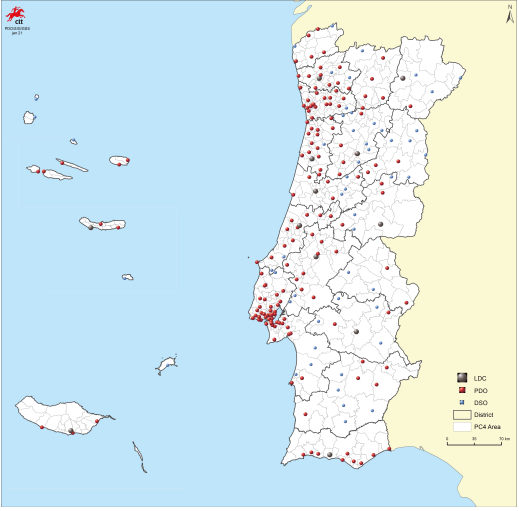
Density and postal coverage

	Inhabitants per postal establishment						Km² per postal establishment				
	2016	2017	2018	2019	2020		2016	2017	2018	2019	2020
EU average	4,605	5,167	4,989	5,030	n.a.		40	45	43	43	n.a.
Portugal	4,413	4,350	4,314	4,346	4,352		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

In terms of accessibility by disabled people, the company continued to pursue modernization and renovation work. 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, or others. Thus, around 95% of the total post offices currently show improved conditions of accessibility.

Eco portfolio

CTT has progressively experienced the continued interest of its customers in using environmentally friendly mail products which are very often also an element of communication, in view of the customers’ sensitivity to these arguments, thus contributing to improve the company’s image among the public. Since its launch in 2010, total sales of the range of CTT eco products represent a revenue of approximately 110 million euros, to a large extent driven by the visibility of their environmental and carbon attributes.

Green mail is a 100% ecological offer, which focuses on the environmental component and guarantees the carbon neutrality of its products, at no additional costs for customers. In 2020, there was an increase of both revenues and volumes, with close to 8.1 million items having been sold, correspond-

ing to a 38% increase year-on-year. On average, 50.5 grams of CO₂ are emitted for each green mail item delivered by CTT.

During the Christmas season of 2020, CTT joined the NOS Christmas campaign, strengthening the commitment to keep Portuguese people and families connected, through green mail. Thousands of green mail large envelopes transported the Little Bear Present, ensuring that the surprise arrived in time for Christmas, reinforcing CTT’s mission to connect people, during such atypical times as those currently being experienced with the COVID-19 pandemic. The proceeds of the sale of the Little Bear Present were entirely donated to the “Coração Amarelo” (Yellow Heart) Association.

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 management of the end-of-life cycle. In 2020, the eco range maintained its relative weight (46%) in the domestic volume of Direct Mail, involving around 18.1 million items.

CTT once again put to public vote the selection of the projects for offsetting of green mail through the CTT website (www.ctt.pt). The winners were the national project of “Conservation of Woods”, which fosters the planting of native species, original trees and bushes of the Portuguese flora, and the international project that promotes the use of renewable biomass, through a factory that produces bricks and other construction materials in the northeast of Brazil. This initiative fulfils the expectations of our stakeholders and allows them to participate actively in the decision-making process.

Philately

In 2020, **philately** revenues amounted to €5.6m, a decrease of 17.4% compared to 2019 (–€1.2m), due to the effects of the pandemic, as some philatelic events did not take place and the per-

formance of the sales outlets was also affected. The 4Q20 posted a slight recovery compared to the 9M20 (–12.6% vs. –19.4%).

CTT launched the issue “A Time for Hope” within the commemorations of the 500 years of the Postal Service. This is the first commemorative souvenir sheet in the world to ever be produced with a graphene insert that contains an information circuit featuring a poem by Miguel Torga, “Contagion”.

For the 12th time, CTT was honored with one of the oldest and most prestigious awards for philatelic design in the world. The souvenir sheet of the “Christmas” stamp issue, notable for being the first in the world with a LED light, won the Asiago 2019 award.

Since 1962, the philately of CTT has been granted 65 international awards for philatelic design and editions, which makes it one of the most awarded in the world.

Commemorative philatelic issues of 2020

- Figures from History and Culture
- Ludwig Van Beethoven’s 250th Anniversary
- Archbishops of Braga (3rd group)
- 75 Years of TAP Air Portugal
- 300 Years of the Foundation of the Royal Academy of History
- 800 Years of the General Inquiries of King D. Afonso II
- Madeira Photography Museum (Madeira issue)
- 100th Anniversary of Amália Rodrigues’ Birth
- Justice League
- 150 Years of the Submarine Cable in Portugal
- 40 Years of the Motor Guarantee Fund
- Thank you, Portuguese population
- 500 Years of the Portuguese Postal Service (5th group)
- 100 Years of Aeronautics at Granja do Marquês
- 50 Years of the Cape Verdean Association
- 175 Years of the Creation of the Escola Naval
- 200th Anniversary of Florence Nightingale’s Birth
- A Time for Hope

National and
International
Events

Commemorative philatelic issues of 2020

- Portuguese Autochthonous Breeds (3rd group)
- 500 Years of the Navigation of the Strait of Magellan
- Centenary Museums of Portugal (2nd group)
- 30 Years of AICEP / World Portuguese Language Day - UNESCO
- Festivals and Pilgrimages – Places of Faith
- EuroMed 2020 – Traditional Gastronomy in the Mediterranean
- Festivities of the Divine Holy Spirit (Azores issue)
- Europa Issue – Ancient Postal Routes
- Prehistoric Route (2nd group)
- 75 Years of the United Nations and the 2020 Initiative
- International Year of Plant Health – UNESCO

Environment and Sustainability

- Numismatics Self-adhesive stamps (1st group)
- Madeira Booklet
- Azores Booklet

Self-adhesive

Definitive stamps issue

- Portuguese Numismatics – 1st group

Book editions 2020

- Centenary Museums of Portugal - Volume II
- Festivals and Pilgrimages – Places of Faith
- 500 Years of the Portuguese Postal Service
- Portugal in Stamps 2020
- My Stamp Album 2020

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

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

3.2 Express & Parcels

The **Express & Parcels revenues** amounted to €193.0m in 2020, €40.6m more (+26.6%) than in 2019. In 4Q20, revenues reached a record amount of €61.5m, corresponding to a growth of €19.1m compared to 4Q19 (+45.2%).

Revenues in Portugal stood at €118.0m in 2020, up 20.2% compared to 2019. In 4Q20 revenues of €36.8m were recorded (+33.1% vs. 4Q19).

The business performance in Portugal in 2020 resulted mostly from the growth of the **CEP** (Courier, Express and Parcels)

business, which recorded revenues of €96.5m (+28.6%) with an increasing acceleration in performance, thus at the end of 4Q20 revenues were €31.3m (+41.7%). In the full year 2020, the **banking documents delivery business** revenues amounted to €6.6m (-1.4%), while those of the **cargo business** amounted to €11.4m (-8.2%) and those of the **logistics business** €2.4m (-23.5%).

In 2020, the restrictions imposed on most sectors of the economy due to the COVID-19 pandemic substantially impacted the items' profile, with a reduction in B2B volumes in 1H20 and a strong growth in ecommerce activity (B2C). This, together with great commercial focus and the repositioning of CTT, resulted in solid volume growth. In 2H20, a recovery in the B2B segment was observed, as well as continued growth of e-commerce activity. In Cargo, some pressure was maintained on the industrial and automotive sector, with a relevant impact on this business line, and in Logistics, the expected loss of a relevant customer was not compensated by new businesses.

In 2020, **CEP** volumes in Portugal totaled 25.9 million items, 35.7% more than in 2019. Contributing to this record-level activity was the strong boost of e-commerce, with very relevant growth in the sectors of food, sports and leisure, education and culture, and consumer electronics. In 4Q20, CEP volumes reached 8 million items, 38.4% above those of 4Q19, with a new historical daily high of 270k items.

The **Dott marketplace**⁴⁷, launched in May 2019 in partnership with Sonae, had, at the end of December 2020, 1,394 registered vendors on the platform (an increase of 160 in 4Q20) and more than 3 million products available for purchase. At the end of December 2020, circa 200k users were registered (+15% vs. September 2020), evidencing the healthy growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at €72.3m in 2020, 39.6% above those of 2019. In 4Q20, revenues reached €24.1m, corresponding to an additional €10.1m (+72.7%) versus 4Q19, as a result of the capture of new customers in 3Q20 and of e-commerce growth.

Volumes in Spain totaled 24.9 million items in 2020, a 57.7% growth versus 2019. This evolution translates the strong commercial focus on the capture of key B2C accounts and is a consequence of the COVID19 pandemic, which led to high volumes growth resulting from changes in consumption patterns that drove ecommerce purchases. In 4Q20, **CEP** volumes reached 8.2 million items, 95.0% above those of 4Q19, with over 200k items processed daily in peak days.

The Company proceeds with its strategy to position itself as a reference operator in the urgent delivery of parcels within the Iberian market. Twenty new sorting centers were opened, and the existing premises renovated, through a strong investment in automated sorting machines for its main centers in Madrid, Barcelona, Valencia and Murcia. Along with this investment in equipment, the Company acquired mobile devices and new software tools to optimize the day-to-day life of parcel carriers, their cargo loads and routes, and already has numerous vehicles operating with this equipment, which is already and will continue to contribute to improved productivity and quality of service, as well as to reduce delivery costs.

Revenues in Mozambique stood at €2.7m in 2020, 10.6% above those of 2019. The **CEP** and the **banking documents delivery businesses** positively contributed to this growth, the latter underpinned by the activity in the health area (collection of biological samples), which started in the 2nd half of 2019, as well as by the continued growth of the banking sector. The full year performance was penalized not only by the pandemic, but also by the continuation of military conflicts in the north and center of the country, which led to a contraction in economic activity.

Eco portfolio

In 2020, CTT fully neutralized the Express offer in Portugal. The emissions produced along the value chain, which were unavoidable, are fully offset by the support given to two projects with environmental (fight against climate change and conservation of biodiversity) and social (support to employment creation and improvement of the quality of life of local communities) benefits. The projects in question were selected by the public in 2019, and include the national project of “Conservation of fluvial bodies”, which seeks to preserve some of the most threatened freshwater fish species in our country, through actions of reproduction of these species to later return them to the natural environment and measures of conservation of their habitat, and the international project “Bandeira & Capell” which promotes the use of renewable biomass for the production of bricks, roof tiles and structural ceramic products, sold on the local market by two ceramic factories located in the state of Alagoas, Brazil.

The Green Deliveries service was also launched this year, directed at business customers which enables all deliveries at the contracted locations to be made exclusively using electric vehicles. This service has aroused the interest of CTT customers and contributes to improve the quality of the air in cities, as the electric vehicles do not emit NO_x particles during their use. Special note should also be made of the associated carbon neutral impact, as CTT acquired 100% of the electricity from renewable sources.

3.3 Banco CTT

In 2020, a year profoundly marked by the COVID-19 pandemic impact, **Banco CTT** reached consolidated net profit for the first time. This important profitability milestone confirms that Banco CTT is already a benchmark banking institution for Portuguese families, with more than 600k clients with open bank accounts, of which 56k opened during the last year, which have certainly contributed to obtain the award as leader of the National Customer Satisfaction Index (ECSI 2020 award).

Banco CTT revenues reached €82.1m in 2020, a growth of €19.2m (+30.5%) compared to the previous year, of which €12.9m originated in 321 Crédito, acquired in May 2019. Excluding this inorganic effect, revenues would have amounted to €48.2m, up €6.3m (+15.1%) vis-à-vis 2019.

The revenue growth was driven by the positive impact of €44.6m in **net interest income** in 2020, €15.3m (+52.3%) above the level of 2019. Excluding 321 Crédito, the net interest income would be €17.3m, up €4.5m (+35.6%) versus 2019.

⁴⁷ The Dott marketplace investment is accounted for by the equity method.

Banco CTT gross **commissions** grew by €4.7m (+52.9%), mainly due to customer transactionality (+14.6%), mortgage loans (+64.4%), as well as accounts and debit cards (+607.0%), boosted by the introduction of debit card commissions from the beginning of April 2020.

Commissions received in 2020 regarding **consumer credit**, in partnership with BNP Paribas, decreased by 24.4% (–€0.6m) vis-à-vis 2019, due to the reduction in production volumes (–26.5%), in line with what was observed in the market in view of the economic impacts of the health crisis.

Placements of the **PPR** product, which no longer has a guaranteed capital, fell by 78.2% to €72.2m versus 2019, although there was a slight recovery in 4Q20. It should be noted that the PPR production compared to the previous year is influenced by the change in the risk profile of the product, which in itself has retracted demand, added to the effects of the lockdown period. In terms of commissions received, the product continues to grow, in this case by €1.2m (+102.0%) versus 2019. The PPR product volume reached €428.8m (off-balance sheet), up 20.3% versus 2019.

The **payments** business line recorded a year-on-year decrease of €3.0m (–14.7%) in commissions received, and total revenues of €17.2m. It has progressively recovered in 2020 and reached €4.5m in 4Q20 (–8.3% vs. 4Q19 which compares to –14.3% and –30.1% in 3Q20 and 2Q20, respectively). The peak of the decline occurred in April, especially in the payment of tolls and invoices, with a gradual recovery in the two last quarters of the year. Mention should also be made of the launch in September of a new payment solution: the Prepaid School Card for Municipalities.

The volume of **auto loan** production stood at €193.8m (+35.4%) in 2020, with a credit portfolio net of impairments of €560.4m (+19.3% compared to December 2019). The year was strongly affected by the temporary closure of auto dealerships in 2Q20, because of the lockdown measures, affecting the capture of new proposals.

The net **mortgage loan** portfolio stood at €524.6m (29.5% above that of December 2019). The mortgage loan production decreased by 15.5% (–€29.4m) versus the previous year.

Banco CTT business performance continued to allow for growth in customer **deposits** to €1,689.1m (+31.6% vs. December 2019) and in the number of accounts to 517k (56k more than at the end of 2019). The loans-to-deposits ratio stood at 64.8% at the end of the year.

In 2020, total **impairments and provisions** of €9.3m were registered, of which €5.8m in 2Q20, reflecting the credit portfolio's evolution. As a result of the deterioration of the economic situation, 321 Crédito's impairments and provisions reached €8.3m in 2020, of which €5.5m in

2Q20. In the following quarters there was a significant reduction in impairments, with €0.4m recorded in 4Q20.

At the end of 2020, **moratorium requests** reached a total exposure of €40.4m (€31.1m regarding mortgage loans, €6.4m auto loans, and €2.9m other loans), representing 3.6% of the total gross credit portfolio.

The private auto loans moratoria ended on 30 September. As of that date, they amounted to €27.6m and represented 40.1% of the total moratorium requests. At the end of 2020, circa 86.3% of these loans were in compliance status.

3.4 Financial Services

Financial Services & Retail revenues amounted to €44.0m in 2020 (€30.8m relative to Financial Services and €13.0m to Retail), with a decrease of €3.3m (–7.1%) vis-à-vis 2019.

The performance in 2Q20 was strongly influenced by the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequent lower appetite for medium/long-term financial investments, as well as by the limited customer access to the CTT Retail Network and the reduced post office opening hours.

Financial products obtained revenues of €30.8m in 2020, a decrease of €2.8m (–8.3%) broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) with revenues of €22.1m, decreased by €3.2m (–12.8%) vis-à-vis 2019, with €3,834.7m in subscriptions (–2.0%). Notwithstanding the slight decrease in subscriptions, the revenue decline was mainly influenced by the change in the terms of the contract between CTT and IGCP, the Treasury and Public Credit Management Institution, which had a negative impact on revenues.
- **Capitalization insurance** products negatively impacted the change in revenues by €0.5m (–32.2%) compared to 2019.
- **Money orders** revenues grew to €6.0m, up €0.4m versus 2019 (+7.5%), due to the partnership with the Government for the delivery of unemployment and other welfare subsidies, as from year-end 2019.
- **CTT payment services** posted revenues of €1.5m in 2020, up €0.4m (+31.0%), as the payment of taxes was made at the Retail Network, thus reducing the structural effect of e-substitution in this type of service.

Retail products and services obtained revenues of €13.0m in 2020, a decrease of €0.3m (–2.5%) versus 2019, penalized by third-party retail products and services, main-

ly in the sale of lottery, books, and in the payment of the air transport subsidy (Azores and Madeira), which posted the sharpest decline. Conversely, merchandising posted a year-on-year growth of €1.7m (+307.2%), and the introduction in September of the sale of instant lottery (scratch cards) in 315 post offices generated revenues of €0.6m.

Retail products and services recorded a significant recovery in the last two quarters of the year, particularly in 4Q20, with a growth of 10.7% versus 4Q19. CTT has been strengthening its position with the sale of new book issues and launch of exclusive CTT collections, the increase in monthly sales of lotteries, the establishment of new partnerships in telecommunications and merchandising, with emphasis on the offer of individual protection products and the consolidation of the gaming and wearables product portfolio.

3.5 Future perspectives

Due to a new general lockdown as of the second half of January 2021, a negative economic and social impact is anticipated, which will affect society in general and the Group's business, which may impact the current forward-looking perspectives. The Management will continue to monitor the implications to the business and provide the stakeholders with all the necessary information.

In 2021, CTT, supported by the dynamism of Express & Parcels due to the constant growth of e-commerce, as well as the continued good performance of Banco CTT, expects to deliver high single-digit growth in revenues, double-digit growth in EBITDA, EBIT to exceed €50m and Capex of c. €35m (of which €15m of expansion capex).

On the other hand, the Company intends to resume dividend payment in 2021, and therefore the Board of Directors will propose to this year's General Meeting of Shareholders a shareholder remuneration of €0.085 per share relating to the 2020 financial year, payable in May 2021. The Company will continue to invest to be the shaper of e-commerce in Portugal.