

# 03

## CTT BUSINESS UNITS

### Committed to Deliver



### 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%
<b>Addressed mail</b>	<b>152.1</b>	<b>129.6</b>	<b>-14.8%</b>	<b>619.0</b>	<b>516.9</b>	<b>-16.5%</b>
<b>Unaddressed mail</b>	<b>144.9</b>	<b>107.0</b>	<b>-26.1%</b>	<b>521.4</b>	<b>412.3</b>	<b>-20.9%</b>

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 1<sup>st</sup> 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 Service<sup>45</sup> in 2020 versus the previous year was 1.76%. After the effect of applying the consumer compensation mechanism<sup>46</sup>, 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.

<sup>45</sup> Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

<sup>46</sup> 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.