FULL YEAR 2018 RESULTS

Transformation Year

20 February 2019

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1. Key highlights

2. Key financials

3. Business units

RECURRING EBITDA GUIDANCE DELIVERED, AS A RESULT OF REVENUES GROWTH AND A STABILISATION OF THE COST BASE

Recurring revenues growth trend

+1.4%
(+0.4% in 2017)

Operational Transformation Plan (OTP) rec. operating costs savings exceeded the full-year objective

€15.0m
(€13.8m objective)

Recurring EBITDA guidance delivered

€90.4m
(€89.9m in 2017)

Positive mix effect driving growth in Mail revenues, despite higher-than-expected volumes decline

+0.8%

Double-digit growth of Express & Parcels volumes and revenues

+12.3%
(volumes & revenues)

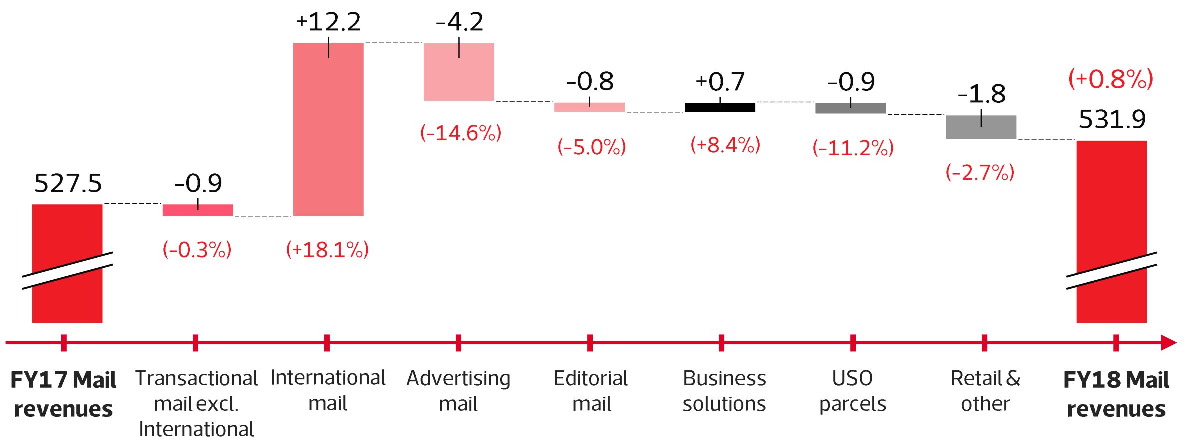
The steady build-out of the Banco CTT franchise continues

€884.0m
(customer deposits)

MAIL PERFORMANCE UNDERPINNED BY STRONG MIX EFFECT; THE POSITIVE EVOLUTION IN THE GROWTH LEVERS CONTINUED; SAVINGS & INSURANCE PLACEMENTS RECOVERED THROUGHOUT THE YEAR

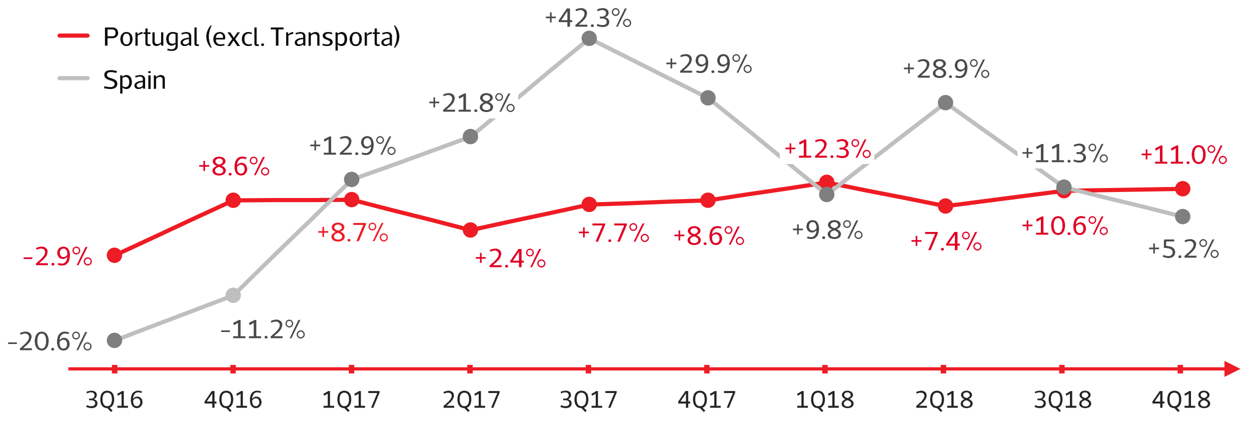
Mail recurring revenues breakdown

€ million; change vs. prior year; % change vs. prior year



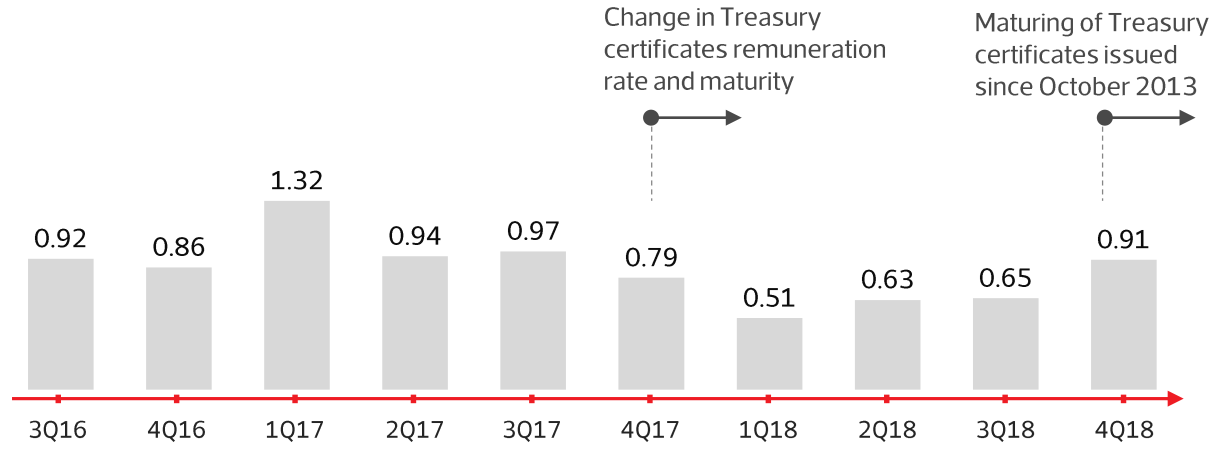
Parcels volumes

Quarterly change vs. prior year

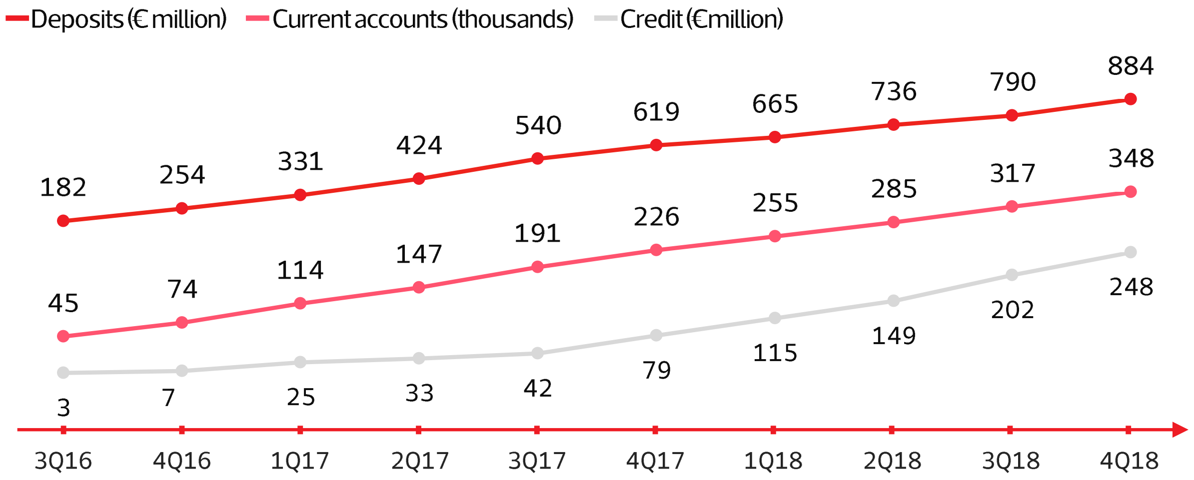


Savings & insurance products placements

€ billion



Banco CTT current accounts, customer deposits & credit to clients [1]



Note: Cumulative figures.
[1] Credit placed by Banco CTT on its own Balance Sheet, net of impairments.

THE OPERATIONAL TRANSFORMATION PLAN COSTS SAVINGS & CAPITAL GAINS EXCEEDED THE FULL-YEAR OBJECTIVES

FY18 recurring operating costs savings

Savings objective exceeded

€15.0m
Costs savings realised

€13.8m
Costs savings objective

FY18 non-recurring revenues / capital gains

Capital gains objective exceeded

€9.3m
Capital gains realised

€5.2m
Capital gains objective

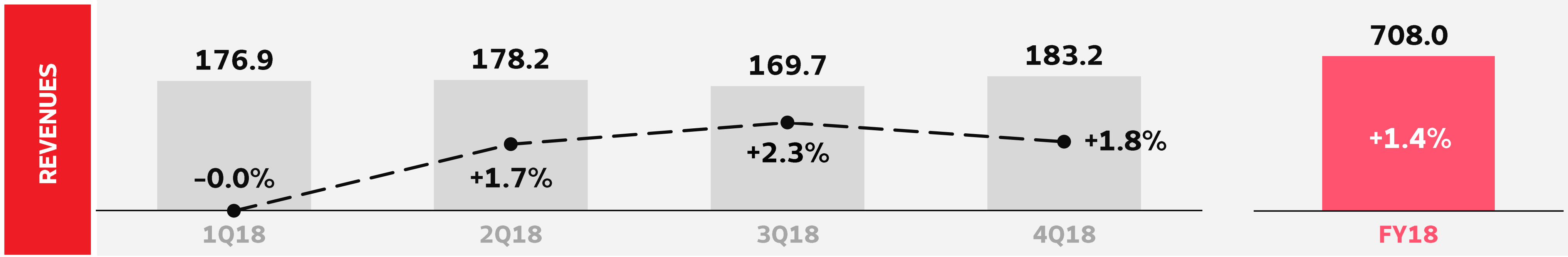
FY18 non-recurring operating costs

€21.6m
Non-recurring op. costs related to the OTP

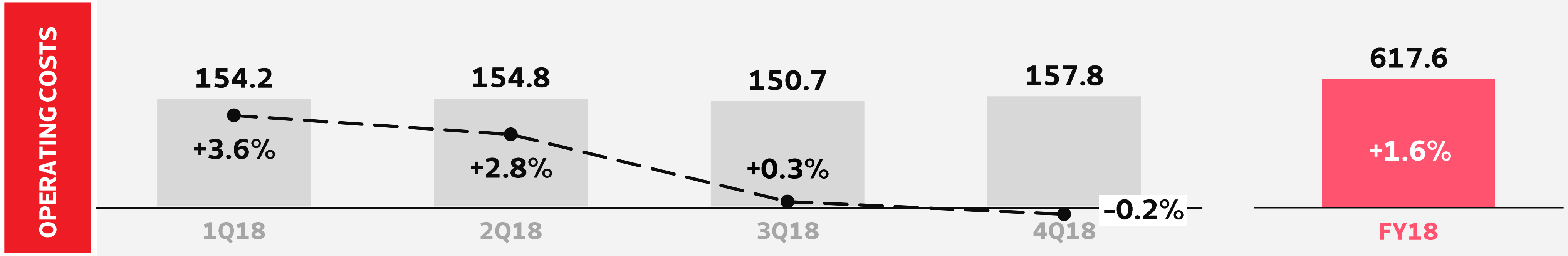
€20.0m
Non-recurring op. costs objective

KEY FINANCIAL INDICATORS REGISTERED GRADUAL IMPROVEMENT AS THE YEAR PROGRESSED

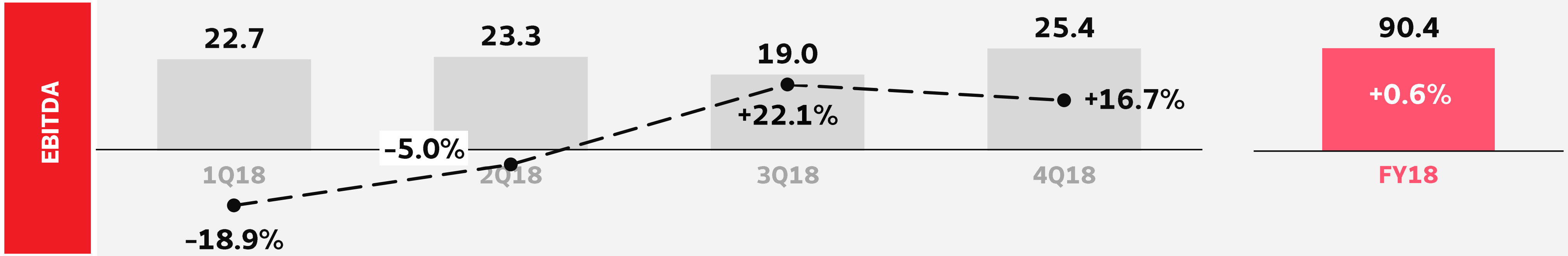
Key recurring[1] financials; € million; % change vs. prior year



Revenues increased during a large part of the period



Recurring operating costs stabilised in 2H18, despite growth in revenues, as a result of the efficiency measures



Delivering slight increase in recurring EBITDA

[1] Excluding non-recurring items affecting EBITDA of -€8.8m in 2017 and -€16.1m in 2018.

NET PROFIT IMPACTED BY RESTRUCTURING COSTS RELATED TO THE OPERATIONAL TRANSFORMATION PLAN

Financial and operational performance

€ million, except when otherwise indicated

	Quarter			Full year		
Financial indicators	4Q17	4Q18	Δ%	2017	2018	Δ%
Recurring revenues	**180.0**	**183.2**	**+1.8%**	**697.9**	**708.0**	**+1.4%**
Recurring operating costs [1]	158.2	157.8	-0.2%	608.0	617.6	+1.6%
Recurring EBITDA [1]	**21.8**	**25.4**	**+16.7%**	**89.9**	**90.4**	**+0.6%**
Reported Net profit	**7.8**	**9.7**	**+25.5%**	**27.3**	**19.6**	**-28.0%**

	Addressed mail (million items)	Unaddressed mail (million items)	Express & Parcels (million items)	Savings & insurance flows (€ billion)	Banco CTT credit to clients (€ million)
2018 volumes	**680.7**	**427.3**	**37.3**	**3.7**	**248.0**
vs. 2017	**-7.6%**	**-13.2%**	**+12.3%**	**-35.0%**	**+212.6%**

[1] Excluding non-recurring items affecting EBITDA of +€0.1m and +€3.2m in 4Q17 and 4Q18, respectively. Excluding non-recurring items affecting EBITDA of -€8.8m and -€16.1m in 2017 and 2018, respectively.

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1. Key highlights
2. Key financials
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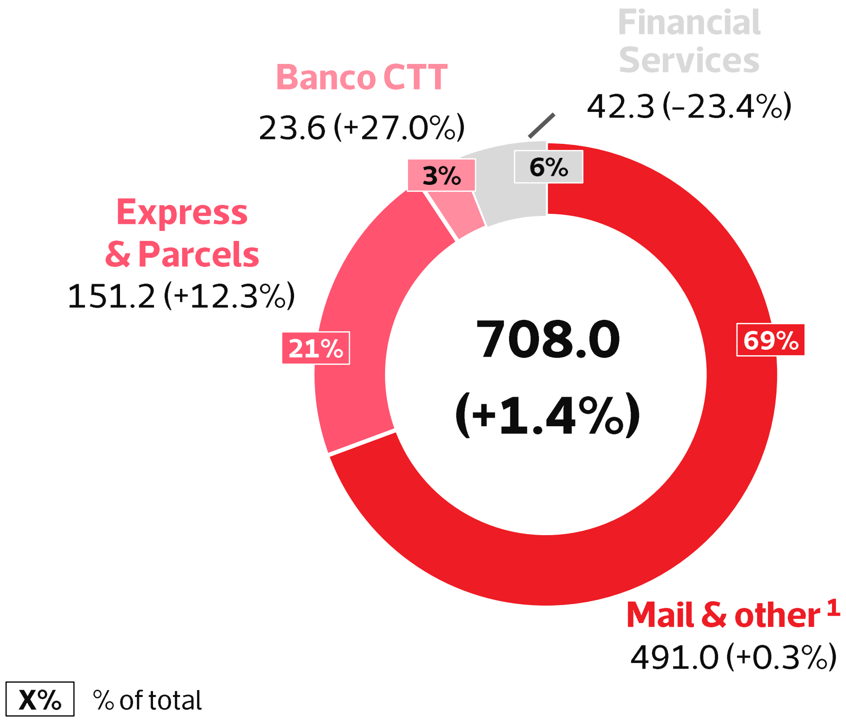
THE EXPECTED REVENUES SOFTNESS IN FINANCIAL SERVICES WAS MORE THAN OFFSET BY SOLID PROGRESS IN THE GROWTH LEVERS

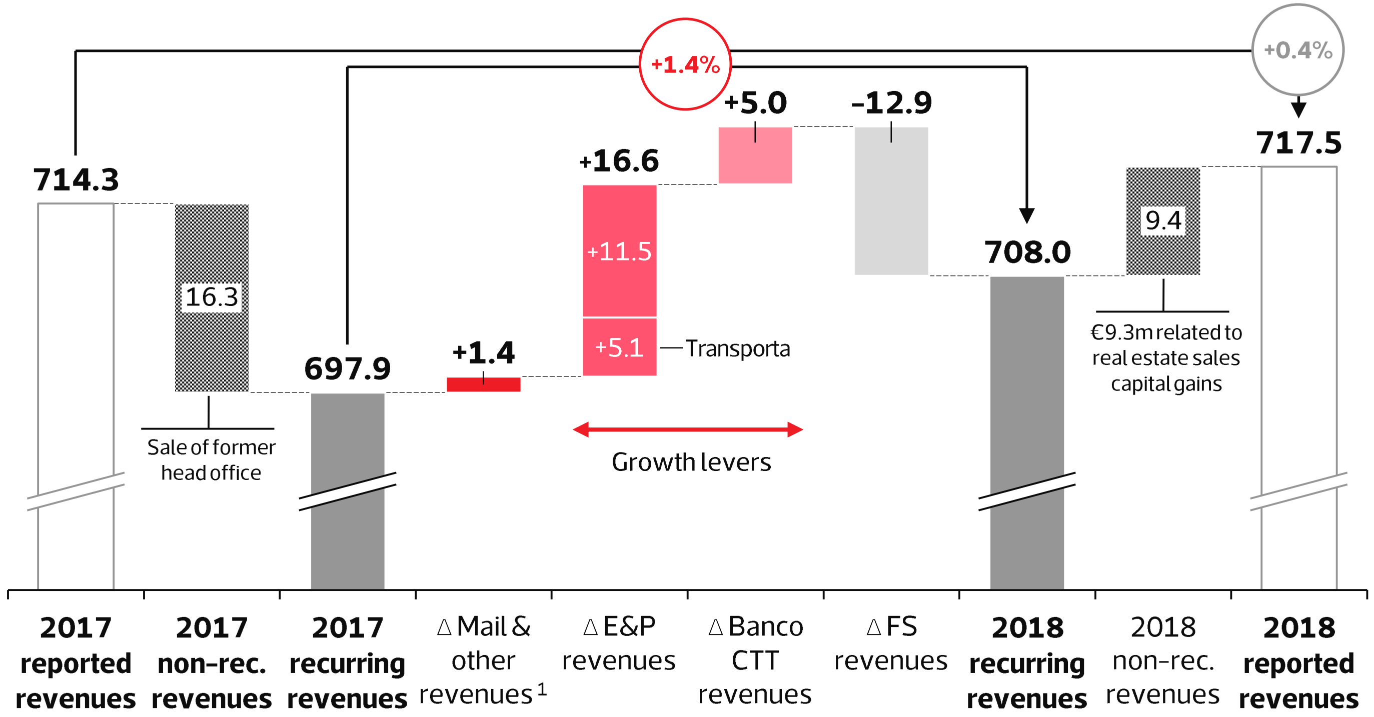
Recurring revenues

€ million; % change vs. prior year; % of total



Revenues breakdown

€ million; % change vs. prior year



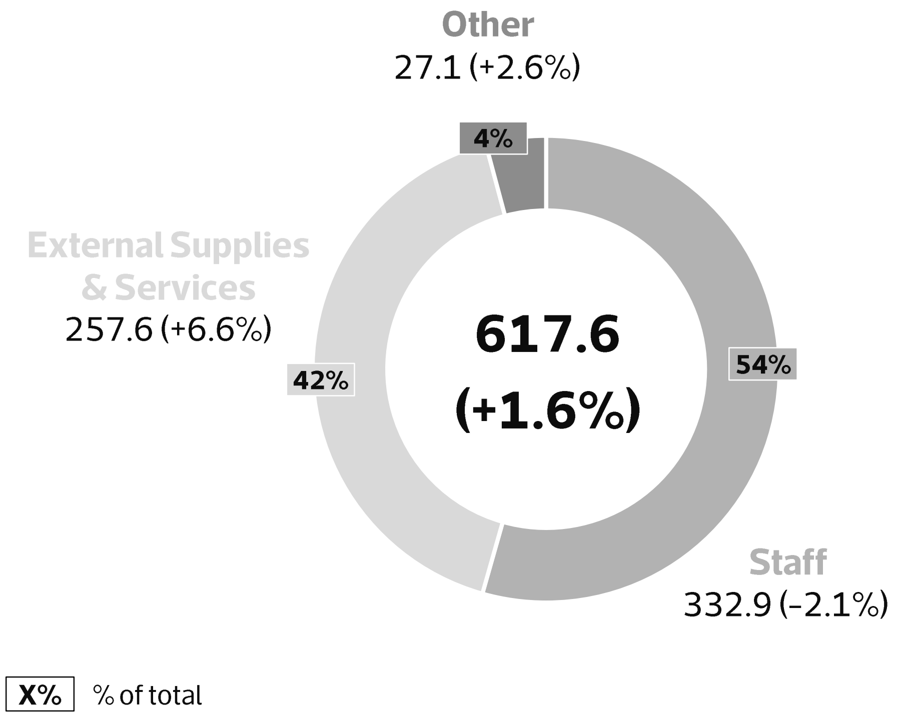
- **Mail returned to growth**, supported by a very strong positive mix effect and 4.1% average price increase, which fully offset the higher-than-expected volumes decline
- **Express & Parcels growth accelerated** on the back of solid volumes growth in Portugal (11.7%) & Spain (13.1%), and the Transporta acquisition (+€5.1m)
- **Banco CTT** revenues grew mainly due to **net interest income expansion**, as total deposits and net mortgage lending book reached €884m & €238m, respectively
- **35.8% decline in subscriptions led to €12.2m drop in the revenues from public debt products**, the principal driver of the decrease in Financial Services revenues

[1] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€37.9m in 2017 and -€40.9m in 2018.

THE RECURRING OPERATING COSTS INCREASED DUE TO GROWTH IN ACTIVITY, DECLINING IN THE STAFF CATEGORY AS A RESULT OF THE OPERATIONAL TRANSFORMATION PLAN HR OPTIMISATION INITIATIVES

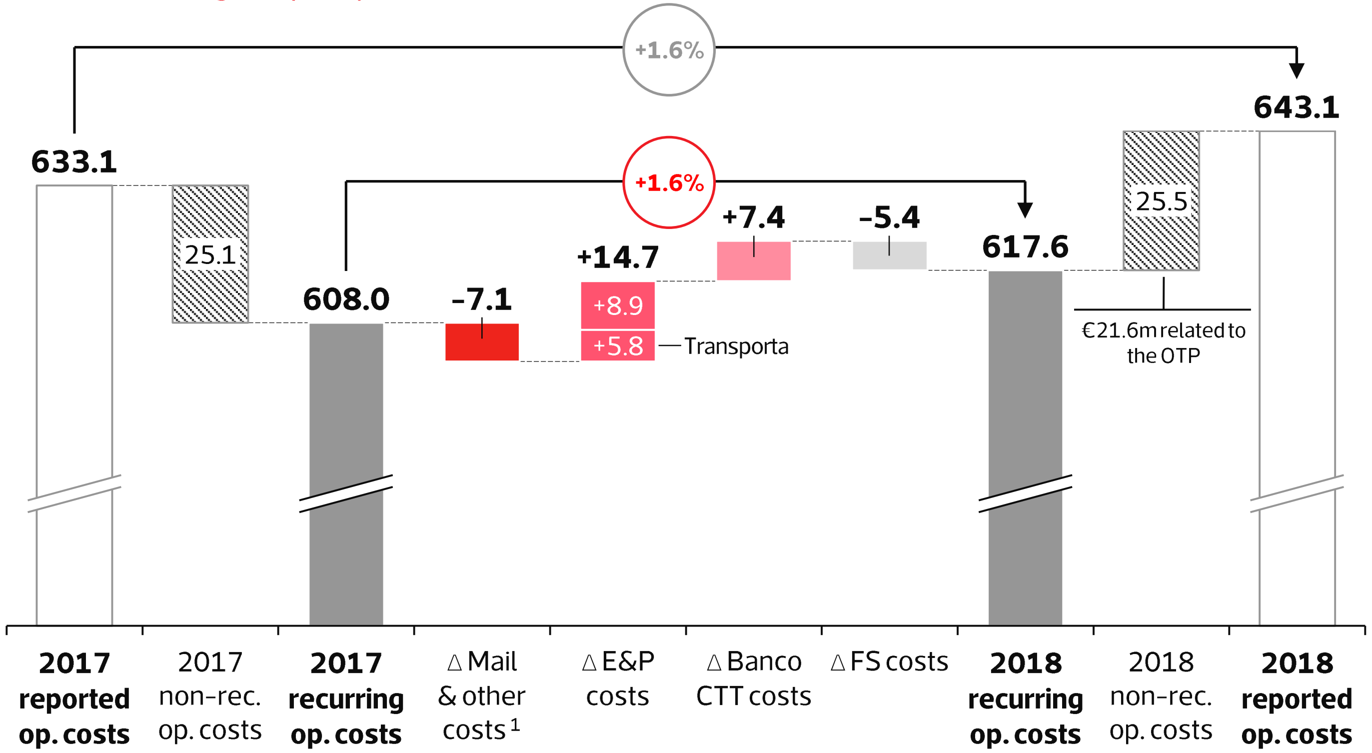
Recurring operating costs

€ million; % change vs. prior year; % of total



Operating costs breakdown

€ million; % change vs. prior year



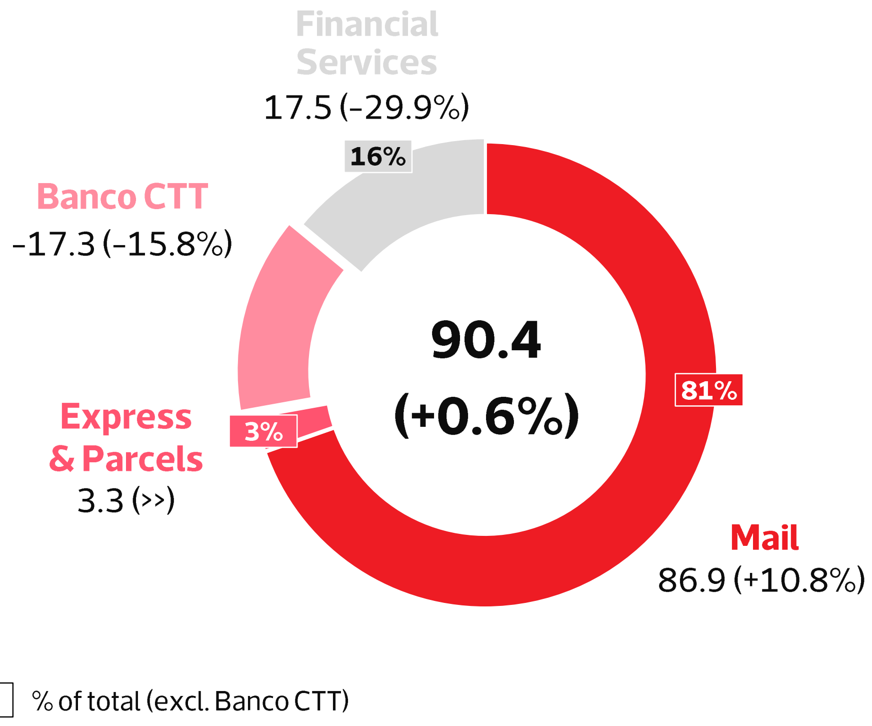
- **Recurring ES&S costs increased by €16.1m,** €15.0m of which were direct costs associated with growth, predominantly in the Express & Parcels activity in Portugal & Spain. Savings were realised in rents & buildings (€1.8m) and external IT (€1.6m) costs
- **Recurring staff costs declined €7.2m** as **OTP HR optimisation initiatives more than offset the salary revision** (+€2.6m impact) negotiated with the unions. €3.5m positive impact from the reduction in certain employee long-term benefits
- **The large majority (€20.5m) of the non-recurring costs related to the Operational Transformation Plan were indemnities** associated with negotiated staff exits

[1] Including costs related to CTT Central Structure and Intragroup Eliminations amounting to -€37.9m in 2017 and -€40.9m in 2018.

THE RECURRING EBITDA GROWTH REFLECTS AN UNDERLYING TREND OF SUSTAINED IMPROVEMENT TROUGHOUT THE YEAR

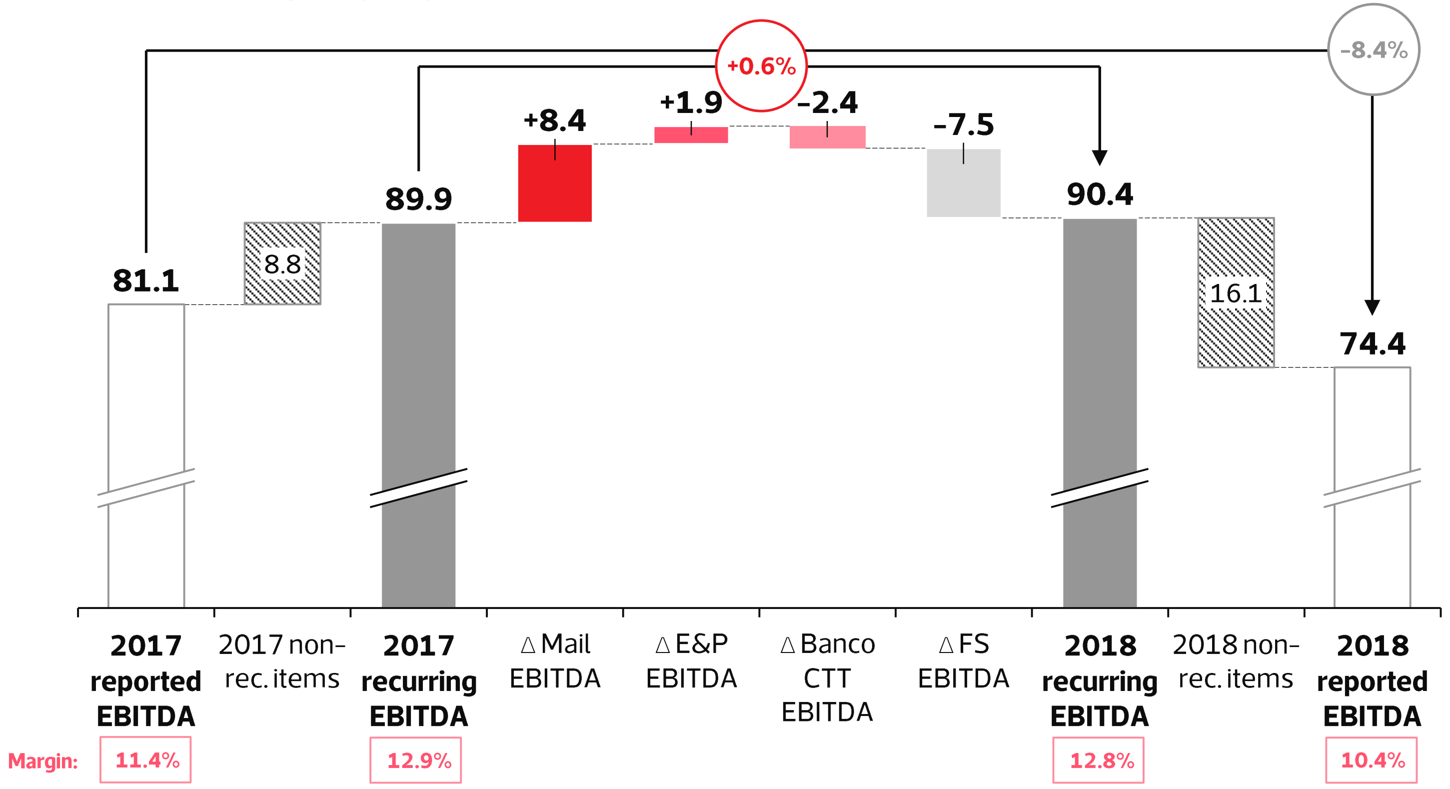
Recurring EBITDA

€ million; % change vs. prior year; % of total



EBITDA breakdown

€ million; % change vs. prior year



- **Solid EBITDA performance in Mail**, as the **reduction in the recurring cost base and strong pricing / positive revenues mix effect** more than offset the **structural decline in volumes**
- **FS EBITDA decreased** due to the decline in **public debt revenues** with high incremental margin. **Banco CTT EBITDA declined mainly as a result of higher marketing costs**

OPERATING CASH FLOW GENERATION IMPACTED BY NON-RECURRING ITEMS RELATED TO THE OPERATIONAL TRANSFORMATION PLAN

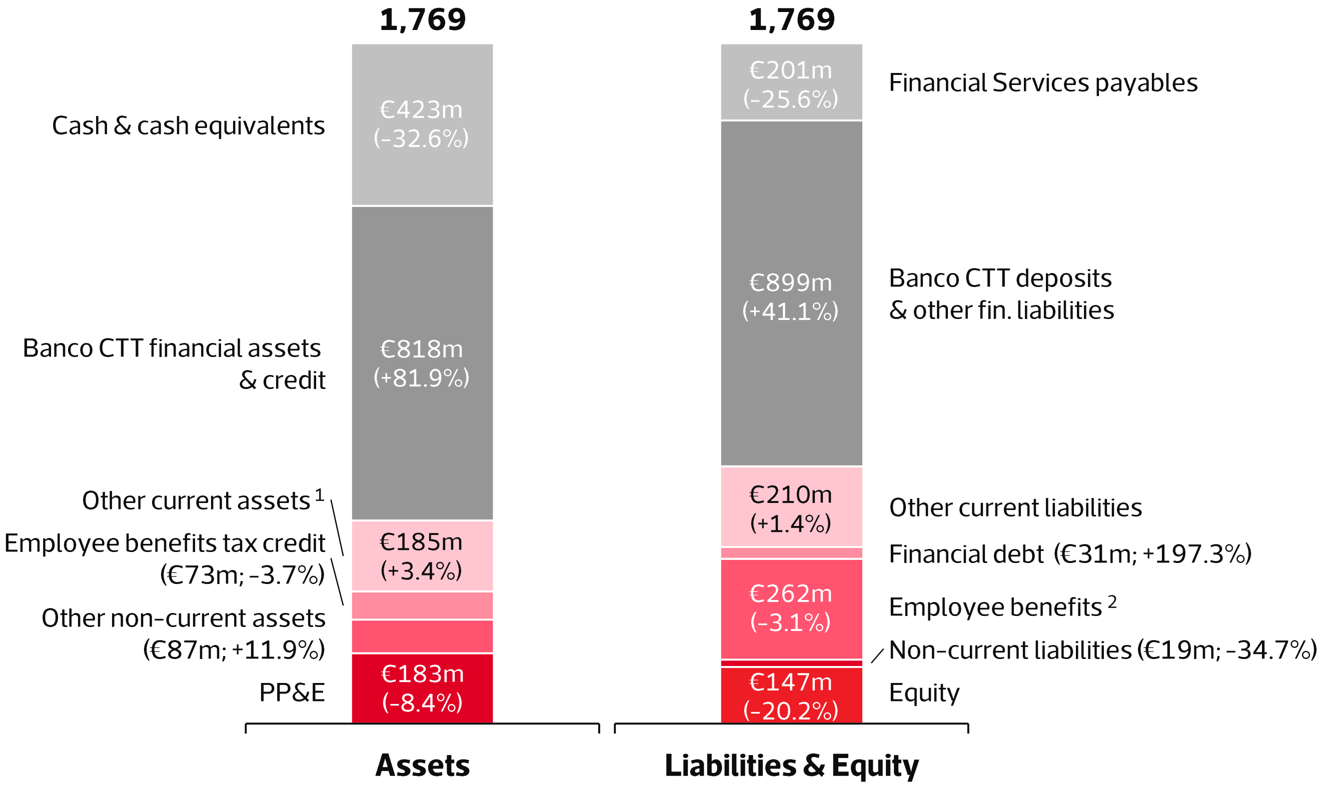
Cash flow

€ million; change vs. prior year

	Adjusted (Excl. FS float & Banco CTT deposits and financial assets) 2018	Δ
From operating activities	**31.8**	**-12.6**
Operating cash flow, excl. Banco CTT	35.7	-27.5
Banco CTT operating cash flow	-3.9	+15.0
From investing activities	**-16.4**	**-10.6**
Capex payments (excl. Banco CTT)	-22.2	+3.1
Banco CTT Capex payments	-6.2	-0.3
Other	12.0	-13.4
Operating free cash flow	**15.3**	**-23.2**
From financing activities	**-36.3**	**+35.7**
of which Dividends	-57.0	+15.0
Net change in cash	**-21.0**	**+12.3**

Balance sheet – 31 December 2018

€ million; % change vs. 31 December 2017



- **Cash flow from operating activities** impacted by **€31.2m of indemnity payments related to the OTP** (of which €11.6m related to 2017 provisions paid in 2018)
- **Capex reached €30.7m (+€2.1m),** mainly due to investment in IT systems (€22.8m); cash capex payments stood at €28.4m (+€2.8m)
- **Net financial own cash totaled €122m,** of which €61m of Banco CTT's own cash = (Cash & cash equivalents of €423m – Net Financial Services payables of €195m – Banco CTT deposits & other fin. liabilities of €899m + Banco CTT fin. assets & credit & other of €824m – Short & long-term debt of €31m)

[1] Including Financial Services receivables of €4m and €6m as at Dec-17 and Dec-18, respectively.
[2] Including current and non-current liabilities.

1. Key highlights
2. Key financials
3. Business units

MAIL: STRONG EXPANSION OF THE RECURRING EBITDA MARGIN AS A RESULT OF REVENUES GROWTH COUPLED WITH EFFICIENCY IMPROVEMENTS

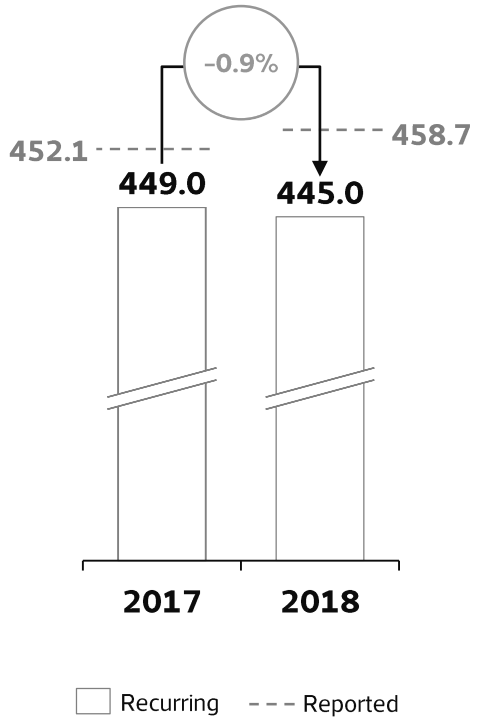
Recurring revenues

€ million; % change vs. prior year

– Transactional	€413.1m (+2.8%)
– Advertising	€24.2m (-14.6%)
– Editorial	€14.7m (-5.0%)
– Business Solutions	€9.6m (+8.4%)
– USO Parcels	€6.8m (-11.2%)
– Retail & other	€63.5m (-2.7%)
Total	**€531.9m (+0.8%)**

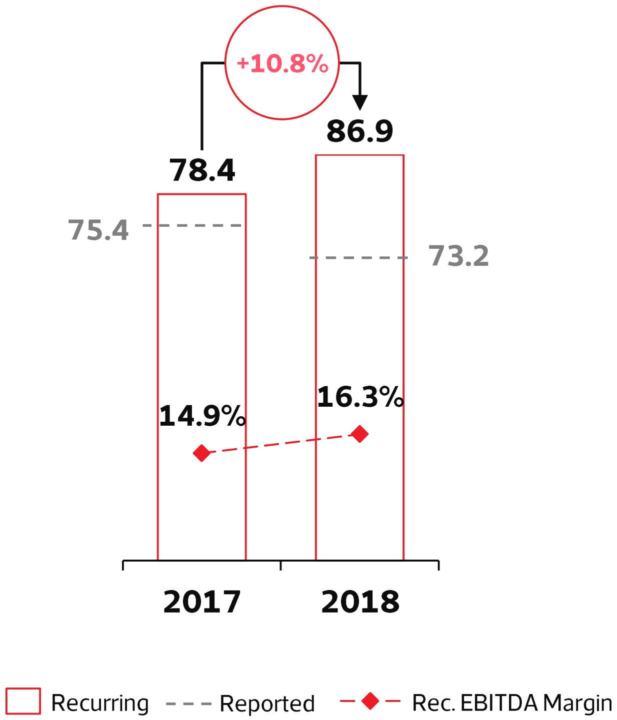
Operating costs

€ million



EBITDA

€ million



Mail volumes by type (m items)

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
4Q18 | 2018	N/D	165.0 | 680.7	140.6 | 585.8	14.7 | 57.8	9.7 | 37.2	110.5 | 427.3
vs. 4Q17 | 2017	+4.7% | +4.1%	-8.9% | -7.6%	-7.4% | -6.6%	-23.2% | -15.7%	-4.1% | -8.9%	-10.8% | -13.2%

EXPRESS & PARCELS: DOUBLE-DIGIT VOLUMES AND REVENUES GROWTH, DRIVEN PREDOMINANTLY BY E-COMMERCE

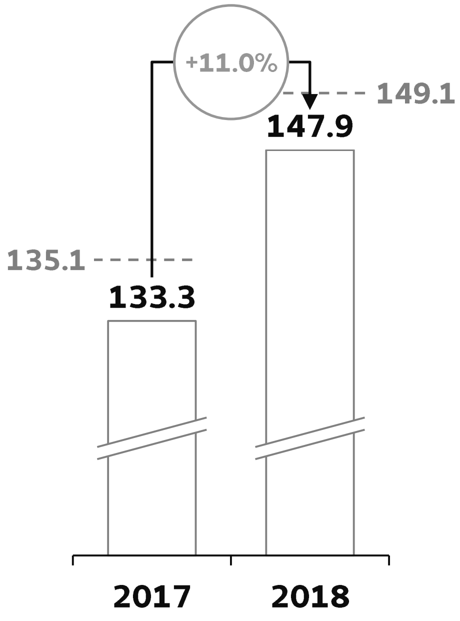
Recurring revenues

€ million; % change vs. prior year

– Portugal & other [1]	€94.0m (+14.9%)
– Parcels	€67.8m (+7.8%)
– Cargo & Logistics [2]	€15.9m (+53.6%)
– Banking network	€6.3m (+22.2%)
– Other [2]	€4.1m (+16.8%)
– Spain	€55.3m (+8.1%)
– Mozambique	€1.8m (+18.4%)
Total	**€151.2m (+12.3%)**
Total excl. Transporta	**€137.2m (+9.2%)**

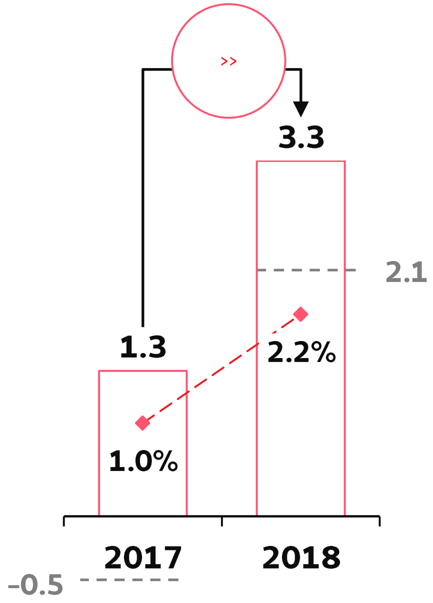
Operating costs

€ million



EBITDA

€ million



E&P volumes by region (m items)

Metric	Total	Portugal	Portugal excl. Transporta	Spain	Mozambique
4Q18 | 2018	10.2 | 37.3	5.4 | 19.8	4.8 | 17.3	4.8 | 17.5	0.02 | 0.06
vs. 4Q17 | 2017	+4.8% | +12.3%	+4.5% | +11.7%	+11.0% | +10.3%	+5.2% | +13.1%	-13.7% | -12.0%

[1] Including revenues from intra-group transactions with companies of other business units and other operating income of Portugal, Spain and Mozambique.
[2] Including Transporta revenues (€13.8m in Cargo & Logistics and €0.3m in Other in 2018).

BANCO CTT: NET INTEREST MARGIN EXPANSION SPURRED BY CONTINUED GROWTH IN ALL CUSTOMER VOLUMES METRICS

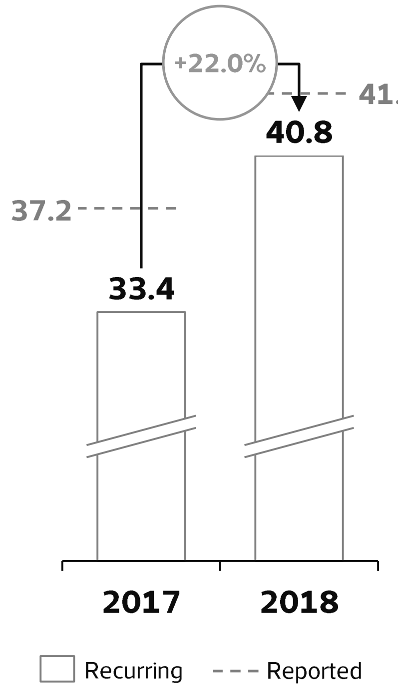
Recurring revenues

€ million; change vs. prior year

– Net interest income	€7.9m (+€4.5m)
– Interest income	€8.6m (+€4.4m)
– Interest expense	€0.7m (-€0.1m)
– Fees & commissions income	€5.0m (+€0.8m)
– Consumer credit[1] and insurance	€1.2m (-€0.9m)
– Own products	€3.8m (+€1.7m)
– Payshop & other	€10.7m (-€0.3m)
Total	**€23.6m (+€5.0m)**

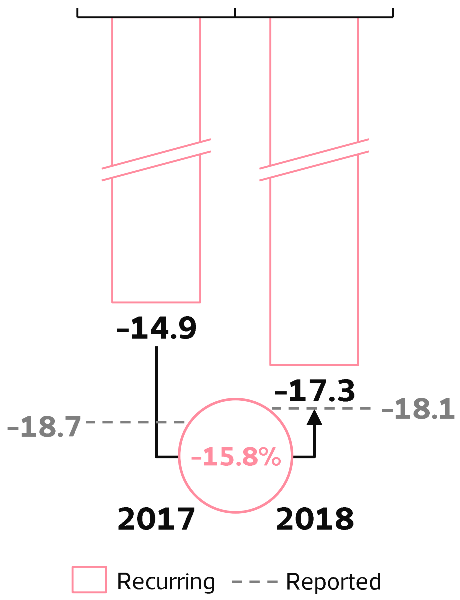
Operating costs

€ million



EBITDA

€ million



Mortgage credit growth
€172m
(€54m in 4Q)

Consumer credit growth[2]
€42m
(€11m in 4Q)

Current accounts
348k
(122k in 2018)

Deposits
€884m
(€265m in 2018)

Selected Banco CTT Balance Sheet indicators

Metric (non consolidated)	Assets (€ million)				Deposits (€ million)		Consolidated Equity (€ million) / CET 1 (%) (fully implemented)
	Cash & equivalents	Investments	Credit to clients[3]	of which Mortgage	Term (incl. savings)	Sight	
31-Dec-18	250.8	454.1	248.0	238.4	212.3	671.7	89.5 / 23.4%
vs. 31-Dec-17	-25.6%	+69.9%	+212.6%	+260.8%	+0.8%	+64.4%	+17.2% / -3.1p.p.

[1] Consumer credit & credit cards sold in partnership with BNP Paribas Personal Finance (Cetelem). The FY17 revenues included a fixed commission fee of €0.8m from an insurance provider for the launch of sale of insurance products.
[2] Amount outside CTT's Balance Sheet, representing the amount of credit placed in FY18, in partnership with BNP Paribas Personal Finance (Cetelem).
[3] Net of impairments.

FINANCIAL SERVICES: SAVINGS PLACEMENTS REGISTERED A STRONG RECOVERY IN 4Q18, AS PRIOR TREASURY CERTIFICATES ISSUES STARTED TO MATURE, BUT UNABLE TO OFFSET 9 MONTHS OF DECLINES

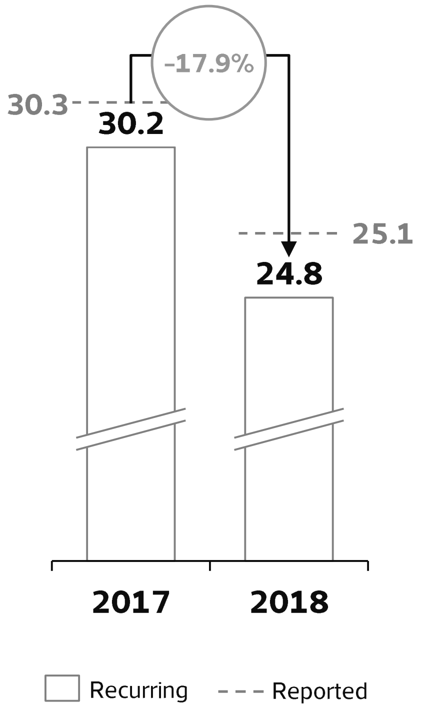
Recurring revenues

€ million; % change vs. prior year

– Savings & Insurance	€18.9m (-37.9%)
– Payments	€13.0m (-8.1%)
– Transfers	€8.2m (-11.7%)
– Other	€2.2m (+64.6%)
Total	**€42.3m (-23.4%)**

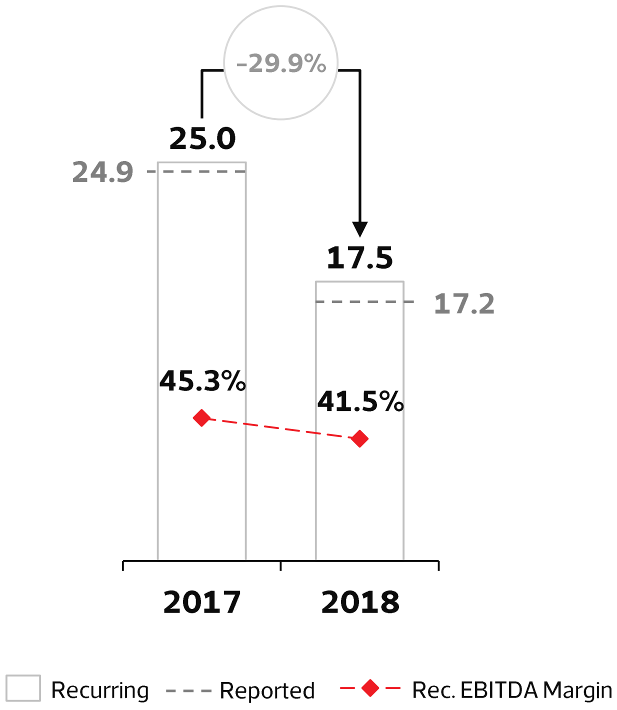
Operating costs

€ million



EBITDA

€ million



FS volumes by type

Metric	Savings & insurance placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)
4Q18 | 2018	0.9 | 2.7	6.0 | 27.0	4.4 | 16.0
vs. 4Q17 | 2017	+15.9% | -32.9%	-6.1% | -5.5%	+4.7% | -8.5%

2019 OUTLOOK

Increase in revenues, supported by organic & inorganic impacts in the growth levers

Decline in addressed mail volumes expected to be in the -6% to -8% range

Reaffirming the additional c.€15m of rec. op. cost savings expected from the OTP. Net non-recurring items of c.€15m

Growth in organic recurring EBITDA [1], reflecting continued efficiency improvements. Additionally, expecting a positive contribution from the 321 Crédito acquisition

€55m of Capex, €25m of which related to and in line with previously communicated OTP modernisation and automation initiatives

Consistent with the declared shareholder remuneration policy, the Board of Directors to propose FY18 dividend of €0.10 / share

[1] On the same basis, excluding the impact of IFRS 16.

Appendix

INCOME STATEMENT

€ million	Reported		Recurring [1]		Reported with Banco CTT under equity method [2]	
	2017	2018	2017	2018	2017	2018
Revenues	**714.3**	**717.5**	**697.9**	**708.0**	**702.8**	**701.4**
Operating costs	633.1	643.1	608.0	617.6	603.0	609.0
EBITDA	**81.1**	**74.4**	**89.9**	**90.4**	**99.8**	**92.5**
EBITDA margin	**11.4%**	**10.4%**	**12.9%**	**12.8%**	**14.2%**	**13.2%**
Depreciations, amortisations, impairments & provisions	34.0	35.7	29.7	33.4	31.1	31.7
EBIT	**47.1**	**38.7**	**60.2**	**57.0**	**68.7**	**60.7**
Financial income / (costs)	-5.0	-5.5	-5.0	-5.5	-5.0	-5.5
Associated companies - gains / (losses)	0.0	-0.8	0.0	-0.8	-17.2	-18.3
Earnings before taxes (EBT)	**42.1**	**32.4**	**55.2**	**50.8**	**46.6**	**37.0**
Income tax for the period	15.0	12.8	19.6	20.0	19.4	17.3
Non-controlling interests	-0.1	0.0	-0.1	0.0	-0.1	0.0
Net profit attributable to equity holders	**27.3**	**19.6**	**35.7**	**30.8**	**27.3**	**19.6**

[1] Recurring Net profit excludes non-recurring revenues and costs and considers the effective tax rate of CTT for the period.
[2] Payshop migrated to Banco CTT business unit in Jan-18 (proforma figures presented for 2017).

BALANCE SHEET

€ million	CTT		With Banco CTT under equity method [1]	
	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18
Non-current assets	678.5	1,026.4	413.4	405.8
Current assets	930.3	742.4	557.3	456.9
Assets	**1,608.8**	**1,768.8**	**970.7**	**862.7**
Equity	**184.0**	**146.8**	**184.0**	**146.8**
Liabilities	**1,424.8**	**1,622.1**	**786.8**	**715.9**
Non-current liabilities	282.7	288.3	282.7	288.2
Current liabilities	1,142.0	1,333.8	504.1	427.7
Equity and Liabilities	**1,608.8**	**1,768.8**	**970.7**	**862.7**

[1] Payshop migrated to Banco CTT business unit in Jan-18 (proforma figures presented for Dec-17).

CASH FLOW STATEMENT

€ million; change vs. prior year

	Reported 2018	Reported Δ	Adjusted [1] (Excl. FS float & Banco CTT deposits and fin. assets) 2018	Adjusted [1] Δ
From operating activities	**59.1**	**-231.9**	**31.8**	**-12.6**
Cash flow excl. Banco CTT			35.7	-27.5
Banco CTT cash flow			-3.9	+15.0
From investing activities	**-200.7**	**+39.7**	**-16.4**	**-10.6**
Capex payments (excl. Banco CTT)	-22.2	+3.1	-22.2	+3.1
Banco CTT Capex payments	-6.2	-0.3	-6.2	-0.3
Banco CTT financial assets [2]	-184.3	+50.4		
Other	12.0	-13.4	12.0	-13.4
Operating free cash flow	**-141.5**	**-192.2**	**15.3**	**-23.2**
From financing activities	**-36.3**	**+35.7**	**-36.3**	**+35.7**
of which Dividends	-57.0	+15.0	-57.0	+15.0
Other [3]	**-26.3**	**-55.6**	**0.0**	**-0.1**
Net change in cash	**-204.1**	**-212.1**	**-21.0**	**+12.3**

Impacted by **€31.2m of indemnities payments** related to the OTP

[1] Cash flow from operating and investing activities excluding changes in Net Financial Services payables and the following items from the Cash flow statement, all of them relating to the Banco CTT financial activity: "Banking customer deposits and other loans", "Credit to bank clients", third parties' "Other operating assets and liabilities" regarding Banco CTT, "Investments in securities", "Deposits at the Bank of Portugal" and "Other banking financial assets".
[2] Including Investment securities and other banking financial assets held by Banco CTT.
[3] These figures were not considered under Cash and equivalents in the Cash flow statement. However, they are included in Cash and equivalents on the Balance Sheet. These amounts correspond to the change in sight deposits at the Bank of Portugal, outstanding cheques of Banco CTT / clearing of cheques of Banco CTT, and impairment of sight and term deposits.

NON-RECURRING ITEMS AFFECTING EBITDA & EBIT

€ million	Non-recurring items 2017	Non-recurring items 2018
Recurring EBITDA	**89.9**	**90.4**
Non-recurring items affecting EBITDA	**8.8**	**16.1**
Revenues	16.3	9.4
Staff costs	14.7	20.7
ES&S & other op. costs	10.5	4.8
Reported EBITDA	**81.1**	**74.4**
Recurring EBIT	**60.2**	**57.0**
Non-recurring costs affecting only EBIT	**4.3**	**2.3**
Provisions (reinforcements / reductions)	1.3	2.2
Impairments and D&A (losses / reductions)	3.0	0.1
Non-recurring items affecting EBITDA & EBIT	**13.1**	**18.4**
Reported EBIT	**47.1**	**38.7**

Including **€9.3m** from R. da Palma and other **real estate assets sales**

Including **€20.5m of indemnities** related to the OTP

Including **€3.8m of strategic studies**, €1.1m of which related to the OTP

Including **€1.4m provision related to a fine by the Spanish Competition Authority**

ESTIMATED IMPACTS OF IFRS 16 ON THE 2018 RESULTS (FULL RETROSPECTIVE METHOD ADOPTED)

€ million

	2018 As reported	2018 Under IFRS 16	Estimated impacts of IFRS 16
Revenues	**717.5**	**717.5**	= None
Operating costs	643.1	[~] 610.8	Decrease, as operating costs related to leases are recognised as depreciations and interest costs
EBITDA	**74.4**	[~] **106.7**	**Increase due to lower operating costs (leases)**
Depreciations, amortisations, impairments & provisions	35.7	[~] 61.0	Increase due to additional depreciations of capitalised rights of use assets (RoU)
EBIT	**38.7**	**[~] 45.6**	**Increase, as operating lease costs are replaced by depreciations and interest costs, the latter below EBIT**
Financial income / (costs)	-5.5	[~] -9.7	Increase due to leases interest costs component booked in finance costs
Income tax for the period	12.8	[~] 13.7	Lower during the initial years due to higher interest costs
Net profit attributable to equity holders	**19.6**	**[~] 21.5**	**Whilst neutral over time, timing effect due to higher interest costs during the initial years**

- Main P&L effects: leases impact depreciations and interest costs; increase in EBITDA and EBIT (as above), long-term neutral to Net profit
- Main Balance Sheet effects: all leases on Balance Sheet; increase in both tangible assets (RoU) & Net debt (other than financial) of ~€100m

Note: [~] represents +/- 5% of the estimates provided.

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