

## Integrated Report

Includes the management report, the individual and consolidated accounts, the corporate governance report, the sustainability report and other corporate information documents

2018





# Table of Contents

|  |            |
|--|------------|
| <b>1. INTRODUCTION TO CTT .....</b>  | <b>5</b>   |
| 1.1. STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS .....   | 5          |
| 1.2. STATEMENT OF THE CEO & VICE-CHAIRMAN OF THE BOARD OF DIRECTORS .....  | 6          |
| 1.3. EXPLANATION OF THE NATURE OF THE INTEGRATED REPORT .....  | 9          |
| 1.4. KEY FIGURES .....   | 10         |
| 1.5. EXTERNAL AWARDS AND DISTINCTIONS .....  | 12         |
| <b>2. STRATEGIC BACKGROUND .....</b>   | <b>15</b>  |
| 2.1. ECONOMIC, SECTORAL AND REGULATORY ENVIRONMENT .....   | 15         |
| 2.2. STRATEGIC LINES .....   | 26         |
| 2.3. SUSTAINABLE DEVELOPMENT GOALS .....   | 27         |
| 2.4. ANALYSIS OF MATERIALITY .....   | 29         |
| 2.5. DIALOGUE WITH THE RELATED PARTIES .....   | 31         |
| 2.6. CORPORATE ETHICS .....  | 35         |
| 2.7. RISK MANAGEMENT .....   | 37         |
| <b>3. BUSINESS UNITS .....</b>   | <b>42</b>  |
| 3.1. MAIL .....  | 42         |
| 3.2. EXPRESS & PARCELS .....   | 46         |
| 3.3. BANCO CTT .....   | 46         |
| 3.4. FINANCIAL SERVICES .....  | 47         |
| 3.5. FUTURE PERSPECTIVES .....   | 47         |
| <b>4. PERFORMANCE .....</b>  | <b>49</b>  |
| 4.1. FINANCIAL CAPITAL .....   | 49         |
| 4.2. HUMAN CAPITAL .....   | 54         |
| 4.3. INTELLECTUAL CAPITAL .....  | 59         |
| 4.4. SOCIAL CAPITAL .....  | 60         |
| 4.5. NATURAL CAPITAL .....   | 64         |
| <b>5. CORPORATE GOVERNANCE .....</b>   | <b>77</b>  |
| <b>6. PROPOSAL FOR THE APPROPRIATION OF RESULTS .....</b>  | <b>139</b> |
| <b>7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS .....</b>   | <b>141</b> |
| <b>8. DECLARATION OF CONFORMITY .....</b>  | <b>257</b> |
| <b>9. AUDIT REPORT, REPORT AND OPINION OF THE AUDIT COMMITTEE AND INDEPENDENT LIMITED ASSURANCE REPORT .....</b> | <b>261</b> |
| <b>10. INVESTOR SUPPORT .....</b>  | <b>289</b> |
| <b>11. WEBSITE .....</b>   | <b>291</b> |
| <b>ANNEX I - CURRICULA .....</b>   | <b>293</b> |
| <b>ANNEX II - MANAGEMENT TRANSACTIONS OF CTT SHARES .....</b>  | <b>309</b> |
| <b>ANNEX III - SUSTAINABILITY COMMITMENTS .....</b>  | <b>313</b> |
| <b>ANNEX IV - GRI INDEX AND INDICATORS .....</b>   | <b>315</b> |



## 1. INTRODUCTION TO CTT

### 1.1. STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Following a challenging 2017, in 2018 CTT proved its ability to achieve the goals set forth for the year, not only in terms of revenues and EBITDA but also in terms of implementing the OTP (Operational Transformation Plan) as a critical lever in the process of adjusting the organisation, structure and processes of the Group, which focuses on preserving the value of the postal business.

Throughout 2018, and as a direct response to a market dynamic where mail volumes accelerated their decline and the parcel business is in the process of developing as one of the Group's two growth levers, we designed and launched an ambitious modernisation and investment plan. This plan entails an investment of c.€40m in 2 years and its primary goal is to increase the automation of CTT's operations and rationalise the Group's distribution network so as to adapt the company's businesses to markets where it operates.

In the past year, and despite the acceleration of the declining trend in mail volumes, the regulatory authority changed the criteria used to evaluate the quality of service of the Universal Postal Service, for 2019 and 2020. More specifically, it increased the total number of parameters from 11 to 24, with some quality standards going up to 99.9%. This change came as a surprise to the Company and is unparalleled when compared with other European countries, where quality of service standards are in fact becoming less demanding in order to smoothen the impact of the acceleration of the declining trend in mail volumes. Moreover, it is considerably incomprehensible that these parameters are being changed 2 years from the end of CTT's 20-year concession for the Portugal's Universal Postal Service, given that for the initial 18 years of the concession those quality targets remained reasonably stable. As such, CTT's Board of Directors is currently disputing in court the legality of the decision.

Regarding quality of service, I would like to highlight that our global indicator reached 150 in 2018, the highest of the past 3 years. This indicates not only an undeniable improvement in the Universal Postal Service in the past year, but also CTT's commitment with providing high quality of service.

Throughout the year we continued striving for business diversification in line with the best practices in the sector.

The parcels business recorded significant growth, boosted by the increase in e-commerce penetration. We highlight the beginning of a joint venture to develop a e-marketplace in Portugal, which is currently in its launching phase and we expect it to be one of CTT's most important drivers of growth in the parcels business in the near future.

Regarding Banco CTT, the client base, loan book and deposits have been growing significantly, placing it in a relevant position in the sector and with a particularly strong adherence of millennials, which shows a good prospect for the future. Moreover, we have signed an agreement for the acquisition of 321 Crédito, a used auto loan company which complements Banco CTT's portfolio while also contributing to the monetisation of the deposit base. This transaction is awaiting regulatory approvals and we expect it to be concluded by the end of the first half of 2019.

Today, we are a company in transformation, and with the expected challenges one faces when aiming for change and growth, but also with the drive and grit to honour nearly 500 years of successful story. We want to continue serving the Portuguese people with the highest quality, we want to innovate in the solutions we offer to our customers and we want to be a Company that knows how to build a future for the nearly 12 thousand employees currently in the Group. Lastly, we want to remain a symbol of trust for the Portuguese people and for that reason I want to reiterate our absolute commitment in what concerns the transparency and the accuracy of the information we provide to every stakeholder.

## 1.2. STATEMENT OF THE CEO & VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

### I. Introduction

2018 has been an important year for the consolidation of CTT's strategy. At the end of 2017 we announced the launch of the Operational Transformation Plan, reinforcing the focus of the Company on 2 pillars: transformation of the postal business and development of the growth levers (Express & Parcels and Banco CTT). In 2018 we worked intensively on both pillars.

The balance is positive as we achieved important targets. We delivered the guidance for the recurring EBITDA, having exceeded our savings objective in recurring operating costs. We proved to be able of executing the Company's transformation, which is still underway. We managed to increase the quality of service. And both Express & Parcels and Banco CTT produced strong growth. In 2019 we will continue our mission pursuing CTT's sustainability and growth objectives in a challenging context.

### II. 2018 highlights and results

In the **Mail Business Unit**, CTT increased revenues by 0.8% to €531.9m. Although mail volume decline continued to accelerate and has been higher than expected (-7.6% in 2018 vs. -5.6% in 2017), we managed to compensate this decline with a positive mix effect, selling more value-added mail products (international inbound mail, registered mail and priority mail), and through the price lever.

CTT has also been able to increase significantly the Overall Quality of Service Indicator in 2018, having obtained the best result of the last three years. Measured by external and independent entities and according to a methodology which is consistent with the one adopted in previous years, CTT achieved a global score of 150.2, plus 40.8 vs. 2017 and well above the required level of 100. CTT exceeded the minimum in nine of the eleven parameters (scoring the highest level of the last three years in five parameters), and one of the other two parameters increased significantly the score, although not yet reaching the minimum. All in all, clearly a considerable improvement in quality of service performance.

In the regulatory context, 2018 has been an unusual year. Several disruptive decisions have been made by the regulator. One of them increases the number of quality of service parameters from 11 to 24, defining extremely demanding performance targets and going against the observed practice in other European countries. Given the disproportionate and inadequate nature of the new criteria, CTT challenged the decision in court in October. Arbitration proceedings are still ongoing and the respective outcome is still unknown.

The performance of the **Express & Parcels Business Unit** has been very positive, reaching recurring revenues of €151.2m in 2018 due to a double-digit growth in both revenues and volumes (+12% vs 2017 in both indicators) and a significantly improved EBITDA.

On the one hand, in Portugal, we were able to grow the CEP (Courier, Express and Parcels) activity, invert the declining trend in the banking network delivery business (2 new relevant clients captured at the end of 2017), and develop the cargo and logistics segment. CTT grew above the market in the domestic segment, having registered a significant growth in occasional customers. One can observe that last years' efforts to improve the B2C offer and the development of added-value initiatives are contributing favourably to the Company. Additionally, in 2018 we continued to innovate and announced the launch of the Portuguese marketplace Dott, which results from a joint venture with a leading domestic retailer and is aligned with the CTT's objective of being one of the main players supporting the e-commerce development in Portugal (which is still lagging behind the European average).

On the other hand, in Spain, revenues growth was mostly driven by the e-commerce business. In September Tournline moved to new facilities in Madrid, increasing significantly its handling capacity and providing the Company with the necessary tools to capture growth. Profitability is still below target, but we continue to grow the business and implement the needed measures to reach that goal.

**Banco CTT** continued its path of development in the domestic retail banking market, growing its franchise and reaching very interesting numbers for the Portuguese market only 3 years after its launch. In 2018, it increased

significantly the number of clients to more than 430 thousand and current accounts to 348 thousand. The deposits have reached €884m (+42.8% vs. 2017) and the mortgage lending book grew more than 260% to €238m. Additionally, we launched an off-balance sheet offer to complement the portfolio offered to the Portuguese families in the savings front. Overall, Banco CTT recurring revenues increased 27% to €23.6m supported mainly by the net interest income growth.

The acceptance of the population and the good service provided by our banking operation has been proved by the different awards Banco CTT has been receiving: “leading company in banking” by ECSI Portugal (an independently measured consumer satisfaction index), “right choice for current account” by DECO Proteste (consumer protection association) and a 5-star award in its mortgage loan offer, the latter received in the beginning of 2019.

2018 was also an important year in terms of expansion of the footprint of Banco CTT. As planned, we have transferred Payshop to Banco CTT with the aim of having an integrated management of the payment activity. In July we also announced the acquisition (still pending regulatory authorisation) of 321 Crédito, a high-performing specialised consumer credit institution in the used auto loans market, which will allow Banco CTT to diversify its credit portfolio and accelerate its performance.

Recurring revenues of **Financial Services** were €42.3m, a year-on-year decrease of 23.4%, mainly driven by the strong decline in savings and insurance placements after the reduction of savers’ remuneration rate at the end of 2017 but also impacted by the declines in money orders & transfers and the payments business. The trend in the savings and insurance placements reverted to positive in the last quarter, boosted by the maturity of Treasury Certificates “Poupança Mais”, issued since October 2013 and with a 5-year maturity.

Overall, topline results show the dependency on mail business was slightly lower (69% of total revenues in 2018 vs. 71% in 2017), consistent with the diversification strategy that CTT has been pursuing, but still much higher than the observed in the average of the postal sector.

The execution of the **Operational Transformation Plan** during 2018 included several efficiency measures. We adapted our retail network, increasing the total number of CTT access points and thus the capillarity and proximity to the Portuguese population, despite reducing the number of owned branches where customer demand does not justify a single purpose presence. We continued the human resources optimisation programme reducing recurring staff costs by 2.1% (vs. 2017) despite salary increases and other employee development initiatives. Overall, we have been able to reach circa €15m savings in recurring operating costs, exceeding the objective of €13.8m for the year.

Thus, aligned with guidance, a total recurring **EBITDA** of €90.4m (+0.6% vs 2017) has been delivered.

In 2018 CTT has also recorded higher than projected capital gains in the Operational Transformation Plan, €9.3m vs €5.2m objective. On the other hand, mainly due to the better than expected acceptance of the human resources optimisation programme, non-recurring operating costs were €21.6m, slightly higher than the objective of €20m. CTT reported a net profit of €19.6m (-28% vs 2017).

### **III. CTT strategy**

CTT’s strategy is based on the transformation of the postal business and development of the growth levers. Transformation is a general motto for the company, but a stronger need in the Mail Business Unit.

#### **Mail**

The acceleration in mail volumes decline is a global trend we cannot change. It is our objective though to preserve the value of our core business by capturing specific segments opportunities (e.g. international and registered mail) to counter the effect at topline level, as well as to continue to implement efficiency measures aiming to reduce costs. One of the focus points of 2019 will be the implementation of the Modernisation and Investment Plan we announced in 2018. This plan entails an investment of circa €40m, mainly in 2019 and 2020, representing one of the major investments ever made in our core activity, namely in networks, platforms and people. We are engaged with the transformation and with this plan we will modernise and improve processes, tools, machines, production and logistics capacity, fleet, work conditions and quality of service having as ultimate objective to prepare the Company to a future with less letters and more parcels.

**Express & Parcels**

We intend to consolidate CTT's positioning as an Iberian CEP operator leveraging on e-commerce growth. In 2019 we aim to consolidate our market positioning in the B2C segment and improve B2B offer in Portugal. In Spain we will continue the turnaround of Tourline, focusing on volumes growth, costs control and working tools improvement. We want to grow in Iberian flows leveraging on our leadership positioning in the Portuguese market. Solidifying the Company as Iberian operator will also allow us to expand our international flows (i.e. cross-border flows beyond Iberia).

Additionally, we want to play an active role in the e-commerce ecosystem in Portugal, as one of the main driving forces of its development. We will continue to innovate in the sector and develop additional initiatives to facilitate and boost online retail. The e-fulfilment platform we are developing to support e-sellers is a good example of this strategy.

**Banco CTT and Financial Services**

The strategy for Banco CTT is to continue its path to breakeven, consolidating its positioning as an innovative player in the retail banking market providing a simple and transparent offer to the Portuguese population. We intend to achieve this through the build-up of the mortgage credit book and growth in off-balance sheet savings products, monetising the growing client base with these and other complementary offers. We also intend to reinforce the digital experience across Banco CTT's services in order to keep up with the best market practices and serve the needs of our clients.

In 2019 we will also be focused on the integration of 321 Crédito, once the acquisition is authorised and concluded, which is expected to happen in the first half of the year. For the payments segment it is critical to revamp the business adapting it to the digital era and leveraging on opportunities arising from new regulation initiatives.

Complementarily to the strategy within each business unit we want to spread the transformation across the whole company, modernising transversal and support areas and making them more agile.

We will improve customer experience within CTT retail network, aiming to boost efficiency and satisfaction - digitalisation and modernisation are key drivers for this transformation. A strategy for our digital approach is also being implemented aiming to guarantee a unique experience in CTT's digital ecosystem. Digital channels such as websites, apps and other are being reorganised and digitalisation will be implemented in many fronts meeting current trends and customer needs.

As far as sustainability is concerned, we intend to continue to be a leading player in the logistics sector. We have the largest electric fleet in the country for transportation and distribution and have accomplished many important milestones such as the reduction of the environmental impact of our offers. This is a continuous concern of the Company which we will also address in the future.

Last but not least, we will continue to implement measures to improve and develop our people, such as programmes to increase training with a dynamic and innovative approach, to increase safety and control accidents at work, and to reduce absenteeism.

**IV. Final remarks**

Digitalisation is occurring at a fast pace impacting many businesses and driving significant change in the postal sector. The transformation of CTT to address this reality and guarantee its future sustainability is ongoing, the challenges are numerous and significant, and agility is needed to adapt to the continuous change. I believe that we are putting our best efforts to run successfully this process, and what we achieved in 2018 was a good building block for the future.

I trust in CTT's team capabilities to implement change and achieve success. I thank every employee for the commitment to the Company during this demanding period, every obstacle you have been able to overcome and the demonstrated resiliency.

I also thank every stakeholder of the Company, namely CTT's shareholders and clients, who directly and indirectly drive excellency and make us want to improve every day.



### 1.3. EXPLANATION OF THE NATURE OF THE INTEGRATED REPORT

#### Nature of the integrated report

##### Scope and boundary

CTT publishes its integrated report for the first time. This report contains financial and non-financial information about CTT, abiding by the requirements of individual and consolidated management reporting, namely as provided for in articles 65, 66, 66-A, 66-B, and 508 to 508-G of the Portuguese Companies Code ("PCC"), with the reporting on CTT's business and performance being directed at all stakeholders.

The integrated report contains information on the strategy, management and performance of the Group's main business areas, in a perspective of creating value in a sustainable manner. The risks inherent to the activity are also analysed and a review is also made of the way that CTT incorporates the different capital (financial, human, intellectual, social and natural), following the guidelines proposed by the International Integrated Reporting Council (IIRC). Additionally, this report contains information about Corporate Governance, the Individual and Consolidated Financial Statements of CTT and the performance of the main aspects of Sustainability.

The integrated report of 2018 discloses CTT's strategic vision and commitment to generate value over time and promote environmental protection and social integration. It includes information about issues that significantly affect CTT's ability to generate value in the short, medium and long term.

The present report discloses the results relative to the financial year ended on 31 December 2018, whenever possible presenting aggregate information on CTT, S.A. and all its subsidiaries, jointly referred to as CTT.

In the context of its operational structure, CTT formalised the merger of the companies Escrita Inteligente, S.A. and Mailtec Comunicação, S.A. into CTT - Correios de Portugal, S.A. - Public Company, during the reporting period. However, this transaction does not change the scope of the reporting in relation to the previous year.

CTT is a public limited liability company listed on the stock exchange since 2013, with 100% of its capital dispersed through institutional and private shareholders. The Board of Directors is composed of thirteen executive and non-executive Directors and the corporate bodies were elected at the General Meeting of Shareholders for the three-year period 2017-2019.

##### Commitment

CTT complies with the obligations set forth in article 508-G of the Portuguese Companies Code, as amended by Decree-Law 89/2017, of 28 July, disclosing in an integrated manner the management information, which meets the management reporting requirements, as well as non-financial information, which CTT publishes annually, relative to the environmental and social areas, the employees, gender equality, non-discrimination, respect for human rights, the fight against corruption and attempted bribery, as well as information on corporate governance.

This is CTT's fourteenth annual Sustainability Report. The reporting structure and contents respect the Global Reporting Initiative (GRI) as a reference for the preparation of Sustainability Reports and respective protocols for the calculation of indicators. This report adopted the fourth generation of guidelines for sustainability reports, having obtained CORE validation, attributed by the verifying entity KPMG & Associados. In order to access the GRI Table with the location of each indicator, [see here](#).

With regards to its materiality, the report incorporates inputs obtained from a stakeholder survey conducted in compliance with the guidelines of the Standard AA1000SES, which enabled updating the mapping and identification of the relevant topics and critical stakeholders of the company.

In 2018 and as in previous years, based on the reporting model featured in the Portuguese Securities Market Commission (CMVM) Regulations and the recommendations of the Portuguese Corporate Governance Institute (IPCG) Code (in force from 1 January 2018), CTT continues to comply with a significant series of recommendations relative to corporate governance.

The essential principles for the definition of the contents of this report are transparency, relevance, coverage and completeness, in order to provide a convenient and objective presentation to the stakeholders that will use this document.

##### Contacts

##### Registered Office

Avenida D. João II, n.º 13  
1999-001 Lisboa PORTUGAL  
Telephone: +351 210 471 836

##### Media

Brand and Communication  
Media Advisory  
Miguel Salema Garção  
E-mail: gabinete.imprensa@ctt.pt  
Telephone: +351 210 471 800

G-20 G-23 G-7 G-22 G-18 G-17 G-13 G-28 G-30

G-29 G-3

G-33 G-32

G-31

G-5

## 1.4. KEY FIGURES

### 1.4.1. Economic and financial indicators

| € thousand or %, except where indicated   | 2016        | 2017        | 2018        | Δ% 18/17  |
|---|-------------|-------------|-------------|-----------|
| Recurring revenues <sup>(1)</sup>   | 695,060     | 697,932     | 708,034     | 1.4       |
| Operating costs excluding depreciation, amortisation, impairments, provisions and non-recurring costs | 575,561     | 608,025     | 617,605     | 1.6       |
| Recurring EBITDA <sup>(2)</sup>   | 119,499     | 89,906      | 90,429      | 0.6       |
| Recurring EBIT <sup>(2)</sup>   | 94,687      | 60,205      | 57,044      | -5.2      |
| Earnings before taxes and financial results   | 90,883      | 47,093      | 38,656      | -17.9     |
| EBT   | 85,245      | 42,093      | 32,398      | -23.0     |
| Net profit for the period   | 61,897      | 27,115      | 19,642      | -27.6     |
| Net profit for the period attributable to equity holders  | 62,160      | 27,263      | 19,621      | -28.0     |
| Earnings per share (euro) <sup>(3)</sup>  | 0.42        | 0.18        | 0.13        | -28.1     |
| Recurring EBITDA margin   | 17.2%       | 12.9%       | 12.8%       | -0.1 p.p. |
| Recurring EBIT margin   | 13.6%       | 8.6%        | 8.1%        | -0.5 p.p. |
| Net profit margin   | 8.9%        | 3.9%        | 2.8%        | -1.1 p.p. |
| Capex   | 42,160      | 28,534      | 30,654      | 7.4       |
| Operating free cash flow <sup>(4)</sup>   | 2,915       | 38,523      | 15,327      | -60.2     |
|   | 31.12.2016  | 31.12.2017  | 31.12.2018  | Δ% 18/17  |
| Cash and cash equivalents   | 618,811     | 626,825     | 422,717     | -32.6     |
| Own cash  | 207,003     | 173,714     | 152,759     | -12.1     |
| Assets  | 1,316,697   | 1,608,765   | 1,768,814   | 9.9       |
| Liabilities   | 1,083,370   | 1,424,774   | 1,622,062   | 13.8      |
| Equity  | 233,327     | 183,991     | 146,753     | -20.2     |
| Share capital   | 75,000      | 75,000      | 75,000      | -         |
| Number of shares  | 150,000,000 | 150,000,000 | 150,000,000 | -         |

<sup>(1)</sup> Excluding non-recurring revenues.

<sup>(2)</sup> Before non-recurring revenues and costs.

<sup>(3)</sup> Considering the number of shares outstanding excluding 1 own share (200,177 bought in 2015, 400,354 bought in 2016 and 600,530 attributed on 31 January 2017 to the Company's executive Board Members as long-term variable remuneration for the 2014/2016 term of office).

<sup>(4)</sup> Cash flow excluding the change in net Financial Services payables, banking customer deposits and other loans, credit to Bank clients, third parties' other receivables and payments related to Banco CTT, financial assets available for sale, investments held to maturity, deposits at the Bank of Portugal and other banking financial assets.



## 1.5. EXTERNAL AWARDS AND DISTINCTIONS

CTT and its senior officers received the following awards and distinctions in 2018:

- **INDUSTRY LEADERSHIP 2018 AWARD**

Francisco de Lacerda, Chief Executive Officer of CTT, was presented with the Industry Leadership 2018 award at the World Post & Parcel Awards 2018. This prize is intended to distinguish the managers who have stood out at international level in the leadership of postal and parcel operators. It was awarded in recognition of the work carried out since he took over as CEO in 2012, namely the privatisation and listing of the company, the diversification of business areas, the launch of Banco CTT, the permanent focus on innovation, as well as the continuous search for modernisation of infrastructures and the strengthening of efficiency and quality of service.

- **TRUSTED BRAND**

For the 15<sup>th</sup> time, CTT was again distinguished as one of Portugal's Trusted Brands, in a study carried out by Reader's Digest magazine, with first place in the "Postal and Logistics Services" category, winning 89% of the votes.

- **SUPERBRANDS BRAND AND A CENTENARY BRAND OF EXCELLENCE**

CTT, which will celebrate 500 years of existence in 2020, was distinguished as a "Centenary Brand of Excellence" in the 14<sup>th</sup> Superbrands Gala. This award was attributed for the first time and is based on 5 criteria: being a national brand, being over one hundred years old (longevity), demonstrating ability to reinvent itself over time, being socially important, having high brand recall and recognition in the market and showing business relevance. In addition to this distinction, CTT was once again considered a Superbrands brand. This recognition was given from among thousands of brands studied by Superbrands, an international organisation that is dedicated to promoting and recognising Brands of Excellence.

- **BEST REPUTATIONAL ASSESSMENT IN THE PSI 20**

CTT was, for the 4<sup>th</sup> consecutive year, the company in the PSI 20 with the best reputational assessment, with an overall score of 74.44%, according to a study conducted by the consultancy OnStrategy. A distinction that stems from the recognition of the strength of emotional attributes associated to the CTT brand, such as confidence, admiration and recommendation, but also by the performance of rational attributes, such as the contribution to society and financial sustainability.

- **BANCO CTT NUMBER 1 IN CUSTOMER SATISFACTION (ECSI PORTUGAL)**

Two years after its launch, Banco CTT was elected the Number 1 Bank for customer satisfaction in Portugal, according to the 2018 results of the National Index of Customer Satisfaction – ECSI Portugal. This study is based on an international methodology that evaluates the quality of the offer of goods and services in various sectors of activity, in 8 dimensions: image, customer expectations, perceived quality, perceived value, satisfaction, complaints, confidence and loyalty.

- **BANCO CTT ACCOUNT, RIGHT CHOICE GIVEN BY DECO PROTESTE**

DECO PROTESTE attributed the Banco CTT Account the distinction of Right Choice, due to having the best quality to price relationship, among the current accounts analysed. The attribution of this stamp of approval was based on comparative tests on products and services, aimed at informing and defending the interests of the consumers so that they are able to make informed choices when making decisions.

- **INTERNATIONAL AWARD FOR PHILATELIC ART AT ASIAGO**

The stamp issue dedicated to the visit of His Holiness Pope Francis I to Fátima, in May 2017, on the occasion of the Centenary of the Apparitions of Our Lady, won the 2017 edition of one of the oldest and most prestigious awards in the world for stamp design, considered the "Oscar of Philately". This is the 9<sup>th</sup> time that CTT's Philately work of excellence is recognised with the ASIAGO Award. This award was created in 1970 and is organised by the Sette Comuni Philatelic and Numismatic Circle, Ministry of Tourism of Italy and local government of Asiago, with the sponsorship of the Presidency of the Italian Republic.

- **THE BEST STAMP OF THE WORLD**

CTT's "Textile industry" souvenir sheet won the Best Stamp of the World classification in the context of the Grand Award of NEXOFIL in the "New Printing Technologies" category. CTT also won three third prizes: "Design" category with Mediterranean Trees, "Definitive issue" category with Pastel de Belém (custard tart) and "Test" category with António Guterres.

- **THE MASTERS OF DELIVERY AWARDS**

CTT, through CTT Expresso, won the Masters of Delivery 2018 awards, in the category of Logistics Operation Master. This is one of the most prestigious Delivery and Production awards, whose election is conducted by the readers of the magazine Distribuição Hoje.

- **"VALUE FOR TIME" AWARD FOR THE INFORMATION SYSTEMS**

CTT and one of its technological partners, ASK Blue, won the "Value for Time" Award for the development and implementation of the company's new customs clearance tool, the Customs Process portal. The Award was attributed by OutSystems, a multinational of the information technology sector, founded in Portugal, which owns the electronic platform used for the development of this new tool. This new portal is available on CTT's institutional website and has enabled reducing the processing time of customs clearance requests from an average of 4 weeks to merely 2 business days.

- **HUMAN RESOURCES PORTUGAL**

CTT was distinguished with the Human Resources Portugal 2017 awards in the category of "Gender Equality", for the 3<sup>rd</sup> consecutive time, for promoting and defending gender equality.

- **THE INNOVATION FARMER 2017**

CTT won the "The Innovation Farmer 2017" trophy of the Exago Innovation Gurus Awards. The trophy distinguishes the customer that seeks to continuously sow a culture of innovation within its company, contributing to the increase of an innovative and collaborative spirit in a sustainable manner.

- **APCE DISTINCTION**

CTT won the Internal Campaign category of national scope, attributed by the Portuguese Association of Company Communication (APCE) and by the selection panel of the APCE Grand Prize 2018, with the communication campaign "INOV+by CTT. Innovate without excuses". CTT was also awarded 6 Honourable Mentions.

- **FUNDACOM AWARDS**

Once again, CTT TV conquered the 1<sup>st</sup> place in the International Fundacom Awards, in the "Corporate Radio and Television category", an award also given in 2017. The Fundacom Prizes recognise the excellence and good practices of strategic and organisational communication in all aspects, external, internal and integrated, awarding the best communication projects produced and broadcast in Spanish and Portuguese.

- **APCC STAMP OF QUALITY FOR CTT AND CTT EXPRESS LINES**

CTT conquered the APCC Stamp of Quality attributed by the Portuguese Association of Contact Centres (APCC) for the CTT and CTT Express Contact Centre operations, with an excellent result: 95% and 94% respectively. The APCC Stamp of Quality, instituted in 2010, distinguishes the best Contact Centre services operating in Portugal, and aims to encourage companies of the sector to implement good management practices at their Contact Centres, thus contributing to a better image and credibility of the sector and promoting their self-regulation.

- **CTT AND CTT EXPRESS LINES DISTINGUISHED AT APCC BEST AWARDS 2018**

The CTT and CTT Express Lines were distinguished at the APCC Best Awards 2018 of the Portuguese Association of Contact Centres, with silver and bronze medals, respectively, in the category of Transport and Delivery.

- **DRIVERS' CHALLENGE**

CTT was the big winner of the Drivers' Challenge IPC, the international competition of eco-driving of the postal, express & parcels sector, promoted every two years by the International Post Corporation (IPC).

- **PRAISE AWARD OF ROAD SAFETY**

CTT was distinguished with the PRAISE Award for Best Performing Large Company at the 2018 edition of the awards promoted by the European Transport Safety Council (ETCS), which aim to recognise the most outstanding projects in Europe in terms of road safety. CTT won this award with the Road Safety Programme, which has been developed since 2015 and has led to significant gains, in particular lowering accidents at work caused by road incidents and sharply reducing absenteeism.

- **LEADERSHIP LEVEL A- IN THE CARBON DISCLOSURE PROJECT 2018**

CTT achieved the Leadership A- grade, in the Carbon Disclosure Project (CDP) rating of 2018, the most important international carbon stock market rating. This result is an important recognition of the work that CTT has progressively developed on matters of carbon management and combat of climate change.

## 2. STRATEGIC BACKGROUND

### 2.1. ECONOMIC, SECTORAL AND REGULATORY ENVIRONMENT

#### 2.1.1. Economic framework

##### International

In 2018 the global economy continued to expand at a good pace, in a context of continued favourable conditions in the financial and labour markets, and high confidence levels of economic agents on the principal advanced economies. However, as the year progressed there was an increase of trade protectionism and some hot spots of financial turbulence in the more vulnerable emerging economies, in a context of normalisation of monetary policy in the United States of America and lower risk appetite of international investors.

The IMF's forecasts for the world economy point to a slight deceleration of growth in 2018 (3.7%, as compared to 3.8% in 2017). This evolution resulted from the combined effect of deceleration of growth in both advanced economies (2.3% in 2018, in comparison to 2.4% in 2017) and in emerging and developing market economies (4.6% in 2018, 4.7% in 2017). In the euro zone, economic activity slowed down more sharply in 2018 (from 2.4% to 1.8%), reflecting the evolution in the four largest economies of the area: Germany (from 2.5% to 1.5%), France (from 2.3% to 1.5%), Italy (from 1.6% to 1.0%) and Spain (from 3.0% to 2.5%).

World trade fell in a more pronounced way than economic activity (from 5.3% to 4.0%). This evolution reflects the cooling-off of economic activity in the advanced economies, especially concerning investment and exports. The increased tariffs on imports of the USA, in particular on those from China, and corresponding retaliatory measures have affected trade flows between these countries. In this context, external demand directed at the Portuguese economy decelerated sharply in 2018 (from 4.6% to 3.4%), reflecting the strong slowdown of imports inside the euro zone.

Inflationary pressure remained contained in general in the advanced economies, having risen slightly in the USA. In the emerging economies inflationary pressures were attenuated by the decline of the price of oil.

The evolution of euro exchange rates in 2018 was essentially driven by a trend of appreciation of the currencies of the advanced economies, especially the North American dollar, and depreciation of the currencies of the emerging economies, except for the Chinese currency.

The monetary and financial conditions in the euro zone continued accommodative. At a global level, the financial markets recorded several peaks of volatility, associated to the announcement and application of protectionary measures by the USA, the review of outlooks on global growth and the cycle of normalisation of monetary policy in the USA.

The price of oil showed some volatility throughout 2018. In the first nine months of the year there was an upward trend, with 81.03 USD/barrel having been reached in October. This evolution occurred in the context of continued growth of demand and some restrictions on the supply side, such as the collapse of production in Venezuela and the expectations of reduction of exports from Iran associated to the reintroduction of sanctions applied to this country. The significant growth of production in the USA, with the largest stock levels, and downward review of the outlooks on world economic growth were reflected in a fall in the price of oil in the last months of the year, having reached 57.36 USD/barrel in December.

## National

According to the Preliminary 2018 Quarterly and Annual National Accounts of the INE (National Statistics Institute), GDP grew by 2.1% in 2018 (2.8% in 2017). This evolution was the result of the more negative contribution of net external demand (-0.7 compared to -0.3 p.p. in 2017), with a deceleration of exports of goods and services (from 7.8% in 2017 to 3.7%) that was more accentuated than imports of goods and services (from 8.1% to 4.9% in 2018). It was also the outcome of the less intense positive contribution of internal demand (from 3.1% to 2.8% in 2018), reflecting the less accentuated growth of investment (from 9.2% to 5.6% in 2018). Private consumption accelerated from 2.3% to 2.5%.

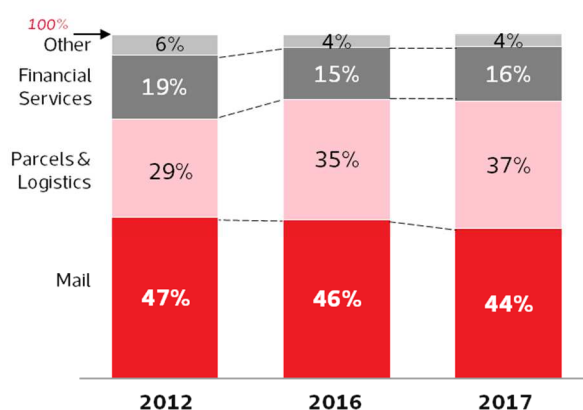
Inflation, measured by the Harmonised Consumer Price Index (HCPI), stood at 1.2% in 2018 (1.6% in 2017). The reduction of the rate between 2017 and 2018 was influenced by the behaviour of the underlying inflation and by the negative evolution of the prices of unprocessed food products. The increased price of energy products was insufficient to prevent the reduction of this rate observed in 2018. As had occurred in previous years, there was a higher annual average growth of prices of services than that observed for the prices of goods.

The situation in the labour market improved in 2018. Although the increase of total employment was lower than that recorded in the previous year (2.3% in 2018 against 3.3% in 2017), even so higher than growth of gross domestic product (GDP), the unemployment rate stood at 7.0%, the lowest figure since 2004 and 1.9 percentage points less than in 2017.

### 2.1.2. Sectoral framework

In line with what has happened over the last few years, the diversification trend in the postal sector continues to be increasingly stronger, with the weight of the postal business falling in total revenue. In contrast, the Parcels & Logistics segment continues to be the main driver of growth and the Financial Services have also contributed the diversification of revenue (source: "Global Postal Industry Report 2018" International Post Corporation).

Revenues per business unit in the postal sector



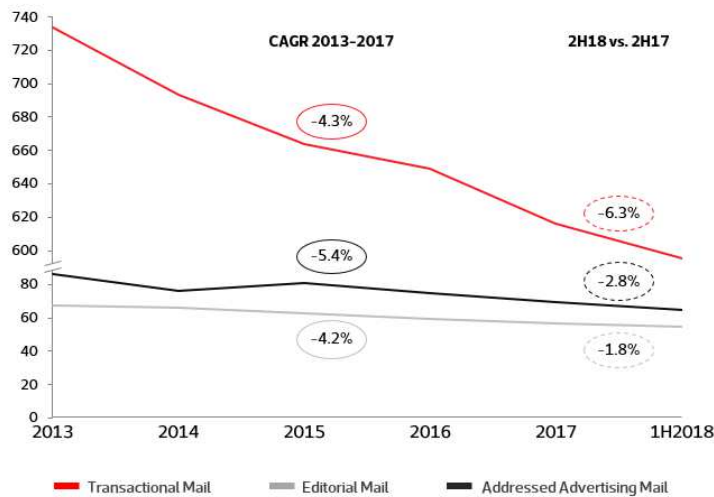
Source: IPC "Global Postal Industry Report 2018", report developed by International Post Corporation (IPC) gathering information on 50 postal operators at international level. Note: The methodology used by IPC was changed in the 2018 report, which includes the information referring to 2016 based on the new methodology, which changes the information contained in the CTT Management Report 2017.



## Mail

The e-substitution effect continues to be felt in the Mail segment, with postal volumes having fallen by 4.6% in 2017 at an international level, corresponding to a heavier decline than the average observed in the last decade, a negative compound annual growth rate (CAGR) 2007-2017 of 3.6% (source: IPC).

On the national market the trend is the same, with a stronger fall in Editorial Mail and significant acceleration in Transactional Mail.



In order to mitigate the effect of the widespread reduction of volumes on revenue, the postal operators continue to adopt strategies of increasing prices, with the price of domestic mail having increased by around 7% annually between 2012 and 2018 (CAGR) (source: IPC).

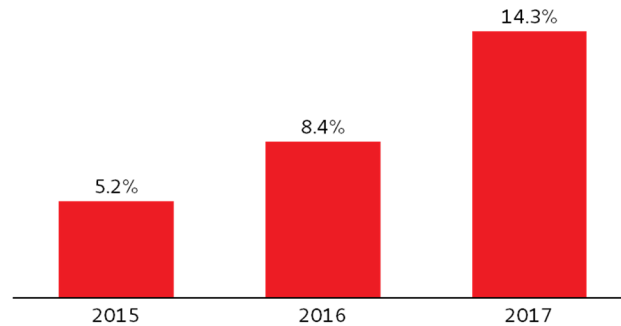
In view of this scenario, the regulatory context has become more flexible, especially in Europe. Various measures have been adopted under the Universal Postal Service such as a reduction of speed of delivery (e.g. in 6 countries, among which Norway, Denmark and Sweden, D+1 is not included in the Universal Service), reduction of frequency of delivery and lower standards in terms of quality indicators. Furthermore, many governments have defined measures to compensate postal operators due to the impact of the contractual obligations on their cost structure (source: "Main developments in the Postal Sector 2013-2016", Copenhagen Economics).

Faced with this context, the need for transformation becomes imperative. On the one hand, postal operators have focused on efficiency, with various programmes having been disclosed and currently being implemented in this regard, which very often include, among other initiatives, the reduction of retail networks and optimisation of resources. On the other hand, the investment in the sector has increased considerably over recent years, with operators having not only invested in the modernisation of mail operations, but also in their adaptation to needs and increased capacity required for other business lines, such as express & parcels and in acquisition of innovative startups.

## Express & Parcels

The express & parcels market continues to show strong growth, having grown continuously since 2009. Over the last few years there has been an acceleration of this trend, with an increase of volumes of around 14% in 2017, clearly earmarking the potential of this segment (source: IPC). Although there are no data available for 2018, the feeling is that the trend has been maintained.

**Express & Parcels average volume growth**  
% change vs. prior year

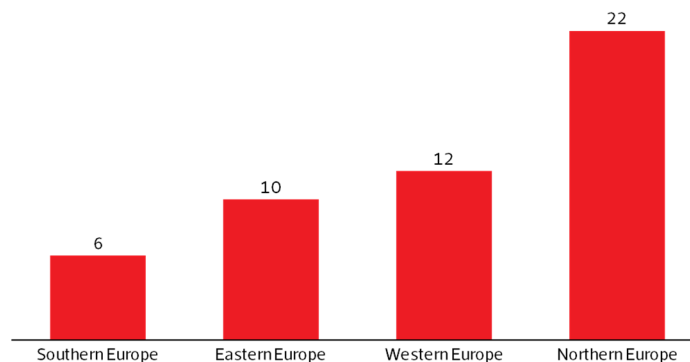


Source: IPC "Global Postal Industry Report 2018"; report developed by International Post Corporation (IPC) gathering information on 50 postal operators at international level.

This performance was essentially due to B2C parcels, where it is expected that this growth continues over the coming years as electronic commerce is forecast to account for an increasingly higher weight in retail.

Specifically, Iberia has experienced a strong evolution of the volume of parcels, with growth of close to 11% in Portugal in the 1<sup>st</sup> semester of 2018 and close to 16% in Spain in 2017 (sources: Anacom and *Comisión Nacional de los Mercados y la Competencia*, respectively). However, because the e-commerce degree of penetration is still below that observed internationally (weight of online sales in total retail sales of 4% in Portugal and 5% in Spain versus 10% at a worldwide level in 2017, sources: Eurostat and IPC) and as the B2B segment still accounts for a significant weight, the number of parcels per capita in southern Europe is still significantly lower than that observed in other parts of the continent, leading us to believe that there could be considerable potential growth in the markets in which CTT operates.

**Express & Parcels domestic parcels per capita**  
Items per capita, per year



Source: Copenhagen Economics, main developments in the Postal Sector 2013-2016.

The development of online retail will create opportunities for growth for Express & Parcels operators with the outlook of the Iberian market being very positive in this context.

In Portugal, increasingly more Portuguese have access to the internet, where it is forecast that this group will represent more than 90% of the population by 2025, compared to around 75% in 2017, and the number of Portuguese carrying out purchases online being expected to increase to around 70% of the population (against 34% in 2017) (source: "Economia Digital em Portugal", ACEPI / IDC, October 2018).

As for Spain, during 2017 close to 57% of its inhabitants carried out purchases online, a figure far from that observed in more mature European markets such as Denmark, Sweden or United Kingdom, where this percentage lies between 80% and 81% (source: "European Ecommerce Report 2018 Edition"). It is

therefore expected that the percentage of Iberian e-shoppers should continue to grow. Sales from e-commerce increased by 15% in 2017 (source: “European Ecommerce Report 2018 Edition”), with an expected CAGR of 9% by 2022 (source: “Digital Market Outlook: retail e-commerce sales CAGR in selected markets 2018-2022” Statista).

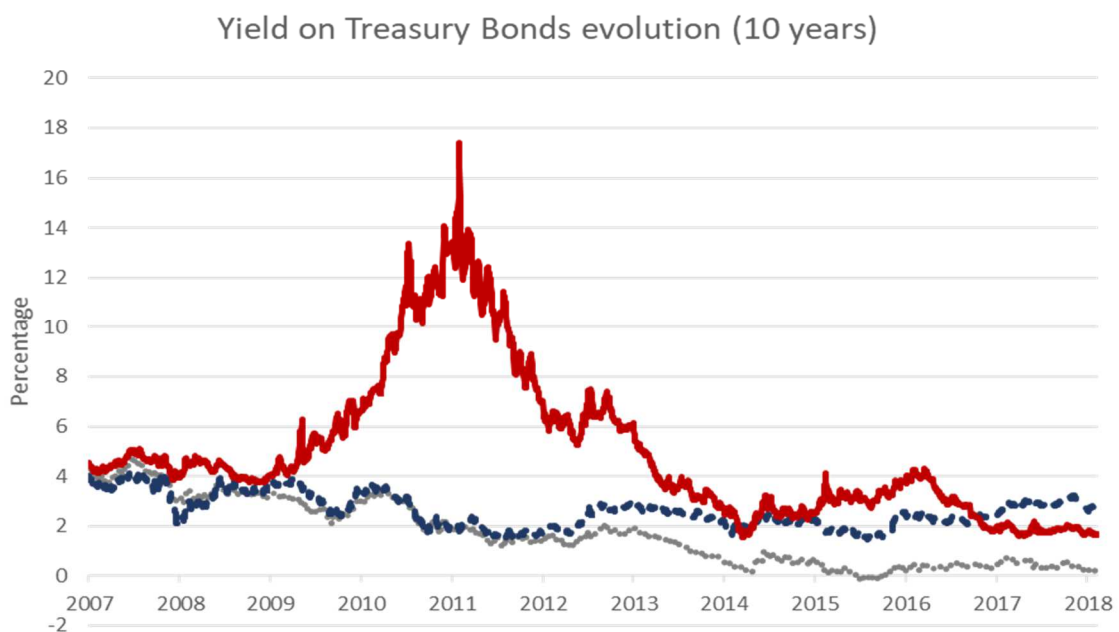
With respect to profitability in this segment, the downward trend of pressure on prices continues to be felt, as a consequence of the pressure exerted by competition, the growing bargaining power of e-sellers and the expectations of e-buyers of cost-free deliveries. Additionally, the operators have increased their cost base to adapt to the new reality and needs, namely the challenges in B2C parcel delivery (e.g. convenience for the receiver, flexibility to change delivery place, date and time, tracking in real time, etc.).

**Financial Markets**

Financial markets experienced an intense 2018, with stock market corrections, a gradual increase in companies’ debt risk premiums, ups and downs in sovereign risk premiums in the periphery of the Euro zone, as well as strong volatility in the price of oil. All of this took place within the context of increasing geopolitical and commercial tensions and the withdrawal of monetary policy incentives.

Financial conditions are expected to be slightly less favourable, along with a slowdown in employment growth and a weakening of business investment growth, due to a context of slower global demand growth, financing restrictions and the termination of tax incentives. Demographic factors will have a negative effect on the growth of housing investment, according to the Eurosystem specialists of the ECB.

The European Central Bank<sup>1</sup> (ECB) estimates that short-term interest rates, based on the 3-month EURIBOR, are expected to remain at around -0.3% in 2018 and 2019, 0.0% in 2020 and 0.3% in 2021. Market expectations regarding nominal yields on 10-year public debt bonds in the Euro area point to around 1.1% in 2018, 1.4% in 2019, 1.7% in 2020 and 1.9% in 2021.



Source: Bloomberg

The prospects of normalisation of monetary policy by the ECB through a reduction of the amount of net asset purchases as of the end of 2018 and the possibility of higher reference interest rates as of mid-2019 point to a very gradual increase in market interest rates.

Interest rates have remained unchanged in 2018, with the interest rate on the deposit facility at -0.40%, the rate for the main refinancing operations at 0% and the interest rate on the permanent lending facility at 0.25%.

With regards to raw materials, the price of the barrel of Brent crude oil is expected to fall from USD 71.8 in 2018 to USD 67.5 in 2019 and to USD 65.9 in 2021. The average foreign exchange rate is expected to reach USD 1.18 per euro in 2018 and USD 1,14 per euro between 2019 and 2021.

On the basis of the current oil price futures, a decline in headline inflation in the coming months is expected. The measures of underlying inflation remain, in general, weak, but the internal pressures on costs continue to intensify and to expand in a context of high capacity utilisation levels and tightening labour markets, which is driving wage growth.

|   | December |       |      |      |
|---|----------|-------|------|------|
|   | 2018     | 2019  | 2020 | 2021 |
| 3-month EURIBOR (as a percentage per year)  | (0.3)    | (0.3) | -    | 0.3  |
| Yields for ten-year public debt bonds (as a percentage per year)                              | 1.1      | 1.4   | 1.7  | 1.9  |
| Oil Price (USD/barrel)  | 71.8     | 67.5  | 66.8 | 65.9 |
| Prices of non-energy raw materials, in United States dollars (annual change, as a percentage) | 3.0      | -1.4  | 4.4  | 4.3  |
| USD/EUR Exchange rate   | 1.18     | 1.14  | 1.14 | 1.14 |
| Actual nominal exchange rate for the Euro (TCE 38) (annual change, as a percentage)           | 5.2      | -     | -    | -    |

*Source: ECB, Macroeconomic forecasts for the Euro area prepared by Eurosystem staff – December 2018.*

Looking ahead, global economic activity is expected to slow down in 2019 and to remain stable in the following two years, as policy support measures gradually phase out and China enters a trajectory of slower growth. Global inflationary pressures are expected to increase gradually as available productive capacity diminishes. The risks to global economic activity are skewed to the downside.

The strong economic growth seen in the USA, the appreciation of the dollar and the increase in interest rates by the FED have also contributed to the deterioration of the financing conditions in some emerging market economies (EME), particularly those that have greater macro-financial imbalances and external financing in dollars (e.g. Turkey, Argentina and South Africa).

In the Euro area, particularly in Italy, with the launch of an excessive deficit procedure by the European Commission, there may be an additional re-evaluation of the risk premium, leading to the reappearance of risks of re-denomination and of financial and economic fragmentation in the Euro area. The Brexit theme is still on the table, the possibility of the United Kingdom leaving the European Union without a deal (Hard Brexit) constitutes another factor which may trigger turbulence in the international financial markets and a reassessment of the global risk premium.

### **Portuguese Banking System**

The year of 2018 began with a recovery of the profitability of the banking system, reflecting a context of fewer impairment losses in loans and an increase in operational efficiency. Non-performing loans (NPLs) continued to decrease and, in contrast, impairment coverage ratios continued to rise. It is important to point out that liquidity remains at comfortable levels. Regarding the total ratio of own funds, a reinforcement justified by the issuance of debt instruments eligible for own funds was noted.

Although there is a favourable macroeconomic and financial environment, alongside rising real estate asset values, the Portuguese banking system continues, in the short to medium term, to be affected by the low interest rates in the Euro area, the high stock of NPLs, the digitalisation challenges in financial services,

the growing competition from Fintech, the need to restructure its operating costs and to comply with MREL requirements.

With a scenario of improved profitability, the Portuguese banking system faces challenges that require prudent appropriation of results policies, namely regarding distribution of dividends. Although efforts to reduce operating costs continue to be crucial, they should not undermine the control of risks inherent to banking activity.

IFRS 9 was implemented on 1 January 2018, which led to the adoption of an expected loss model, replacing the incurred losses model. This transition had an impact on recognised impairments and on banks' own funds, resulting in the faster recognition of impairment losses, in line with the credit risk of financial assets.

In April, the European Central Bank implemented an addendum on the provisioning of new NPLs, an important incentive for the timely recognition of impairment losses in credit contracts that enter into default. As a result, the main institutions of the Portuguese banking system are going through a restructuring phase, focusing on the reduction of their non-performing assets, with the objective of increasing their future profitability and their resilience to adversities, but also of improving the conditions to perform their financial intermediation function.

The recovery of economic activity in Portugal, due to the decline in credit default by borrowers and the appreciation of the associated collateral, has fuelled a substantial increase of the return on assets (ROA), in the first half of 2018, to 0.7% (0.3% year-on-year). Return on equity (ROE) also registered a significant increase to 7.7% in the first half of 2018 (3.9% in the same period of 2017). However, although there is a positive relationship between economic growth and banks' profitability due to the procyclicality of the recording of impairments, an economic slowdown could lead to stagnation or an inversion of this context. Given that the stock of NPLs is still very high, the recognition of impairment losses is expected to continue over the next few years, in line with the plans reported to the supervisory authorities. This positive environment in banking systems has an influence on the health of the financial system, since retained earnings permits the strengthening of institutions' solvency.

The plans to improve the quality of assets in the Portuguese banking system have contributed to an improvement of the level of average quality of the credit portfolio, whether through asset sales or write-offs or by a change of status to performing. However, the level of NPLs in Portugal continues significantly below the European context, such that financial institutions are forced to promote earnings retention to increase capital levels and permit the recognition of losses in assets with a lower probability of recovery, in line with non-productive asset reduction plans. The impact of this recognition policy has already been felt in 2018, with the reduction of 4.6 billion euros in the stock of NPLs which currently stands at 32.5 billion euros (of which 63% are overdue assets). The NPL ratio came to 11.7% in June, when at the end of 2017 it was at 13.3%.

With regards to household loans, NPL ratios stand at 12.6% and 4.9% for consumer credit and mortgage loans, respectively. The stock of household NPLs to June 2018 fell 1.1 billion euros relative to December 2017, where the improvement of the quality of loans granted was the main responsible.

The customer loan portfolio fell and the increase in customer deposits contributed to the continued decrease of the transformation ratio. Liabilities of the banking system thus increased 1.5% relative to December 2017, reflecting an increase in customer deposits and deposits of other credit institutions, as well as a decrease in the financing from central banks and liabilities represented by securities.

Solvency levels registered sustainable growth with the own funds Common Equity Tier 1 (CET 1) ratio of the Portuguese banking sector standing at 13.4%. This growth was mainly due to the reduction of CET1, since risk-weighted assets fell marginally. Developments in own funds were influenced by the application of IFRS 9, which led to the reclassification between categories of financial assets and the increase in impairments on these assets, as a result of the increase in expected loss.

The own funds ratio stood at 15.2% in June 2018, an increase of 0.1 pp relative to 2017. This improvement was partly due to the increase in total own funds. However, the Portuguese banking system has one of the lowest values among Euro area countries.

### 2.1.3. Regulatory Framework

#### Postal Sector

##### At the level of the European Union

From the viewpoint of the European Commission (EC), the cross-border parcel delivery services comprise an essential element to enhance e-commerce across the entire EU. Under the package of measures to be developed to improve consumer and corporate access to digital goods and services, presented in 2016 by the EC, on 18 April 2018, the European Parliament and the Council approved Regulation (EU) 2018/644 on cross-border parcel delivery services, aimed at increasing the transparency of prices and the regulatory supervision of these services. The Regulation, which entered into force on 22 May 2018, entails the European Commission's publication, on a dedicated website, of the public tariffs of the cross-border delivery service providers and grants the regulators more powers to monitor the parcel delivery market. On 20 September 2018, Commission Implementing Regulation (EU) 2018/1263 established the forms for the submission of information by parcel delivery service providers in this regard.

In this context, European postal operators jointly implemented the Interconnect project, which essentially entails 5 commitments: flexible delivery options, return solutions, expansion of the track and trace system, better quality of service for the customer, and harmonised labels. Therefore, the goal of this project is to remove obstacles that dissuade consumers from making online purchases outside their country by equipping vendors with more flexible and efficient delivery solutions with a single standard for customers and, as such, maximise growth potential in cross-border electronic commerce for postal operators and contribute to the development of the Single Digital Market.

##### At a national level

Under the criteria for formulation of prices defined by ANACOM resolution of 21 November 2014<sup>1</sup>, the **universal service pricing** proposal presented by CTT on 15 February 2018 was approved by ANACOM by resolution of 23 March 2018. The prices inherent to this proposal, which complied with the established price formation principles and criteria, became effective on 2 April 2018.

This update corresponded to an average annual variation of 4.5% in the price of the basket of letter mail, editorial mail and parcel services, not including the universal service offer to bulk mail senders, to which special prices apply.

As regards **special prices for postal services included in the Universal Service**<sup>2</sup> that apply to bulk mail senders, these were also updated on 2 April 2018, following the proposal submitted to the Regulator on 22 March 2018.

Under the company's pricing policy for 2018, the mentioned updates correspond to an average annual variation of 4.1% in prices, also reflecting the effect of the updating of prices for reserved services (service of legal summons and notifications by post) and for special prices for bulk mail.

Following the draft decision approved on 11 January 2018, ANACOM disclosed, on 18 July 2018, the **final decision on the quality of service criteria applicable to the provision of the universal postal service** for 2019 and 2020. In view of the draft decision, the 24 quality of service indicators were maintained, although

---

<sup>1</sup> Under number 3 of article 14 of Law 17/2012, of 26 April (Postal Law), amended by Decree-Law 160/2013, of 19 November, and by Law 16/2014, of 4 April.

<sup>2</sup> As amended by article 4 of Decree-Law 160/2013, of 19 November.

with a downward review of the indicators relative to reliability of the forwarding times for ordinary mail, ordinary bulk mail, ordinary parcels, newspapers and periodicals with periodicity above weekly, with these indicators being set at 99.7%, instead of the 99.9% foreseen in the draft decision. In contrast to that proposed in the draft decision, the new indicators will not be applicable from 1 July 2018, but rather from 1 January 2019.

The new set of quality of service indicators, which compares to the previous 11, as well as the establishment of more demanding objectives for some indicators, reveals that it goes far beyond current practices and European trends on this matter.

On 18 October 2018, CTT requested, via arbitration and administrative action, the declaration of invalidity of ANACOM's decision relative to the quality of service parameters and performance objectives applicable to the provision of the Universal Postal Service, disclosed on 18 July 2018, on the grounds of its disproportionate and inappropriate nature, in view of the current context of declining postal volumes as a consequence of the digitalisation of services and considering the inevitable errors of the manual and automated processes of any activity, that hamper the feasibility of these objectives.

On 18 July 2018, ANACOM also disclosed its **decision on price formation criteria of the Universal Postal Service**, for the three-year period 2018–2020, following the draft decision approved on 11 January 2018. The rules currently in force, which were applied in 2018, were defined by ANACOM in 2014. The new rules will be applied to the prices in force in 2019 and 2020, and establish a maximum annual variation of the price of the basket of services of letter mail, editorial mail and parcels (non-reserved services), indexed to the inflation rate measured by the consumer price index (CPI), including correction factors for inflation (CPIAF) and volumes (VAF), which should take into consideration the deviations that occur between the real values and the forecast values for these variables.

According to this decision, in 2019 and 2020, the weighted average variation of the prices of these services, in each of these years, cannot be above  $CPI + CPIAF - 1.33\% + VAF$ , in nominal average terms. However, in view of the change occurred in the draft decision with respect to the methodology for forecasting the volumes of these services in the three-year period 2018–2020, this modification was subject to public consultation, with the final decision of 5 November 2018 on this matter, having defined the maximum annual variation of the price of the basket of non-reserved services as follows:  $CPI + CPIAF - 0.25\% + VAF$ , in 2019 and 2020.

With respect to the services of summons and notifications by post (services reserved<sup>3</sup> to CTT), a maximum annual variation of these prices is also established, indexed to the same factors considered in the basket of non-reserved services. In 2019 and 2020, the weighted average variation of the prices of these services, in each of these years, cannot be above  $CPI + CPIAF - 4.4\% + VAF$ , in nominal average terms<sup>4</sup>.

As the Universal Postal Service provider and in order to provide a standardised and non-discriminatory service to operators that wish to use the Universal Service network, from February 2016, CTT provided postal operators with an individual license an offer to access its network, that is considered competitive and safeguards both the network's security and the efficiency of the provision of the Universal Service. This offer consisted, up to the end of 2018, of a basic service of collection, transport, sorting and delivery of non-priority letter mail with a maximum weight of 2 Kg that allows items to be sent nationally or internationally using the Business Mail counters of Lisbon, Taveiro (Coimbra) and Maia (Porto) as access points.

Under the commitments undertaken with the Competition Authority (AdC) relative to network access, in 2018, an **expansion of the access offer to competitive postal operators**, available as of the beginning of 2019, which consists of:

- (i) enlargement of the mail services covered by the access offer, namely Priority, Editorial and Registered Mail, of the domestic service;

---

<sup>3</sup> These services represented around 0.5 % of the total volume of the Universal Postal Service in 2017.

<sup>4</sup> Instead of  $CPI + CPIAF - 11.6\% + VAF$ , as foreseen in the draft decision.



- (ii) introduction of new access points to the postal network, further down the postal delivery chain, namely Destination Production and Logistics Offices and around 200 CTT Destination Post Offices (with the exception of the Domestic Basic Service, with weight up to 50 g), whose mail is directly forwarded to the Postal Delivery Offices for delivery by postmen;
- (iii) introduction of a faster delivery deadline in the case of access through the Destination Post Offices for the Domestic Basic Service for items weighing more than 50 g and Domestic Editorial Service;
- (iv) possibility of a competing operator being able to carry out additional sorting tasks, namely the separation of mail by delivery area of the Postal Delivery Office and by street;
- (v) network access price list with prices lower than those for final customers, with differentiated prices according to the point of access, mail service and sorting tasks carried out by the competing operator.

## Financial Sector

The changes in the scope of regulatory procedures continue at a fast pace, and a continued work to adapt and implement regulatory initiatives that stemmed from the financial crisis is underway, although ten years have passed since it began. At the same time, some uncertainties remain regarding the future regulatory context, namely in areas such as cybersecurity, Brexit and Open Banking.

The year of 2018 was marked by the implementation of the General Data Protection Regulation (GDPR) of the EU, which represents one of the most important legislative amendments on data protection in the last 20 years. With this Regulation, the authorities responsible for the supervision have been given enhanced powers to impose sanctions, which can amount to 4% of annual revenues, or €20 million. The implementation of this Regulation implies significant changes in the way in which organisations manage data and ensure the privacy of and access of the data subjects to such data.

Ten years on from the financial crisis, banks are now better capitalised and have a higher level of liquidity. However, their agenda is going to be increasingly filled with the implementation of organisational reforms, focusing on the challenges of new technologies, emerging markets and operational risks.

2019 will be the year in which many of the 2018 regulatory implementations will have their outcomes and in which regulators will want to guarantee that everything has carried out as planned. The Markets in Financial Instruments Directive (MiFID II), PSD 2 (Payment Services Directive 2) and the combat against money laundering and terrorist financing are some of the most striking examples.

MiFID II has deepened many aspects of the original directive with the aim of increasing market transparency, regulating new trading venues, improving the quality of the transactions (best execution obligation) and making investment and trading costs more transparent. The purpose of the revision of this directive was to improve many aspects of the original directive, making the European capital market more efficient, resilient and harmonised. The directive was accompanied by a regulation, the Markets in Financial Instruments Regulation (MiFIR), specifically dedicated to transaction reporting requirements that now cover, in addition to shares, other types of assets such as structured products. MiFID II and MiFIR are a huge challenge not only for banks, but also for insurance companies and asset management entities, as they also regulate new forms of trading such as high-frequency trading.

The revised Payment Services Directive (PSD2) updates and complements the rules established by PSD1, seeking to make the European payments market more integrated and efficient, make payments more secure, increase competition between payment service providers and promote the adoption of innovative payment services. This directive was transposed in Portugal by Decree-Law no. 91/2018, of 12 November, which approved the Legal Framework for Payment Services and Electronic Currency currently in force. In this context, two new services are now regulated: the payment initiation services and the account information services. The former allows consumers to initiate online payment transactions (e.g. when making an online purchase) without having to interact directly with the bank where their account is held. The latter allows consumers to aggregate in a single application, or website, information on accounts held with one or more banks, as long as they have online access to those accounts. To make these new services feasible, according to the Regulatory Technical Standards (RTS), on 14 March 2019 all financial



institutions must have APIs available for Third Party Providers (TPPs) to start testing, and on 14 September 2019 the systems must be fully available. Also on this date, the new requirements of strong customer authentication come into force, requiring, in most payment transactions (whether by card or online, for example), the use of two or more elements of authentication independent of each other and that meet the criteria of knowledge (something only the customer knows, such as a password); possession (something only the customer possesses, such as a mobile phone); and inherence (something the customer is and that identifies him/her, usually biometric data such as a fingerprint).

With regard to the fight against money laundering and terrorist financing, the transposition of the Anti-Money Laundering Directive IV or AMLD IV (Directive (EU) 2015/849) took place on 18 August 2017 with the publication of Law 83/2017, producing most of its practical effects throughout 2018. With regard to the financial sector, as the expected sectoral regulation was only published on 26 September 2018 (Notice of Banco de Portugal no. 2 / 2018), many of the impacts of adaptation to the new regulations will continue to be felt during 2019. This regulatory package has a considerable impact on the policies, procedures and controls of the entities it covers, since it advocates a holistic approach to the risk of money laundering and terrorist financing. Meanwhile, on 14 May 2018, the fifth directive on the prevention of money laundering and terrorist financing was approved as part of an action plan launched following a wave of terrorist attacks in Europe in 2016. AMLD V broadens access to beneficial ownership information, increases transparency regarding the beneficial ownership of companies and trusts, regulates the risks associated with prepaid cards and virtual currencies, and increases control over transactions involving high-risk third countries.

Further developments are expected from CRD V (Capital Requirements Directive V) in 2019, involving the clarification of the implementation of prudential initiatives. However, this is not expected to be proposed before 2020. The new ECB guidelines relative to internal capital and liquidity adequacy assessment processes (ICAAPs and ILAAPs) will underline the need to incorporate and integrate the two processes in the wider context of banks' risk management, encouraging reviews of the governance structure of financial entities.

In spite of the progress made by the European Commission in 2018 regarding the introduction, in the legislative process, of measures on minimum provisioning and requirements for new NPL (non-performing loans), these are only expected to be published following the 2019 elections for the European Parliament. However, Banks will have to adjust to the ECB's new NPL provisioning model, defined in accordance with Pillar 2, maintaining European banks focused on NPL reduction programmes.

To be noted is also the entry into force on 1 January 2018 of Decree-Law no. 74-A/2017, of 23 June, which partly transposes into the Portuguese legal framework Directive 2014/17/EU of the European Parliament and of the Council, of 4 February 2014, on credit agreements for consumers relating to residential immovable property. This Directive aims to ensure a coherent framework in this field, as it includes provisions subject to mandatory harmonisation in relation to the provision of pre-contractual information through the European Standardised Information Sheet (ESIS) standardised format and the calculation of the annual percentage rate of charge (APRC), thus boosting the development of more transparent, efficient and competitive credit market.




During 2019, some national regulatory entities in the Euro area are expected to take their first steps towards protection against the threat of cyber-attacks through the use of a new structure of the European Central Bank (TIBER-EU, Threat Intelligence-based Ethical Red Teaming). However, since it is optional for national authorities, the scope is still unclear and financial institutions should remain attentive to new developments.

## 2.2. STRATEGIC LINES



G-2 G-4 G-17 GRI-EC7 GRI-EC8

**Key objectives per business**

|  <b>MAIL</b>   |  <b>EXPRESS &amp; PARCELS</b>  |  <b>BANCO CTT &amp; FIN SERVICES</b>  |
|---|---|---|
| <ul style="list-style-type: none"> <li>✓ <b>Optimise the Retail Network</b> maintaining <b>proximity</b> to the citizens</li> <li>✓ <b>Implement the investment plan for operational modernisation</b> to improve quality of service and efficiency</li> <li>✓ Reinforce <b>HR optimisation</b> programme and deepen the <b>ES&amp;S cost reduction efforts</b></li> <li>✓ <b>Rationalise non-core assets</b></li> </ul> <p style="text-align: center; font-size: small; border-top: 1px dashed gray; margin-top: 5px;">OPERATIONAL TRANSFORMATION PLAN</p> <ul style="list-style-type: none"> <li>✓ <b>Manage and meet the challenges that come up within the concession</b> to enhance Public Service sustainability</li> </ul> | <ul style="list-style-type: none"> <li>✓ <b>Focus on profitable growth</b>, reinforcing CTT's offer in order to grow in the <b>B2B and B2C segments</b> in Portugal, leveraging on <b>e-commerce</b></li> <li>✓ <b>Tourline turnaround</b> and strengthening presence in Spain</li> <li>✓ Consolidate CTT's position as an <b>Iberian operator of reference and capture international flows</b></li> <li>✓ Explore opportunities in specific <b>market niches with synergetic potential</b> with CTT, as e-commerce, logistics and last-mile cargo</li> </ul> | <ul style="list-style-type: none"> <li>✓ <b>Consolidate</b> the retail banking business, launching new products and strengthening skills and capabilities</li> <li>✓ <b>Capitalise</b> the franchise through a more dynamic and efficient product marketing</li> <li>✓ <b>Speed up the specialised credit business</b> through 321 Crédito, capturing funding synergies</li> <li>✓ <b>Integrate Payshop</b> and renew the value proposition of payments in the digital context</li> </ul> |

C-8




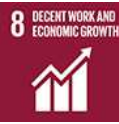




**2.3. SUSTAINABLE DEVELOPMENT GOALS**

The United Nations Sustainable Development Goals (SDG) are an extremely useful external working tool for companies. As was the case of the Global Compact principles and former Millennium Development Goals, launched by the United Nations, the SDG work in an even more comprehensive and in-depth manner as guides or guidelines to support companies in the definition, implementation, communication and reporting of all their strategies, objectives and activities. The SDG has 17 priority topics identified and endorsed by 190 countries at a global level, for the preservation of the planet and the dignity of human beings.

The International Post Corporation (IPC) conducted a study among postal operators and external stakeholders, to prioritise the SDG related to the sector's activity, in the context of the Environmental Measurement and Monitoring System (EMMS) programme. This study identified three SDG (11, 12 and 13) of priority action for the postal sector and issued the recommendation, via the IPC's board, to support postal operators in meeting them.

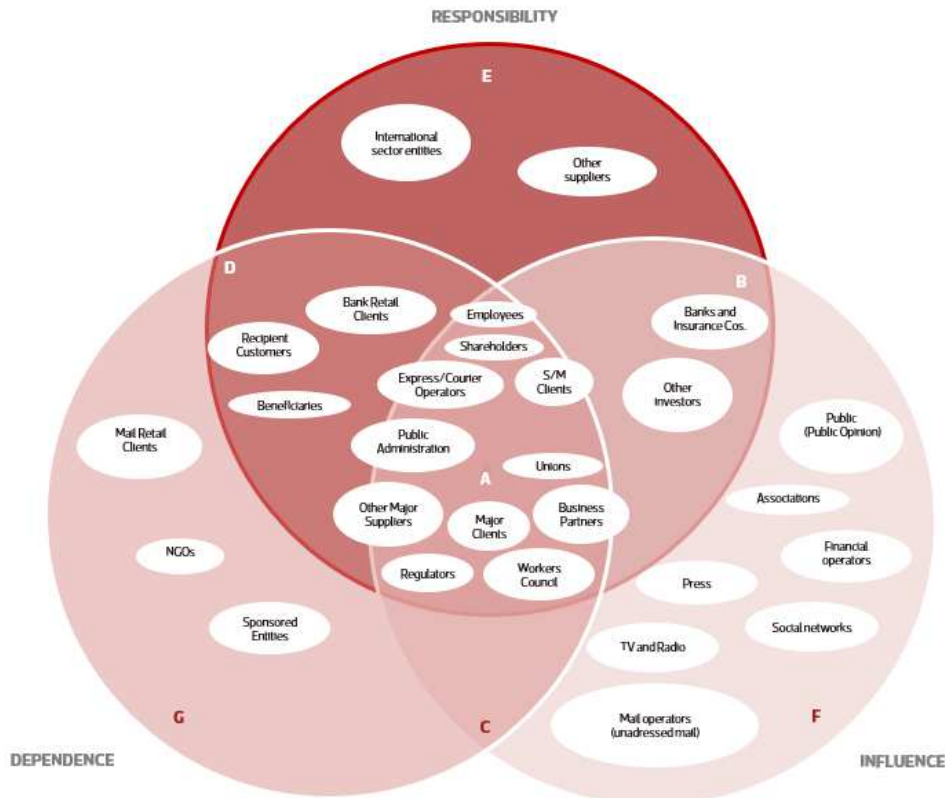
Apart from also aligning its environmental management strategy with the priority SDG for the sector, CTT mapped and prioritised the SDG for its value chain<sup>5</sup>, using SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI. The SDG that could contribute to fostering positive impacts or mitigating/preventing negative impacts were identified and allocated to each phase of the value chain, taking into account the risks and opportunities. The majority of these goals are already incorporated in CTT's activities and programmes, in various aspects, and feature in the table on Sustainability Commitments (Annex III). Consultation of the SDG Compass corporate indicators supported the identification and choice of CTT's specific indicators and goals, listed below, merely for illustrative purposes.

<sup>5</sup> CTT has identified various value and supply chains for its business activities that are distinctive from one another. In this exercise, the value chain of the postal, Express & Parcels business was adopted, due to being one of the most significant.

|  |   |   |   |
|--|---|---|---|
| <p><b>Focused on road accident goals</b></p> <p>Reduce accident rate by 5%<br/>Fatal accidents 0</p>   |  | <p><b>Focused on training goals</b></p> <p>Training volume of 255 thousand hours<br/>Training effort rate of 1.2%</p>   |  |
| <p><b>Focused on Renewable energy and energy efficiency goals</b></p> <p>Acquire 100% of electricity of renewable origin;<br/>Improve the efficiency of own fleet by 5% in the period 2018-2020</p>  |  | <p><b>Focused on goals related to labour conditions and access to financial services</b></p> <p>Increased satisfaction with working conditions<br/>Expand the banking business</p>  |  |
| <p><b>Focused on Electric mobility</b></p> <p>Expand the electric fleet<br/>Test more ecological fleet solutions (electric and natural gas)</p>  |  | <p><b>Focused on the Eco portfolio</b></p> <p>“Green” Mail Offer<br/>Express Offer, carbon offsetting</p>   |  |
| <p><b>Focused on carbon management, Compliance with international norms and Environmental Education</b></p> <p>Reduce emissions per postal item by 20% between 2013 and 2025<br/>Join the RE100 initiative<br/>Train 29 workers in eco-efficient driving</p> |  | <p><b>Focused on Anticorruption and bribery, Governance and ethics, and Engagement with stakeholders</b></p> <p>Extend the training on the Code of Conduct and Code of Good Conduct for Prevention and Combat of Harassment at Work to more workers<br/>Hold periodic meetings of the Sustainability Committee<br/>Promote communication directed by stakeholders</p> |  |

## 2.4. ANALYSIS OF MATERIALITY

The analysis of materiality incorporates inputs derived from an exercise of engagement with the Stakeholders, conducted by CTT in conformity with the guidelines of Standard AA1000SES. This exercise enabled the updating of the mapping, identification of the relevant topics and critical Stakeholders of the company, and consequently the updating of the stakeholder engagement strategy.



Source: Hearing of stakeholders - PWC

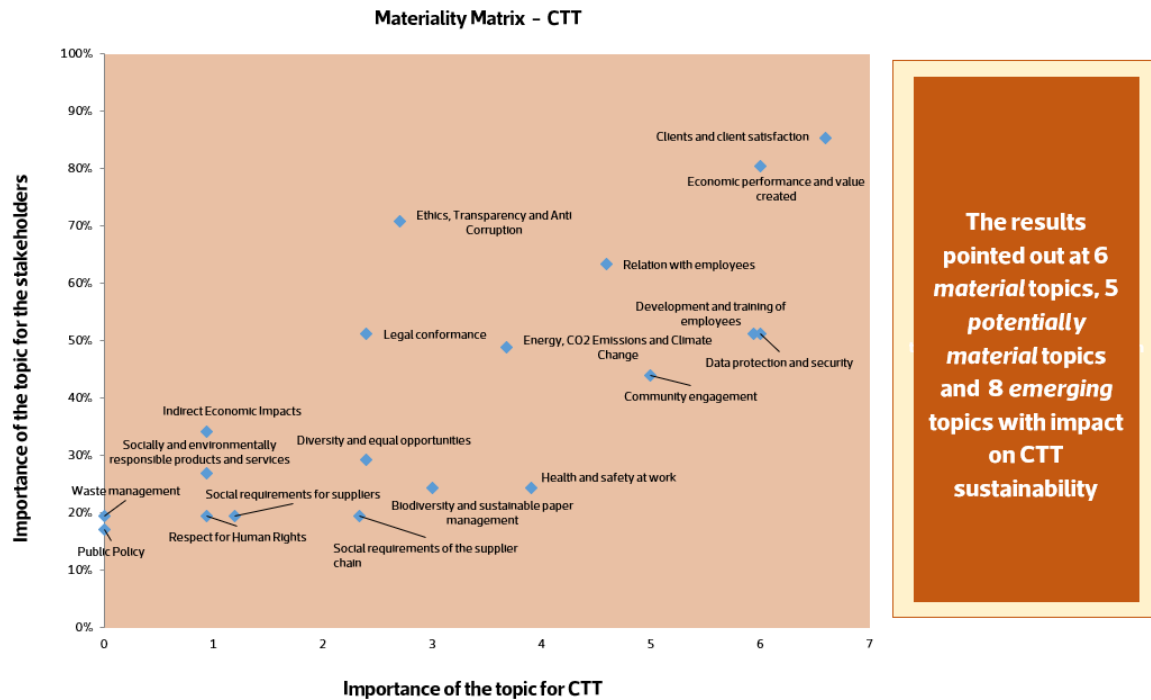
Figure 1 – Mapping of the Stakeholders

Regular engagement with stakeholders is determinant to enable the appropriate positioning of each company in view of their needs and perceptions which, in turn, are permanently influenced by market conditions and the country's socioeconomic situation. We believe in the importance of integrating the concept of sustainability in a company's current management, in an attitude of continuous involvement, transparency and commitment.

### The materiality matrix and material topics

The resulting matrix for the exercise positioned the critical topics in a different form and points to the need for a greater focus on these and others. This is an instrument of support to the senior management in the decision-making process and definition of priority action on matters of sustainability.

The hierarchisation of the topics took into account the relevance criteria indicated by AA1000SES – Stakeholder Engagement Standard (relationship with commitments or policies, financial effects in the organisation, legal compliance and benchmark analysis), supplemented with an assessment of impact against probability of occurrence. From an external perspective, the points of view of the stakeholders were considered which, crossed with the management's vision, gave rise to the materiality matrix.



Source: Hearing of stakeholders - PWC

Figure 2 – Materiality Matrix

The results of the materiality analysis and the level of criticality attributed to the different topics are reflected in the selection of the contents of this report and in the emphasis given to them. However, we continue to present data on other, less critical issues, due to considering them pertinent to the presentation of our accounts and engagement with the stakeholders, which is the case of sustainable marketing, biodiversity or equal opportunities, among others.

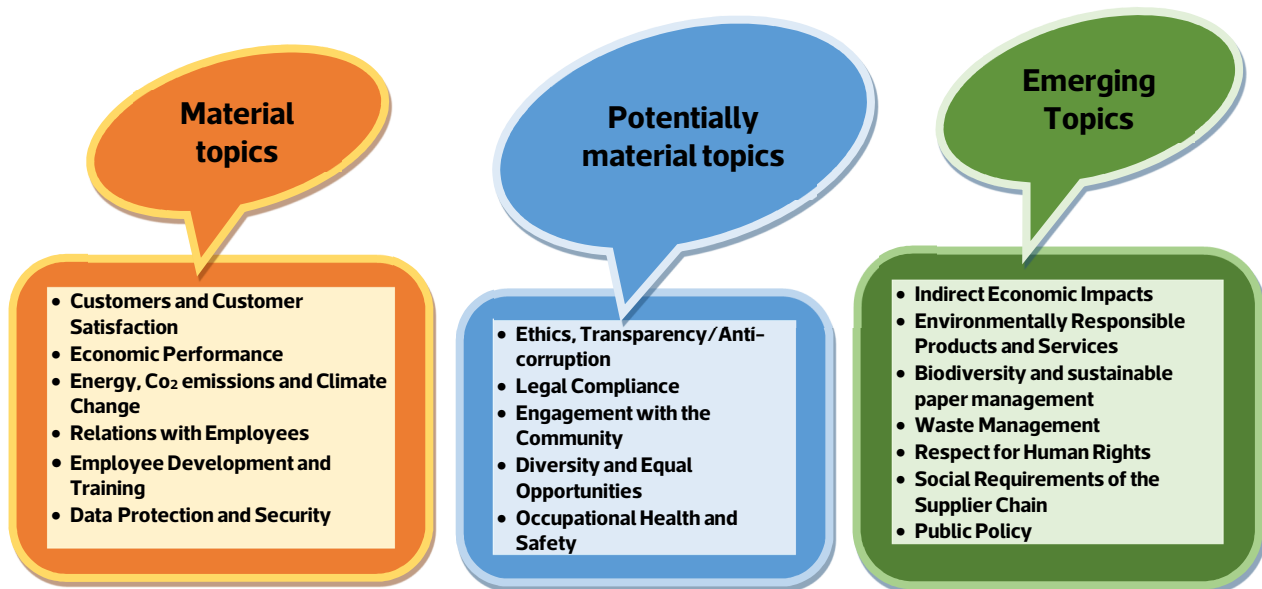


Figure 3 – CTT Material Topics

The stakeholders were requested to issue their opinion, irrespective of the relevance of the topics, on the corresponding performance. The results of the exercise, in line with other polls, studies and surveys conducted among customers and the population in general revealed that CTT has a strong presence in the market and that the stakeholder's perception of the company's responses and adopted measures is in general very favourable. The majority of the stakeholders consider that CTT shows a clear vision of its



responsibilities in the three pillars, where the economic pillar revealed the best results with 77.3%, followed by the environmental and social pillars with 63.6% and 59.1%, respectively.

For the most important topics, the assessment arising from this hearing is positive overall, indicating the existence of greater opportunities for improvement in the fields of employee development and training and in energy and carbon management, issues which we will continue to give great attention to. The opportunities for improvement identified strengthening communication on sustainability activities carried out and focus on segmented communication, in particular to the capital market and customers.

## 2.5. DIALOGUE WITH THE RELATED PARTIES

The different forms and means of engagement used have been reflected in practice in regular actions of consultation, dialogue and monitoring of stakeholder needs and satisfaction, such as through surveys, answers in writing to institutional investors, research analysts, other investors and public in general, in-house meetings with customers, market analysts and investors, shareholders, hosting of visits, conferences, working parties, panels, newsletters, release of privileged information, reporting, information on qualifying holdings and relative to transactions and acquisitions and other types of external and internal communication which the company undertakes in its daily activity.

The stakeholder hearing allowed us to adjust our engagement strategy, identify the stakeholders that would benefit from stronger communication and the channels to activate.

The communication channels, the most common approaches and some of the measures implemented during this year to meet stakeholder expectations are listed below. CTT's objective is to establish effective, permanent and transparent engagement with its stakeholders, reinforcing all forms and channels of hearing and involvement.

**Table 1 – List of stakeholders and forms of involvement**

| Critical stakeholders      | Expectations and needs  | Forms of communication with stakeholders and their hearing   | Measures adopted   |
|----------------------------|---|--|--|
| Shareholders and Investors | <ul style="list-style-type: none"> <li>• Management alignment with shareholder guidelines</li> <li>• Provision of clear, transparent and timely information that enables knowing the company's evolution and its economic, financial and governance reality;</li> </ul> | <ul style="list-style-type: none"> <li>• Quarterly, half-yearly and annual reporting presented in a rigorous, reliable and consistent manner through submission of press releases, half-yearly and annual reports and financial statements disclosed on the website of the company and CMVM.</li> <li>• Meetings and video conferences with investors and market analysts</li> <li>• Clarification of shareholders and other investors through the telephone line and e-mail provided for the purpose</li> </ul> | <ul style="list-style-type: none"> <li>• Payment of dividends</li> <li>• Social and environmental initiatives and investments</li> <li>• Ongoing communication with market analysts, seeking to increase the number of analysts that cover the stock</li> <li>• Maintenance and deepening of engagement with the stakeholders through meetings, video conferences and webcasts to disclose results and communicate management guidance in relation to the business strategy</li> <li>• Participation in business environment and sustainability ratings</li> </ul> |

G-27 G-26

G-24

| Critical stakeholders | Expectations and needs  | Forms of communication with stakeholders and their hearing  | Measures adopted  |
|-----------------------|---|---|---|
| Regulators            | <ul style="list-style-type: none"> <li>• Quality of service of the Universal Postal Service</li> <li>• Prices of the Universal Postal Service</li> <li>• Criteria for density of the postal network and minimum service offers</li> <li>• Compliance with market competition rules</li> </ul>   | <ul style="list-style-type: none"> <li>• Information on services</li> <li>• One-off information and clarifications</li> <li>• Participation in hearings and/or public consultations of draft decisions</li> <li>• Regular reporting</li> </ul>  | <ul style="list-style-type: none"> <li>• Compliance with defined quality levels and management of the system of claims and information requests</li> <li>• Application of the defined criteria for establishing prices</li> <li>• Accomplishment of objectives for density of the postal network and minimum service offers</li> <li>• Application of the methodology to calculate the net cost of the universal service (CLSU) and concept of unfair financial burden for purposes of compensation of the CLSU</li> <li>• Monitoring of the application of EU and national principles and rules on market competition</li> </ul> |
| Customers             | <ul style="list-style-type: none"> <li>• Best products at affordable prices, i.e. better quality/price relationship</li> <li>• Reliability and trust</li> <li>• Convenience</li> <li>• Satisfaction</li> <li>• Flexibility and customisation</li> <li>• Security of postal items (accountability)</li> <li>• Security of the banking operations</li> <li>• Geographic coverage and accessibility</li> <li>• Responsibility and environmental image</li> <li>• Closer and more frequent relations (newsletters, portals, focus groups, satisfaction assessment surveys, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>• Information campaigns</li> <li>• Personalised and permanent communication</li> <li>• After-sales actions</li> <li>• Advertising and accessibility of the information</li> <li>• Proactive management of failings</li> <li>• Call centre /attendance lines</li> <li>• Key Account Managers, managers of large accounts and customer managers</li> <li>• Market studies</li> <li>• Regular surveys on delivery and counter service</li> <li>• Decentralised meetings of the Management with customers</li> </ul> | <ul style="list-style-type: none"> <li>• Improved customer satisfaction</li> <li>• Launch and reformulation of new customised business solutions</li> <li>• 212 Banco CTT post offices</li> <li>• Environmentally more responsible operating model (fleet and buildings)</li> <li>• Studies on the adequacy of the offer of products and services</li> <li>• Consolidation of the ecological portfolio (products and services)</li> </ul>   |
| Competitors           | <ul style="list-style-type: none"> <li>• Participation in initiatives of common interest</li> <li>• Sector benchmarking</li> <li>• Provision of access to the network</li> </ul>  | <ul style="list-style-type: none"> <li>• Participation in forums</li> <li>• Participation in benchmarking exercises</li> <li>• Representation in bodies of the postal sector</li> </ul>   | <ul style="list-style-type: none"> <li>• Compliance with market rules</li> <li>• Intervention in joint projects, in the context of sectoral bodies</li> </ul>   |



| Critical stakeholders           | Expectations and needs   | Forms of communication with stakeholders and their hearing   | Measures adopted   |
|---------------------------------|--|--|--|
| Employees                       | <ul style="list-style-type: none"> <li>• Stability (employment security, wage, social protection)</li> <li>• Adequate remunerations</li> <li>• Opportunities for career development and professional progression</li> <li>• Good working conditions</li> <li>• Recognition of merit</li> <li>• Participative management</li> <li>• Maintenance of social support measures</li> <li>• Equal opportunities and management of the diversity</li> <li>• Better work-family balance</li> <li>• Retirement conditions</li> </ul> | <ul style="list-style-type: none"> <li>• Information in due time</li> <li>• Personalised communication through the leadership/dialogue chain</li> <li>• Team meetings</li> <li>• Written internal communication (magazine, thematic newsletters, electronic formats, letters, intranet)</li> <li>• Training</li> <li>• Forums</li> <li>• Systems for suggestions</li> <li>• Surveys</li> </ul> | <ul style="list-style-type: none"> <li>• Widespread disclosure of work-related information</li> <li>• Continuity of the H&amp;S programme</li> <li>• Assessment of working conditions</li> <li>• Modernisation and renovation of infrastructure and equipment</li> <li>• Training on safe/defensive/ecological driving</li> <li>• 90% of the employees covered by training</li> <li>• Participation in the INOV+ programme</li> <li>• Companies for Gender Equality</li> <li>• Trainee programmes</li> <li>• Integration of trainees in voluntary work projects</li> </ul> |
| Unions/<br>Workers<br>Committee | <ul style="list-style-type: none"> <li>• Respect for their opinions/positions</li> <li>• Transparent negotiation</li> <li>• Consultation on matters of corporate responsibility</li> <li>• Participation in collective bargaining and contracting processes</li> <li>• Compliance with Public Service Obligations</li> <li>• Maintenance of social support measures to the employees and their family</li> </ul>   | <ul style="list-style-type: none"> <li>• Monthly and/or extraordinary meetings with the senior management</li> <li>• Meetings with Union Organisations and Associations Representing Functional Groups, whenever necessary</li> <li>• Relevant management communication</li> </ul>   | <ul style="list-style-type: none"> <li>• Review of the Company Agreement salary component signed</li> <li>• 89.9% of the employees covered by collective bargaining agreements</li> <li>• Pay increase of 1.1% to 1.3%, with minimum increase of €12</li> <li>• Harmonisation of work hours</li> </ul>   |
| Suppliers                       | <ul style="list-style-type: none"> <li>• Equal opportunities and transparency (clear rules)</li> <li>• Compliance with payment deadlines</li> <li>• Increased volume of new supplies</li> <li>• Tightening of relations</li> <li>• Qualification of suppliers (surveys and audits)</li> </ul>  | <ul style="list-style-type: none"> <li>• Information and communication of company projects</li> <li>• Sustainable procurement policy – contractual clauses</li> <li>• Regular communication on non-compliance in supplies – opportunity for improvement</li> <li>• Mailbox to receive company presentations</li> </ul>   | <ul style="list-style-type: none"> <li>• High standards in social, human rights and environmental requirements</li> <li>• Eco-friendly Procurement Policy – compliance with the objectives</li> <li>• Participation in the development of new products/services and improvement of those existing</li> <li>• Invitation of suppliers to meetings for presentation of products/services provided</li> </ul>   |

| Critical stakeholders | Expectations and needs  | Forms of communication with stakeholders and their hearing   | Measures adopted  |
|-----------------------|---|--|---|
| Media                 | <ul style="list-style-type: none"> <li>• Access to reliable and relevant information</li> <li>• Communication to the market</li> </ul>  | <ul style="list-style-type: none"> <li>• Press Relations Agent (direct contact with the media)</li> <li>• <i>Press Releases</i></li> <li>• Press conferences</li> <li>• Presence in the social networks</li> </ul>                                       | <ul style="list-style-type: none"> <li>• Disclosure of information on the services, projects, results and other aspects of corporate life</li> </ul>  |
| Community             | <ul style="list-style-type: none"> <li>• Compliance with Public Service Obligations</li> <li>• Proximity/presence in the field</li> <li>• Stimulation of the local economy</li> <li>• Capacity of communication/dialogue with local partners</li> <li>• Accessibility to the services</li> <li>• Good corporate citizenship, in social and environmental terms</li> </ul> | <ul style="list-style-type: none"> <li>• Direct/personalised information</li> <li>• CTT website</li> <li>• Presence in the local and national press and social media</li> <li>• Direct contact with the postman and counter service personnel</li> </ul> | <ul style="list-style-type: none"> <li>• Support to social inclusion:               <ul style="list-style-type: none"> <li>• 95% of accessibility to post offices by people with reduced mobility;</li> <li>• collection of donations through PayShop agents</li> <li>• 15 voluntary work initiatives</li> </ul> </li> <li>• Renovation of CTT post office premises</li> <li>• Environmental programme – reduction of energy consumption and emissions</li> </ul> |

**Memberships and significant participation**

In the context of the company’s sustainability strategy, CTT is a member and develops joint activities with BCSD Portugal (Business Council for Sustainable Development), APQ (Portuguese Association for Quality), APCE (Portuguese Association of Company Communication), APEE (Portuguese Association of Business Ethics) and APVE (Portuguese Electric Vehicle Association).

CTT is also a member of APDC (Portuguese Association for the Development of Communication), APAN (Portuguese Advertisers Association), ICAP (Civil Advertising Self-Discipline Agency), COTEC (Business Association for Innovation), APEL (Portuguese Association of Publishers and Book Sellers), IPAI (Portuguese Internal Audit Institute) and IPCG (Portuguese Corporate Governance Institute), among others.

As a founding member of the Universal Postal Union (UPU), CTT is present in a number of other affiliated organisations such as PostEurop (Association of European Public Postal Operators), UPAEP (Postal Union of the Americas, Spain and Portugal), Euromed (Postal Union of the Mediterranean) and AICEP (International Association for Portuguese Expression Communications). CTT has chaired AICEP since 2009.

CTT was elected in 2016 to represent Portugal, for four years, at the Council of Postal Operations of UPU and as member of the Board of Directors of PostEurop, for three years. In this body, CTT holds the position of Vice-Chairman of the Environment working party, of the Committee of operational activities, and Chairman of the Innovation Forum. CTT is a member of the IPC (International Post Corporation).

C-16

C-15

## 2.6. CORPORATE ETHICS

Following the approval of the Code of Good Conduct for the Prevention and Combat of Harassment at Work, a document that is applicable to the CTT universe and that defines a set of obligations regarding conduct that qualifies as harassment at work, the training programme involving an e-learning format began. During this year, the training on Codes of Conduct ("CTT and Subsidiaries" and "CTT and Bank") and on the "Code of Good Conduct for the Prevention and Combat of Harassment" was completed successfully by 1,265 and 1,093 employees.

The activity of the Ethics Committee, in addition to monitoring the communications received in the existing channels on any situations of breach of the Code of Conduct, or forwarded by the Audit Committee, under the procedures established for the communication of irregularities (whistleblowing), focused on monitoring the index of training on the Code of Conduct CTT and Subsidiaries, as well as the Code of Good Conduct for the Prevention and Combat of Harassment at Work, with the updating of the Internal Regulation of the Ethics Committee having been assured.

The responsibility for the technical support provided to the Ethics Committee relative to the operationalisation of the system of communication of irregularities / whistleblowing is entrusted to the Audit and Quality Department, which assures the confidential handling of the received communications and upholds the principle of non-retaliation in relation to the persons reporting irregularities.

Procedures are defined for the communication of irregularities related to non-compliance with rules on conduct, which are appraised and decided upon by the Ethics Committee, which also ensures the handling of irregularities which, under the Regulation on Procedures for Communication of Irregularities (RPCI), are conveyed by the Audit Committee for analysis and confirmation of sufficient grounds to investigate. During 2018, anti-money laundering and terrorist financing was included in the range of matters covered under the RPCI.

This year, the Ethics Committee received twelve communications that were appraised and decided upon, aimed at detecting possible irregularities related to non-compliance with rules on conduct and combat of harassment. Six were closed since they did not fall within the matter of ethics/conduct and the other six were analysed by the competent service. Under the RPCI, no cases were conveyed for handling.

We also highlight the activity developed by the Compliance Department whereby, under the provision of financial services and following the application of current procedures regarding the identification and reporting of suspicions of money laundering and terrorist financing, 135 reports were made to the entities laid down in current legislation (DCIAP - Central Department for Investigation and Penal Action and UIF/PJ - Financial Intelligence Unit of the Criminal Investigation Police), covering financial service operations that came to approximately 11 million euros.

Procedures are in force at the company for the identification of the active and passive perpetrators of situations of bribery and corruption with a view to their identification within the legal-criminal system. In this context, accusations and claims are investigated and an analysis is made of procedures and practices which may lead to or represent irregular and corrupt behaviour.

As a result of the audit and inspection actions, 154 post offices, 64 postal agencies and 87 delivery offices were audited, representing, respectively, 29%, 25% and 39% of the eligible universe, which in the case of postal agencies corresponds to customer service units with transactions with an average remuneration equal to or above € 200 / month. Following the investigations prior to disciplinary hearings, there were 9 unilateral terminations of employment contracts.

The training in anti-corruption policies and practices was attended by 656 participants, involving a volume of 3,284 hours, corresponding to 5% of the employees<sup>6</sup>.

---

<sup>6</sup> At a national level, including Banco CTT and excluding Transporta.

All the operations of Banco CTT are submitted to risk assessment. The customers and transactions made are analysed according to the risk they might represent in terms of use of the Bank for purposes of money laundering or terrorist financing (which includes the crime of corruption).

The relevant relations with financial and non-financial counterparts are also subject to a due diligence process which seeks to prevent the conduct of business with entities that show risks of money laundering or might represent reputation risks, due to being involved in financial crimes or associated to practices of corruption.

No cases of fraud or other offences were recorded. Banco CTT has an Anti-Money Laundering and Terrorist Financing Policy and a series of processes and procedures aimed at assuring compliance with the legal requirements and mitigating the risks of the Bank being used for these purposes. Annually, a team of external auditors conducts an assessment of these processes and procedures and effectiveness tests.

At the end of 2018, CTT approved and implemented the Anti-Money Laundering and Terrorist Financing Policy for the CTT Group.

### Compliance with ethical requirements

CTT was fined pursuant to laws and regulations relative to products and services, of the value of 50,006.6€. In Portugal, CTT was not the object of any lawsuits in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.

In 2018, in Spain, Tourline Express Mensajería, SLU, was subject to a fine of € 3,148,845.00 by the Comisión Nacional de los Mercados y la Competencia, based on an alleged practice restricting competition, and CTT, as holder of the share capital of Tourline, was held jointly and severally liable. Tourline and CTT considered this sanction unfounded and disproportionate and filed a judicial appeal against it, which is currently in progress.

There were 457 occurrences/proceedings relative to non-compliance with labour laws and regulations, with 61 having been resolved in addition to 343 of previous years. Under fixed-term contracting there were 9 cases which gave rise to the reintegration of two persons.

CTT assures the safeguarding of the company's responsibilities on legal matters and complies with the Code of Advertising and Marketing Communication Practice of the ICC (International Chamber of Commerce), being represented at and a member of ICAP (Civil Advertising Self-discipline Agency) and APAN (Portuguese Advertisers Association). CTT complies with codes/regulations, such as the Code of Conduct on Advertising Matters and the Code of Fair Practices on Environmental Advertising, among others. CTT abides by the self-discipline that the industry imposes upon itself, with the objective of ensuring, quickly and efficiently, respect for the rules in advertising communication.

The company's Code of Conduct is clear in relation to marketing and advertising practices, with compulsory disclosure of correct and accurate information on the marketed products and services, namely their technical characteristics, after-sales assistance, prices and payment terms.

ANACOM (National Authority on Communications) is responsible for the regulation and supervision of the postal sector. Therefore, and under the concluded Concession Contract, ANACOM monitors CTT on a regular basis through the following two types of audit:

- Audit of the quality of service indicators and information request system of CTT to verify the reliability of the results and adequacy of the methodology for determining the quality of service levels. The audits with reference to the years of 2016 and 2017 were completed in 2018. The auditors' reports concluded that the results were in accordance, in all material aspects, with the applicable legal and regulatory provisions, and Anacom defined some adjustments to be implemented within the scope of the measurement system for quality of service indicators.

GRISO3

GRISO4

GRISO7 GRIPR9

GRISO8 GRISO7

GRISO8 GRIN29

G-16 GRILA16

G-35

- Audit of CTT's cost accounting system, to check the conformity of the system and the obtained results, as well as compliance with national and international rules, standards and good practices. The statement issued at the beginning of 2018 on the audit to the results of the cost accounting system relative to the 2015 financial year indicates that the results were produced in accordance with the applicable legal and regulatory provisions. In this context, work was also developed over the course of the year in the field of audits to the results of the 2016 and 2017 financial years. As a result, on 15 February 2019, ANACOM approved a draft decision on the results of the 2016 financial year, according to which that entity considers that new criteria should be identified for the allocation of costs to the postal and banking activities of the Company, stipulating the restatement of the cost accounting for the years 2016 and 2017 in this respect. CTT will analyse in detail the draft decision and communicate its official position in due time and place.

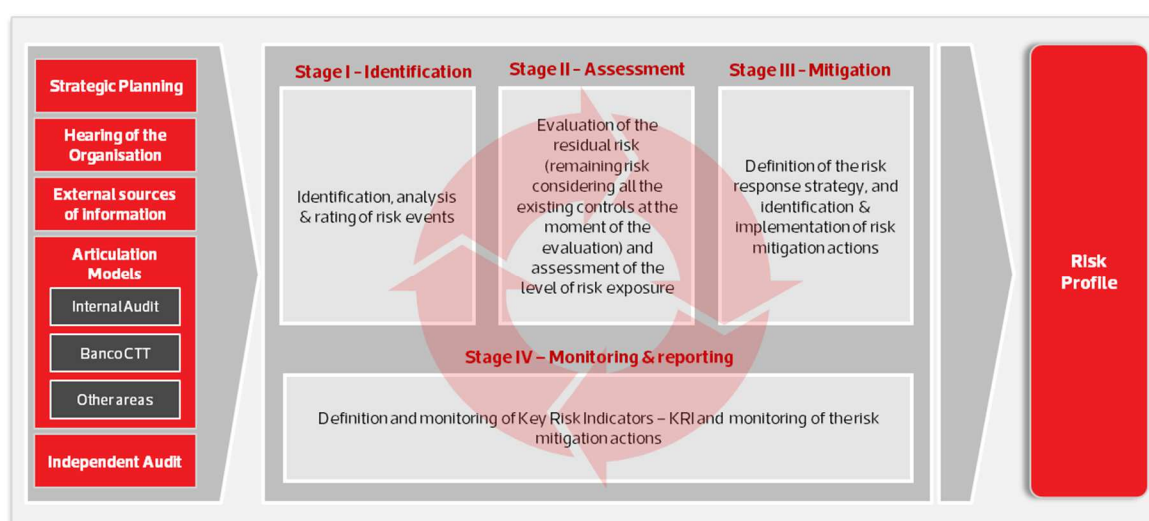
## 2.7. RISK MANAGEMENT

### 2.7.1. Description of the risk management process

The risks arising from the activity of CTT and its subsidiaries are managed pursuant to the manner described in the **Regulations of the Risk Management System** approved by the Board of Directors. This document, in addition to establishing guiding standards, principles and procedures for Risk Management, defines duties, responsibilities and governance model, ensuring the implementation of a framework supporting the decision-making process, taking into consideration the risks to which CTT is exposed.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organisational model applicable and adjusted to the specificities and to the regulatory framework of its activity. However, a model has been established for articulation between the areas responsible for the Risk Management of CTT and Banco CTT, in order to ensure an alignment relative to the main interdependent risks.

The **Risk Profile** is viewed as the main output of the process, reflecting the vision of a given moment on the events that, should they occur, could adversely affect the achievement of the strategic objectives, compromising CTT's sustainability. The review and continuous updating of the Risk Profile is, therefore, fundamental, and is based on a dynamic process consisting of four sequential and interrelated phases, fed by a series of inputs, as illustrated in the figure below:



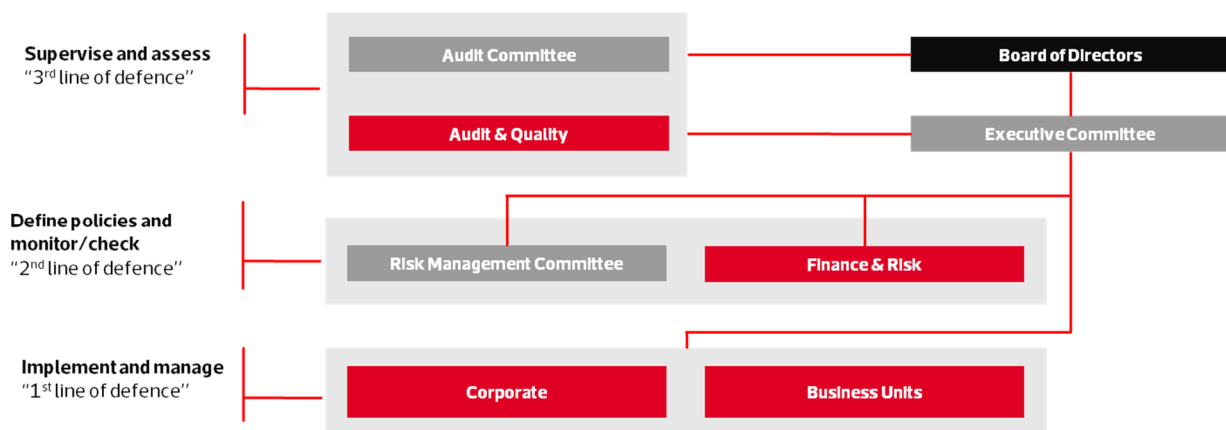
The risks identified during Phase I are assessed in Phase II according to qualitative and quantitative criteria in terms of probability of occurrence, impact and speed of materialisation of the effect, pursuant to the guidelines established in the Regulations of the Risk Management System.

The **level of exposure to risk** arises from the combination of its probability and impact. During Phase III, if the level of exposure to a particular risk is not acceptable, corrective or mitigating actions are defined and implemented, aimed at reducing the exposure, by lowering the probability and/or impact.

The evolution of CTT's main risks (those with higher level of exposure) is monitored in Phase IV through **Key Risk Indicators (KRI)**. The KRI operate as a barometer of CTT's current level of exposure to risks, warning, in due time, of possible changes of the probability of occurrence and/or impact of the risk event. Each KRI has a defined **objective** and **tolerance level**. Surpassing this tolerance level could mean that CTT will incur financial losses that are higher than expected (value-at-risk), thus requiring the adoption of immediate response measures. In some cases, in order to maximise the effectiveness of the KRI, action plans are defined *a priori* with specific mitigation measures whose implementation is conditioned to the surpassing of the defined tolerance levels for the KRI.

### Governance Model

At CTT, risk management and control are undertaken by the entire organisational structure, involving the top management down to the more operational levels, through a model of "3 lines of defence" based on good practices of Audit and Internal Control:



The **Board of Directors** approves CTT's main risk policies and guidelines, defining its profile and objectives on risk-taking matters and creating systems for their control. It carries out the annual assessment of the effectiveness of the Risk Management system, with a view to ensuring that the risks effectively incurred are consistent with the defined objectives.

The **Audit Committee** supervises and appraises the Risk Management policies and system, and may propose measures to the Executive Committee aimed at improving their functioning. It also monitors and appraises the profile and objectives on matters of risk-taking, the levels of exposure to risk and the mitigation measures in this context.

The **Executive Committee** approves CTT's risk profile and levels of exposure to risk, as well as the models, processes and procedures for risk management, in addition to the proposed mitigation initiatives, ensuring their implementation and taking into account the terms and objectives defined and approved by the Board of Directors.

The **Risk Management Committee** supports the Executive Committee in the process of preparation and approval of the Risk Management strategies and policies, monitoring their implementation.

The **Finance and Risk Department**, directly dependent on the Executive Committee (hierarchically reporting to the Chief Financial Officer ("CFO")), is responsible for the centralised coordination of the Risk Management System of CTT and the planning and implementation of risk management programmes supported by the Company's Regulations of the Risk Management System.



The **Audit and Quality Department** assesses the quality and effectiveness of the Risk Management system and identifies and characterises risk events under the audit activities carried out.

All the remaining **Corporate Departments** and **Business Units** operationalise the approved Risk Management policies and procedures and propose mitigation actions for the main risks identified.

### 2.7.2. Identification of risks (risk matrix) and CTT response

The main risks faced by CTT during the implementation of its strategy and business processes are described in the following table. For each risk, its rationale is presented, its applicable classification, the business segments affected, a brief description of the mitigation strategies implemented, the trend of evolution in relation to the previous year and the level of exposure in December 2018:

| Risk rationale  | Business affected | Mitigation   | Evolution and level of exposure |
|---|-------------------|--|---------------------------------|
| <p><b>Competition</b><br/>                     Category: Strategic<br/>                     Sub-Category: Competitiveness</p> <p>CTT's Mail and Express &amp; Parcels business units have been subject to increasing competitive pressure over the last few years. During 2017 and 2018 new players emerged in the Mail business. In the Express &amp; Parcels business, e-commerce has led to strong market expansion, making it more competitive and globalised. In this context, CTT's risk is associated to the fact that it might not have sufficient response capacity and agility in relation to the offers of the competition and thus lose Customers, or it could be forced to lower its prices.</p>   |                   | <p>As a modern company, attentive to the market and to Customer needs, CTT continues to focus on the development of products that integrate its existing skills and assets, continuously innovating the range of offers, adjusting its pricing and seeking to cover all emerging market niches. With the acquisition of Transporta, CTT seeks to explore opportunities for growth in adjacent markets such as last mile Logistics and Cargo, showing potential synergy with existing operations.</p>   |                                 |
| <p><b>Iberian CEP (Courier Express and Parcels) challenge</b><br/>                     Category: Strategic<br/>                     Sub-Category: Competitiveness</p> <p>There has been a significant increase of the volume of Expresso &amp; Parcels in Iberia with the trend being maintained (or accelerating) in view of the still low penetration of e-commerce. CTT is a leader of the Courier Express and Parcels (CEP) market in Portugal, although in Spain its presence is still marginal, with room for growth in the different segments of this geographic region. If CTT is unable to consolidate its position as a reference Iberian Operator in the CEP market, and as this is a fundamental driver of growth in response to the decline of physical mail, the effects on its results will be fairly adverse.</p> |                   | <p>CTT's strategy for the Express &amp; Parcels business units aims to develop and consolidate its positioning as a strong reference Iberian operator, with an integrated operation in Portugal and Spain. To this end, the Iberian Operator project is currently underway which includes various initiatives aimed at capturing Iberian flows, leveraged on its position of leadership in Portugal, and international flows derived from the growth of e-commerce and cross-border trade. Additionally, inorganic opportunities are also being explored to accelerate the growth of CTT in Spain.</p> |                                 |
| <p><b>Operational Transformation Plan</b><br/>                     Category: Strategic<br/>                     Sub-Category: Competitiveness</p> <p>At the end of 2017, CTT presented the market with an ambitious Operational Transformation Plan focused on the postal business, in order to improve its profitability, strengthen quality of service and lend support to the Company's transformation in the medium term. Risk arises from the possibility of the Plan's objectives not being reached, namely impact on EBITDA.</p>   |                   | <p>In order to reinforce focus on the implementation of the Operational Transformation Plan, an implementation and governance model was put in action with ongoing involvement of the Executive Committee and follow-up by the Board of Directors, through the Committee for Monitoring the Implementation of the Operational Transformation Plan led by the Chairman of the Board of Directors and Non-Executive Directors, including the Non-Executive Director representing the shareholders.</p>   |                                 |
| <p><b>Public image</b><br/>                     Category: Strategic<br/>                     Sub-Category: Brand/Reputation</p> <p>CTT's image and reputation and the trust of the Customers, investors and other stakeholders in the brand are key factors for success. For this reason, the occurrence of events triggering negative media pressure on CTT's image could give rise to materially adverse effects on the Company's business and results.</p>   |                   | <p>Aware of the challenges of current communication and the imperative need to defend and preserve its image among its stakeholders, CTT has maintained its priority on communication focused on proactiveness, anticipation, clarity and positivism.</p>  |                                 |

G-2 G-14











G-4

GRI-EC7 GRI-EC8

G-26

|   |                  |  |                            |
|---|------------------|--|----------------------------|
| <p><b>Performance of Banco CTT</b><br/> <b>Category:</b> Strategic<br/> <b>Sub-Category:</b> Competitiveness</p> <p>Banco CTT is a recent bank operating in a very competitive atmosphere. In this context, the adoption of adequate strategies and the agility in adapting them according to the evolution of the surrounding environment and the identification of new opportunities are vital. Risk arises from possible deviations to the Business Plan negatively affecting the Group's net profit.</p>  | <br><br><br><br> | <p>Banco CTT actively manages its strategic risk through continuous reviews of its Business Plan according to the evolution of the actual business, changes of economic and competitive circumstances and market conditions, by communication and alignment with its shareholder and constant concern with its capital level and the risks taken in its strategic decisions, and the established capitalisation plan.</p>  | <br><p>GRI-EC8</p>         |
| <p><b>Security of information</b><br/> <b>Category:</b> Operational<br/> <b>Sub-Category:</b> IT</p> <p>In view of the increasingly stronger dependence on information technologies in CTT's business units, the security and protection of information is a very critical issue. Behavioural failures, deliberate or not, by CTT employees or third parties, unauthorised access to facilities or the occurrence of cyber-attacks which will tend to continue to grow in terms of volume and sophistication, could compromise the confidentiality and/or integrity of the information. If this should happen, CTT could have to face disruptions in its activity, unforeseen costs, loss of sensitive data, application of penalties and/or high reputation damages.</p> | <br><br><br><br> | <p>CTT has invested in its information security solutions, strengthening standards of robustness and quality, and implementing control procedures and tools to identify vulnerabilities and threats. Training actions are carried out regularly, aimed at enhancing the culture and attitude of extra protection of information in the Company. Banco CTT has developed a security programme to assure the privacy of sensitive data of its customers and to defend the infrastructures, systems and other critical assets against threats of fraud, cyber-crime, theft or loss of information. In its Printing &amp; Finishing business, CTT has ISO 27001 certification for Information Security Management Systems.</p> | <br><p>G-27</p>            |
| <p><b>Continuity of Postal Operations</b><br/> <b>Category:</b> Operational<br/> <b>Sub-Category:</b> Business continuity</p> <p>The occurrence of certain adverse events that are unpredictable and inevitable, beyond CTT's will and control, could affect IT, facilities and people, and ultimately lead to stoppage of postal operations. The lack of a prompt and coordinated response could prolong the stoppage time, causing considerable financial losses in addition to irreparable damage to the Company's reputation and image.</p>   | <br><br><br><br> | <p>The existing business continuity processes are regularly reviewed in order to prepare CTT for the occurrence of disruptive events in operations and thus make sure there are sufficient resources and operative capacity to restore normal conditions in postal operations as soon as possible.</p>   | <br>                       |
| <p><b>Personal Data Protection (GDPR)</b><br/> <b>Category:</b> Operational<br/> <b>Sub-Category:</b> Legal/Compliance</p> <p>The introduction of the new General Data Protection Regulation (GDPR) took effect on 25 May 2018. The GDPR places the burden of the protection of the privacy of citizens on the entities that collect, store, analyse and manage their personal data. Hence, the risk to CTT arises from failure in the protection of these data and the consequent application of the high penalties foreseen, in addition to the loss of confidence of its stakeholders.</p>   | <br><br><br><br> | <p>Aware of the importance of the topic of data privacy in the Company and business models, CTT took measures to adapt to the new rules of the GDPR throughout 2018. The diagnosis enabled identifying the critical processes, appraising CTT's level of maturity in this matter and detecting points of improvement which were embodied in various initiatives transversal to the organisation. In general, this effort has strengthened the level of control over personal data protection at CTT. No privacy incidents have yet been recorded, that due to their severity must be notified to the National Data Protection Commission (CNPD).</p>   | <br><p>G-27</p>            |
| <p><b>E-substitution</b><br/> <b>Category:</b> External<br/> <b>Sub-Category:</b> Macro-trends</p> <p>The intensification of the phenomenon of digitalisation and substitution of physical mail by other forms of digital communication have led to a continuous decline of postal volumes since 2001, with a significant acceleration of this trend having occurred in the last 2 years. It is expected to continue to decrease at the rate of 5% per year by 2021, thus exerting pressure on CTT's operating revenues.</p>  | <br><br><br><br> | <p>The main objective of the Operational Transformation Plan is the restructuring of the postal business, seeking to adjust the structure of fixed costs to medium term needs, maintaining high operational standards. The Operational Transformation Plan is expected to have a positive contribution of up to €45m to recurring EBITDA from 2020 onwards, thus helping to counter the ongoing steady decline of the Mail business. At the same time, CTT has progressively focused on the diversification of the business, particularly driven by Express &amp; Parcels and Banco CTT.</p>   | <br><p>GRI-EC7 GRI-EC8</p> |
| <p><b>Regulatory changes</b><br/> <b>Category:</b> External<br/> <b>Sub-Category:</b> Political</p> <p>As a Universal Postal Service provider, CTT operates in an intensely regulated environment, and is subject to a significant number of legal and regulatory requirements relative to the pricing regime, parameters of provision of the Universal Postal Service and quality of service. The alteration of these requirements, their application or interpretation could lead to a significant increase of the costs associated to their compliance and consequent adverse effect on CTT's results.</p>   | <br><br><br><br> | <p>CTT conducts active regulatory management in order to boost the sustainability of the Universal Postal Service. Considering that the approval of the new quality parameters and performance objectives of the Universal Postal Service approved by the Regulator (ANACOM) is disproportional and inappropriate, going far beyond current practices and European trends in this matter, CTT has requested the declaration of invalidity of the decision, via arbitration and administrative action.</p>  | <br>                       |



|  |   |  |  |
|--|---|--|--|
| <p><b>Extreme climate phenomena</b><br/> <b>Category:</b> External<br/> <b>Sub-Category:</b> Disasters</p> <p>The increased frequency and severity of extreme phenomena associated with climate change, such as droughts, floods, cold or heat waves, have become a major concern of societies at a worldwide scale. The risk to CTT arises from the potentially devastating effects caused by the occurrence of this type of phenomena and the economic losses derived therefrom.</p>   | <br><br> | <p>The damages (human and material) to buildings and the fleet caused by extreme weather conditions are covered by insurance. In case these phenomena occur, CTT has established communication channels with the authorities, namely the Civil Protection, aimed at ensuring the protection of the facilities and its employees.</p>   | <br> |
| <p><b>Environmental damage</b><br/> <b>Category:</b> Strategic<br/> <b>Sub-Category:</b> Brand/Reputation</p> <p>CTT's activity implies direct and indirect environmental impacts, namely the depletion of energy resources of fossil origin, the emission of atmospheric pollutants, in particular greenhouse gas emissions, the consumption of natural resources (e.g. paper and water), potential soil contamination and effluents due to waste produced by CTT and noise emission. Risks arise from reputation damage due to a perception of CTT as an environmentally unfriendly company.</p> | <br><br> | <p>In order to minimise its carbon footprint, CTT has implemented certified environmental management programmes and systems. Energy and carbon efficiency is ensured through measures to rationalise electricity, the acquisition of green energy and the promotion of ecological and/or carbon neutral products and services. Sustainable mobility is also promoted by CTT through the management and streamlining of fleet consumption, the expansion of the electric fleet and the search for smooth mobility solutions. Supplemented by training actions, these initiatives strengthen the Company's engagement with the employees and stakeholders.</p> | <br> |

GRI-SO2 GRI-EC2 GRI-EN30

### 3. BUSINESS UNITS

#### 3.1. MAIL

**Mail recurring revenues** reached €531.9m in 2018, a 0.8% growth (+€4.4m) vs 2017. This business (excluding internal customers) reached €495.1m, increasing +1.3% (+€6.1m) vs the previous year.

G-4

| Mail volumes                        |              |              |               | Million items |              |               |
|-------------------------------------|--------------|--------------|---------------|---------------|--------------|---------------|
|                                     | 4Q18         | 4Q17         | Δ             | 2018          | 2017         | Δ             |
| Transactional Mail                  | 140.6        | 151.9        | -7.4%         | 585.8         | 627.2        | -6.6%         |
| Advertising Mail                    | 14.7         | 19.1         | -23.2%        | 57.8          | 68.5         | -15.7%        |
| Editorial Mail                      | 9.7          | 10.1         | -4.1%         | 37.2          | 40.8         | -8.9%         |
| <b>Addressed Mail</b>               | <b>165.0</b> | <b>181.1</b> | <b>-8.9%</b>  | <b>680.7</b>  | <b>736.6</b> | <b>-7.6%</b>  |
| <b>Unaddressed Advertising Mail</b> | <b>110.5</b> | <b>123.9</b> | <b>-10.8%</b> | <b>427.3</b>  | <b>492.1</b> | <b>-13.2%</b> |

In 2018 the addressed mail volumes decline stood above the expected range [-5% to -6%], as **transactional mail** decreased by 6.6% explained for the most part by the 8.5% decline of **ordinary mail**, mainly due to sectors such as banking and insurance.

In addition, **advertising mail** volumes decreased as much as 13.5% (addressed volumes by -15.7% and unaddressed volumes by -13.2%), impacted by the new regulations on data protection (GDPR), which translated into -€4.2m in revenues.

On the other hand, the Company benefited from particularly positive performances: (i) of the **international inbound mail** which grew €11.1m (+42.4%) in terms of revenues as a result of the terminal dues increase in 2018 (+20.8%) and the growth of the number of items, while the remaining part of the growth is explained by a favourable change in the average weight of the items and the volumes mix; (ii) of **registered mail volumes** that grew 1.0%, corresponding to a €4.8m increase in revenues, mostly as a result of several mailings from the Government sector and the banking and insurance sectors related with the new GDPR; (iii) of the **international outbound mail** which, despite the 1.7% decline in volumes, recorded a revenue growth of €1.1m (+2.7%); (iv) of the **priority mail** which presented a 1.4% increase in volumes corresponding to a €1.0m increase in revenues; and (v) of the retail products and services which include the **lottery** business (partly suspended in the 1<sup>st</sup> half of 2017) that contributed with a €1.4m increase vs 2017.

#### Accessibility

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 close to 87 thousand 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 2018, CTT's network of contact with the public was composed by 2,383 points of access, comprising 538 post offices and 1,845 postal agencies, as well as 4,701 delivery rounds, which assure the availability and accessibility of the counter and delivery service, embodying a convenient and multi-service platform.

Supplementing this, the network also had 1,932 points of sale of stamps, 123 automatic stamp vending machines and 14 automatic vending machines of mail products. The network of mailboxes was composed

G-8

GRIEC8

GRIS01

of 10,751 boxes, located at 9,639 geographic points at a national level. Apart from these, there are also 4,600 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 countrywide, in a permanent form, in the most far-flung places, 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, 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 similar to that of the EU average.

**Table 2 - Postal density and coverage**

|            | Inhabitants per postal establishment |       |       |       |       | Km <sup>2</sup> per postal establishment |      |      |      |      |
|------------|--------------------------------------|-------|-------|-------|-------|--|------|------|------|------|
|            | 2014                                 | 2015  | 2016  | 2017  | 2018  | 2014                                     | 2015 | 2016 | 2017 | 2018 |
| EU average | 4,487                                | 4,389 | 4,605 | 5,167 | n.a.  | 39                                       | 38   | 40   | 45   | n.a. |
| Portugal   | 4,485                                | 4,444 | 4,413 | 4,350 | 4,320 | 40                                       | 40   | 39   | 39   | 39   |

Source: UPU

Note: Considering fixed postal establishments

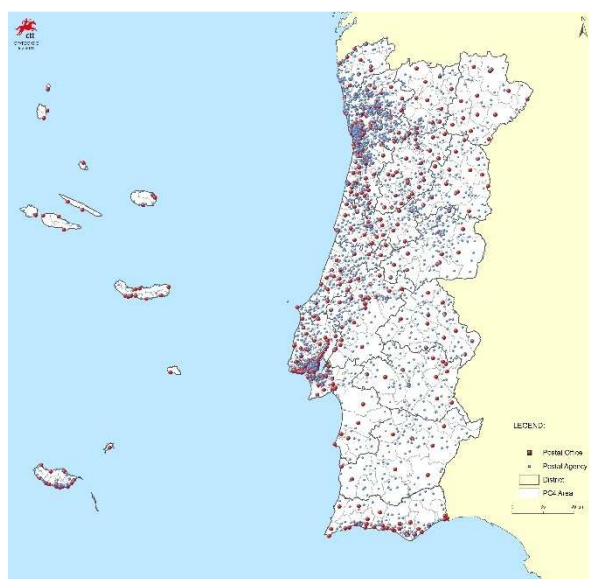


Figure 4 – Retail Network and postal agencies



Figure 5 – Network of postal delivery offices

GRI SO2

GRI SO10

G-8

In terms of accessibility by disabled people, the company continues to pursue modernisation and renovation work of the value of 38,442 euros. 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 95.5% of the total post offices currently show improved conditions of accessibility.

GRI ECT

### 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, the range of CTT eco products registered a fall in revenue for the first time, in spite of total sales representing revenues of approximately 94 million euros, to a large extent driven by the visibility of their environmental and carbon attributes.

GRI EN7

"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 spite of the decline in absolute terms, the eco range of "Green" Mail registered about 4.3 million items sold. On average, 74.0 grams of CO<sub>2</sub> are emitted for each "Green" Mail item delivered by CTT.

GRI EN27

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 2018, the Eco range maintained its relative weight (40%) in the overall volume of Direct Mail, involving around 22.8 million items.

GRI EN19

In 2018, CTT once again put to public vote the selection of the projects for carbon offsetting of "Green" Mail through the CTT website ([www.ctt.pt](http://www.ctt.pt)). The most voted national project, Create Woods, promotes the planting of native species, trees and original shrubs of Portuguese flora. The chosen international project promotes the use of renewable biomass through a plant for the production of bricks and other construction material, in the northeast of Brazil. This initiative fulfils the expectations of our stakeholders and allows them to participate actively in the decision-making process.

G-26

G-27

### Philately

In 2018, Philately generated €8.2m in revenues, 2.3% below those recorded in 2017. The decline in the revenues was influenced by unrepeatable major events that could be translated into philatelic products in the previous year, particularly the centenary of the Fátima Apparitions and the book "Railway, Peoples and Memoirs". The marketing of philatelic products commemorating events such as the Diamond Jubilee of His Highness the Aga Khan and the 90 years of Mickey Mouse made a great contribution to the revenues of 2018.

In 2018, CTT won four design awards for its stamps, within the scope of the NEXOFIL Grand Prize: i) the philatelic souvenir sheet "Portuguese Textile Industry" won the award of **Best Stamp of the World** in the "New Printing Techniques" category; ii) the "Mediterranean Trees" souvenir sheet won in the "Design" category; iii) the "Pastel de Belém" souvenir sheet in the "Definitive Issue" category; and iv) the "António Guterres – Secretary-General of the UN" souvenir sheet in the "Proof" category.

| Issues and Editions 2018   |   |
|--|---|
| Commemorative Issues   |   |
| <ul style="list-style-type: none"> <li>• Diamond Jubilee of His Highness the Aga Khan</li> <li>• International Physics Olympiad IPhO 2018</li> <li>• WWI Armistice</li> <li>• UNESCO Heritage</li> <li>• 130 Years of <i>Os Maias</i> Novel</li> <li>• ComicCon in Portugal (MeuSelo)</li> <li>• 90 Years of Mickey Mouse</li> <li>• 50 Years of the Islamic Community of Lisbon</li> <li>• 100 Years of the Lys Battle</li> <li>• 30 Years of the Museum of Oriente</li> <li>• Centenary of Peter Café Sport (Azores)</li> <li>• 600 Years of the Discovery of Porto Santo</li> <li>• Figures from History and Culture (Domingos Sequeira; Bernardino António Gomes; Tomás da Anunciação; José Vianna da Mota; Padre Himalaya; António Sommer Champalimaud; Vitorino Magalhães Godinho)</li> <li>• 500 Years of the Post Service in Portugal</li> <li>• 250 Years of the Royal Press</li> </ul> | <b>National and<br/>International Events<br/>2018</b> |
| <ul style="list-style-type: none"> <li>• Portuguese Autochthonous Breeds</li> <li>• The River Tagus</li> <li>• Electricity in Portugal</li> <li>• 150 Years of Companhia das Águas de Lisboa (Lisbon Water Company)</li> <li>• 250 Years of the Ajuda Botanical Garden</li> <li>• European Year of the Cultural Heritage</li> <li>• Mediterranean Houses - EuromedPostal</li> <li>• UNESCO Heritage</li> <li>• Pre-Historical Route of Portugal</li> </ul>   | <b>Environment and<br/>Sustainability</b>             |
| <ul style="list-style-type: none"> <li>• 90 Years of Mickey Mouse</li> <li>• Traditional Desserts of Portugal</li> <li>• MADEIRA Booklets</li> </ul>   | <b>Self-adhesive</b>                                  |

| Editions   |
|--|
| <ul style="list-style-type: none"> <li>• From Cocoa to Chocolate</li> <li>• Setting Sail - History of Sailing</li> <li>• The River Tagus</li> <li>• Electricity in Portugal</li> <li>• Portugal in Stamps 2018</li> <li>• My Stamp Album 2018</li> </ul> |

### 3.2. EXPRESS & PARCELS

**Express & Parcels recurring revenues** reached €151.2m in 2018, a 12.3% (+€16.6m) growth vs the previous year.

**Revenues in Portugal** (excluding internal customers and other revenues) stood at €90.6m, +14.8% vs the previous year. Transporta contributed €13.8m (+€5.0m) to these revenues. As the total share capital of this company was acquired in May 2017, the comparable period of the previous year is 8 months. Hence, excluding the effect of Transporta, this business in Portugal would have grown by 9.6% (+€6.7m).

The good performance in Portugal resulted from CEP – Courier, Express & Parcels (+€4.9m; +7.8%), banking (+€1.1m; +22.2%), and cargo and logistics (+€5.5m; +53.6%).

**Volumes in Portugal** totalled 19.8 million items, +11.7% vs 2017 (+10.3% excluding 2.5 million items from Transporta). This evolution is essentially the result of the growth of the CEP business (+1.6 million items) as consequence of the activity growth in the B2B and the B2C segments and e-commerce. The banking business continued its upward trend that began in the last quarter of 2017, following the addition of two large customers of the sector.

**Revenues in Spain** (excluding internal customers and other revenues) totalled €55.3m, +8.1% than in 2017, and **volumes** grew by 13.1%, mostly driven by the e-commerce business. The performance in Spain in 2018 resulted from CEP (+€5.2m; +11.5%), while the cargo segment decreased (–€1.0m; –30.7%), in line with the strategy of the Company.

In 4Q18 Tourline recorded a slight decline in revenues (–0.5%) compared to the same period of the previous year. This resulted from: (i) the average price evolution more negative than the volumes evolution (+5.2%) as a result of the customer mix (plus e-commerce) and decrease in the average weight; (ii) focus on quality, boosted by the opening of the new Madrid hub in September 2018, which significantly increased the handling capacity, essential to pursue the Company's strategy.

**Revenues in Mozambique** (excluding other revenues) totalled €1.8m, +18.4% than in 2017. These results are underpinned by new businesses based on the collection, transportation and distribution of clinical samples in the health sector, and on the growth of the deliveries for the banking sector.

#### Eco portfolio

CTT fully offsets the carbon footprint of the Express and "Green" Mail offer, which represents about 12.3% of the company's total turnover. The emissions produced along the value chain, which were unavoidable, are fully offset by the support given to two national and two international 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.

### 3.3. BANCO CTT

**Banco CTT recurring revenues** reached €23.6m in 2018, growing 27.0% (+€5.0m) vs 2017, supported mainly by the net interest income growth (+€4.5m).

In the scope of the operating performance it should be noted that Banco CTT reached a total 348 thousand current accounts in 2018 (122 thousand more than in 2017), as well as a solid growth of customer deposits to circa €884m (+42.8%) and the growth of the mortgage lending book to €238.4m (€172.4m more than in 2017, net of impairments) and of the consumer credit production to €41.6m (+15.0%).

The fourth quarter is also marked by the strengthened presence of Banco CTT in the savings segment with the launch of the pension savings plan (PPR) Poupança Banco CTT that once again brought a different and appealing offer to the Portuguese families.

G-4

G-6 G-8

G-26

G-4

The migration of Payshop<sup>7</sup> to this business unit in January 2018 contributed €6.8m of revenues in payment solutions, corresponding to an increase of €0.2m (+3.7%) vs 2017.

On 24 July 2018, Banco CTT continued its development strategy by acquiring 321 Crédito, a leading company specialised in financing the purchase of used cars in Portugal. The acquisition of 321 Crédito will allow for the diversification of the product portfolio of Banco CTT with a consumer credit business, as well as the optimisation of Banco CTT balance sheet by improving its loan-to-deposits ratio. The completion of the transaction is expected to take place in the second quarter of 2019 and is pending approval of the Bank of Portugal and the European Central Bank. On 11 October, the Competition Authority made the decision not to oppose this acquisition.

GRI-EC7 GRI-EC8

### 3.4. FINANCIAL SERVICES

**Financial Services recurring revenues** stood at €42.3m in 2018, recording a decrease of €12.9m (-23.4%) vs 2017. A strong recovery of this business initiated in 4Q18 as its revenues decreased by only 2.8% due to the recovery in the placement of public debt certificates.

G-4

This business was impacted by the decreased placement of Treasury Certificates, as the existing product was replaced in October 2017 by another one with a lower yield<sup>8</sup> hence its placement declined by 38.4% (-€1,335.5m). The downward trend was reversed in 4Q18 when placements of this product grew by 48.2% vis-à-vis the same period of the previous year.

In the money orders and transfers segment, 16.0 million (-8.5%) transactions were carried out, which translated into €8.2m (-11.7%) in revenues with a slightly less negative evolution in 4Q18 (-8.4%). In the payments business 27.0 million transactions were carried out (-5.5% in 2018 and -6.1% in 4Q18), corresponding to revenues of €13.0m (-8.1%).

### 3.5. FUTURE PERSPECTIVES

The year 2019 will be focused on improving the levels of profitability, efficiency and quality of the postal business, always maintaining proximity to the Portuguese and compliance with all regulatory obligations of the Company.

The revenues are expected to increase, supported by organic and inorganic impacts in the growth levers – Express & Parcels and Banco CTT. E-commerce will remain as the main growth driver of the Express & Parcels business. For Banco CTT, 2019 is anticipated as the year of consolidation of the retail banking business, as the mortgage loans commercial activity as well as the placement and diversification of customer savings intensify, leveraging on the customer base. This will also be the year for repositioning the Payshop payments business and integrating 321 Credit, as the completion of its acquisition is foreseen for the second quarter of 2019, after the necessary non-opposition of the Bank of Portugal / European Central Bank.

In terms of volumes, addressed mail will continue to be impacted mainly by the structural trend of electronic substitution, but also by macroeconomic factors, and a decline in the range of -6% to -8% is expected.

In 2019 and as a consequence of ANACOM's decisions with effect until the end of 2020, new rules for setting the prices of the basket of non-reserved services within the Universal Postal Obligation (except bulk mail) will apply. These rules stipulate that price updates shall be linked to the inflation rate deducted by 0.25p.p. including inflation and volumes adjustment factors. The new and more demanding set of 24

<sup>7</sup> In 2018 and in the same period of the previous year (proforma) this includes the migration of Payshop to Banco CTT; similarly, Payshop is excluded from Financial Services.

<sup>8</sup> 2.25% vs. 1.38% - annual average interest rates for 5-year Treasury Certificates Poupança Mais (CTPM) and 7-year Treasury Certificates Poupança Crescimento (CTPC), respectively.



quality of service indicators specified by ANACOM will be implemented, replacing the former 11 indicators, which goes far beyond European practice and trends in this area.

This will be the second year of the implementation of the Operational Transformation Plan (OTP), within which additional recurring operating cost savings of c. €15m objectives have been set up, reflecting continued efficiency improvements leading to the growth of organic recurring EBITDA. An incremental contribution of the 321 Crédito acquisition is also expected. Circa €15m of non-recurring costs net of non-recurring revenues associated with the OTP are also anticipated. The planned capex for 2019 will reach €55m in 2019, of which €25m related to modernisation and automation initiatives in the scope of the OTP.

At the General Meeting of Shareholders of 23 April 2019, the Board of Directors will propose the payment of a dividend of €0.10 per share relative to the financial year of 2018.

## 4. PERFORMANCE

### 4.1. FINANCIAL CAPITAL

#### REVENUES

**Recurring revenues** totalled €708.0m in 2018, which represents a 1.4% growth vs 2017. This evolution was underpinned by the growth in the revenues of the Express & Parcels (+12.3%), Banco CTT (+27.0%) and Mail (+0.8%) business units, that offset the decline in the revenues of the Financial Services business unit (-23.4%).

#### Revenues

|                                   | € million    |              |            |             |              |              |             |             |          |      |
|-----------------------------------|--------------|--------------|------------|-------------|--------------|--------------|-------------|-------------|----------|------|
|                                   | Reported     |              |            |             | Recurring    |              |             |             | Weight % |      |
|                                   | 2018         | 2017         | Δ          | Δ%          | 2018         | 2017         | Δ           | Δ%          | 2018     | 2017 |
| <b>Revenues</b>                   | <b>717.5</b> | <b>714.3</b> | <b>3.2</b> | <b>0.4%</b> | <b>708.0</b> | <b>697.9</b> | <b>10.1</b> | <b>1.4%</b> |          |      |
| Mail                              | 531.9        | 527.5        | 4.4        | 0.8%        | 531.9        | 527.5        | 4.4         | 0.8%        | 75%      | 76%  |
| Express & Parcels                 | 151.2        | 134.6        | 16.6       | 12.3%       | 151.2        | 134.6        | 16.6        | 12.3%       | 21%      | 19%  |
| Banco CTT <sup>(*)</sup>          | 23.6         | 18.5         | 5.0        | 27.0%       | 23.6         | 18.5         | 5.0         | 27.0%       | 3%       | 3%   |
| Financial Services <sup>(*)</sup> | 42.3         | 55.2         | -12.9      | -23.4%      | 42.3         | 55.2         | -12.9       | -23.4%      | 6%       | 8%   |
| CTT Central Structure             | 101.8        | 109.0        | -7.1       | -6.5%       | 92.7         | 102.4        | -9.7        | -9.5%       | 13%      | 15%  |
| intragroup Eliminations           | -133.4       | -130.5       | -2.8       | -2.2%       | -133.6       | -140.3       | 6.7         | 4.7%        | -19%     | -20% |

<sup>(\*)</sup> Includes the migration of Payshop to Banco CTT in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

#### OPERATING COSTS<sup>9</sup>

**Recurring operating costs** totalled €617.6m, +€9.6m (+1.6%) vs the previous year, mainly as a result of the increase in variable costs associated with the growth in activity which were not fully offset by the savings from the ongoing Operational Transformation Plan.

The recurring operating costs are impacted by the inorganic effect of Transporta (+€5.8m) which are not fully comparable as the integration of Transporta began as from May 2017. Excluding the effect of the acquisition of Transporta, recurring operating costs grew by 0.6%.

#### Operating costs

|                              | € million    |              |             |              |              |             |
|------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
|                              | Reported     |              |             | Recurring    |              |             |
|                              | 2018         | 2017         | Δ           | 2018         | 2017         | Δ           |
| <b>Operating costs (*)</b>   | <b>643.1</b> | <b>633.1</b> | <b>1.6%</b> | <b>617.6</b> | <b>608.0</b> | <b>1.6%</b> |
| External supplies & services | 261.8        | 251.5        | 4.1%        | 257.6        | 241.6        | 6.6%        |
| Staff costs                  | 353.6        | 354.7        | -0.3%       | 332.9        | 340.1        | -2.1%       |
| Other operating costs        | 27.7         | 26.9         | 3.0%        | 27.1         | 26.4         | 2.6%        |

<sup>(\*)</sup> Excluding depreciation / amortisation, impairments and provisions.

**Recurring external supplies & services operating costs** increased by €16.1m (+6.6%) year-on-year, mainly due to: (i) +€15.0m (+12.6%) in direct costs associated with the growth predominantly in the Express & Parcels activity in Portugal and Spain; (ii) +€0.6m (+2.7%) in fleet costs driven by the negative impacts of the fuel price increase and added costs from the maintenance of the operating fleet; (iii) -€1.8m (-4.0%) in costs from buildings; and (iv) -€1.6m (-5.9%) in IT costs, particularly -€2.2m (-24.4%) in outsourcing.

<sup>9</sup> Excluding depreciation / amortisation, impairments and provisions.

**Recurring staff costs** decreased €7.2m (-2.1%) vs 2017, mainly as a result of the human resources optimisation programme that had a positive impact on recurring remunerations, higher than the amount for salary increases (+€2.6m), career progressions, seniority payments, and the retail network staff growth due to the increased activity, as well as to the reduced responsibilities related to other long-term benefits (-€3.5m).

**Other recurring costs** increased €0.7m (+2.6%) mostly due to: (i) +€1.1m in the cost of sales, which followed the lottery sales evolution; (ii) +€1.3m in interbank fees, resulting from greater transactionality of the Banco CTT customers; and (iii) -€2.0m in unfavourable exchange rate differences following the appreciation of the SDR (Special Drawing Rights) against the euro.

## RECURRING EBITDA

The operating activity generated a recurring EBITDA<sup>10</sup> of €90.4m, +0.6% higher than that of 2017, with a margin of 12.8% (12.9% in 2017).

The recurring EBITDA was impacted by the increase of the EBITDA of Mail (+€8.4m) and E&P (+€1.9m) which offset the reduction in the EBITDA of Financial Services (-€7.5m) and Banco CTT (-€2.4m).

### EBITDA by Business Unit

|                                   | € million   |             |              |             |             |             |
|-----------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
|                                   | Reported    |             |              | Recurring   |             |             |
|                                   | 2018        | 2017        | Δ            | 2018        | 2017        | Δ           |
| <b>EBITDA</b>                     | <b>74.4</b> | <b>81.1</b> | <b>-8.4%</b> | <b>90.4</b> | <b>89.9</b> | <b>0.6%</b> |
| Mail                              | 73.2        | 75.4        | -2.9%        | 86.9        | 78.4        | 10.8%       |
| Express & Parcels                 | 2.1         | -0.5        | 513.0%       | 3.3         | 1.3         | 144.1%      |
| Financial Services <sup>(1)</sup> | 17.2        | 24.9        | -31.1%       | 17.5        | 25.0        | -29.9%      |
| Banco CTT <sup>(1)</sup>          | -18.1       | -18.7       | 3.1%         | -17.3       | -14.9       | -15.8%      |

<sup>(1)</sup> Includes the incorporation of Payshop in Banco CTT in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

## RECURRING EBIT AND NET PROFIT

Recurring EBIT stood at €57.0m, -€3.2m (-5.2%) vs 2017, with a margin of 8.1% (8.6% in 2017).

The consolidated financial result totalled -€6.3m, which represents a year-on-year decrease of -€1.3m (-25.2%), particularly due to the recorded loss of €0.9m for the 50% participation in the company "MKTPlace - Comércio Eletrónico, S.A." incorporated in June 2018 in partnership with Sonae to exploit business opportunities in the field of e-commerce which is still in the launching and investment stage.

Interest and other financial income decreased €0.3m (-87.2%) due to the reduced rates of return on term deposits, to lower liquidity levels, and CTT's continued conservative investment policy. Financial costs incurred amounted to €5.5m mainly including financial costs with post-employment and long-term employee benefits for an amount of €5.3m as well as, but with lesser impact, the interest associated with financial instruments and bank loans (€0.2m).

In 2018, CTT obtained a consolidated net profit attributable to shareholders of €19.6m (-€7.6m; -28.0%), impacted by non-recurring items in the amount of -€18.4m (€5.3m more than in 2017).

<sup>10</sup> Earnings before interest, tax, depreciation and amortisation, impairments, provisions and non-recurring results.

## NON-RECURRING RESULTS

In 2018, CTT recorded non-recurring items, net of income from disposals, of €18.4m, of which €16.1m impacted EBITDA and €2.3m relate to depreciation / amortisation, impairments and provisions, net.

| Non-recurring results  |              |              |
|--|--------------|--------------|
|  | € million    |              |
|  | 2018         | 2017         |
| <b>Total</b>   | <b>-18.4</b> | <b>-13.1</b> |
| <b>affecting EBITDA</b>  | <b>-16.1</b> | <b>-8.8</b>  |
| . Staff costs  | -20.7        | -14.7        |
| . External supplies & services                                       | -4.1         | -9.9         |
| . Other costs  | -0.7         | -0.6         |
| . Other operating income   | 9.4          | 16.3         |
| <b>affecting only EBIT</b>   | <b>-2.3</b>  | <b>-4.3</b>  |
| . Provisions (reinforcements / reductions)                           | -2.2         | -1.3         |
| . Impairments, depreciations and amortisations (losses / reductions) | -0.1         | -3.0         |

Staff costs are mainly those in connection with the human resources optimisation programme, while ES&S costs relate to consulting for strategic projects included in the Operational Transformation Plan, and to commercial excellence and new acquisition projects. Provisions include an amount relative to the set-up of a provision at Tournaline (€1.4m) for the notification issued by the *Comisión Nacional de los Mercados y la Competencia* (National Commission on Markets and Competition), and another for a provision related to the restructuring (€1.4m) in the scope of the Operational Transformation Plan. Other operating income relates to capital gains from the sale of buildings in both periods.

## INVESTMENT

Capex stood at €30.7m, +7.4% (+€2.1m) than that of 2017.

Investment in IT systems amounted to €22.8m (+8.8%) related to core IT systems and business support systems for Banco CTT and the Express & Parcels business units, as well as to IT strategic projects. Investment in building refurbishment works and security totalled €5.2m (+70.9%) to support the minimisation of occupied spaces and the effort to vacate buildings.

## CASH FLOW

In 2018, the adjusted net change in cash (excluding Financial Services float and Banco CTT deposits, credit granted and investments) was -€21.0m, mainly due to capex payments (-€28.4m), receipts from the sale of buildings (€12.9m) and **adjusted cash flow from operating activities** amounting to €31.8m. The adjusted operating free cash flow is impacted by **non-recurring items**, particularly the payment of indemnities for termination of employment contracts by mutual agreement amounting to €31.2m, of which €11.6m associated with provisions recorded in 2017 and paid in 2018.

**Cash flow**

|  | € million     |               |                |              |              |                |
|--|---------------|---------------|----------------|--------------|--------------|----------------|
|  | Reported      |               |                | Adjusted (*) |              |                |
|  | 2018          | 2017          | Δ ABS<br>18/17 | 2018         | 2017         | Δ ABS<br>18/17 |
| <b>Cash flow from operating activities</b> | <b>59.1</b>   | <b>291.1</b>  | <b>-231.9</b>  | <b>31.8</b>  | <b>44.3</b>  | <b>-12.6</b>   |
| <i>Cash flow excluding Banco CTT</i>       | -             | -             | -              | 35.7         | 63.2         | -27.5          |
| <i>Banco CTT cash flow</i>                 | -             | -             | -              | -3.9         | -18.9        | 15.0           |
| <b>Cash flow from investing activities</b> | <b>-200.7</b> | <b>-240.4</b> | <b>39.7</b>    | <b>-16.4</b> | <b>-5.8</b>  | <b>-10.6</b>   |
| Capex payments                             | -28.4         | -31.2         | 2.8            | -28.4        | -31.2        | 2.8            |
| <i>Capex payments excluding Banco CTT</i>  | -22.2         | -25.3         | 3.1            | -22.2        | -25.3        | 3.1            |
| <i>Banco CTT capex payments</i>            | -6.2          | -5.9          | -0.3           | -6.2         | -5.9         | -0.3           |
| Banco CTT financial assets (**)            | -184.3        | -234.6        | 50.4           |              |              | 0.0            |
| Other                                      | 12.0          | 25.4          | -13.4          | 12.0         | 25.4         | -13.4          |
| <b>Free Cash flow operacional</b>          | <b>-141.5</b> | <b>50.6</b>   | <b>-192.2</b>  | <b>15.3</b>  | <b>38.5</b>  | <b>-23.2</b>   |
| <b>Cash flow from financing activities</b> | <b>-36.3</b>  | <b>-71.9</b>  | <b>35.7</b>    | <b>-36.3</b> | <b>-71.9</b> | <b>35.7</b>    |
| <i>of which Dividends</i>                  | -57.0         | -72.0         | 15.0           | -57.0        | -72.0        | 15.0           |
| <b>Other (***)</b>                         | <b>-26.3</b>  | <b>29.3</b>   | <b>-55.6</b>   | <b>0.0</b>   | <b>0.1</b>   | <b>-0.1</b>    |
| <b>Net change in cash</b>                  | <b>-204.1</b> | <b>8.0</b>    | <b>-212.1</b>  | <b>-21.0</b> | <b>-33.3</b> | <b>12.3</b>    |

(\*) 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".

(\*\*) Including Investment securities and other banking financial assets held by Banco CTT.

(\*\*\*) 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.

**CONSOLIDATED BALANCE SHEET**

The financial position of the CTT Group excluding Banco CTT from the full consolidation perimeter and considering it as a financial investment measured by the equity method would be as follows:

**Consolidated Balance Sheet excluding Banco CTT**

|  | € million    |                        |               |
|--|--------------|------------------------|---------------|
|  | 31.12.2018   | 31.12.2017<br>proforma | Δ             |
| Non-current assets                                 | 405.8        | 413.4                  | -1.8%         |
| Current assets                                     | 456.9        | 557.3                  | -18.0%        |
| <b>Total assets</b>                                | <b>862.7</b> | <b>970.7</b>           | <b>-11.1%</b> |
| <b>Equity</b>                                      | <b>146.8</b> | <b>184.0</b>           | <b>-20.2%</b> |
| <b>Total liabilities</b>                           | <b>715.9</b> | <b>786.8</b>           | <b>-9.0%</b>  |
| Non-current liabilities                            | 288.2        | 282.7                  | 2.0%          |
| Current liabilities                                | 427.7        | 504.1                  | -15.2%        |
| <b>Total equity &amp; consolidated liabilities</b> | <b>862.7</b> | <b>970.7</b>           | <b>-11.1%</b> |

**Consolidated Balance Sheet**

|  |                   |                   | € million     |
|--|-------------------|-------------------|---------------|
|  | <b>31.12.2018</b> | <b>31.12.2017</b> | <b>Δ</b>      |
| Non-current assets                                 | 1,026.4           | 678.5             | 51.3%         |
| Current assets                                     | 742.4             | 930.3             | -20.2%        |
| <b>Assets</b>                                      | <b>1,768.8</b>    | <b>1,608.8</b>    | <b>9.9%</b>   |
| <b>Equity</b>                                      | <b>146.8</b>      | <b>184.0</b>      | <b>-20.2%</b> |
| <b>Total liabilities</b>                           | <b>1,622.1</b>    | <b>1,424.8</b>    | <b>13.8%</b>  |
| Non-current liabilities                            | 288.3             | 282.7             | -2.0%         |
| Current liabilities                                | 1,333.8           | 1,142.            | 16.8%         |
| <b>Total equity &amp; consolidated liabilities</b> | <b>1,768.8</b>    | <b>1,608.8</b>    | <b>9.9%</b>   |

The key aspects of the comparison between the balance sheet as at 31 December 2018 and at 31 December 2017 are as follows:

Total assets amounted to €1,768.8m, representing an increase of €160.0m, broken down as follows: (i) +€368.6m relative to financial investments, financial assets and credit held by Banco CTT, of which +€186.8m of investments in securities, +€168.7m of credit to banking clients, especially mortgage loans and consumer credit, +€13.1m of other banking financial assets; and (ii), -€204.1m regarding the reduction of cash and cash equivalents.

Equity decreased by €37.2m (-20.2%) as a result of: (i) the payment of dividends of the 2017 financial year (€57.0m) that took place in May 2018; and (ii) the decline of the net profit for the period (-€7.6m).

Liabilities increased by €197.3m (+13.8%) impacted by (i) the increase of Banco CTT clients' deposits (+€264.7m; +42.8%), and (ii) the reduction of financial services payables (-€69.3m; -25.6%).

As at 31 December 2018, the liabilities related to employee benefits (post-employment and long-term benefits) amounted to €261.7m, -€1.2m than in December 2017, as specified in the table below:

**Liabilities related to long-term employee benefits**

|                                   |                   |                   | € million    |
|-----------------------------------|-------------------|-------------------|--------------|
|                                   | <b>31.12.2018</b> | <b>31.12.2017</b> | <b>Δ</b>     |
| <b>Total liabilities</b>          | <b>261.7</b>      | <b>270.0</b>      | <b>-3.1%</b> |
| Healthcare                        | 251.8             | 254.0             | -0.9%        |
| Staff (suspension agreements)     | 1.6               | 3.3               | -51.9%       |
| Other long-term employee benefits | 7.9               | 12.3              | -36.3%       |
| Transporta pension plans          | 0.3               | 0.4               | -3.2%        |
| Other benefits                    | 0.1               | 0.04              | 126.8%       |

In addition to the above, the following should be noted:

- -€3.5m of the liabilities relate to long-term benefits – Monthly Life Annuity (pursuant to Decree-Law 126-A/2017, of 6 October, which extinguishes the Monthly Life Annuity replacing it with the Social Benefit for Inclusion and transfers its beneficiaries to Social Security with a transition period until 31 December 2023);
- -€2.2m of healthcare result mostly from the effect of actuarial gains such as the increase of the discount rate (from 2% to 2.1%).
- -€1.7m refer to suspension agreements basically as a result of the change in the population and the increase of the discount rate.

## ECONOMIC VALUE

The Company distributes over 354 million euros in wages and benefits, it remunerates its shareholders, is an important taxpayer and invests in the community.

**Table 3 – Direct economic value generated and distributed by CTT**

|  | € thousand     |                |              |
|--|----------------|----------------|--------------|
|  | 2017           | 2018           | Δ% 18/17     |
| <b>Direct economic value generated</b>   | <b>714,659</b> | <b>716,719</b> | <b>0.3%</b>  |
| Revenues                                 | 714,659        | 716,719        | 0.3%         |
| <b>Direct economic value distributed</b> | <b>761,821</b> | <b>756,411</b> | <b>-0.7%</b> |
| Operating Costs                          | 311,301        | 324,009        | 4.1%         |
| Wages and Employee benefits              | 354,740        | 353,612        | -0.3%        |
| Payments to providers of capital         | 77,381         | 62,511         | -19.2%       |
| Payments to Government                   | 17,255         | 15,090         | -12.5%       |
| Community Investments                    | 1,144          | 1,190          | 4.0%         |
| <b>Accumulated economic value</b>        | <b>-47,162</b> | <b>-39,692</b> | <b>15.8%</b> |

GRI-EC1

## 4.2. HUMAN CAPITAL

The management of human resources is guided by the following priorities: definition and implementation of policies for human capital development that enable boosting skills, awarding performance and fostering the agility of the organisation; maintenance of a good social environment; continuous investment in training and qualification; optimisation and adjustment of the staff, taking into account the need to respond to market evolution and challenges.

### 4.2.1. Characterisation of Human Capital<sup>11</sup>

The number of employees (permanent and fixed-term staff) at CTT, as at 31 December 2018, was 12,097, corresponding to 66 less (-0.5%) than in the same period of 2017. There was a decrease of 238 permanent employees and an increase of 172 fixed-term employees. The number of employees who left and were recruited stood at 2,131 and 2,316 respectively, reflecting a turnover rate of 17.6%. It should be noted that 268 employees left in the context of the Human Resources Optimisation Programme under the Operational Transformation Plan in course.

The overall rate of absenteeism remained at 7.2% at CTT, S.A. and fell to 6.7% at CTT (-0.1 p.p.). The motives that most contributed to these absences were: illness (4.2%); accidents (1%); union activity (0.5%); maternity/paternity (0.5%). It should be noted that the rate of absenteeism, excluding parental leave, compassionate leave and leave related to student status, stood at 5.1%, corresponding to 1.1 p.p. less than in the previous year. The rate of return to work after parental leave was 100%.

### 4.2.2. Remuneration

The negotiations of the review of basic monthly salaries and amounts for salary progressions were concluded on 6 June, with the 11 trade unions representing the employees having agreed in principle to salary increases with retroactive effects as at 1 January 2018, between 1.1% and 1.3%, depending on the remuneration, with the guarantee of a minimum increase of €12. The same increase was applied to the subsidiary companies, in order to ensure overall equality of conditions.

<sup>11</sup> For further information, see Table 1 – Employees, in Annex V.

 GRI-LA3  
 GRI-LA8  
 GRI-LA6  
 GRI-LA1  
 G-10  
 G-9



This Agreement takes into account the value given to an environment of stability and social peace in the Company, which is the purpose of CTT, aiming at valuing the work factor.

In conformity with the principles of the labour legislation, there is no difference in the attribution of the basic wage of men and women. However, during career progression, for various motives, differences in the average remuneration have occurred historically, within each professional category, which have been more favourable to men, as can be seen in the following table.

**Table 4 – Ratios and remunerations, by gender and professional category**

| <b>Professional category</b> | <b>Average female salary (€)</b> | <b>Average male salary (€)</b> | <b>F/M Ratio</b> |
|------------------------------|----------------------------------|--------------------------------|------------------|
| Senior personnel             | 2,006.89                         | 2,519.05                       | 0.80             |
| Middle management            | 1,379.20                         | 1,378.13                       | 1.00             |
| Counter service              | 1,073.91                         | 1,156.97                       | 0.93             |
| Delivery                     | 813.28                           | 895.22                         | 0.91             |
| Other                        | 941.17                           | 964.25                         | 0.98             |
| <b>Total</b>                 | <b>1,167.04</b>                  | <b>1,087.09</b>                | <b>1.07</b>      |

GRILA13

#### 4.2.3. Career Development and Talent Management

The Company Agreement establishes the objective and professional content for each qualification level and professional category. The criteria for career progression and professional evolution are also defined, based on the principles of recognition, merit and performance, acquisition and increase of skills, with emphasis of each employee's dedication, effort towards development and contribution to the value chain.

Under its policy on talent management and reinforcement of human capital, CTT carries out attraction and recruitment actions in the market seeking new knowledge and skills, as well as the development of the technical, middle and senior personnel so as to ensure that they are able to accompany the demands of innovation and evolution of the business.

Special reference should be made to the design and launch of a Young Talent Development programme, under the CTT Academy. This programme aims to create value for young people and for the Company by developing their skills and increasing their commitment to the organisation. This programme involved 27 employees and will continue in 2019.

GRILA10

The design of a modular programme of training in leadership has begun, directed in a differentiated manner to various talent groups.

CTT has pursued action aimed at ensuring its staff includes people with suitable skills and high motivation levels, capable of accompanying the requirements of innovation and evolution of the business. Concerning talent management, CTT considers actions for both the attraction and recruitment on the market of new know-how and skills, and the development of the existing technical, middle and senior personnel.

In this regard, the 3<sup>rd</sup> edition of the Trainee Program 2017/19 "Your potential is driving us" is currently underway, aimed at attracting and retaining young people of high potential, promoting their development as part of a structured overall program, contributing to the rejuvenation of the staff, fostering a culture of mobility and positioning CTT as an "employer of first choice". The 2<sup>nd</sup> edition of the Trainee Program resulted in the recruitment of 11 employees.

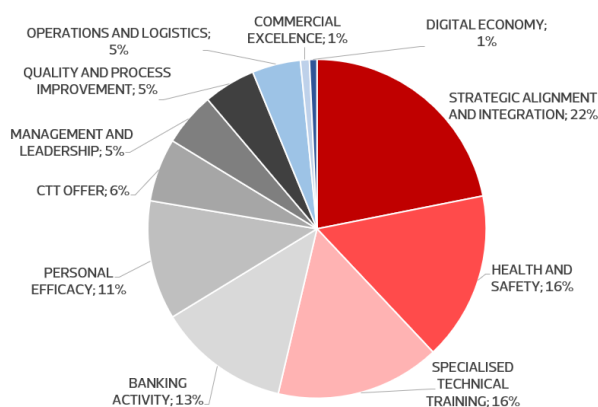
Continuing the effort of attracting talent, relations with universities have intensified, in particular with CTT's regular participation in job fairs, the welcoming of final year students (Open Day) and promotion of summer internships.

The performance assessment process is carried out annually, in the year following the financial year to which it refers, and covers all the permanent employees with a contract of six months or more who are not in a situation of unpaid leave or suspended contract. In 2018, this involved 10,365 employees, corresponding to the total eligible number (excluding Corre, Tourline and Banco CTT).

The performance management system is based on the assessment of behaviours and the achievement of objectives, established for the employees, according to the various activities and functional groups, with a view to reinforcing the alignment between the business and performance, the consolidation of the corporate culture and values, and the recognition and differentiation of the contributions. This process involves communication between the senior staff and the employees, including the summing up of the activity and the presentation of the objectives for the new cycle, favouring the identification of training actions and development.

#### 4.2.4. Training<sup>12</sup>

During the year, 90% of the employees participated in training actions, involving a total of 219 thousand hours, with an average of 19 hours *per capita*, and a training rate of 1.1% (hours of training/hours of work). The distribution of the hours of training over the 11 programmes which structure the Training Plan is indicated in the graph below.



The strategic programmes Pegasus (SAP HANA application) and Orion (CRM - Sales Pillar) involved the dissemination of cascade training to key and end users, having reached 600 participants.

The 2<sup>nd</sup> edition of the Management for Middle and Senior Staff programme was held, with 9 employees involved in post-graduate training in the areas of Management, Marketing and Data Science.

The training programme for teams of post offices with Banco CTT continued. Among the total number of employees selling mortgage loans, 402 have already obtained certification. The teams of the remaining post offices continue to receive training on CTT's offer, in particular on Multicare health, transfer protection insurance and strengthening knowledge on the offer of access to CTT's network and infrastructure by other postal operators. All this effort is reflected in the promotion of excellent customer care which benefits the entire population.

In the context of the new General Data Protection Regulation, the preparatory training of the teams has already reached more than 6,000 employees.

In the operational context, investment continued in the Road Prevention programme at CTT, which involved more than 37,500 participations. We also highlight the support to the implementation of a new supervision model at Postal Delivery Offices.

<sup>12</sup> For further information, see Table 1 – Employees, in Annex IV.

Training continued to be disseminated on: Right to Equal Opportunities and Non-Discrimination, CTT Codes of Conduct, Subsidiaries and Bank, and the Code of Good Conduct for Prevention and Combat of Harassment at Work continued to be disclosed widely.

GRI LA10

Due to the efficiency gains it generates, it should be noted that the remote training achieved more than 12 thousand participations, corresponding to 26% of the total training hours held. In the organisation of this activity, special note should be made of the start-up of dissemination of contents among Tourline and at Postal Agencies.

GRI LA11

#### 4.2.5. Management of Labour Relations

The employees have a communication channel with management, through the various representative bodies. The Workers Committee and 111 Workers Sub-committees perform their legally attributed duties. CTT maintains permanent contact with the Workers Committee, through monthly meetings, at the highest level and specific meetings, whenever necessary, both with the Workers Committee and each of the unions.

G-26

G-27

As at 31 December 2018, 90.7% of the employees were covered by the Company Agreement and 76.0% were union members (permanent and fixed-term), which increased by 0.8 p.p. and fell by 1.5 p.p. respectively in relation to the previous year.

G-11

In the European context, the company maintained its participation in the European Social Dialogue Committee for the Postal Sector, which involves representatives of the unions and postal operators of the European Union.

#### 4.2.6. Social benefits and social action

The fundamental objective of the measures of intervention among the beneficiaries involved diagnosis, prevention of situations of socioeconomic destitution or vulnerability, their subsequent identification and taking of measures/response, in order to address the identified gaps and promote autonomy and capacity-building. These actions were essentially aimed at the most fragile beneficiaries - the elderly, children and youth with disabilities and/or chronic diseases.

Regulations for Social Work are in force, aimed at protecting the beneficiaries in the areas of healthcare, benefits for family expenses for subscribers of Caixa Geral de Aposentações (CGA), attributing child and youth benefit, as well as other allowances. In this context, CTT has a health plan with benefits assured to permanent staff when employed, pre-retired and retired employees and their family under certain conditions provided that they are members of the scheme. As a rule, employees of CTT's subsidiaries benefit from health insurance which enables coverage of their household members.

GRI LA2

In December 2018, CTT's health plan had 40,467 beneficiaries, of which 20,208 were employees (9,916 active and 10,292 retired), and 20,153 family members (13,889 of active employees and 6,264 of retired employees) and 716 special rescissions (former employees and families).

GRI EC3

#### 4.2.7. Occupational Health and Safety

The Occupational Health services were provided by Medicisforma. In this period, 9,774 medical tests were carried out, 11% more than in the same period of the previous year.

GRI EC3

A total of 270 interventions were carried out to assess working and risk conditions at CTT establishments, including subsidiaries.

The awareness-raising actions on occupational safety, accident prevention and ergonomics were continued at the postal delivery offices and CTT post offices.

There were 1,017 work-related accidents and incidents, 5.1% less than in 2017. In overall terms, the motives that most contributed to the occurrence of accidents at CTT were road accidents (45%), which include traffic accidents and people being run over, slipping/sliding (35%) and excessive strain (15%).

**Table 5 – Accidents and injuries at CTT<sup>13 14</sup>**

|               | No. of accidents | No. of injuries | Injury rate | No. of days lost | Rate of days lost | No. of occupational diseases |
|---------------|------------------|-----------------|-------------|------------------|-------------------|------------------------------|
| <b>Female</b> | 266              | 204             | 3.1         | 6,094            | 93.4              | 3                            |
| <b>Male</b>   | 751              | 569             | 4.3         | 22,121           | 167.4             | 3                            |
| <b>Total</b>  | <b>1,017</b>     | <b>773</b>      | <b>3.9</b>  | <b>28,215</b>    | <b>142.9</b>      | <b>6</b>                     |

GRI LA6 GRI LA7

#### 4.2.8. Diversity and equal opportunities<sup>15</sup>

The company guides its action by respect for the guarantees and rights stipulated in the Universal Declaration of Human Rights of the United Nations, the Charter of Fundamental Rights of the European Union, the Constitution of the Portuguese Republic and the Law, in particular in the labour legislation.

GRI HR5

To this end, CTT promotes values and practices in accordance with the guiding principles of CTT's management commitment (Mission, Code of Conduct, Integrated Policy on Quality, the Environment and Occupational Safety and Health, provisions in the Company Agreements towards promotion of equal opportunities, etc.).

On matters of human resources policies directed towards the promotion of equality, the following are highlighted:

G-15

- Commitment to develop policies aimed at equal opportunities in recruitment, professional career, promotions and vocational training;
- Integration of a young Mozambican in the context of support to the Girl Move Foundation;
- Renewal of CTT's endorsement agreement of the Business Forum for Gender Equality (IGEN), of which we are a founding member, promoted by the Commission for Equality in Labour and Employment (CITE), undertaking new commitments on matters of wage differences;

The protocol has been maintained with Lisbon CERCI (Cooperative for the Education and Rehabilitation of Non-adapted Citizens), which provides experiences of integration in employment to young people who are disabled, which involved 13 young adults.

GRI HR3

We have encouraged the employees to participate in international competitions on the company's values and have focused on the achievement of balance between work, personal and family life, continuing to stimulate the School Library, with the loan of around 350 manuals to 100 employees. We also offered entry tickets to Kidzania, the Zoo, Races, Marathons, CTT Cup and various other sports, environmental and cultural shows and events sponsored by the Company. We also gave the employees the opportunity to participate in motorcycle auctions and continue to foster the "I am CTT" programme of partnerships with various entities, which offer discounted prices to the employees.

On matters of diversity, the Board of Directors has four female members (31% of the total), one Executive member and 3 Non-Executive members, with CTT's governing and supervisory bodies thus complying with the legal thresholds in relation to gender balance up to 2018. The weight of female first line managers fell by 8.3 p.p. to 23.3%.

GRI LA12

<sup>13</sup> Excluding data of Corre and Tourline.

<sup>14</sup> In the calculation of the rates, the result was multiplied by 100,000, for easier reading (otherwise the results would be around 0.00)

<sup>15</sup> For further information, see Table 1 - Employees, in Annex IV.

### 4.3. INTELLECTUAL CAPITAL

Digital transformations, transversal to all the organisations, have also forced CTT to adapt its activity, both in terms of new products, services and business opportunities and concerning new paradigms. Thus, these transformations inspired a series of R&D achievements at the Company in 2018, in particular:

- **Boosting of the Express & Parcels business, especially of electronic commerce:**
  - Completion of the pilot scheme of parcel lockers (automatic lockers for parcel delivery), at 13 locations - CTT24H;
  - Implementation of the pilot solution named U2D (Urban Dynamic Delivery), a mobile application in an urban context, with fast deliveries for e-commerce (Same Day & Instant Delivery);
  - Launch of the Dott platform (e\*Marketplace CTT / SONAE);
  - Integration of national e-commerce platforms with CTT shipping and delivery systems;
  - Expansion of the e-commerce business in a cross-border perspective, through international partnerships;
  - Pursuit of the Interconnect programme (eCIP).
  
- **Reinforcement of the Mail business:**
  - New integrations of Receipts Online (active in over 1,200 CTT post offices and postal agencies);
  - Start-up of the project of Intelligent Mail for Advertising Campaigns, which enables monitoring the status of delivery of Direct Mail;
  - Provision of the CTT customs portal to simplify the customs clearance process for items;
  - Provision of the new CTT Intranet, adapted to the new business paradigm;
  - Introduction of RPA technology, identified as the appropriate option for reformulation of routine, repetitive processes with a strong human component, making them more efficient and effective, reducing costs and increasing productivity and the level of the CTT offer, in a perspective of continuous improvement of the quality of the services provided;
  - Start of a pilot project for more optimised management of the delivery routes of mail items.
  
- **Strengthening of various operational aspects:**
  - Consolidation of operational means for sorting of non-standard items, using robotic elements;
  - New Architecture of the Production and Logistics Network (NARPEL);
  - Pursuit of the fleet electrification with the VEDUR Project for delivery in an urban context, through small and flexible vehicles, strengthening the strategy of delivery based on non-pollutant vehicles.
  
- **In the financial area, we highlight the strengthening of the activity:**
  - The adoption of technology for complete dematerialisation of the account opening process and increased efficiency of Banco CTT and implementation of various workflows and pilot robotisation of some processes for recurring tasks;
  - Development for the launch of the Payshop Virtual Agent (web and mobile app to help users to manage and carry out all their payments and expenses, just a click away).
  
- **In terms of initiatives of corporate scope, note should be made of the following:**
  - Start of the 7<sup>th</sup> cycle in the INOV + by CTT platform, with more than 1,800 users, in the context of the "+INOVAÇÃO by CTT" programme;
  - Holding of the 1<sup>st</sup> edition of the Innovation Tank, aimed at monitoring specific outcomes, derived from approved ideas in the cycles of the INOV + by CTT platform and startups of interest for the organisation.
  - Holding of the 4<sup>th</sup> edition of the CTT Innovation Day during which the 1<sup>st</sup> CTT Innovation Report and the CTT 1520 Startup Programme were launched, to identify startups in line with CTT's objectives and strategy.
  - Determination of CTT's final results, in the context of the SIFIDE (Tax Incentive System for Corporate R&D) programme, which raised the tax credit collected since 2006 to more than 7 million euros, clearly reflecting the Company's effort/investment in R&D.

#### 4.4. SOCIAL CAPITAL

CTT's activity has a positive social impact on the local communities, as the company fosters a service of proximity, of quality, to all citizens, all over the country, confirmed by the relatively high perception of indicators on reputation.

Our social and environmental patronage policy has given priority to the issues of poverty and social exclusion, culture, language, sports for the disabled, health, solidarity, biodiversity and innovation. To this end, we supported over twenty social welfare initiatives and helps groups that are vulnerable or at risk, through a total investment of 1,190 thousand euros. We also organise voluntary work actions which seek to make a difference through the presence of our employees.

Some of these initiatives of social and environmental investments accomplished during this year are highlighted below:

Under Solidarity, we delivered around three tonnes of donations to two solidarity institutions, "Nasce e Renasce" and the project "Semear Sorrisos" in the context of the in-house programme "Add to Divide 2017". We organised and collected contributions from CTT employees (books, clothes, toys, hygiene articles and school material) under "Add to Divide 2018", which will be given to various private social solidarity institutes (IPSS), according to the needs specified previously by each. We provided logistical support to the association "O Dom Maior", transporting plastic caps for the "Caps for Gonçalo" project and handed in around 2 tonnes of out-of-date school books to the Food Bank, under the Campaign of Paper for Food. We donated vehicles to the Fire Brigade corporations of Bragança, Cabo Ruivo (Lisbon), Castelo Branco and Oliveira do Hospital, and a CTT van to the Social Support Organisation RE-Food.

For the 13<sup>th</sup> consecutive year, CTT supported the fund-raising work for Fenacerci, with the sale of 15,635 Magic Glow-Worms at CTT post offices. We joined the Fund-Raising Campaign of the "Association of the Faithful of the Immaculate Heart of Mary", selling 3,675 "In Praise of Silence" bookmarks.

Payshop continued its protocols of support to eleven Private Social Solidarity Institutions, having raised donations for them in the amount of 3,292 euros. Tourline once again sponsored the organisation Save the Children.

We promoted **Social Integration**, with the offer of free postage and other donations to the Aboim Ascensão Shelter, Terra dos Sonhos Association, Salvador Association and Quinta Essência Association. We promoted visits of children at after-school recreation centres (ATL) to the Lisbon Zoo.

We organised the Solidarity Father Christmas action for the 9<sup>th</sup> consecutive year, having attracted "sponsors" for children in socially deprived situations. We received 1,435 letters from children who had written to Father Christmas, that were available at 20 CTT post offices and on the website, enabling anyone to fulfil the wishes of a child. We forwarded presents to most of them free of charge, safeguarding the anonymity of the sponsor and child. In addition to this specific initiative, every year CTT answers all the children's letters addressed to Father Christmas, which reached the number of 157 thousand this year.

In the context of **Health and Sports** we sponsored the competitions of Disabled Persons in Wheelchairs, the Always Woman Race, the Médis Line Race, the "Lisbon, Woman Life" Race, and the Solidarity Race of the Salesianos Foundation. We supported the Portuguese Association Against Leukaemia, the National Association of Cancer Patients and the Portuguese Institute for Blood and Transplantation (IPST) with two in-house blood donation campaigns, held at CTT's registered office in Lisbon, in which 127 employees participated. With this initiative we became part of the annual plan of the IPST.

In the area of preservation of the **Environment and Biodiversity**, we continued to sponsor the Iberian Lynx at Lisbon Zoo and joined the European Mobility Week. In partnership with Quercus, we launched the 5<sup>th</sup> edition of the project "A Tree for the Forest", once again appealing to the population to buy the kits, aimed at national reforestation, which were on sale at 400 CTT post offices and the online store. Under this project, the number of trees planted in the spring of 2018 corresponds to the number of kits sold in the previous year, with the assistance of hundreds of external volunteers who joined the cause. This year, we launched an external game on CTT's Instagram, asking for the publication of posts allusive to the protection

of nature and biodiversity, offering each winner a kit and a visit to one of the Wild Animal Recovery Centres of Quercus.

Concerning **Assistance to Development**, we supported the Serralves Foundation, the National Culture Centre and the Porto Editora Literacy 3 Di project which is a national competition aimed at assessing the skills of students of the 2<sup>nd</sup> and 3<sup>rd</sup> cycles of elementary education, involving their teachers and educational establishments, in four dimensions of knowledge: Mathematics, Science, Reading and English.

In order to encourage writing, CTT launched the International Letter Writing Competition for Young People of the Universal Postal Union among young people resident in Portugal. The topic was “Imagine that you are a letter travelling through time. What message would you like to convey to your readers?”. The three final prizes are awarded by this UN body. The winning letter, of the bracket of 9–11 year-olds represented Portugal at the international competition and won a silver medal, 2<sup>nd</sup> place, in a competition with 1.2 million youngsters.

We continued to support **Voluntary Work**, with the organisation of 15 initiatives with various reference partners, involving over 159 volunteers and their families, and a total of 1,672 hours. In this last year, the Pool of Volunteers reached 767 persons, representing 6.6% of CTT’s permanent staff. The rule continued in force which allows the volunteers to participate in ongoing initiatives in the voluntary work plan, granting them up to 16 hours, per year, per employee for that purpose. Furthermore, four years ago we introduced long-duration voluntary work which has specific rules, associated to the particularities of each project.

This is the case of EPIS, of which we are a partner and with which we initiated the 2<sup>nd</sup> edition of the EPIS/CTT Mentoring Voluntary programme, with fifteen CTT mentors supported fifteen young people, at risk of failure at school, on a continuous basis. The role of the mentor is to ensure close monitoring and the establishment of a good relationship so as to be able to motivate and stimulate each young person to develop her/his human and academic potential, convey attitudes and values, strengthen the young person’s self-esteem and social integration, empowering her/him to construct a positive life project. In 2018, we continued to add value to the follow-up provided by these mentors with a team of 10 CTT young trainees, volunteers offering educational support, with regular tutoring given to these same students, especially in maths, Portuguese and English. The success of the 1<sup>st</sup> edition of this three-year project has been reflected in the results, which have been gratifying and have positively influenced the personal and academic life of the students, with 80% having completed the 3<sup>rd</sup> cycle.

Also, in the context of long-term voluntary action and the trainee integration programme, we have accompanied retired former employees of CTT, been part of street teams of the Vitae Association, supported Quercus and the League of Friends of Hospital de Santa Maria.

At an environmental level and following the initiative of “A Tree for the Forest” edition 2017, CTT volunteers, together with Quercus and the support of the Nature Conservation and Forest Institute and local authorities, participated in an action of planting indigenous trees in Arganil. We participated in a beach cleaning action at Santo Amaro de Oeiras.

## CUSTOMER SATISFACTION

### Communication with customers

CTT has a significant impact on Portuguese society due to its presence throughout the whole country as well as in international markets, reaching the most remote places, its importance in terms of employment and the production of wealth, and as a vehicle of enhancement of the competitiveness of the national business structure. CTT provides information on its website on the characteristics of its products and services as well as on its quality of service aggregate performance.

CTT is a powerful platform of convenience services with a postal and financial vocation, in terms of quality, efficiency and value creation, aimed at meeting the needs of citizens and economic agents. The company is an essential element of the country’s social and economic development, contributing to improve the



quality of life of its customers and employees, as a result of its dynamics, service-driven culture and attitude of social responsibility.

CTT is driven by the market in general and the corporate segment in particular, offering CTT brand products, which reflect the increasingly more diversified areas of its competence, from mail and business solutions, parcels and express, financial and bank services, printing and finishing, etc. Therefore, each customer is assured regular, presential and specialised attention, enabling an overall and integrated offer of services and products aimed at creating value and the potential boosting of each entrepreneurial business act. There are 212 Banco CTT branches in the entire country, providing bank services to the population and promoting a differentiated offer.

There are various channels for submission of requests for information and/or claims, with a continued trend of replacement of traditional printed forms by easier methods.

Thirteen external mailboxes and ten differentiated attendance lines are currently available, in addition to the Nave system, where the complaint is physically submitted at CTT post offices. The trend to use mediation entities by customer has been maintained, namely CTT's Customer Ombudsman.

The customer attendance services received over 2.5 million contacts by telephone and e-mail, with a 1% decrease in relation to the previous year. The e-mail channel grew by 6% and represents 48% of all contacts, while the telephone channel showed an opposite movement in having fallen by 7%.

### Customer Satisfaction

The customers' opinion, expressed through satisfaction surveys conducted on a daily basis, indicates that 78.9% of the respondent customers consider that the overall quality of CTT is good or very good, and 83.8% of the customers considered CTT a trustworthy company. They also express a favourable opinion in relation to the quality of the attendance (91.3%), considering the attendants competent (93.2%) and friendly (93.2%), and the quality of the delivery (81.8%). Regarding the letter mail delivery times, satisfaction levels are 75.2% for priority mail and 70.6% for non-priority mail. For queue waiting times, the study points to satisfaction levels of 70.4%.

In 2018 the Overall Quality of Service Index (OQSI) amounts to 150.2 points, which compares to an objective of 100, surpassing the results obtained in 2016 and 2017.

Within the results obtained, five Quality of Service Indicators (QSI) in particular stand out as they achieved the best results since 2016: ordinary mail achieved the target of 96.3%, 93.7% of registered mail was delivered within 1 day, ordinary and priority mail not delivered within 10 and 15 days represented 0.7‰ and 1.2‰, respectively, while queue waiting times below 10 minutes represented 91.4%. The QSI for parcels (94.7%) and newspapers and periodicals (97.0%) were also above the targets. With results between the minimum level and the objective were the priority mail flows between the Mainland, Azores and Madeira delivered within 2 days (85.9%) and international mail delivered within 5 days (96.0%), an indicator that depends also on the performance of the origin and destination operators. Below minimum levels were the QSI of international mail delivered within 3 days (80.5%), which is also a case of shared performance and not exclusively of CTT, and priority mail in Mainland Portugal delivered within 1 day which achieved a performance of 92.3%, an improved performance vs the 91.4% achieved in 2017.

A satisfaction study was applied to the contractual customers in 2018, incident on three components: Commercial Area, Customer Support Area and Operational/Offer Area. The Commercial Area shows a majority of satisfied and very satisfied customers.

Some subsidiaries heard their customers: CTT Expresso obtained a grade of 7.9 (on a scale of 1 to 10) and 55% of the final customers of Tourline, in Spain, stated being satisfied with the brand. The Bank has 81% of very satisfied customers.

The certification method is the preferred tool in the management of customer relations and has created strong in-house motivational dynamics, contributing in a significant manner to the consistency and quality

of the services provided, optimising processes in the different stages along the value chain, developing and fostering the participation of the employees and improving customer satisfaction with a strengthening of the image of CTT.

The management systems successfully maintained the existing certifications concerning Quality (ISO 9001), Environment (ISO 14001) and Safety (OHSAS 18001) in CTT's corporate certification and in its most important subsidiaries. The certification issued by the IPC (International Post Corporation) was also maintained at the Airmail Unit of Lisbon, as well as the FSC certification (custody of the value chain) and Information Security certification (ISO 27001) at Mailtec.

Simultaneously with this work to maintain the certifications, we are also making preparations to obtain new projects of recognition for the year of 2019 (for further information see [ctt.pt](http://ctt.pt)).

### Claims and inquiries

The processes relative to information requests and claims from customers constitute an enlightening form of detection of anomalies observed throughout the operating cycle of the products and services comprising CTT's portfolio. For this reason, the primary objective of the customer support area is the identification of recurrent situations, seeking to involve the entire organisation in the search for solutions which enable eliminating these occurrences.

In 2018, despite the 9.2% increase in claims, strictly speaking, there was a year-on-year reduction of 7% of cases concerning services and products marketed.

**Table 6 – Volume of submission of claims/requests for information <sup>16</sup>**

|  | 2017           | 2018                       | Δ 18/17      |
|--|----------------|----------------------------|--------------|
| <b>Claims and requests for information received <sup>1</sup></b> | <b>271,002</b> | <b>251,763</b>             | <b>-7.1%</b> |
| <b>Claims and requests for information received and answered</b> | <b>271,002</b> | <b>250,806<sup>2</sup></b> | <b>-7.5%</b> |
| Claims   | 179,672        | 196,204                    | 9.2%         |
| Requests for information   | 91,330         | 54,602                     | -40.2%       |

<sup>1</sup> Includes cases of claims, requests for information and compensation relative to the Universal and Non-Universal

<sup>2</sup> Claims and requests for information received in 2018 and answered by the 1<sup>st</sup> week of February 2019.

**Table 7 – Amount of compensation <sup>17</sup>**

|                         | 2017             | 2018             | Δ 18/17      |
|-------------------------|------------------|------------------|--------------|
| <b>Compensation (€)</b> | <b>1,282,571</b> | <b>1,691,298</b> | <b>31.9%</b> |

Includes information relative to the Universal and Non-Universal Service.

The main motives of lack of satisfaction are related to perceived delays in delivery, lost items and delayed processing of postal items subject to customs clearance processes.

There were 43,795 incidents of non-compliance, which gave rise to 13,225 cases of compensation out of a total of 142,321 claim cases answered under the Universal and Non-Universal Service and relative to the national and international service.

Banco CTT received 522 complaints submitted in the Complaints Book and 175 addressed through Banco de Portugal (Bank of Portugal).

<sup>16</sup> Excluding data of CORRE, Tourline, Financial Services and Banco CTT.

<sup>17</sup> Excluding data of CORRE, Transporta, Tourline and Banco CTT.

## 4.5. NATURAL CAPITAL

### 4.5.1. Environmental Management Policy and Systems

CTT is a rather non-aggressive company compared to other sectors of activity, whose impacts primarily involve pollutant emissions into the atmosphere, essentially of greenhouse gas (GHG), mainly associated to its own and outsourced transport which currently accounts for almost all the carbon footprint (scopes 1, 2 and 3) of the company.

Comparing CTT's carbon intensity with its impact in terms of creation of value, we find that the company's contribution to national GDP (GVA/GDP) stood at 2.0‰, much higher than its contribution to total national greenhouse gas emissions, which was approximately 0.3‰ (scopes 1 and 2).

With an active and conscious role in the defence of the environment, CTT has implemented its Quality, Environment, Occupational Safety and Health, Energy and Carbon Management, Climate Change and Responsible Procurement policies. CTT's commitment to sustainability is visible throughout the organization and has a continuous impact on its daily operations and business model, reflecting the challenges of the company and the response to the needs of the stakeholders.

CTT has identified, assessed and prioritised the following most significant corporate risks that could compromise the attainment of its strategic objectives and negatively affect its sustainable growth (chapter 2.6. Risk Management, above). Three strategic and external risks were assessed and prioritised at an environmental level, associated to the frequency and severity of occurrence of extreme weather phenomena, the negative perception of CTT's image by its customers, investors and other stakeholders, with respect to its environmental reputation, and its inability to respond adequately to the emergence of new paradigms in the market, consumer requirements and new regulations and legislation. The response to these risks is based on a strategy that aims to mitigate such risks and enhance opportunities, with an impact at an operational level on brand reinforcement and reputation, value chain optimisation and customer loyalty.

In order to align the organisation's management practices with its environmental priorities and targets, from the top to the base, CTT has incorporated sustainability variables in the management scorecards of the business premises. This practice enables placing the environmental agenda within the radar of the managers and other employees, ensuring the follow-up of situations and introducing of any necessary corrective measures. Some of the recent and most relevant business decisions in the short and long term were influenced by considerations on reduction of the carbon footprint and enhancement of energy efficiency (further identified below).

### 4.5.2. Energy

With a significant weight in the carbon footprint, energy consumption (direct and indirect costs) accounts for around 1/8 of the value of the company's total external supplies and services and is a priority issue with respect to the monitoring and implementation of energy efficiency measures. The increased energy efficiency leads to direct environmental gains - each joule of energy saved is reflected in a lower production of carbon emissions - as well as in a more solid consolidated balance sheet of the company in the short and long-term.

In 2018, electric energy consumption accounted for about 40% of total energy consumed. However, all consumed electrical energy comes from 100% renewable resources, namely hydro energy. CTT's annual consumption of electricity fell slightly (-0.9%), reflecting the reduction observed mainly in post offices and postal delivery offices, which compensated the entry into operation of the facilities of Transporta.

CTT also consumes minor amounts of power produced by the existing thermal solar panels at the Lisbon head office and at the Maia building. Thermal power is also used for air conditioning at the head office building, in Lisbon (only building which uses this source of energy).

GRIEN30

GRI502

G-46

G-2

GRIEC2

G-47

GRIEN3

Fuel continues to represent CTT's main energy consumption source<sup>18</sup> (58%). The overall efficiency of CTT's fleet, measured in litres/100 km, declined by 0.9% in relation to 2017.<sup>19</sup> This deterioration was due to the need for increased volume and cargo transport capacity of mail parcels and courier products, as a result of an increase in e-commerce volumes and a higher average weight per item.

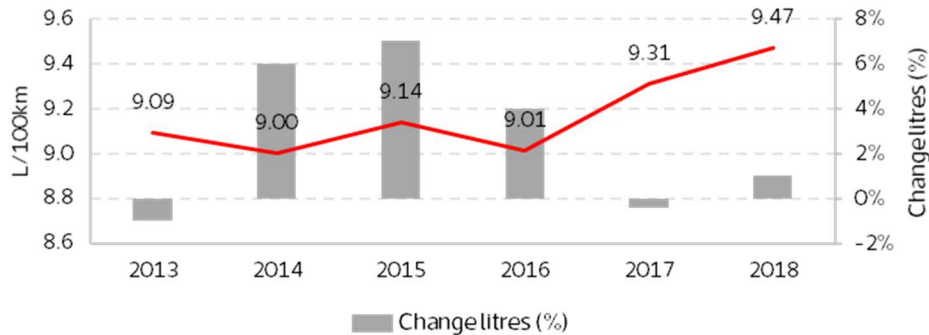


Figure 6 – Evolution of the average fleet consumption of CTT, S.A.

In this sense, an increase in fuel consumption was observed in 2018 (2.4%), as a result of the operational changes indicated above, as well as an increase in Tourline's own fleet activity involving the transport of courier products (which had previously been conducted by outsourced entities) and the growth of Banco CTT's activity.

CTT also still consumes gas, for the activity of the canteens of some of the CTT buildings.

Table 8 – CTT's energy consumption

| GJ                                  | 2017             | 2018             | Δ %         |
|-------------------------------------|------------------|------------------|-------------|
| Total green electricity consumption | 156,972.8        | 155,576.8        | -0.9%       |
| Solar panel power consumption       | 127.2            | 127.2            | 0.0%        |
| Thermal power consumption           | 6,507.3          | 6,575.7          | 1.1%        |
| Total fuel consumption              | 221,020.4        | 226,421.8        | 2.4%        |
| Total gas consumption               | 1,941.2          | 1,651.8          | -14.9%      |
| <b>TOTAL</b>                        | <b>386,568.9</b> | <b>390,353.4</b> | <b>1.0%</b> |

Overall, although a reduction in the consumption of electricity and gas was observed, the increase registered in fuel consumption led to a slight increase in CTT's total energy consumption. Total energy consumption is reflected in an energy bill of close to 15.5 million euros.

## Buildings

Reinforcing the commitment to reduce energy consumption, with direct consequences on greenhouse gas emissions, CTT has implemented various energy efficiency and facility modernisation measures. These interventions have primarily focused on the major components of the energy bills, air conditioning and lighting respectively.

## Operating centres and delivery offices

The three sorting centres (CPL) are the largest energy consumers, out of CTT's total of approximately one thousand buildings, with the South and North being energy intensive consumers.

<sup>18</sup> Outsourced vehicles are not included.

<sup>19</sup> Does not include the CORRE fleet.

Notwithstanding the effort to rationalise energy consumption and the implementation of energy efficiency measures in these centres, there was an absolute increase of electricity consumption in these two largest sorting centres. The heavy growth in parcels volumes associated to electronic commerce implied a higher rate of occupation of the “Rest Mail” equipment at the South Sorting Centre (CPLS), specific for sorting of these volumes, with a direct impact on the consumption of this building. With a view to automating and improving operational processes, three AGV (Automated Guided Vehicles) robots and a robotic arm were implemented at the South Sorting Centre (CPLS). Capacitor banks were also implemented.

The increase in operational and administrative activity observed at the North Sorting Centre (CPLN) reflected an increase in consumption in this building, in spite of the implementation plan of the ARCE (Agreement on Energy Consumption Rationalisation) for 2012–2019 having been continued.

Interventions were also carried out in delivery offices, which included:

- The installation of remote management systems in 7 buildings;
- The launch of a pilot project involving the implementation of actuators and alarms in a delivery office, for remote control of the facility's instantaneous consumption;
- Installation of capacitor banks in 6 buildings, with an impact on the billing of reactive energy;
- Reformulation of the lighting systems, including the installation of LED solutions in 8 facilities, with estimated savings of 60% in lighting.

### Administrative services building

The CTT head office, in Lisbon, is responsible for 4% of CTT's total consumption of energy. Monitoring and control based on advanced solutions has thus become imperative, in order to identify and optimise potential actions to reduce consumption/costs.

Particular note should be made of the fact that part of the power consumed in the building comes from renewable sources, namely thermal solar power produced for hot sanitary water.

### Other buildings

According to the best practices tested in previous years, interventions were carried out in around 58 post offices, 25 operating facilities and 6 service buildings, which led to the improved energy efficiency of these buildings and to the reduction of CTT's energy footprint.

In general terms, the following actions are noteworthy:

- Installation of remote energy management and consumption monitoring systems in 3 CTT post offices;
- Implementation of solutions to reduce reactive energy consumption in 11 post offices;
- Improvements to the air conditioning of the facilities, with the replacement of older units by equipment with a higher energy efficiency class;
- Intervention in elevators, improvements in electrical switchboards and replacement of compressed air compressors.

CTT also focuses on more ecological and more efficient solutions for buildings, having started the installation of 3 small photovoltaic production pilot plants with a power output of up to 419 kW, in 2018. With the planned implementation of this solution in more than 14 facilities, installed power is expected to increase to more than 1,000 kW, which will reduce CTT's carbon footprint by more than 125 tonnes of CO<sub>2</sub> per year.

Charging points for electric vehicles were installed at various postal delivery offices and at the head office building, due to the growing expansion of the electric fleet for mail distribution.

The actions were continued in terms of replacement of computer equipment by more efficient equipment, enabling energy saving in the establishments.

GRI ENG

GRI ENG

GRI ENG

GRI ENG

GRI ENG

Cutting energy consumption is essential for CTT, which annually spends around 7 million euros on electricity.

**Mobility**

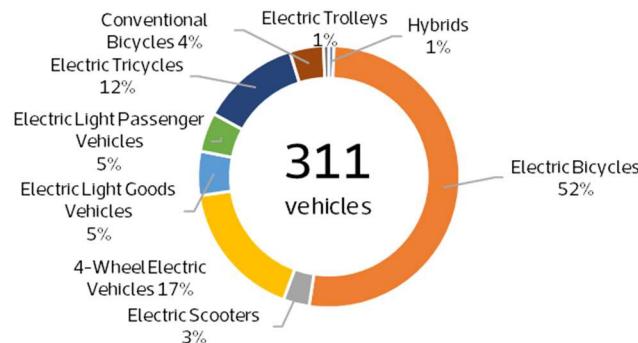
CTT operates one of the largest and most modern fleets of national companies, composed of 3,613 vehicles under direct operation, with transport services also being outsourced to third parties. CTT's fleet includes 311 less pollutant vehicles.

**Table 9 – CTT Vehicles** <sup>20</sup>

| No.                         | 2017  | 2018  | Δ%   |
|-----------------------------|-------|-------|------|
| Total vehicles in operation | 3,540 | 3,613 | 2%   |
| Less pollutant vehicles     | 353   | 311   | -12% |

CTT's total activity accounted for 66 million km travelled by its own fleet (1.6% more than in 2017), plus 47 million km travelled by the outsourced road fleet.

The search for economically efficient and environmentally friendly solutions has led to the acquisition of alternative vehicles, primarily electric vehicles, which currently correspond to 9% of CTT's total fleet, comprising 311 vehicles. In the same context, the integration of conventional vehicles with increasingly more recent technological solutions not only enables optimising operating costs but also the highest possible reduction of the negative impacts of its activity.



**Figure 7 – Type of alternative vehicles**

The electric fleet was modernised in 2018, with the initiation of the process to acquire 12 VEDUR. CTT is the transport and distribution company with the largest, most ecological fleet nationwide. As these vehicles are more energy efficient, they boost the reduction of fuel consumption and emission of pollutant gases.

Due to the increase in the transport of express items in the base network of CTT, S.A., the fleet was strengthened with 713 light goods vehicles contracted under a vehicle operating lease system, aimed at increasing the volume required for the operation. 250 light passenger vehicles were contracted under a vehicle operating lease system. In addition, 97 motorcycles, 3 light goods vehicles and 6 trailers were acquired. In 2018, 170 two and four-wheel vehicles for transport and delivery of mail and parcels, acquired in the previous year, began operations, with a positive impact on the fleet's efficiency.

The overall average age of the CTT, S.A. fleet fell in relation to the previous year, currently standing at 2.3 years.

<sup>20</sup> Does not include CORRE.

**Table 10 – Average age of the CTT, S.A. fleet**

|                     | Average age<br>31/12/2016 | Average age<br>31/12/2017 | Average age<br>31/12/2018 |
|---------------------|---------------------------|---------------------------|---------------------------|
| Overall average age | 3.0                       | 3.0                       | 2.3                       |

CTT has prepared a new Plan for Rationalisation of Consumption and Energy (PRCE) for its fleet, for the 2017–2020 three-year period. The implementation of the fleet renewal plan continued, as well as the acquisition of electric vehicles, the optimisation of routes, the control of supplies and maintenance, the installation of GPS systems in operational vehicles and the training and awareness-raising of drivers.

In 2018, CTT was the host and co-organiser of the 5<sup>th</sup> edition of the Drivers Challenge of IPC, which took place at the Estoril Racetrack, and in which 11 teams, from 10 European countries, participated. This event is part of the Sustainability Programme of the IPC, which aims to promote an ecological and more energy-efficient driving, reduce road accidents and increase customer satisfaction. This 5<sup>th</sup> edition registered the highest ever participation and included, for the first time, an eco-driving race for electric vehicles. CTT claimed the honours with 1<sup>st</sup> place in this international edition, which assessed more than 150 thousand drivers of European postal operators, having been elected as the most efficient in the use of fuel and in reducing CO<sub>2</sub> emissions.

Under the Road Safety programme, CTT reduced road-related occupational accidents by 22% relative to 2017, as well as the number of occurrences and absenteeism per million km travelled, which fell from 224.4 days in 2017 to 163.4 days in 2018. Training and awareness-raising actions regarding Road Prevention were promoted among employees.

CTT once again took part in the European Mobility Week, this year under the motto "Mix and Move!", an occasion that has been commemorated for various years to reiterate its commitment to values related to the environment and corporate civic participation in the context of soft mobility. CTT's programme included a series of awareness-raising actions, with the presentation of electric vehicles and test drives of electric passenger vehicles from the north to the south of Portugal. During this week, CTT invited all the employees to reflect on their mobility habits and find more responsible solutions, such as alternative transport and/or sharing lifts.

After the success of the pilot-project, conducted in the city of Aveiro, CTT initiated the process of acquisition of 12 VEDUR (electric urban distribution vehicle) to join CTT's electric fleet. This vehicle, developed in partnership with the Portuguese start-up UOU Mobility, is 100% electric and has been adapted to CTT's urban postal delivery needs, being technically viable in terms of increased load capacity, autonomy and simplicity of use and driving. The 12 VEDUR will be put in circulation in urban centres across the country. The addition of these vehicles to CTT's fleet is estimated to permit an annual reduction of 10.5 tonnes of CO<sub>2</sub>.

CTT's car pooling platform, launched with the objective of mitigating the emissions generated by the commuting of employees, has already enabled savings of around 12.62 tonnes of CO<sub>2</sub> since December 2015. In 2018, CTT promoted the disclosure of this platform within the scope of one of the conferences included in CTT's INOV+ programme, dedicated in this particular case to the sharing economy.

CTT was distinguished by MUBi – the most representative national association of urban cycling – as a "Bicycle Friendly Company". This award acknowledges and distinguishes companies that foster the easy use of bicycles at their facilities, for workers and customers.





### 4.5.3. Atmospheric Emissions and Climate Change

Climate change affects the company's costs, revenues and reputation, playing a fundamental role in the definition of its strategy. In most cases, the influence of the topic derives from the commitment to adaptation to climate change and potential financial gains, more than from the response to compliance with legal and regulatory obligations.

In 2018, there was a reduction (-6.0%) in CTT's total CO<sub>2</sub> equivalent emissions (scopes 1, 2 and 3) in relation to the previous year, mainly due to the decrease in outsourced activity of transport of items via terrestrial means.

The emissions resulting from CTT's own fleet activity registered a slight annual decrease, which is reflected in the total direct and indirect carbon emissions stemming from the acquisition of energy for own use (scopes 1 and 2).



Scope 3, associated to outsourced transport, continues to represent the largest portion of emissions, accounting for 70.0% of the overall emissions of the company's activity, followed by scope 1 emissions relative to fuel consumption by the fleet and gas consumption in buildings (29.7%), and scope 2 relative to consumption of electricity and air conditioning (0.3%).

**Table 11 – Carbon emissions of CTT <sup>21</sup>**

| t CO <sub>2</sub> e                        | 2017            | 2018            | Δ%           |
|--|-----------------|-----------------|--------------|
| Direct emissions – Scope 1                 | 16,139.3        | 16,261.5        | 0.8%         |
| Indirect emissions – Scope 2               | 186.5           | 188.5           | 1.1%         |
| Indirect emissions – Scope 3               | 41,641.2        | 38,017.2        | -8.7%        |
| <b>Total Emissions (Scopes 1, 2 and 3)</b> | <b>57,967.0</b> | <b>54,467.2</b> | <b>-6.0%</b> |

Direct emissions (scope 1) registered a slight increase, due to the increase in fuel consumption by CTT's own fleet (previously referred to in the sub-chapter Energy).

**Table 12 – Direct atmospheric emissions of CTT (tonnes) <sup>22,23</sup>**

| Greenhouse gas emissions (t CO <sub>2</sub> e) |   | 2017            | 2018            | Δ%          |
|--|---|-----------------|-----------------|-------------|
| Fleet <sup>24</sup>                            |  | 16,024.3        | 16,162.8        | 0.9%        |
| Gas  |  | 115.0           | 98.7            | -14.2%      |
| <b>Total direct emissions (scope 1)</b>        |   | <b>16,139.3</b> | <b>16,261.5</b> | <b>0.8%</b> |
| Other pollutants (tonnes)                      |   |                 |                 |             |
| NO <sub>x</sub>                                |   | 173.5           | 178.3           | 2.8%        |
| SO <sub>x</sub>                                |   | 44.8            | 46.0            | 2.7%        |

Indirect emissions derive from the electric and thermal energy consumed in buildings, as well as other indirect consumption that occurs along the value chain. These include emissions derived from outsourced road, air and sea transport, business travel and journeys between home and the workplace (commuting).

The acquisition of green electricity for 100% of its consumption since 2015 significantly reduces scope 2 emissions by approximately 19.5 kt. CO<sub>2</sub> per year contributes to lowering the company's total carbon

<sup>21</sup> Does not include CORRE.



<sup>22</sup> Value estimated according to the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption version 2.6, using conversion factors listed in "Compilation of emission factors used in cross-sector tools" for the different types of fuel used by the fleet, applied to the respective consumption

<sup>23</sup> Value calculated by converting the pollutant emissions to CO<sub>2</sub>eq based on the factors of emission of the gases CH<sub>4</sub> and N<sub>2</sub>O, according to the IPCC Fifth Assessment Report (AR5)

<sup>24</sup> Does not include the CORRE fleet.

footprint, as well as the achievement of the carbon reduction targets, both absolute and specific, endorsed by CTT.

**Table 13 – Indirect atmospheric emissions from consumption of electricity and thermal power by CTT**

| t CO <sub>2</sub>                         |   | 2017         | 2018         | Δ%          |
|---|---|--------------|--------------|-------------|
| Electricity consumption <sup>25</sup>     |  | 0            | 0            | 0.0%        |
| Thermal power consumption <sup>26</sup>   |  | 186.5        | 188.5        | 1.1%        |
| <b>Total indirect emissions (scope 2)</b> |   | <b>186.5</b> | <b>188.5</b> | <b>1.1%</b> |






Regarding the outsourced road fleet, there was a decrease in activity (-18% of the distance travelled), with a direct impact on associated carbon emissions, resulting from the optimisation of the transport network and the maximisation of CTT's own resources.

The emissions resulting from the air transport of mail, parcels and courier products registered a decrease relative to the previous year, associated to a decrease in load transported originating in Portugal. The increase observed in emissions resulting from the sea transport of parcels and express mail, used in inter-island routes and between mainland Portugal, was due to the increase in connections for the transport of items to the Azores, previously conducted via air.

The increase in emissions resulting from employees' journeys between home and the workplace reflects the incorporation of Transporta.

With a view to minimise carbon emissions associated to travel abroad, the practice of holding national or international meetings by telephone or video-conference was continued.

**Table 14 – Other CTT indirect air emissions<sup>27</sup>**

| t CO <sub>2</sub>                                     |   | 2017            | 2018            | Δ%           |
|---|---|-----------------|-----------------|--------------|
| Air transport   |  | 11,703.0        | 11,272.8        | -3.7%        |
| Sea transport   |  | 44.3            | 56.3            | 27.1%        |
| Road transport by outsourced fleet <sup>28</sup>      |  | 23,100.6        | 19,812.0        | -14.2%       |
| Air and rail travel on company business <sup>29</sup> |  | 9.4             | 7.7             | -18.3%       |
| <i>Commuting</i>                                      |  | 6,783.8         | 6,868.4         | 1.2%         |
| <b>Total outsourced transport (scope 3)</b>           |   | <b>41,641.2</b> | <b>38,017.2</b> | <b>-8.7%</b> |

Considering direct (scope 1) and indirect (scope 2) carbon emissions, the carbon incorporation of each postal item is 14.2g of CO<sub>2</sub>, which implied a 10.2% deterioration in relation to the previous year. This deterioration was due to the reduction of overall volumes and the increase in fuel consumption by CTT's own fleet and respective direct emissions, mainly associated to a higher installed load capacity and a reduction of the outsourced road transport activity. Incorporating the scope 3 emissions, there was a less marked deterioration of 2.8%, although the overall reduction in carbon emissions did not offset the fall in overall volumes.

<sup>25</sup> Does not include CORRE or Transporta.

<sup>26</sup> Estimated using the emission factor provided by ADENE in the context of energy certification of buildings, based on the 2002-2005 national energy mix.

<sup>27</sup> Value estimated according to the WRI methodology of the Greenhouse Gas Protocol tool for mobile consumption version 2.6, using the conversion factors in Compilation of emission factors used in cross-sector tools

<sup>28</sup> Does not include CORRE or Transporta.

<sup>29</sup> Only Includes institutional international travel of CTT S.A.

**Climate change**

CTT endorses and participates actively in national and international carbon management programmes, in order to contribute to the response to the global challenge, established by the Paris Accord, of limiting the global average temperature increase to 2° C at the most.

In this regard, CTT's carbon targets were approved by SBTi - Science Based Target Initiative, committing to reduce absolute emissions by 30% until 2025 relative to 2013 and emissions by letter or parcel by 20% over the same period.

In the sector rating of carbon proficiency Environmental Measurement and Monitoring System of the IPC-International Post Corporation, CTT achieved the third best classification among twenty participants worldwide. It is important to stress the significant reduction of carbon emissions as a result of CTT's direct activity since the start of the programme, as well as CTT's performance in carbon management.

CTT reaffirmed its Leadership position, this time with an A-, in what is considered the principal rating of energy and carbon sustainability at a worldwide level, the CDP - Carbon Disclosure Project. With performances above the sectoral and national average, CTT positioned itself in 2<sup>nd</sup> place nationally and in 3<sup>rd</sup> place in the sector worldwide.

CTT participate in a work subgroup within the scope of ENAAC 2020, coordinated by ANACOM, with the purpose of analysing and evaluating the impact of climate change on the communication sector, in order to improve knowledge on the matter and characterise preventive and adaptation measures

On these matters, CTT adopts the following formulation of principles:

**Policy on Energy and Carbon Management and Climate Change**

- Creation of value for the business, and likewise generating value for society;
- Respect for the legal and regulatory framework in force and other commitments which the company endorses;
- Improvement of the energy efficiency of equipment, facilities, fleet and product design, with a view to continuous improvement of performance;
- Provision of information and resources, in order to achieve the established objectives and targets;
- Active involvement with partners, employees, customers, community and all other stakeholders aimed at the dissemination and promotion of these principles.

**4.5.4. Consumption, Waste and Biodiversity**

**Water**

Postal activity is not particularly intensive in its use of water, although water constitutes a resource for the daily operation of the facilities, namely for human consumption, irrigation or occasional situations of vehicle washing and use in air conditioning equipment.

**Table 15 – CTT's Water Consumption**

|   | 2017     | 2018     | Δ%    |
|---|----------|----------|-------|
| Consumption (m <sup>3</sup> ) <sup>30</sup> | 55,580.0 | 51,059.3 | -8.1% |

There was a reduction in water consumption<sup>31</sup>, essentially associated to the consumption of the buildings of CTT, S.A and in particular in CTT's head office, arising from changes in the current activity of this building.

<sup>30</sup> Among the subsidiaries, does not include the consumption of CORRE or Transporta.

<sup>31</sup> For CTT S.A., the figures only include the consumption of the sorting centres and buildings supplied by EPAL.

CTT monitors the information in real time on the consumption of network water using telemetering, for the buildings of the Lisbon region, with a view to optimising water consumption and costs.

The total cost related to water consumption at CTT represents 241 thousand euros.

## Materials

Although CTT's activity involves very little incorporation of intermediate or final materials in its supply process, priority has been given to their reduction.

In 2018, approximately 3,569.2 tonnes of consumption of<sup>32</sup> materials were recorded, 80.1% of which refer to paper consumption and 16.1% of which refer to plastic consumption. There was an increase of 9.3% in total water consumption, mainly as a result of changes and improvements to the methodology of recording of consumptions and of an increase in the logistics activity of CTT Expresso.

The incorporation of recycled materials in consumed products increased relative to the previous year, with the incorporation of recycled paper currently representing 5.3% of total paper consumed.

The implementation of actions aimed at decreasing the consumption of consumables and the dematerialisation of procedures continued, with a special focus on the customs process and the airmail unit. Information and awareness-raising actions to minimise the consumption of materials were directed at employees, through the internal TV circuit of the head office and other internal means of communication.

Within the scope of the "Online Receipts" service provided by CTT – a solution with functionalities for digital marketing and assessment of the quality of the counter service, based on the dematerialisation of invoice – the number of registered users doubled in relation to the previous year and the number of processed invoices surpassed 3 million, contributing to the reduction of consumables and costs related to the printing of these documents.

CTT participated in the BCSD's sustainable finance working party, on funding opportunities to the green and circular economy. In this regard, the publication "Fiduciary Duty and Responsible Investment" was launched and the Workshop on "Fiduciary Duty and non-financial information: sustainable finance products" was conducted in Lisbon, with the objective of raising and discussing this topic and contributing to its dissemination among companies in general and the financial sector.

## Waste

Continuing the internal management practice and final sending of waste to the most suitable destination, recovery solutions, instead of sending waste to landfills, are given priority. The increase in the total quantity of waste produced mainly reflects administrative and operational changes in Tourline's activity. Nevertheless, the overall recovery rate improved relative to the previous year, standing at 87.6%, due to a continuous effort to improve the separation of recyclable waste.

---

<sup>32</sup> The reported figures were obtained via analysis of the acquisitions made through the e-procurement electronic system. The gradual expansion and improvements introduced to the accounting process regarding the consumption of materials have enabled the inclusion of more products and the identification of different types of materials.

**Table 16 – Waste**

| Tonnes <sup>33</sup>   | 2017           | 2018           | Δ%           | Destination       |
|------------------------|----------------|----------------|--------------|-------------------|
| Paper and cardboard    | 369.4          | 604.1          | 63.5%        | Recovery          |
| Plastic                | 165.4          | 205.3          | 24.1%        | Recovery          |
| Wooden pallets         | 253.8          | 205.7          | -19.0%       | Recovery          |
| Undifferentiated waste | 238.4          | 245.4          | 2,9%         | Recovery/Disposal |
| Other                  | 156.7          | 299.9          | 91.4%        | Recovery/Disposal |
| <b>National Total</b>  | <b>1,183.7</b> | <b>1,560.6</b> | <b>31.8%</b> |                   |

GRIEN28

**Table 17 – Waste by hazard level and destination<sup>33</sup>**

| Tonnes              | Recovery       | Disposal     | Total          |
|---------------------|----------------|--------------|----------------|
| Hazardous waste     | 3.9            | 20.2         | 24.1           |
| Non-hazardous waste | 1,363.2        | 173.2        | 1,536.5        |
| <b>Total</b>        | <b>1,367.1</b> | <b>193.5</b> | <b>1,560.6</b> |

GRIEN27

CTT continues to participate in the inverse logistics process in partnership with a major customer of the food sector, transporting, in return, the waste of the latter's final customers. Concerning the circular economy, new projects in the area of waste transport for CTT customers were also implemented.

## Biodiversity

The use of paper, as the most representative format used in postal communication, has a relevant effect, albeit indirect, on forests and biodiversity. Therefore, while not considered a critical topic, the company manages its impacts on biodiversity in an active manner and in line with its management framework, focusing on the use of paper derived from sustainable forests and on promoting the use of certified paper in its products and services.

GRIEN12

GRIEN12

GRIEN27

For the 5<sup>th</sup> consecutive year, another edition of the initiative "A tree for the forest" was launched, within the scope of the partnership between CTT and Quercus. This campaign is aimed at reforesting some zones of the country with indigenous species, namely protected areas, at high risk of fire or more affected by forest fires. The International Tagus Natural Park, the Peneda-Gerês National Park, the Serra da Estrela Natural Park, Serra do Açor and the National Forest of Leiria are some of the locations where about 65 thousand trees were planted in 2018, with the collaboration of hundreds of volunteers, external to the company, who joined this initiative. For the first time, the kits were also available on CTT's Online Store. Since the beginning of the campaign, about 87 thousand kits have been sold.



GRIEN13

The launch of various stamp issues on environmental matters included, in 2018, the publication of 5 stamp issues and 2 franking labels, dedicated to the topics "Autochthonous Breeds of Portugal", "The Tagus River", "Electricity in Portugal", "150 Years of the Founding of Companhia das Águas de Lisboa", "250 Years of the Founding of the Botanical Garden of Ajuda", "Butterflies of Portugal" and "Nitrogen", involving a total of 2.485 million philatelic units. It is important to mention that all of CTT's philatelic issues, as well as the "meuselo" personalised products, are produced with FSC certified paper.



CTT continued its adherence to the Print Power programme, associated to awareness-raising campaigns on responsible communication using paper, with the disclosure of a brochure, produced within the scope of the working party, on this theme.

<sup>33</sup> The amount of waste does not include CORRE or Transporta.

## Training and Awareness-Raising

CTT has regularly developed, both internally and externally, a large number of awareness-raising initiatives aimed at boosting knowledge on the matter, disseminating good practices by the employees and all other stakeholders, and drawing attention to certain environmental aspects, such as the conservation of resources, the protection of nature and the need for eco-efficiency, among other issues.

CTT maintains the bimonthly internal publication of the magazine Move-nos (22 thousand copies per edition), with regular publication of articles and contents of an environmental and social nature, as well as a section dedicated to Road Prevention, with a view to raising the awareness of employees CTT also broadcasts content within the scope of these themes on its internal TV channel at the head office and in the retail network.

In 2018, CTT launched its new Intranet for all the employees. The aim of this internal communication network is to be a communication link for all staff members, be available to employees throughout the country and to promote collaborative work. Through this network, CTT's sustainability policy and commitments, as well as its performance and environmental protection and social integration initiatives undertaken are disclosed.

The monthly dissemination of topics on social and environmental responsibility continued in the e-newsletter "In Focus", directed at the employees of the Retail Network and the dissemination of these topics, via e-newsletter, was also extended to the workers of the operational centres, in Portugal.

At an external level, CTT regularly shares news items on sustainability, through its Facebook page – Esfera CTT, which currently has 39 thousand fans. CTT is also present on the social networks LinkedIn and Instagram, which has more than 30 thousand followers. In 2018, a competition "A Tree for the Forest" was launched on Instagram, having reached more than 39 thousand users.

CTT annually prepares a case study for the Sustainability Report of the postal sector, published by the IPC, which this year covered offsetting of CO<sub>2</sub> emissions and carbon neutrality.

Articles were published in the Portuguese magazine "Imagens de Marca", dedicated to projects and actions undertaken by CTT, namely the CTT project "Adding Up to Divide" and "Solidarity Father Christmas", the campaign "A Tree for the Forest" and the electric vehicles Vedur. Articles on CTT's sustainability programme were also published in the magazines Marketeer and Executive Digest.

CTT participated in conferences with a view to sharing good practices and raising the awareness of the participants. At an international level, CTT participated, as an invited guest, in the Euromed conference and in the annual Sustainability Workshop of the IPC, where it presented the work conducted to contribute towards reaching the ODS of the United Nations. CTT presented the CTT Road Prevention programme at the PRAISE AWARD ceremony, in Brussels, at the WTM 2018 event in São Paulo and at the Supply Chain Magazine event in Santarém, Portugal. CTT also participated in the Smart Cities Tour 2018 conference and in the VII Iberian Mobility and Energy Congress.

## Environmental investment

In 2018, the total value of environmental investment came to approximately 2 million euros. In terms of the distribution of the investment - the majority took place at CTT S.A. - there was a significant focus on prevention measures, with a view to improving the overall performance of CTT. The indicators are presented below.

**Table 18 – Environmental Investment**

| <b>(€ thousand)</b>  | <b>2017</b>    | <b>2018</b>    | <b>Δ%</b>     |
|--|----------------|----------------|---------------|
| Maintenance, Conservation of Buildings                         | 971.7          | 1,030.5        | 6.1%          |
| Renewal of the Conventional Fleet                              | 1,980.5        | 695.9          | -64.9%        |
| Environmental Reporting, Partnerships, Events and Sponsorships | 96.8           | 108.9          | 12.5%         |
| Information Technology Equipment                               | 86.2           | 106.0          | 23.0%         |
| Renewal of the Electric Fleet                                  | 301.2          | 66.4           | -77.9%        |
| Certifications and Legal Compliance                            | 37.7           | 41.4           | 9.8%          |
| Energy and Carbon Management                                   | 21.5           | 16.9           | -21.7%        |
| <b>National Total</b>  | <b>3,495.6</b> | <b>2,065.9</b> | <b>-40.9%</b> |





## 5. CORPORATE GOVERNANCE

### TABLE OF CONTENTS

|   |   |            |
|---|---|------------|
| <b>PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE</b> ..... |   | <b>81</b>  |
| <b>A. SHAREHOLDER STRUCTURE</b> .....   |   | <b>81</b>  |
| <b>I. CAPITAL STRUCTURE</b> .....   |   | <b>81</b>  |
| 1.  | Capital structure .....   | 81         |
| 2.  | Restrictions to the transfer of shares .....  | 82         |
| 3.  | Own shares.....   | 83         |
| 4.  | Significant agreements with change of control clauses<br>83   |            |
| 5.  | Rules on the renewal or repeal of defensive measures,<br>particularly those limiting the number of votes that<br>may be held or exercised by a single Shareholder,<br>individually or together with others .....  | 83         |
| 6.  | Shareholders' agreements that are known to the<br>Company and may lead to restrictions on the transfer<br>of securities or voting rights.....   | 84         |
| <b>II. SHARE AND BONDS HELD</b> .....   |   | <b>84</b>  |
| 7.  | Qualified Shareholders, Percentage of Share Capital<br>and Votes Attributable thereto, Source and Causes of<br>Attribution .....  | 84         |
| 8.  | Number of shares and bonds held by members of the<br>management and supervisory bodies.....   | 84         |
| 9.  | Special powers of the board of directors, especially<br>with respect to resolutions on capital increase.....  | 85         |
| 10.   | Existence of significant business relationships<br>between the qualified Shareholders and the Company<br>85   |            |
| <b>B. CORPORATE BODIES AND COMMITTEES</b> .....   |   | <b>86</b>  |
| <b>I. GENERAL MEETING</b> .....   |   | <b>86</b>  |
| 11.   | Identification, office and term of office (start and end)<br>of the members of the Board of the General Meeting<br>86   |            |
| 12.   | Restrictions on voting rights .....   | 86         |
| 13.   | Maximum percentage of voting rights that may be<br>exercised by a single Shareholder or by Shareholders<br>related to the former in any of the ways set out in<br>article 20(1) of the Portuguese Securities Code .....   | 86         |
| 14.   | Shareholder resolutions for which the Articles of<br>Association require a qualified majority, in addition to<br>those stipulated by law .....  | 86         |
| <b>II. MANAGEMENT AND SUPERVISION</b> .....   |   | <b>87</b>  |
| 15.   | Adopted governance model .....  | 87         |
| 16.   | Articles of association rules on procedural and<br>substantive requirements applicable to the<br>appointment and replacement of members of the<br>Board of Directors.....   | 87         |
| 17.   | Composition of the Board of Directors and Executive<br>Committee .....  | 88         |
| 18.   | Distinction between executive and non-executive<br>members of the Board of Directors and, with respect to<br>non-executive members, identification of members<br>deemed independent .....   | 88         |
| 19.   | Professional qualifications and other relevant<br>background for each member of the Board of Directors<br>89  |            |
| 20.   | Customary and significant relationships of a family,<br>professional or commercial nature between members<br>of the Board of Directors and Shareholders with<br>qualified holdings greater than 2% of voting rights. 90   |            |
| 21.   | Division of powers among the various Company<br>corporate bodies, committees and/or departments 90  |            |
| 22.   | Existence and place where the Board of Directors and<br>Executive Committee's internal regulations are<br>available for consultation.....   | 98         |
| 23.   | Number of Board of Directors' meetings and<br>attendance by each member .....   | 98         |
| 24.   | Corporate bodies with powers to carry out the<br>performance assessment of executive Directors ...  | 99         |
| 25.   | Predetermined criteria for assessing the performance<br>of the executive Directors.....   | 99         |
| 26.   | Availability of each member of the Board of Directors,<br>offices held simultaneously in other companies, in and<br>outside the group, and other relevant activities carried<br>out by members of the Board of Directors .....                                  | 99         |
| 27.   | Committees created within the Board of Directors and<br>place where their internal regulations are available for<br>consultation .....  | 100        |
| 28.   | Composition of the Executive Committee .....  | 100        |
| 29.   | Powers of each committee created and overview of<br>the activities carried out in the exercise of those<br>powers .....   | 100        |
| <b>III. OVERSIGHT</b> .....   |   | <b>102</b> |
| 30.   | Supervisory body for the adopted model .....  | 102        |
| 31.   | Composition of the Audit Committee, minimum and<br>maximum number of members and term of office set<br>out in the Articles of Association, number of permanent<br>members, date of first appointment and date of<br>termination of office for each member ..... | 102        |
| 32.   | Members of the Audit Committee deemed<br>independent, under article 41.4(5) of the PCC.....   | 102        |
| 33.   | Professional qualifications and other relevant<br>curricular data for each of the members of the<br>supervisory body .....  | 102        |
| 34.   | Existence and place where the supervisory body's<br>internal regulations are available for consultation   | 103        |
| 35.   | Number of Audit Committee's meetings and<br>attendance by each member .....   | 103        |
| 36.   | Availability of each member of the Audit Committee,<br>indicating offices held simultaneously in other<br>companies, in and outside the group, and other<br>relevant activities carried out by members of the Audit<br>Committee .....                          | 104        |
| 37.   | Procedures and criteria applicable to the intervention<br>of the supervisory body on the engagement of<br>additional services from the external auditor.....  | 104        |
| 38.   | Other supervisory body duties .....   | 104        |
| <b>IV. STATUTORY AUDITOR</b> .....  |   | <b>106</b> |
| 39.   | Statutory auditor and audit partner who represents it<br>106  |            |
| 40.   | Number of consecutive years the Statutory Auditor<br>has carried out duties for the Company and/or the<br>Group.....  | 106        |
| 41.   | Description of additional services rendered to the<br>Company by the Statutory Auditor .....  | 106        |
| <b>V. EXTERNAL AUDITOR</b> .....  |   | <b>106</b> |
| 42.   | External auditor and the audit partner who represents<br>it in carrying out those duties, and its CMVM<br>registration number.....  | 106        |

|  |            |   |            |
|--|------------|---|------------|
| 43. Number of consecutive years the external auditor and the audit partner who represents it therefore have carried out those duties for the Company and/or the Group.....   | 106        | 65. Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available .....  | 113        |
| 44. Rotation policy and frequency of rotation of the external auditor and respective partner who represents it in carrying out those duties .....  | 107        | <b>D. REMUNERATION.....</b>   | <b>113</b> |
| 45. Corporate body responsible for assessing the External Auditor and frequency of such assessment.....  | 107        | <b>I. POWERS TO STIPULATE REMUNERATION .....</b>  | <b>113</b> |
| 46. Non-audit work carried out by the external auditor for the Company and/or companies within a control relationship, internal procedures for the approval of such services and the reasons for their engagement                      | 107        | 66. Powers to stipulate remuneration for corporate bodies, members of the Executive Committee and Company senior officers.....  | 113        |
| 47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other natural or legal persons, specifying the percentage relating to each type of service.....            | 108        | <b>II. REMUNERATION COMMITTEE .....</b>   | <b>113</b> |
| <b>C. INTERNAL ORGANISATION.....</b>   | <b>108</b> | 67. Composition of the Remuneration Committee, including natural and legal persons engaged to assist said committee and statement on independence of each member and consultant.....  | 113        |
| <b>I. ARTICLES OF ASSOCIATION.....</b>   | <b>108</b> | 68. Knowledge and experience of the members of the Remuneration Committee on matters of remuneration policy.....  | 114        |
| 48. Provisions applicable to the amendment of the Company's Articles of Association .....  | 108        | <b>III. REMUNERATION STRUCTURE .....</b>  | <b>114</b> |
| <b>II. REPORTING IRREGULARITIES (WHISTLEBLOWING) .....</b>   | <b>109</b> | 69. Description of the remuneration policy of the management and supervisory bodies referenced in article 2 of Law 28/2009, of 19 June .....  | 114        |
| 49. Mechanisms and policy adopted by the Company for the reporting of irregularities (whistleblowing) ....   | 109        | 70. How remuneration is structured in order to align management body members' interests with the Company's long-term interests, and how it is based on performance assessment and discourages excessive risk taking .....   | 117        |
| <b>III. INTERNAL CONTROL AND RISK MANAGEMENT.....</b>  | <b>110</b> | 71. Reference, if applicable, to the existence of a variable remuneration component and information on any potential impact of the performance assessment thereon.....  | 119        |
| 50. Persons/corporate bodies responsible for internal audit and the internal control system .....  | 110        | 72. Deferral of payment of the variable component of remuneration and deferral period .....   | 121        |
| 51. Hierarchical/operational dependence on other Company bodies.....   | 110        | 73. Criteria underlying the awarding of variable remuneration in shares and the holding of these shares by the executive Directors; potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and proportionate value in terms of total annual remuneration ..... | 122        |
| 52. Other functional areas with risk control powers....  | 111        | 74. Criteria for variable remuneration allocation by way of options and respective deferral period and strike price   | 122        |
| 53. Identification and description of the main risks (economic, financial and legal) to which the Company is exposed in exercising its activity .....  | 111        | 75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits .....  | 122        |
| 54. Description of the process for identifying, assessing, monitoring, controlling and managing risk.....  | 111        | 76. Main characteristics of supplementary pension schemes or early retirement for the directors and date on which they were individually approved by the General Meeting.....   | 123        |
| 55. Main elements of the internal control and risk management systems implemented in the Company regarding the disclosure of financial information ..  | 111        | <b>IV. DISCLOSURE OF REMUNERATION.....</b>  | <b>123</b> |
| <b>IV. INVESTOR SUPPORT.....</b>   | <b>112</b> | 77. Annual remuneration earned, in aggregate and individually, by the members of the Company's management body, including fixed and variable remuneration and the various components of the latter  | 123        |
| 56. Department responsible for investor relations, its composition, duties, information provided by the department and contact details .....   | 112        | 78. Amounts paid, for whatever reason, by other companies in control or group relationship or that are subject to joint control .....   | 124        |
| 57. Market relations representative.....   | 112        | 79. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for such these bonuses and/or profit-sharing .....  | 124        |
| 58. Proportion and waiting time limit for information requests made in the year or pending from previous years.....  | 112        | 80. Compensation paid or owed to former executive Directors relating to the termination of their office during the financial year.....  | 124        |
| <b>V. WEBSITE.....</b>   | <b>112</b> | 81. Annual remuneration earned, in aggregate and individually, by members of the Company's oversight body, for the purposes of Law 28/2009, of 19 June  | 124        |
| 59. Address.....   | 112        | 82. Remuneration of the Chairman of the Board of the General Meeting during the reference year.....   | 125        |
| 60. Place where information is available about the name, public company status, registered office and other identifying details .....  | 112        |   |            |
| 61. Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found.....   | 112        |   |            |
| 62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details..... | 112        |   |            |
| 63. Website where the financial statements are available, together with the half-yearly calendar of corporate events .....   | 112        |   |            |
| 64. Place where the notices to convene for General Meetings and all related preparatory and subsequent information are disclosed.....  | 112        |   |            |

|   |            |
|---|------------|
| <b>V. AGREEMENTS AFFECTING REMUNERATION.....</b>  | <b>125</b> |
| 83. Contractual limits for compensation payable upon dismissal without just cause of a director and their connection with the variable remuneration component   | 125        |
| 84. Agreements between the Company and members of the management body and senior officers, underarticle 248-B(3) of the Portuguese Securities Code providing for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company ..... | 125        |
| <b>VI. SHARE AWARD PLANS OR STOCK OPTION PLANS .....</b>  | <b>125</b> |
| 85. The plan and its respective beneficiaries .....   | 125        |
| 86. Characteristics of the plan (awarding conditions, share lock-up clauses, share price and strike price criteria, exercise period for the options, characteristics of the shares or options to be awarded, incentives to purchase shares and/or exercise options) .....   | 126        |
| 87. Stock options for Company employees and staff..   | 126        |
| 88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees.....   | 126        |
| <b>E. TRANSACTIONS WITH RELATED PARTIES .....</b>   | <b>126</b> |
| <b>I. CONTROL MECHANISMS AND PROCEDURES.....</b>  | <b>126</b> |
| 89. Mechanisms implemented by the Company to control related party transactions .....   | 126        |
| 90. Transactions that were subject to control during the reference year .....   | 126        |
| 91. Procedures and criteria applicable to the oversight body's intervention in the prior assessment of business transactions to be carried out between the Company and qualified shareholders.....  | 127        |
| <b>II. TRANSACTION INFORMATION.....</b>   | <b>127</b> |
| 92. Place in the financial reporting documents where information on business transactions with related parties pursuant to IAS 24 is available .....  | 127        |
| <b>PART II – ASSESSMENT OF CORPORATE GOVERNANCE .....</b>   | <b>128</b> |
| 1. Identification of the adopted corporate governance code.....   | 128        |
| 2. Analysis of compliance with the adopted corporate governance code .....  | 128        |



**CORPORATE GOVERNANCE<sup>34</sup>**

**PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE**

**A. SHAREHOLDER STRUCTURE**

**I. CAPITAL STRUCTURE**

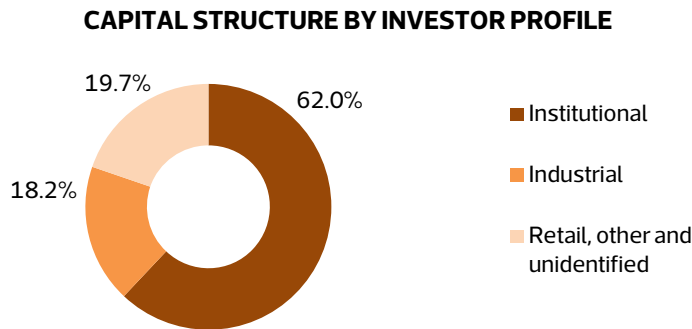
**1. Capital structure**

CTT's share capital is €75,000,000.00, fully paid-up and underwritten, being represented by 150,000,000 ordinary shares (there are no different categories), registered, book entry, with nominal value of €0.50 each, listed for trading on the regulated market managed by Euronext Lisbon Sociedade Gestora de Mercados Regulamentados, S.A. ("Euronext Lisbon").

**Characterisation of the capital structure**

A study was conducted at the end of 2018 aimed at characterising CTT's capital structure, which identified 166 institutional shareholders with 62% of the Company's capital and 2 industrial investors with a little over 18% of the Company's capital.

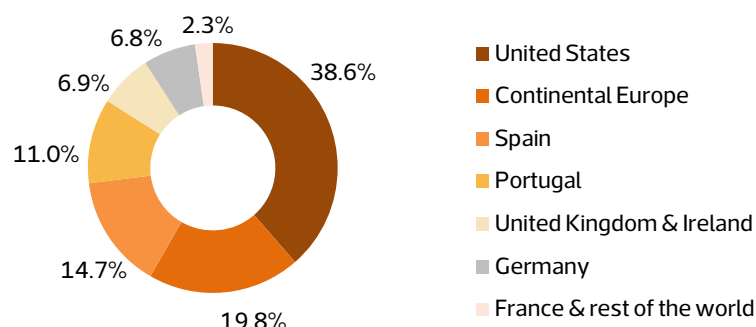
According to this study, the shareholder composition in terms of the profile of the investors was as follows at the end of 2018:



According to the same study, regarding the **geographical breakdown of the institutional investors**, at the end of 2018, as shown in the chart below, 38.6% of them were based in the **United States of America**, followed by 19.8% in **Continental Europe**, in particular in countries like Norway and Switzerland with similar levels to the **United Kingdom and Ireland** (6.9%) and **Germany** (6.8%). On that date, 14.7% of all CTT's institutional investors were based in Spain, while 11% were in Portugal and 1.9% in France. The institutional investors in the rest of the world represented only 0.4% of the total.

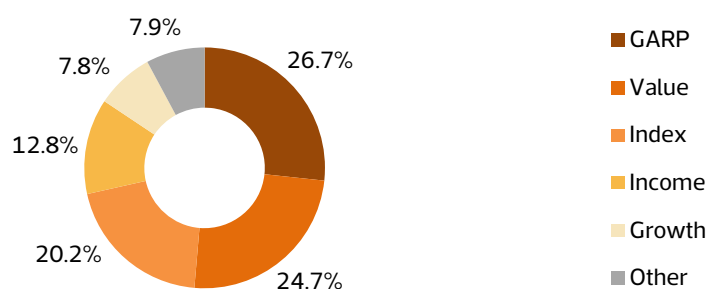
<sup>34</sup> The references to points and Parts in this chapter 5 (Part I – Corporate Governance Points 1 to 92, Part II – Assessment of Corporate Governance) refer only to Chapter 5, unless explicitly indicated otherwise.

### GEOGRAPHICAL BREAKDOWN



The study also included an analysis of **CTT's shareholder composition by investment strategy** which demonstrated that, at the end of 2018, institutional investors with a GARP (Growth at A Reasonable Price) and Value type of investment strategy represented 26.7% and 24.7% respectively of the Company's institutional investment, followed by investors with an Index type of investment strategy which represented 20.2%. Also, at the two-digit level, investors with a Yield strategy represented 12.8% of CTT's institutional investment, while investors with a Growth strategy stood at 7.8%, as illustrated graphically below.

### INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



Finally, the study demonstrated that, at the end of 2018, the 10 largest shareholders of CTT (including institutional and industrial) held 46% of the Company's capital (compared to 37% at the end of 2017), while the 25 largest held 65% (compared to 54% at the end of 2017).

## 2. Restrictions to the transfer of shares

CTT shares are **not subject to any limitations** (whether statutory or legal) regarding their transfer or ownership.

Although CTT's shares are freely transferrable, their acquisition implies, as of the commercial registration date of Banco CTT (a credit institution fully owned by CTT), **compliance with the legal requirements on direct or indirect qualified shareholdings** established in the Legal Framework of Credit Institutions and Financial Companies laid down in Decree-Law 298/92, of 31 December, in its current version.

In particular, and pursuant to article 102 of this Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. direct or indirect holding equal to or higher than 10% of the share capital or voting rights or that, for any reason, enables exerting significant influence on the management) should previously inform Banco de Portugal on their project for the purpose of its non-opposition thereto. In turn, acts or facts that give rise to the acquisition of a shareholding of at least 5% of the capital or voting rights of CTT and indirectly in Banco CTT, should be communicated to Banco de Portugal, within 15 days as of its occurrence, pursuant to article 104 of said Legal Framework.



### 3. Own shares

As at 31 December 2018, and on the present date, **CTT held and holds 1 own share, with the nominal value of €0.50, corresponding to 0.000% of the share capital**, with all the inherent rights being suspended by force of the provisions in article 324(1)(a) of the Portuguese Companies Code (“PCC”).

### 4. Significant agreements with change of control clauses

As at 31 December 2018, and on the present date, the following contracts of strategic relevance to CTT, with clauses related to changes in control, are in force:

- The agreement for **the sale of Cetelem credit products** in CTT Retail Network and website concluded on 23 June 2014 with **BNP Paribas Personal Finance, S.A.**, whose scope was extended to Banco CTT on 31 August 2016. This agreement was given an Amendment on 20 December 2018 but remained unchanged as to the possibility of unilateral termination by any of the parties, under certain circumstances, in the event of a change of shareholder control.
- The agreement concluded on 16 July 2013 with **Fidelidade – Companhia de Seguros, S.A.** for the mediation of insurance, whose scope was extended to Banco CTT on 22 July 2016, with a new agreement having been concluded on this same date for specific brokerage of healthcare insurance also of Fidelidade. The possibility of termination by any of the parties in the event of a change on the counterpart’s shareholder structure was maintained, as well as the possibility of unilateral termination by Fidelidade if CTT should lose control of Banco CTT.
- The agreement entered into with **Western Union Payment Services Network EU/EEA Limited (“Western Union”)**, on 8 October 2007, terminated, with a new agreement having been concluded, on 20 September 2018, with **Western Union and Western Union Payment Services Ireland Limited (“WUPSIL”)** for the provision of fund transfer services, which establishes the possibility of unilateral termination of the agreement by Western Union in the event of a change of control in the shareholding structure of CTT.
- The **3 agreements entered into on 18 November 2015 between CTT and Banco CTT** (a fully-owned CTT company which exercises its on-site activity mainly through CTT Retail Network), that govern the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership in regard to the CTT Channel, the multiple employer regime adopted for labour agreements with the Retail Network employees and the rendering of services between the parties, also remain in force. These agreements provide that either party may take it upon itself to initiate the renegotiation of the business / financial balance of the agreement, in good faith and at arm’s length, should the respective control or group relationship cease to exist or if an event occurs that leads to CTT becoming controlled by a Banco CTT’s competitor.

The aforesaid clauses constitute **normal market conditions for this type of contract for the sale/distribution of financial products and partnership agreements** (especially for the protection of the parties if control of the counterparty is taken by competitors). **They are not intended to have an adverse effect on the free transferability of CTT shares neither are able to do so.**

The Company is **not a party to any other significant agreements that become effective, are amended or terminated (including the effects thereof) in the event of a change of control in CTT following a takeover bid.**

No measures have been adopted, nor is CTT a party to significant agreements that trigger any payments or the bearing of costs by the Company in the event of change of control or changes to the composition of the management body and which are deemed capable of hindering the free transfer of CTT shares and the Shareholders’ free assessment of the performance of members of CTT’s management body.

### 5. Rules on the renewal or repeal of defensive measures, particularly those limiting the number of votes that may be held or exercised by a single Shareholder, individually or together with others

**The Articles of Association set no limits** to the number of votes that may be held or exercised by a single Shareholder, individually or jointly with other shareholders.

## 6. Shareholders' agreements that are known to the Company and may lead to restrictions on the transfer of securities or voting rights

The Company is **not aware of any shareholder agreements** regarding CTT, namely on matters of transfer of securities or voting rights.

## II. SHARE AND BONDS HELD

### 7. Qualified Shareholders, Percentage of Share Capital and Votes Attributable thereto, Source and Causes of Attribution

As at 31 December 2018, based on the communications to the Company made up to this date, the structure of the qualified holdings in CTT, calculated under the terms of article 20 of the Portuguese Securities Code, was as follows (notwithstanding changes disclosed to the market up to the date hereof and also identified in the table below):

| Holders of qualified shareholdings                       |              | Number of Shares   | % Share Capital | % Voting Rights |
|--|--------------|--------------------|-----------------|-----------------|
| Gestmin SGPS, S.A. <sup>(1) (2)</sup>                    |              | 18,589,534         | 12.393%         | 12.393%         |
| Manuel Carlos de Melo Champalimaud                       |              | 284,885            | 0.190%          | 0.190%          |
| <b>Manuel Carlos de Melo Champalimaud <sup>(3)</sup></b> | <b>Total</b> | <b>18,874,419</b>  | <b>12.583%</b>  | <b>12.583%</b>  |
| Global Portfolio Investments, S.L. <sup>(4)</sup>        |              | 8,492,745          | 5.662%          | 5.662%          |
| <b>Indumenta Pueri, S.L. <sup>(4)</sup></b>              | <b>Total</b> | <b>8,492,745</b>   | <b>5.662%</b>   | <b>5.662%</b>   |
| GreenWood Builders Fund I, LP                            |              | 7,500,502          | 5.000%          | 5.000%          |
| <b>GreenWood Investors, S.L.</b>                         | <b>Total</b> | <b>7,500,502</b>   | <b>5.000%</b>   | <b>5.000%</b>   |
| <b>Norges Bank</b>                                       | <b>Total</b> | <b>6,399,190</b>   | <b>4.266%</b>   | <b>4.266%</b>   |
| <b>BlackRock, Inc. <sup>(5)</sup></b>                    | <b>Total</b> | <b>3,881,095</b>   | <b>2.587%</b>   | <b>2.587%</b>   |
| <b>BBVA Asset Management, SA SGIIC <sup>(6)</sup></b>    | <b>Total</b> | <b>3,495,499</b>   | <b>2.330%</b>   | <b>2.330%</b>   |
| <b>Wellington Management Group LLP <sup>(7)</sup></b>    | <b>Total</b> | <b>3,105,222</b>   | <b>2.070%</b>   | <b>2.070%</b>   |
| <b>CTT, S.A. (own shares)</b>                            | <b>Total</b> | <b>1</b>           | <b>0.000%</b>   | <b>0.000%</b>   |
| <b>Remaining shareholders</b>                            | <b>Total</b> | <b>98 251 327</b>  | <b>65.501%</b>  | <b>65.501%</b>  |
| <b>TOTAL</b>   |              | <b>150,000,000</b> | <b>100.000%</b> | <b>100.000%</b> |

<sup>(1)</sup> Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.

<sup>(2)</sup> Includes 18,465,215 shares held by Gestmin SGPS, S.A. and 124,319 shares held by the members of the Board of Directors of Gestmin.

<sup>(3)</sup> Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who has control over Gestmin, and also directly holds 284,885 shares corresponding to 0.190% of the share capital and voting rights of CTT.

<sup>(4)</sup> Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

<sup>(5)</sup> The full chain of companies controlled by BlackRock, Inc., through which the voting rights and/or financial instruments are effectively held, is presented in the annex to the press release on qualifying holdings published on CTT's website ([http://www.ctt.pt/contentAsset/raw-data/b296badb-5bed-4601-8f4c-c44868716fe9/ficheiroPdf/BlackRock%2017out2018\\_PT.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/b296badb-5bed-4601-8f4c-c44868716fe9/ficheiroPdf/BlackRock%2017out2018_PT.pdf?bylnode=true)) on 17 October 2018. According to the press release on qualifying holdings published on CTT's website ([http://www.ctt.pt/contentAsset/raw-data/509a2cea-806e-4378-9c13-b29e44530b3c/ficheiroPdf/BlackRock%2025fev2019\\_PT.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/509a2cea-806e-4378-9c13-b29e44530b3c/ficheiroPdf/BlackRock%2025fev2019_PT.pdf?bylnode=true)) on 25 February 2019, BlackRock, Inc. slightly decreased its qualifying holding in CTT and now holds 3,815,389 voting rights and/or financial instruments of CTT, corresponding to 2.544% of its share capital and voting rights. On 6 March 2019, a new press release on qualifying holdings was published ([http://www.ctt.pt/contentAsset/raw-data/58be3df5-841e-4987-941d-20af106acd2e/ficheiroPdf/BlackRock%2006Mar2019\\_PT.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/58be3df5-841e-4987-941d-20af106acd2e/ficheiroPdf/BlackRock%2006Mar2019_PT.pdf?bylnode=true)), and BlackRock, Inc. now holds 3,822,599 voting rights and/or financial instruments of CTT, corresponding to 2.548% of its share capital and voting rights.

<sup>(6)</sup> BBVA Asset Management, SA SGIIC is directly controlled by Cidessa Uno, S.L.. The voting rights are exercised on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI, in conformity with points 4 and 10 of the press release published on CTT's website ([http://www.ctt.pt/contentAsset/raw-data/ce21adb5-f151-4598-a11c-6498ab7113c3/ficheiroPdf/BBVA%20Part%20Qualif%2026mar2018\\_PT.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/ce21adb5-f151-4598-a11c-6498ab7113c3/ficheiroPdf/BBVA%20Part%20Qualif%2026mar2018_PT.pdf?bylnode=true)) on 26 March 2018.

<sup>(7)</sup> The full chain of companies controlled by Wellington Management Group LLP, through which the voting rights are held is presented in point 8 of the press release on qualifying holdings published on CTT's website ([http://www.ctt.pt/contentAsset/raw-data/72046d55-41a3-4228-a987-7155360eb74f/ficheiroPdf/Wellington%20Managt%20Gr%20Part%20Qualif%205set2017\\_PT.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/72046d55-41a3-4228-a987-7155360eb74f/ficheiroPdf/Wellington%20Managt%20Gr%20Part%20Qualif%205set2017_PT.pdf?bylnode=true)) on 5 September 2017.

### 8. Number of shares and bonds held by members of the management and supervisory bodies

The table below includes the members of the Board of Directors and Audit Committee of CTT (who are directors of CTT pursuant to article 248-B of the Securities Code and Regulation (EU) 596/2014 of the European Parliament and Council, of 16 April – "EU Regulation"), presenting the **number of shares held by**

**the members of the managing and supervisory bodies** according to the communications made to the Company in 2018, **as well as their closely related parties**, including all their acquisitions, encumbrances or transfers of ownership, as follows:

| Board of Directors <sup>(a)</sup>  | No. of Shares as at 31.12.2017 | Date | Acquisition | Encumbrance | Divestment | Price | No. of Shares as at 31.12.2018 |
|--|--------------------------------|------|-------------|-------------|------------|-------|--------------------------------|
| António Sarmento Gomes Mota  | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Francisco José Queiroz de Barros de Lacerda                              | 67,982                         | ---  | ---         | ---         | ---        | ---   | 67,982                         |
| Dionízia Maria Ribeiro Farinha Ferreira                                  | 48,828                         | ---  | ---         | ---         | ---        | ---   | 48,828                         |
| Nuno de Carvalho Fernandes Thomaz  | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| José Manuel Baptista Fino  | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Céline Dora Judith Abecassis-Moedas                                      | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| António Pedro Ferreira Vaz da Silva                                      | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Francisco Maria da Costa de Sousa de Macedo Simão                        | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| João Afonso Ramalho Sopas Pereira Bento                                  | 13,550                         | ---  | ---         | ---         | ---        | ---   | 13,550                         |
| M <sup>a</sup> Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Maria Belén Amatriain Corbi  | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Rafael Caldeira de Castel-Branco Valverde                                | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Guy Patrick Guimarães de Goyri Pacheco                                   | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |

<sup>(a)</sup> Includes the members of the Executive Committee and Audit Committee.

| Closely Related Parties           | No. of Shares as at 31.12.2017 | Date           | Acquisition    | Encumbrance | Divestment | Price          | No. of Shares as at 31.12.2018 |
|-----------------------------------|--------------------------------|----------------|----------------|-------------|------------|----------------|--------------------------------|
| Gestmin SGPS, S.A. <sup>(b)</sup> | 16,642,862                     | <sup>(c)</sup> | <sup>(c)</sup> | ---         | ---        | <sup>(c)</sup> | 18,465,215                     |

<sup>(b)</sup> Entity closely related to João Afonso Ramalho Sopas Pereira Bento, of which the non-executive Director of CTT is Vice-Chairman of the Board of Directors and CEO. Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.

<sup>(c)</sup> The details of the transactions are presented in Annex II of this Report, pages 309-311.

| Statutory Auditor                      | No. of Shares as at 31.12.2017 | Date | Acquisition | Encumbrance | Divestment | Price | No. of Shares as at 31.12.2018 |
|--|--------------------------------|------|-------------|-------------|------------|-------|--------------------------------|
| KPMG & Associados, SROC, S.A.          | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Paulo Alexandre Martins Quintas Paixão | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |
| Vítor Manuel da Cunha Ribeirinho       | 0                              | ---  | ---         | ---         | ---        | ---   | 0                              |

As at 31 December 2018, the members of the managing and supervisory bodies of CTT did not hold any **bonds** issued by the Company or any **shares or bonds issued by companies in a control or group relationship with CTT**, nor did they carry out any transactions relative to those securities during 2018, under the terms and for the purposes of article 447 of the PCC.

## 9. Special powers of the board of directors, especially with respect to resolutions on share capital increase

The powers attributed to the Board of Directors of CTT are described in point 21 of Part I below. Statutorily, **there are no provisions attributing special powers to the Board of Directors regarding capital increases**, since this is a matter of the exclusive competence of the General Meeting.

## 10. Significant commercial relationships between qualified Shareholders and the Company

The significant commercial relations maintained between the Company and its holders of qualifying holdings during the 2018 financial year correspond to **transactions with related parties** identified in point 92 of Part I below.

## B. CORPORATE BODIES AND COMMITTEES

### I. GENERAL MEETING

#### a) Composition of the Board of the General Meeting

##### 11. Identification, office and term of office (beginning and end) of the members of the Board of the General Meeting

Under the terms of article 10 of the Articles of Association of CTT, the Board of the General Meeting is composed of a **Chairman and Vice-Chairman**, elected every 3 years at the General Meeting. In 2018, and currently, the composition of the Board of the General Meeting is as follows:

| Members   | Position      | Term of Office <sup>(1)</sup> |
|---|---------------|-------------------------------|
| Júlio de Lemos de Castro Caldas                     | Chairman      | 2017/2019                     |
| Francisco Maria Freitas de Moraes Sarmiento Ramalho | Vice-Chairman | 2017/2019                     |

<sup>(1)</sup> Members initially elected on 12 November 2013 to complete the term of office 2012/2014, with the General Meeting of 24 March 2014 having deliberated to extend their duties to the term of office 2014/2016. Re-elected for the 2017-2019 term of office at the Annual General Meeting of 20 April 2017.

Pursuant to that same provision, the members of the Board of the General Meeting are assisted by the Secretary of the Company, duties performed in 2018 and currently by Maria da Graça Farinha de Carvalho e Sousa Góis.

#### b) Exercise of voting rights

##### 12. Restrictions on voting rights

CTT's Articles of Association **do not contain any limitations on voting rights** or any systems highlighting equity rights.

Pursuant to articles 7 and 8 of the Articles of Association, the right to vote at the General Meeting is given to shareholders who, on the **record date**, corresponding to 0 hours (GMT) of the 5<sup>th</sup> trading day prior to the General Meeting, hold at least **1 share**. Under those same provisions, the right to vote can be exercised by representation, correspondence or electronic means and can cover all the matters presented in the call notice. The exercise of the right to vote by any of these methods should be carried out under the terms and within the stipulated periods and through the mechanisms established in detail in the notice to convene in order to encourage shareholder participation (participation and the exercise of voting rights was permitted by any of these methods at the General Meeting held in 2018).

##### 13. Maximum percentage of voting rights that may be exercised by a single Shareholder or by Shareholders related to the former in any of the ways set out in article 20(1) of the Portuguese Securities Code

CTT's Articles of Association **do not contain any percentage limit to voting rights** that may be exercised by a single shareholder or by shareholders who are in any of the relations noted in article 20(1) of the Securities Code.

##### 14. Shareholder resolutions for which the Articles of Association require a qualified majority, in addition to those stipulated by law

CTT's Articles of Association **do not require qualified majorities** in order to take resolutions beyond those prescribed by law.

## II. MANAGEMENT AND SUPERVISION

### c) Composition

#### 15. Adopted governance model

The Company has endorsed an **Anglo-Saxon governance model** since 2014, the year of CTT's privatisation.

The corporate bodies include the General Meeting, the Board of Directors which is responsible for the Company's administration, the Audit Committee and the Statutory Auditor, with the last two being responsible for its supervision.

#### SYSTEM OF CHECKS AND BALANCES

- In this regard, the **General Meeting** has powers to: (i) elect the members of the corporate bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, the latter as proposed by the Audit Committee), (ii) assess the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) determine the allocation of profits and (iv) pass resolutions amending the Articles of Association.
- In the context of its management duties, the **Board of Directors** has delegated day-to-day management powers to the Executive Committee (see description in point 21 of Part I below), whose action is supervised by the non-executive Directors, namely by the Corporate Governance, Evaluation and Nominating Committee which, since 20 April 2017 has five non-executive Directors, four of whom are independent (in performing the duties referred to in the same point).
- The **Audit Committee** (composed of independent non-executive Directors), together with the **Statutory Auditor**, perform the oversight duties provided for in the applicable legal and regulatory provisions. The Audit Committee, in particular, is responsible for promoting and monitoring the independence of the Statutory Auditor and the Company's internal audit, with a view to contributing to the quality of the financial information and the effectiveness of the internal control, risk management and internal audit systems (see description in point 38 of Part I below).
- Furthermore, the **Remuneration Committee** (composed of members who are independent from the management and elected at the General Meeting) is responsible for stipulating the remunerations of the corporate bodies' members (see description in point 66 of Part I below).

This governance model has enabled the consolidation of CTT's governance structure and practices, in line with the best national and international practices, promoting the effective performance of duties and coordination of the corporate bodies, the proper operation of a system of checks and balances and the accountability of its management to its shareholders and remaining stakeholders.

#### 16. Articles of association rules on procedural and substantive requirements applicable to the appointment and replacement of members of the Board of Directors

Pursuant to articles 9 and 12 of the Articles of Association, the election of the Board of Directors is entrusted to the General Meeting, including its Chairman and Vice-Chairman, by a majority of the votes cast by the shareholders present or represented (or by the most voted proposal in the event of several proposals), and one of the members of the Board of Directors can be elected from among persons proposed in lists submitted by groups of shareholders, provided that none of these groups holds shares representing more than 20% and less than 10% of the share capital.

PCC provisions regarding the replacement of members of the Board of Directors are applicable in the absence of such provisions in the Articles of Association. Under the terms of article 16 of the Articles of Association, it is provided for that the absence of a Director at more than 2 meetings of this body, whether consecutive or interspersed, without a reason accepted by the Board of Directors, shall be deemed definitively absent and shall be replaced pursuant to the PCC.

G-7

G-38

G-40

No other procedural and substantive requirements are stipulated in the Company's Articles of Association for the purpose of appointment or replacement of members of the Board of Directors.

### 17. Composition of the Board of Directors and Executive Committee

Pursuant to article 12 of the Articles of Association, the Board of Directors is composed of **5 to 15 members**, for a 3-year renewable term of office under the applicable law.

As at 31 December 2018, and on the present date, the Board of Directors was and is composed of the following **13 Directors**, of which 5 are part of the Executive Committee:

| Members   | Board of Directors | Executive Committee | Audit Committee | Independence <sup>(1)</sup> | Date of 1 <sup>st</sup> Appointment <sup>(2)</sup> |
|---|--------------------|---------------------|-----------------|-----------------------------|--|
| António Sarmento Gomes Mota                                     | Chairman           |                     |                 | Yes                         | 12/11/2013   |
| Francisco José Queiroz de Barros de Lacerda                     | Vice-Chairman      | Chairman            |                 |                             | 24/08/2012   |
| Dionizia Maria Ribeiro Farinha Ferreira                         | Member             | Member              |                 |                             | 24/08/2012   |
| Nuno de Carvalho Fernandes Thomaz                               | Member             |                     | Member          | Yes                         | 24/03/2014   |
| José Manuel Baptista Fino                                       | Member             |                     |                 | Yes                         | 19/12/2014   |
| Céline Dora Judith Abecassis-Moedas                             | Member             |                     |                 | Yes                         | 04/08/2016   |
| António Pedro Ferreira Vaz da Silva                             | Member             | Member              |                 |                             | 20/04/2017   |
| Francisco Maria da Costa de Sousa de Macedo Simão               | Member             | Member              |                 |                             | 20/04/2017   |
| João Afonso Ramalho Sopas Pereira Bento                         | Member             |                     |                 |                             | 20/04/2017   |
| Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia | Member             |                     | Chairwoman      | Yes                         | 20/04/2017   |
| Maria Belén Amatriain Corbi                                     | Member             |                     | Member          | Yes                         | 20/04/2017   |
| Rafael Caldeira de Castel-Branco Valverde                       | Member             |                     |                 | Yes                         | 20/04/2017   |
| Guy Patrick Guimarães de Goyri Pacheco                          | Member             | Member              |                 |                             | 19/12/2017   |

<sup>(1)</sup> The assessment of independence was conducted in accordance with the criteria defined in point 18.1 of Annex I of CMVM Regulation 4/2013, as well as the provisions in number 5 of article 414 of the PCC for non-executive members of the Audit Committee.

<sup>(2)</sup> The date of the first appointment to a governing body at CTT is presented here.

### 18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members deemed independent

**As at 31 December 2018 and on the present date**, the Board of Directors **was and is composed of 5 executive members and 8 non-executive members, including 7 independent members, among whom the Chairman of the Board of Directors**, indicated in the table of point 17 of Part I above.

**54% of the overall members of the Board of Directors and 87.5% of its non-executive members, in office as at 31 December 2018, are deemed independent pursuant to the criteria set out in** in point 18.1 of Annex I of CMVM Regulation 4/2013 and, with respect to the members of the Audit Committee, pursuant to article 414(5) of the PCC (as well as to international criteria and practices).

In order to assess the independence of the members of the Board of Directors and of its non-executive members, the criteria referred to in recommendation III.4 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance were also considered.

Therefore, the Company has a number of non-executive and independent members as adequate to its size and to the complexity of the risks inherent to its activity, ensuring an effective capacity to monitor, supervise and assess the activity of the remaining members of the management body, namely taking into account the adopted governance model, the size of the Company, its shareholder structure and free float.

With a view to ensuring coordination and effectiveness in the performance of duties by the non-executive Directors, the Company has adopted, in addition to the mechanisms aimed at making the Executive Committee's supervision effective (see point 21.2 of Part I below), the following procedures:

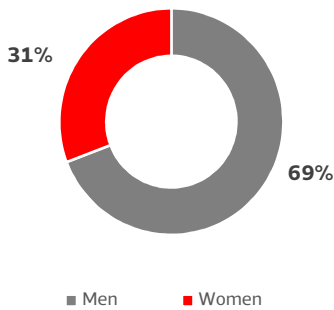
- The non-executive Directors (including the members of the Audit Committee) can request:
- a. from the Chairman of the Board of Directors or from the Chairman of the Executive Committee the provision of the necessary or convenient information to carry out their tasks, competences and duties, in particular, information relative to the competences delegated to the Executive Committee and its performance, the implementation of the budget, annual and multiannual plans and the state of the management. This information should be provided in an appropriate and timely manner;
  - b. the presence at meetings of said bodies/committees of members of the corporate bodies, senior staff or other employees of the CTT Group, in articulation with the Executive Committee.

**19. Professional qualifications and other relevant background for each member of the Board of Directors**

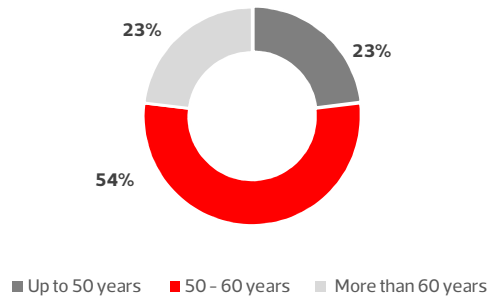
See Annex I of this report (pages 293-308) which includes the curricula vitae of CTT's members of the Board of Directors. **As at 31 December 2018, the Board of Directors had the following level of gender, age, independence and professional background diversity:**

G-40

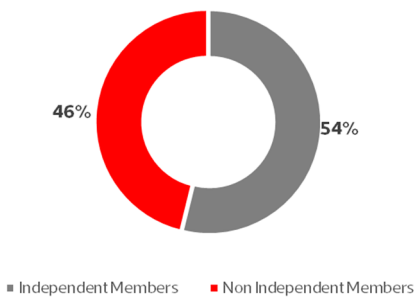
**Gender:**  
**31% Female Directors**



**Age:**  
**Average 55 years old**



**Independence: 54% Independent Directors, corresponding to 87.5% of the non-executive Directors**



**Professional Background: Balance of skills and relevant experience**





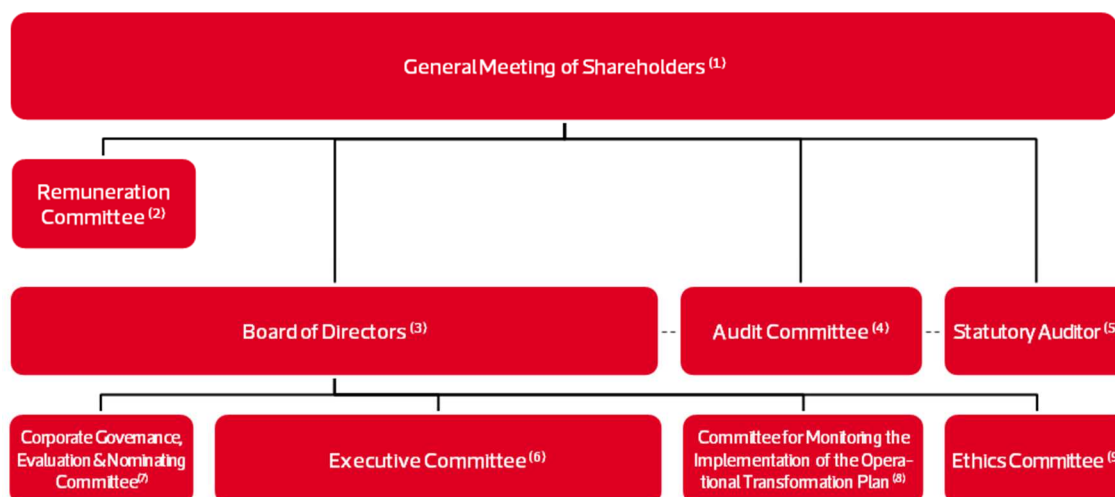
**20. Customary and significant relationships of a family, professional or commercial nature between members of the Board of Directors and Shareholders with qualified holdings greater than 2% of voting rights**

As at 31 December 2018, and on the present date, the **non-executive Director** João Afonso Ramalho Sopas Pereira Bento performed and still performs duties of Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A., as well as the positions of Chairman of the Board of Directors of OZ Energia, S.A. and Manager of Manuel Champalimaud Serviços, Unipessoal, Lda. (former Gestmin Serviços, Unipessoal, Lda.), two companies of the Manuel Champalimaud Group (former Gestmin Group, as the names of the Group and of the companies changed already in 2019).

Save as stated in the previous paragraph, CTT received no notice of any other regular significant family, professional or commercial relationships between Board members and qualified Shareholders with more than 2% of voting rights in CTT, either as at 31 December 2018 or the present date.

**21. Division of powers among the various Company corporate bodies, committees and/or departments**

As at 31 December 2018 and the present date, the powers of CTT’s corporate bodies and committees are distributed as follows, as further detailed in the points of Part I indicated below:



(1) See in particular the powers of the General Meeting described in point 15 above.  
 (2) See in particular the powers of the Remuneration Committee and its articulation with the Corporate Governance, Evaluation and Nominating Committee described in points 15, 21.4 and 66 of this chapter.  
 (3) See in particular the powers of the Board of Directors described in points 15 and 21.1 of this chapter. Also see points 21.4 and 21.5 on the powers of the Ethics Committee, as a committee supporting the Audit Committee and Board of Directors pursuant to the powers of these bodies.  
 (4) See in particular the powers of the Audit Committee described in points 15, 37 and 38 of this chapter. Also see points 21.4 and 21.5 on the powers of the Ethics Committee, as a committee supporting the Audit Committee and Board of Directors pursuant to the powers of these bodies.  
 (5) See in particular the powers of the Statutory Auditor described in points 15 and 38 of this chapter.  
 (6) See in particular the powers delegated by the Board of Directors to the Executive Committee, as well as the committees supporting the Executive Committee and Business Units, under the terms described in points 15, 21.2 and 21.3 of this chapter.  
 (7) See in particular the powers of the Corporate Governance, Evaluation and Nominating Committee of the Board of Directors and its articulation with the Remuneration Committee described in points 15, 21.4 and 66 of this chapter.  
 (8) See in particular the powers of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan described in point 21.6 of this chapter.  
 (9) See in particular the powers of the Ethics Committee, described in point 21.5 of this chapter as a committee supporting the Audit Committee and the Board of Directors pursuant to the powers of these bodies.

**21.1. Board of Directors**

The Board of Directors is the corporate body responsible for the Company’s management and representation, under the legal terms and the Articles of Association. It is entrusted with all actions and operations relative to the corporate scope that do not fall within the powers of the Company’s other

corporate bodies, under article 13 of the Articles of Association and article 5 of the Board Regulation.

#### MAIN POWERS OF THE BOARD OF DIRECTORS

- Stipulate the strategic guidelines and risk profile of the CTT Group;
- Approve the objectives and main management and risk policies and the general aspects of the business structure of the CTT Group;
- Ensure the effectiveness of the internal control, risk management and internal audit systems of the CTT Group, annually assessing their compliance and approving the necessary adjustments;
- Approve the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the CTT Group, as well as any amendments that prove necessary;
- Pass resolutions on relocations of registered offices and share capital increases or reductions, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Company's General Meeting;
- Approve the annual, half-yearly and quarterly reports and accounts;
- Pass resolutions on the provision of bonds and personal or asset guarantees, as provided by law;
- Define internal procedures for approval of business deals with related parties of the CTT Group;
- Establish the policies on selection and diversity and the standards of conduct enforced in the CTT Group;
- Present notices to convene the General Meetings of the Company;
- Co-opt Directors of the Company;
- Appoint the Company Secretary and his/her alternate;
- Annually assess the overall performance of the Board of Directors, its internal committees and members.

#### ROLE OF THE INDEPENDENT CHAIRMAN OF THE BOARD OF DIRECTORS

- Represent the Board of Directors in and out of court;
- Coordinate the activity of this body, allocating matters to Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- Exercise the casting vote in the context of the Board of Directors' resolutions;
- Overseeing the correct implementation of Board of Directors' resolutions;
- Promote communication between the Company and its stakeholders;
- Follow-up and consult the Executive Committee on the performance of the competences delegated thereto;
- Contribute to the effective performance of duties and powers by non-executive Directors and the internal committees of the Board of Directors, ensuring that their work is coordinated and that the necessary mechanisms are in place for them to receive, in a timely fashion, the appropriate information for them to make independent and informed decisions;
- Coordinate the assessment of the Board of Directors' performance with respect to compliance with the strategic guidelines and risk profile, the plans, budgets and internal control, risk management and internal audit systems of the CTT Group, and the overall performance of the Board of Directors, its internal committees and members.

#### 21.2. Executive Committee

The Board of Directors has delegated the Company's day-to-day management to the Executive Committee, as set out under article 13 of the Articles of Association and article 6 of the Regulations of the Board of Directors.

Matters of relevance for the strategic lines, general policies and structure of the CTT Group are excluded from the aforesaid delegation of powers.

**MATTERS RESERVED TO THE BOARD OF DIRECTORS AND EXCLUDED FROM THE CURRENT MANAGEMENT POWERS DELEGATED TO THE EXECUTIVE COMMITTEE**

- Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in business units new to the Group, or (iii) of value per operation greater than €20m;
- Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments by the Group whose value per operation is greater than €10m;
- Disposals or encumbrances of shareholdings (i) that result in the Group's exiting a certain country or business unit, or (ii) whose value per operation is greater than €20m;
- Taking on debt, in the form of financing or the issue of securities, in a value per operation greater than €150m or whose maturity exceeds 5 years;
- Any other business or operation that entails liabilities or obligations greater than €50m, per transaction or act, for the Group;
- The matters indicated as main powers in point 21.1 above, except for powers related to the provision of bonds and personal or asset guarantees, as provided for by law.

**ROLE OF THE CEO**

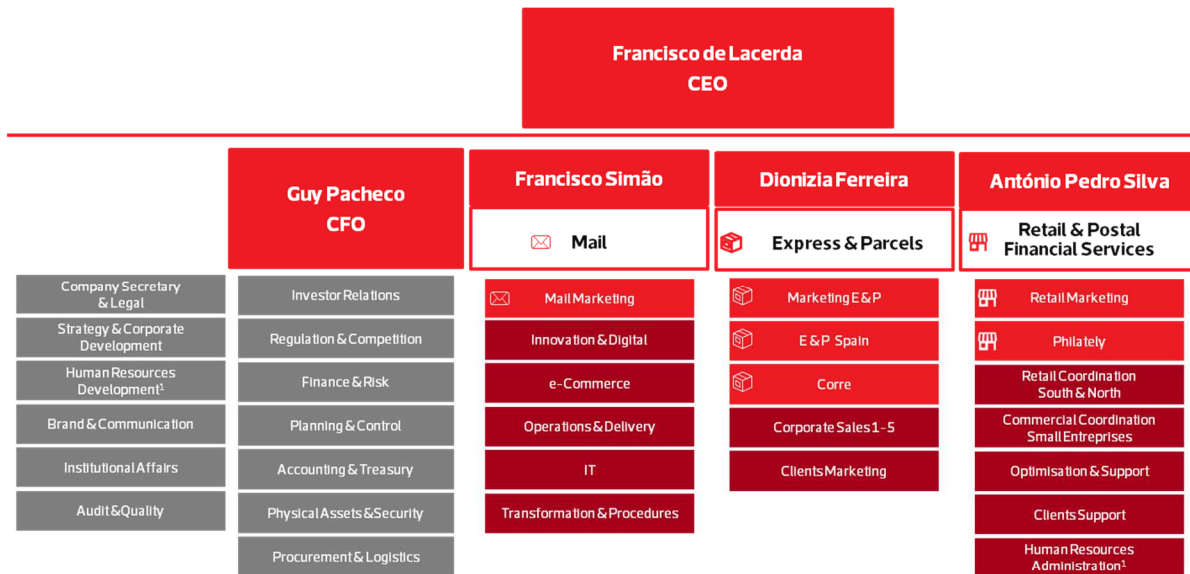
- Ensure that all information on the Executive Committee's activity and resolutions is provided to the other members of the Board;
- Ensure compliance with the limits to the delegation of powers and the Company's strategy and proposing to the Board of Directors a list of the management issues that should be specifically entrusted to each Executive Committee's member;
- Coordinate Executive Committee's activities, chairing its meetings, overseeing execution of resolutions and distributing among its members the preparation or monitoring of the issues to be analysed or decided by the Executive Committee;
- Exercise casting vote in the context of the Executive Committee's resolutions.

Under the Board of Directors and Executive Committee Regulations, the Company adopts the following mechanisms to better oversee the Executive Committee:

- In order to ensure that all members of the Board of Directors and other corporate bodies and committees are up to date on the status of the Company's management, the Executive Committee's agendas and meeting minutes are sent to non-executive Directors;
- At the Board of Directors' meetings, the Executive Committee presents the summarised information deemed relevant on the activities carried out since the last meeting;
- The Executive Committee is also obliged to provide members of the Board of Directors and all other members of the corporate bodies and committees with any additional or supplementary clarifications and information requested, on the performance of its attributions, duties and competences, in an adequate and timely fashion.

Under its delegated powers, the Executive Committee can entrust one or more of its members to deal with certain matters and subdelegate to one or more of its members the exercise of some of its delegated powers.

As of the date hereof, the powers of the Executive Committee are allocated to its members as follows:



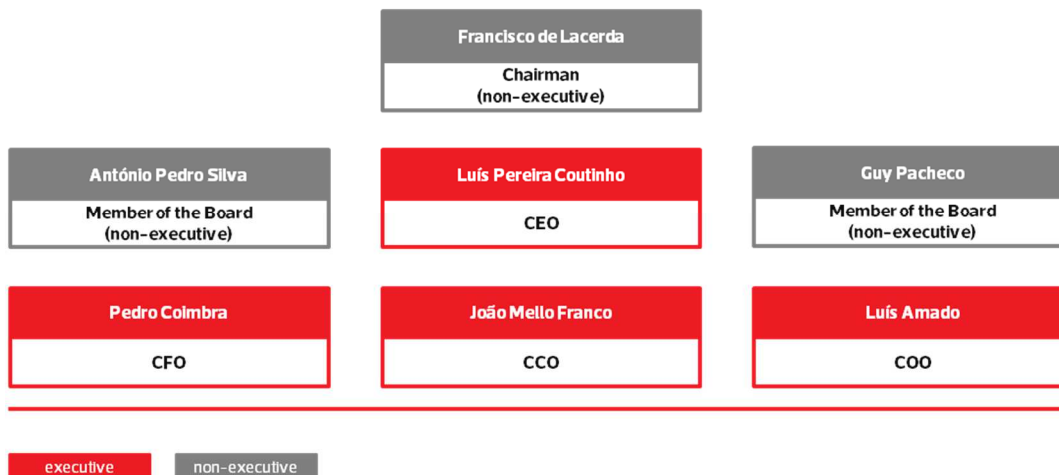
Legend: Business Specific Transversal Corporate Structure

- Mail
- Express & Parcels
- Postal Financial Services & Retail
- Banco CTT

<sup>1</sup> Integrated in the Human Resources Department.

The management structure of Banco CTT and the relationship with CTT executive Directors is as follows:

### Banco CTT



### 21.3. Committees that support the Executive Committee

The following Executive Committee supporting Committees are maintained:

| <b>MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS</b>   |   |
|--|---|
| <b>Risk Management Committee</b>   |   |
| <p>Composed of the Chief Financial Officer and the heads of Finance &amp; Risk, Strategy &amp; Corporate Development, Operations &amp; Delivery, Retail Marketing, Retail Coordination South &amp; North, Commercial Coordination Small Enterprises, Optimisation &amp; Support, Human Resources (Development and Administration), IT, Accounting &amp; Treasury, and Physical Assets &amp; Security.</p>  | <p>Promote corporate risk management, leveraging the operation of the risk management system at CTT, as best described in subchapter 2.7.1. Description of the risk management process, chapter 2.7. Risk Management of this report, as referred to in paragraph 52 of Part I below.</p>  |
| <b>Credit Committee</b>  |   |
| <p>Composed of the Chief Financial Officer, who chairs, the executive Directors responsible for the commercial areas and the heads of the following departments: Finance &amp; Risk, Corporate Sales 1 - 5, Retail Marketing, Retail Coordination South &amp; North, Commercial Coordination Small Enterprises, Optimisation &amp; Support, and Marketing E&amp;P. The follow-up and monitoring meetings should be attended by the persons responsible for the departments of Accounting &amp; Treasury, Company Secretary &amp; Legal Services (General Litigation), Customer Support and Mail Marketing.</p>         | <p>Definition and submission to the Executive Committee of customer credit policies. Assessment and review of risk levels and credit limits. Decision on granting/reviewing/suspending credit prior to entering into the respective agreements. Assessment of proposals to enter into payment agreements. Monitoring and evaluation of the results of the implementation of customer credit policy and identification of measures to achieve the defined goals.</p> |
| <b>Investment Committee</b>  |   |
| <p>Composed of the Chief Financial Officer, who chairs, the directors proposing eligible projects, the Directors submitting eligible projects and of the heads of the following departments: Strategy &amp; Corporate Development, Planning &amp; Control, and Finance &amp; Risk, who coordinates the Committee.</p>  | <p>Analysis of investments greater than €100,000 or whenever so requested by the Executive Committee with a view to ensuring the Executive Committee's greater effectiveness in those projects.</p>   |
| <b>Real Estate Management Committee</b>  |   |
| <p>Composed of the CTT executive Director(s) responsible for Physical Assets &amp; Security, who chair(s), and the Chief Financial Officer, and of the heads of the following departments: Physical Assets &amp; Security, who coordinates, Retail Marketing, Retail Coordination South &amp; North, Commercial Coordination Small Enterprises, Optimisation &amp; Support, Operations &amp; Delivery, and Planning &amp; Control. Depending on the issues on the agenda, the following are also members: the Executive Director responsible for the Retail Coordination South &amp; North and other top managers.</p> | <p>Strategic planning and management of real estate, real estate investment programming and promotion of optimisation and returns on real estate assets.</p>  |
| <b>Business Monitoring Committee</b>   |   |
| <p>Composed of the members of CTT Executive Committee (chaired by the CEO) and the heads of the following departments: Planning &amp; Control, who coordinates, Human Resources (Development &amp; Administration), Finance &amp; Risk, Strategy &amp; Corporate Development, Accounting &amp; Treasury, Customer Support, IT, Investor Relations and the heads of the business units of Mail, Express &amp; Parcels and Banco CTT.</p>  | <p>Ensure debate between the Executive Committee and the top managers of relevant business units as regards important matters for the development, planning and accomplishment of the business and respective management control by way of the monthly analysis of results.</p>   |

G-34 G-35 G-36

| <b>MANAGEMENT SUPPORT COMMITTEES AND THEIR GOALS</b>  |   |
|---|---|
| <b>Information Systems Committee</b>  |   |
| Composed of the Executive Committee members of CTT, the head of the IT department and the top managers. This Committee is chaired by the CEO.   | Ensure alignment between the IT systems and the client area, acting as an advisory body to the Executive Committee and as a forum for discussing, planning and prioritising projects, as well as monitoring their execution and integration.  |
| <b>Communication Committee</b>  |   |
| Composed of the Executive Committee members of CTT, the CEO of Banco CTT, and the heads of the following departments: Brand & Communication, Strategy & Corporate Development, Mail Marketing, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, and the Marketing & Communication area of Banco CTT. The Committee is chaired by the CEO of CTT and coordinated by the Brand & Communication manager.  | Ensure coherence between the communication strategy and businesses, as well as the integrated and articulated management of the different means and various communication initiatives. Define priorities and ensure the alignment of the business reality with the operational communications plan.                                   |
| <b>Sustainability Committee</b>   |   |
| Composed of the members of the Executive Committee (chaired by the CEO) and by the heads of the following departments: Brand & Communication, who coordinates, Operations & Delivery, Retail Marketing, Retail Coordination South & North, Commercial Coordination Small Enterprises, Optimisation & Support, Physical Assets & Security, Human Resources (Development and Administration), Procurement & Logistics, Audit & Quality, and the head of each of the subsidiaries (when necessary), as well as the head of Sustainability. | Define, monitor and develop a coherent, solid and dynamic sustainability policy which involves all the employees and other stakeholders.  |
| <b>Process Committee</b>  |   |
| Composed of the executive Director responsible for the Change & Procedures and the heads of the following departments: Change & Procedures, Finance & Risk, and Audit & Quality.  | Define the plan for mapping processes, ensuring its alignment with CTT's priorities and strategic guidelines, and ensure the necessary competences and resources for the correct implementation of the roadmap defined for modelling, documenting and maintaining the processes. Supervise the process design and mapping activities. |

In addition to the above-mentioned Committees supporting the Executive Committee, the following Committees were created in 2019:

| <b>BUSINESS UNITS COMMITTEES AND THEIR GOALS</b>  |   |
|---|---|
| <b>Mail Executive Committee</b>   |   |
| Composed of the Executive Director responsible for the Mail business unit, who chairs, the Executive Directors responsible for the Express & Parcels and Retail & Postal Financial Services business units, and the heads of Mail Product Marketing, Operations & Delivery, Clients Marketing, Retail Marketing and Human Resources & Organisation. The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") participate whenever they wish or are invited by the Chairman of the Committee. | Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee. |

| BUSINESS UNITS COMMITTEES AND THEIR GOALS  |  |
|--|--|
| Express & Parcels Executive Committee  |  |
| <p>Composed of the Executive Director responsible for the Express &amp; Parcels business unit, who chairs, and the Executive Directors in charge of the Mail and the Retail &amp; Financial Services business units, as well the heads of the Marketing E&amp;P, Operations &amp; Delivery, Clients Marketing, Retail Marketing and IT departments, and the Managing Director of Tourline. The CEO and CFO participate whenever they wish or are invited by the Chairman of the Committee.</p> | <p>Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee.</p> |
| Retail & Financial Services Committee  |  |
| <p>Composed of the Executive Director responsible for the Retail &amp; Postal Financial Services business unit, who chairs, the Executive Director responsible for the Express &amp; Parcels business unit, as well as the Directors of Retail Marketing, Retail Coordination South &amp; North, Clients Marketing and Human Resources &amp; Organisation. The CEO and CFO participate whenever they wish or are invited by the Chairman of the Committee.</p>                                 | <p>Ensure a single business vision, by monitoring the most pertinent issues of each business unit, namely development projects and monitoring of the activity. Discuss and align key points for deliberation at Executive Committee meetings. Prepare monthly reviews for discussion by the Executive Committee.</p> |

#### 21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee entrusted with the following main powers pursuant to the Board of Directors Regulation and its Internal Regulation:

| CORPORATE GOVERNANCE AND ETHICS STRUCTURE AN PRACTICES  |
|---|
| <ul style="list-style-type: none"> <li>• Assist the Board of Directors in the definition and assessment of CTT's governance model, principles and practices;</li> <li>• Collaborate in preparing the annual corporate governance report of the Company;</li> <li>• Oversee the definition and monitoring of the ethics and conduct standards within the Group;</li> <li>• Draft recommendations to the Board of Directors concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and expertise;</li> <li>• Prepare a report on the operation and effectiveness of the governance model, principles and practices of the Company, as well as on the Company's level of compliance with the applicable requirements;</li> <li>• Assess the corporate image of CTT among the shareholders, investors, financial analysts, the market in general and supervisory authorities, and monitor any Portuguese Securities and Exchange Commission's inspections;</li> <li>• Support and monitor the Board's definition of the Company's social responsibility and sustainability policies and strategies.</li> </ul> |
| PERFORMANCE ASSESSMENT AND REMUNERATION   |
| <ul style="list-style-type: none"> <li>• Propose or issue an annual opinion to the Remuneration Committee on the management body remuneration policy and the annual statement to be submitted to the General Meeting for this purpose;</li> <li>• Monitor and support the annual assessment of the Board's overall performance, as well as of the Board internal committees and of the Executive Committee's members, taking into account, in particular, compliance with the Company's strategic plan, the budget and risk management;</li> <li>• Propose to the Remuneration Committee the result of the qualitative assessment of executive Directors' performance to the Remuneration Committee, in the context of the overall assessment model for the purpose of stipulating the variable remuneration to be defined by that Committee;</li> <li>• Propose or issue an opinion to the Board of Directors and the Remuneration Committee, as applicable, on share award plans, stock options or stock options based on Company share price variations.</li> </ul>  |

G-51 G-52



**APPOINTMENTS**

- Draft and update recommendations on qualifications, knowledge and experience in carrying out corporate duties for selecting members for CTT's management and supervisory bodies, after hearing the Chairman and, in the case of executive Directors, the CEO;
- Monitor the processes of selecting the group's top management and corporate bodies' members of other companies that CTT is entitled to appoint;
- Monitor the drafting, together with the Executive Committee, of succession plans;
- Propose to the Board of Directors the termination of office of Executive Committee's members, following an assessment and consultation with the CEO;
- Issue opinions relative to the performance, by members of the Executive Committee, of executive duties in companies which are not part of the Group.

21.5. Ethics Committee

The mission of the Ethics Committee, in the context of the Internal Regulations and the Regulations on Procedures of Communication of Irregularities, is to monitor the application and evolution of the Group's Code of Conduct, as well as the handling of irregularities, observing the legislative changes related to these matters and always in articulation with the governing bodies, committees and structures of the Group.

This Committee is responsible for:

**GROUP'S CODE OF CONDUCT**

- Promoting disclosure, implementation and compliance with the Group's Code of Conduct, while stipulating communication plans and channels for all levels of hierarchy, as well as carrying out preventive training for its disclosure and compliance, while supporting the Board of Directors, Executive Committee and Corporate Governance, Evaluation and Nominating Committee in carrying out its respective duties.

**CODE OF GOOD CONDUCT FOR PREVENTING AND COMBATING HARASSMENT**

- Promoting disclosure, implementation and compliance with the Code of Best Conduct for preventing and combating harassment in the workplace by all those who work there, including the members of the corporate bodies and top management in their relationship with superiors, fellow workers and subordinates.

**WHISTLEBLOWING SYSTEM**

- Participating in handling whistleblowing received within the Group, together with the Audit Committee and the Audit and Quality Department, pursuant to the mentioned Regulations, while supporting the Audit Committee, in any case, in carrying out its duties as regards the whistleblowing system.

21.6. Committee for the Monitoring of the Implementation of the Operational Transformation Plan

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan, composed of the Chairman of the Board of Directors, António Sarmiento Gomes Mota, who chairs, and the non-executive Directors, João Afonso Ramalho Sopas Pereira Bento, Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia and Rafael Caldeira de Castel-Branco Valverde, is an *ad hoc* committee created to monitor the implementation of this plan, thus improving the information given to the Board of Directors and continued supervisory activity by all the non-executive members of the Board of Directors.

The Committee for the Monitoring of the Implementation of the Operational Transformation Plan is responsible for the following duties and powers:

**DUTIES AND POWERS OF ADVISORY NATURE**

- Monitoring of the Executive Committee's implementation of the Operational Transformation Plan;

- Appraisal of the reports and updated information of the Executive Committee concerning the implementation of the Operational Transformation Plan;
- Appraisal of the status of the implementation of key aspects of the Operational Transformation Plan and the evolution of the key financial and business indicators of CTT vs. the objectives of this Plan and their discussion with the members of the Executive Committee and/or with the senior staff of CTT's strategic and operational areas, in articulation with the Executive Committee;
- Preparation, whenever deemed convenient or when requested by the Board of Directors, of reports on the implementation of the Operational Transformation Plan.

During the 2018 financial year, this Committee held 22 meetings to monitor the execution of the various initiatives of the Operational Transformation Plan and the development of other issues within of its duties.

#### PREVENTION OF CONFLICTS OF INTEREST

Pursuant to the Regulations of the Board of Directors and corporate committees available at “CTT and Investor”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on **CTT's website** ([www.ctt.pt](http://www.ctt.pt)), the Company adopts mechanisms to prevent the existence of conflicts of interest between the members and the Company, under the following terms:

#### **MECHANISMS TO PREVENT CONFLICTS OF INTEREST**

- The members of the corporate bodies and committees cannot participate in, interfere in or vote on resolutions about issues in which they have, on their own account or for a third party, an interest in conflict with that of the Company.
- All the other members should be informed (via their Chairman if the conflict does not involve this person) with sufficient time in advance of the facts that could constitute or give rise to a conflict of interest, without prejudice to the duty to provide information and clarifications that may be requested from them.

G-41

#### **d) Operation**

##### **22. Existence and place where the Board of Directors and Executive Committee's internal regulations are available for consultation**

The full text of the Board of Directors' and Executive Committee's internal Regulations are available at “CTT & Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on **CTT's website** ([www.ctt.pt](http://www.ctt.pt)).

##### **23. Number of Board of Directors' meetings and attendance by each member**

The Board of Directors held **18 meetings in 2018**, (see “CTT and Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations”, on CTT's website ([www.ctt.pt](http://www.ctt.pt)) with the following attendance by its members:

| Members   | Percentage attendance <sup>(1)</sup> | Attendance | Representation | Absences |
|---|--------------------------------------|------------|----------------|----------|
| António Sarmento Gomes Mota                                     | 100%                                 | 18         | 0              | 0        |
| Francisco José Queiroz de Barros de Lacerda                     | 100%                                 | 18         | 0              | 0        |
| Dionizia Maria Ribeiro Farinha Ferreira                         | 100%                                 | 18         | 0              | 0        |
| Nuno de Carvalho Fernandes Thomaz                               | 100%                                 | 18         | 0              | 0        |
| José Manuel Baptista Fino                                       | 94%                                  | 17         | 1              | 0        |
| Céline Dora Judith Abecassis-Moedas                             | 100%                                 | 18         | 0              | 0        |
| António Pedro Ferreira Vaz da Silva                             | 100%                                 | 18         | 0              | 0        |
| Francisco Maria da Costa de Sousa de Macedo Simão               | 100%                                 | 18         | 0              | 0        |
| João Afonso Ramalho Sopas Pereira Bento                         | 94%                                  | 17         | 0              | 1        |
| Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia | 100%                                 | 18         | 0              | 0        |

| Members                                   | Percentage attendance <sup>(1)</sup> | Attendance | Representation | Absences |
|---|--------------------------------------|------------|----------------|----------|
| Maria Belén Amatriain Corbi               | 94%                                  | 17         | 1              | 0        |
| Rafael Caldeira de Castel-Branco Valverde | 67%                                  | 12         | 5              | 1        |
| Guy Patrick Guimarães de Goyri Pacheco    | 100%                                 | 18         | 0              | 0        |

<sup>(1)</sup> Percentage in relation to attendance.

## 24. Corporate bodies with powers to carry out the performance assessment of executive Directors

Pursuant to article 9 of CTT's Articles of Association, the Remuneration Committee is responsible for stipulating remuneration of corporate body members and, consequently, defining the management body's remuneration policy and principles and the overall assessment model for the variable remuneration of the executive Directors, under the terms described in points 66 and following of Part I below.

In turn, pursuant to its Regulation, the Corporate Governance, Evaluation and Nominating Committee is responsible for supporting the Remuneration Committee and the Board of Directors in assessing management body members, as described in point 21 of Part I above and in points 70 and 71 of Part I below.

The **Audit Committee** is responsible, pursuant to its Regulations, for the annual assessment, in articulation with the Board of Directors, of the internal operation of the Board of Directors and its committees, as well as for relations between the Company's bodies and committees, and may attend the Executive Committee meetings whenever this appears appropriate or legally due.

## 25. Predetermined criteria for assessing the performance of the executive Directors

For this issue points 66 and following of Part I below present details on the remuneration policy and principles for the management body, including a description of the criteria, objectives and limits of the variable remuneration of the executive Directors, in particular in **point 71 of Part I below which details the applicable performance evaluation criteria.**

## 26. Availability of each member of the Board of Directors, offices held simultaneously in other companies, in and outside the group, and other relevant activities carried out by members of the Board of Directors

Offices held simultaneously in other companies, in and outside the Group, and other activities carried out by the Company's Directors are detailed in [Annex I](#) of this report (pages 293–308).

The performance of executive duties by the executive Directors in entities that were not part of the CTT Group is subject to the issue of an opinion by the Corporate Governance, Evaluation and Nominating Committee, pursuant to the Regulations of this Committee (see point 27 of Part I below).

As supplementary information, we highlight that:

- The **executive Directors** have shown themselves to be completely available regarding their duties in 2018, as shown by their **100% attendance at the 18 Board of Directors' meetings and at the 53 Executive Committee's meetings**, as well as by their exercise of executive duties exclusively within the Group;
- **Non-executive Directors** have also shown a high degree of availability in 2018, as shown by their **average attendance of 97%** at the **18** Board of Directors' meetings, **17** Audit Committee's meetings and **6** Corporate Governance, Evaluation and Nominating Committee's meetings.

e) **Committees within the management body**

**27. Committees created within the Board of Directors and place where their internal regulations are available for consultation**

See points 21 and 22 of Part I above on committees created within the Board of Directors. Concerning the Audit Committee, please also see point 38 of Part I below. The aforesaid committees have adopted internal regulations whose full texts are available at “CTT & Investors”, “The Company”, “Corporate Governance”, “Articles of Association & Regulations” on **CTT’s website** ([www.ctt.pt](http://www.ctt.pt)).

**28. Composition of the Executive Committee**

As at 31 December 2018, and on today’s date, the Executive Committee was and is composed of the following **5 members**:

| Members   | Position |
|---|----------|
| Francisco José Queiroz de Barros de Lacerda       | Chairman |
| Dionizia Maria Ribeiro Farinha Ferreira           | Member   |
| António Pedro Ferreira Vaz da Silva               | Member   |
| Francisco Maria da Costa de Sousa de Macedo Simão | Member   |
| Guy Patrick Guimarães de Goyri Pacheco            | Member   |

**29. Powers of each committee created and overview of the activities carried out in the exercise of those powers**

See point 21 of Part I above on the powers of the committees created within the Board of Directors and of the Executive Committee.

29.1 Executive Committee

During 2018, the Executive Committee held **53 meetings** (see “CTT and Investors”, “The Company”, “Corporate Governance”, “Corporate Bodies”, on **CTT’s website** ([www.ctt.pt](http://www.ctt.pt))) having passed resolutions on various matters within its powers, namely the following:

|                 |   |
|-----------------|---|
| <b>MARCH</b>    | <ul style="list-style-type: none"> <li>• <b>Increase of the share capital of Banco CTT</b> of €25m, underwritten and fully paid-up in cash, on 7 March, with the share capital amounting to €156.4m after the increase.</li> </ul>  |
| <b>APRIL</b>    | <ul style="list-style-type: none"> <li>• <b>Updating of prices</b> taking effect from 2 April. The updating corresponded to an annual average variation of the basket of letter, editorial mail and parcel services of 4.5%, not including the prices of the reserved services.</li> </ul>  |
| <b>MAY</b>      | <ul style="list-style-type: none"> <li>• Signing of a <b>real estate sale promissory agreement</b> relative to a building owned by the company at <b>Rua da Palma</b>, in Lisbon, on 15 May.</li> </ul>   |
| <b>JUNE</b>     | <ul style="list-style-type: none"> <li>• Signing of a <b>Review Agreement for CTT’s 2015 Company Agreement</b>, effective from 1 January 2018. The parties agreed to a salary increase of between 1.1% and 1.3% in basic monthly salaries up to €2,790.40, with the guarantee of a minimum increase of €12.00; an identical increase was applied in subsidiary companies.</li> <li>• Signing of an agreement for the <b>incorporation of a company with Sonae – SGPS, S.A.</b>, on 14 June, with a view to exploring a business opportunity in the electronic commerce sector.</li> </ul> |
| <b>AUGUST</b>   | <ul style="list-style-type: none"> <li>• <b>Incorporation of the company MKTPlace – Comércio Eletrónico, S.A.</b>, on 9 August, in the context of the joint-venture concluded between CTT and Sonae – SGPS, S.A.</li> </ul>   |
| <b>DECEMBER</b> | <ul style="list-style-type: none"> <li>• <b>Completion of the sale</b> of the property located in <b>Rua da Palma</b>, in Lisbon.</li> </ul>  |

29.2 Corporate Governance, Evaluation and Nominating Committee

As at 31 December 2018, and on the present date, the Board of Directors was and is composed of the following **5 non-executive Directors**, of which **4 are independent**:

| Members                                   | Position |
|---|----------|
| António Sarmento Gomes Mota               | Chairman |
| José Manuel Baptista Fino                 | Member   |
| Céline Dora Judith Abecassis-Moedas       | Member   |
| João Afonso Ramalho Sopas Pereira Bento   | Member   |
| Rafael Caldeira de Castel-Branco Valverde | Member   |

This Committee held **6 meetings** in 2018, with the following attendance by its members:

| Members                                   | Percentage attendance <sup>(1)</sup> | Attendance | Representation | Absences |
|---|--------------------------------------|------------|----------------|----------|
| António Sarmento Gomes Mota (Chairman)    | 100%                                 | 6          | 0              | 0        |
| José Manuel Baptista Fino                 | 83%                                  | 5          | 1              | 0        |
| Céline Dora Judith Abecassis-Moedas       | 100%                                 | 6          | 0              | 0        |
| João Afonso Ramalho Sopas Pereira Bento   | 100%                                 | 6          | 0              | 0        |
| Rafael Caldeira de Castel-Branco Valverde | 100%                                 | 6          | 0              | 0        |

<sup>(1)</sup> Percentage in relation to attendance.

During this financial year, this Committee carried out the following main activities:

- Defining the models for assessing independence and the absence of incompatibilities and assessing compliance with independence requirements by non-executive Directors that are not part of the Audit Committee for the purposes of the 2018 Annual Corporate Governance Report;
- Monitoring and supporting the processes of annual assessment of the overall performance of the Board of Directors, qualitative assessment of the Executive Committee and its members, and self-assessment of the Committee, relative to the activity carried out in 2017, with subsequent information to the Remuneration Committee on the result of the qualitative assessment of the performance of the members of the Executive Committee, and approval of the standard questionnaires to be used for the purpose;
- Drafting the Report on the functioning and effectiveness of the Company's corporate governance model, principles and practices, and the annual assessment of the overall performance of the Board of Directors relative to 2017;
- Appraisal of the opinion on the Remuneration Committee's annual statement on the remuneration policy of the corporate bodies for the term of office 2017/2019;
- Assessing initiatives carried out by CTT under its sustainability and social responsibility policies;
- Appraisal of the amendments of the Regulations of the Ethics Committee, arising from Law 83/2017, of 18 August, which sets out measures to combat money laundering and terrorist financing, proposed by the Ethics Committee;
- Appraisal of proposed changes of the Regulations of the Corporate Governance, Evaluation and Nominating Committee and the Regulations on Appraisal and Control of Transactions with Related Parties and Prevention of Situations of Conflict of Interests, aimed at ensuring compliance with recommendations provided for in the IPCG Code.

### 29.3 Ethics Committee

As at 31 December 2018, and on the present date, this Committee was and is composed of the following **3 members**:

| Members   | Position |
|---|----------|
| Nuno de Carvalho Fernandes Thomaz <sup>(1)</sup>          | Chairman |
| Julieta Aurora Barracho Gomes Jorge Cainço <sup>(2)</sup> | Member   |
| António Augusto Labrincha Correia Marques <sup>(3)</sup>  | Member   |

<sup>(1)</sup> In the capacity of independent non-executive Director and member of the Audit Committee.

<sup>(2)</sup> In the capacity of Head of Audit & Quality.

<sup>(3)</sup> In the capacity of Head of Human Resources (Development and Administration).

During 2018, this Committee held **6 meetings** (see "CTT and Investors", "The Company", "Corporate Governance", "Corporate Bodies", on **CTT's website** ([www.ctt.pt](http://www.ctt.pt)) and carried out the following main activities:

- Adjustment of the Internal Regulations of the Ethics Committee and the Regulations of Procedures of Communication of Irregularities, and the internal practice, to the entry into force of the new legislation on Prevention of Money Laundering and Terrorist Financing, Prevention and Combat of Harassment at Work, and Personal Data Protection;
- Training of the structures of the CTT Group and subsidiaries, both in person and through e-learning, on good practices to be developed under the legislation referred to in the previous paragraph;
- Disclosure by the different means available (portal, website, intranet, magazine) of the ethical and social responsibility values in force at the CTT Group and subsidiaries, as well as the monitoring of the degree of accomplishment of the training on ethical values and standards of conduct in all CTT's structures and in the subsidiaries.

### III. OVERSIGHT

#### f) **Composition**

##### **30. Supervisory body for the adopted model**

The supervision of the Company's activity is entrusted to the **Audit Committee and Statutory Auditor**. For further details on this topic, see point 15 of Part I above.

##### **31. Composition of the Audit Committee, minimum and maximum number of members and term of office set out in the Articles of Association, number of permanent members, date of first appointment and date of termination of office for each member**

Pursuant to article 19 of CTT's Articles of Association, the Audit Committee is composed of 3 Directors, 1 of whom will be its Chairman. All are elected at the General Meeting (for a renewable term of office of 3 years), together with all the other Directors, where the proposed lists for the composition of the Board of Directors should detail the members that are intended to be part of the Audit Committee and indicate its Chairman.

As at 31 December 2018, and on the present date, the Audit Committee was and is composed of the following **non-executive Directors, who meet the applicable requirements on incompatibilities, independence and expertise**, possessing the academic qualifications that are legally required and appropriate to the performance of their duties and with at least 1 of its members having knowledge of accounting, in compliance with article 423-B of the PCC, article 3 of Law 148/2015, of 9 September, and article 19 of the Articles of Association:

| Members  | Position   | Date of 1 <sup>st</sup> appointment<br>(1) | Independence<br>(2) |
|--|------------|--|---------------------|
| M <sup>ª</sup> Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia | Chairwoman | 20/04/2017                                 | Yes                 |
| Nuno de Carvalho Fernandes Thomaz  | Member     | 19/12/2014                                 | Yes                 |
| Maria Belén Amatriain Corbi  | Member     | 20/04/2017                                 | Yes                 |

<sup>(1)</sup> The date of the first appointment to a supervisory body at CTT is presented here.

<sup>(2)</sup> The assessment of independence was conducted in accordance with the provisions in number 5 of article 414 of the PCC.

##### **32. Members of the Audit Committee deemed independent, under article 414(5) of the PCC**

See point 31 of Part I above.

##### **33. Professional qualifications and other relevant curricular data for each of the members of the supervisory body**

On this issue, see [Annex I](#) of this report (pages 293-308) which provides the curricula of the members of the supervisory body of CTT.

**g) Operation**
**34. Existence and place where the supervisory body's internal regulations are available for consultation**

The full text of the Audit Committee's Internal Regulation is available for consultation at "CTT and Investors", "The Company", "Corporate Governance", "Articles of Association and Regulations", on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

**35. Number of Audit Committee's meetings and attendance by each member**

The Audit Committee held **17 meetings in 2018** (see "CTT and Investors", "The Company", "Corporate Governance", "Corporate Bodies", **on CTT's website** ([www.ctt.pt](http://www.ctt.pt)) with the following attendance by its members:

| Members  | Percentage attendance <sup>(1)</sup> | Attendance | Representation | Absences |
|--|--------------------------------------|------------|----------------|----------|
| Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman) | 100%                                 | 17         | 0              | 0        |
| Nuno de Carvalho Fernandes Thomaz  | 100%                                 | 17         | 0              | 0        |
| Maria Belén Amatriain Corbi  | 100%                                 | 17         | 0              | 0        |

<sup>(1)</sup> Percentage in relation to attendance.

During 2018, the Audit Committee carried out the following main activities:

- Overseeing the quality and integrity of the financial information in CTT's financial statements;
- Supervising internal audit, internal control and risk management systems, namely: (i) monitoring the activities of the Audit & Quality Department with respect to internal audit and compliance, (ii) appraisal of the proposed Policy on Prevention of Money Laundering and Terrorist Financing, (iii) appraisal of the risk governance model of CTT and Banco CTT and analysis of the main risks and respective mitigation plans, (iv) appraisal of the Internal Regulations on Risk Management of the CTT Group (except Banco CTT), (v) appraisal of the budget for 2019 and the plan for 2019/2021 of CTT, and (vi) promotion of the discussion of topics such as Cybersecurity in the CTT Group, Personal Data Protection, the Laws on Combat of Money Laundering and Terrorist Financing and the Legal System for Central Registration of Effective Beneficiary, as well as the role of the Board of Directors in Digital Transformation.
- Supervising the Statutory Auditor's performance of duties, including in particular: (i) approval of the proposal at the General Meeting of Shareholders of CTT for nomination of KPMG as the Statutory Auditor for the term of office 2018/2020; (ii) the appraisal of the statutory audit report on the accounts and additional report for 2017; (iii) appraising the engagement of statutory auditor services and the prior authorisation of the engagement of non-audit services provided by the Statutory Auditor in the financial year 2018 and assessment of the Executive Committee Reports on contract awards to the Statutory Auditor and respective fees; (iv) annual assessment of the statutory auditor's performance, including independence; (v) appraisal of the limited review report on the half-yearly 2018 accounts and, in general, monitoring the preparatory work for the 2018 statutory auditor report, (vi) analysis of and discussion with the Statutory Auditor on accounting policies, main audit issues and results of its audit works and assessment of the general environment of internal control, and (vii) appraisal of Transparency Reports of the Statutory Auditor of 2016 and 2017;
- Assessing the CMVM Public Consultation no. 8/2018 aimed at reviewing the legal framework on audit supervision established by Law 148/2015, of 9 September, and this Committee's position towards CMVM regarding the limited review of interim accounts;
- Appraising compliance with the requirements for incompatibilities, independence and specialisation by its members;
- Assessing the Ethics Committee's reports on Whistleblowing and Breaches of the Code of Conduct and the Executive Committee's Reports on Related Party Transactions;
- Assessing the adequacy of Audit Committee Internal Regulation and of the Audit Committee's self-assessment and the Statutory Auditor's assessment;
- Discussing the new structure of the CTT Management Report.



### 36. Availability of each member of the Audit Committee, indicating offices held simultaneously in other companies, in and outside the group, and other relevant activities carried out by members of the Audit Committee

Offices held simultaneously in other companies, in and outside the CTT Group, and other activities carried out by the Company's Audit Committee's members are detailed in their curricula vitae included in Annex I of this report (pages 293-308). On this matter, see also point 26 of Part I above.

#### h) Powers and duties

### 37. Procedures and criteria applicable to the intervention of the supervisory body on the engagement of additional services from the external auditor

When engaging non-audit services, CTT and Banco CTT, as an entity of public interest held entirely by CTT, observe the rules in the respective Regulation on the Provision of Services by the Statutory Auditor, according to which CTT's **Audit Committee and Banco CTT's Audit Committee** are responsible for assessing the requests for engaging the Statutory Auditor for non-audit services by CTT, by its parent company or by the entities under its control (as applicable), with its engagement being subject to the **prior authorisation** of these bodies.

The referenced oversight bodies take into account therein, mainly the following aspects:

- Whether the services are prohibited and whether the provision of the services will affect the Statutory Auditor's independence;
- Whether the engagement of this service from the Statutory Auditor does not exceed the maximum limits of fees legally applicable to non-audit services;
- The Statutory Auditor's experience and knowledge of the Company.

### 38. Other supervisory body duties

The **Audit Committee**, as a supervisory body, has the following main powers established by law, the Company's Articles of Association and its Regulation:

#### OVERSIGHT OF FINANCIAL INFORMATION QUALITY AND INTEGRITY

- To assess whether the adopted accounting policies and procedures and valuation criteria are consistent with generally accepted accounting principles and whether they are suitable to the correct presentation and valuation of the Company's assets, liabilities and results;
- To supervise compliance with and correct application of accounting principles and standards;
- To issue an opinion on the annual management report, including the non-financial statement, the accounts for the year and the proposals presented by the Company's management;
- To oversee the preparation and disclosure of financial information;
- To certify whether the Company's Annual Corporate Governance Report includes all required matters.

#### SUPERVISION OF THE INTERNAL AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

- To supervise the effectiveness and adequacy of the internal audit, internal control and risk management systems, by annually assessing these systems and proposing, to the Executive Committee, measures aimed at improving their functioning as prove necessary;
- To annually assess the internal controls relative to (i) the process of preparation and disclosure of financial information, (ii) accounting and audit matters, and (iii) matters on prevention of money laundering and terrorist financing;
- To issue an opinion on the work plans and resources of the Company's Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable, and assess their independence;

- To monitor internal audit matters, together with the Board of Directors and Executive Committee, analysing reports from the Audit & Quality Department, including the compliance services, and that of other internal control services of the Company, as applicable;
- To discuss the content of the internal control report with the Executive Committee and Statutory Auditor;
- To define and implementing, together with the Board of Directors, and oversee the procedures for handling irregularities;
- To assess, in articulation with the Board of Directors and Executive Committee, the risk policy and the strategic lines of the Company, (i) periodically monitoring the work and resources allocated to the management and risk function, (ii) monitoring and issuing an opinion on the strategic lines and the profile and objectives on matters of risk-taking, the measures of mitigation, the monitoring procedures and integrated risk assessment methodologies, (iii) promoting an annual assessment of the degree of compliance and performance of the risk management policy and system, and the creation of periodic controls to assess whether the risks effectively incurred by the Company are consistent with the risk profile and objectives assumed on risk-taking matters, and (iv) promoting an annual assessment of compliance with the Company's strategic plan and the budget;
- To annually assess, in articulation with the Board of Directors and Executive, the internal functioning of the Board of Directors and its committees, as well as the relations between the Company's bodies and committees;
- To issue a prior and binding opinion, directed at the Board of Directors, on internal procedure on approval of significant transactions with related parties to be subject to prior approval of the Board of Directors and/or favourable prior opinion of the Audit Committee;
- To issue favourable opinions on transactions with members of the Board of Directors and transactions with related parties considered significant, under the established legal and regulatory terms and the procedure referred to in the previous paragraph;
- To monitor and supervise the mechanisms implemented for purposes of approval, control and disclosure of transactions with related parties.

#### OVERSEEING THE STATUTORY AUDITOR

- To select the Statutory Auditor, after appraisal of qualifications and independence for the performance of duties, and proposing its nomination and issuing an opinion to the Executive Committee on the terms of the contract for provision of services in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- To annually assess the work conducted by the Statutory Auditor and its adequacy to perform the duties, and proposing its dismissal to the General Meeting and termination of the contract for provision of services of the Statutory Auditor to the Board of Directors, when on the grounds of fair cause;
- To verify, monitor, oversee and assess the Statutory Auditor's independence as prescribed by law and assess the annual confirmation of its independence vis-à-vis the Company (including the Statutory Auditor's own independence and that of his/her partners and other senior officers/managers, as prescribed by law);
- To verify the adequacy of and give prior consent, in a substantiated manner, to the Statutory Auditor's providing non-audit services to CTT and to the entities under its control, as well as assess the Statutory Auditor's annual statement therein related, in conformity with the terms detailed in the specific procedure that has been approved on the topic by the Audit Committee;
- To discuss threats to its independence with the Statutory Auditor and the safeguards implemented to mitigate them;
- To propose the Statutory Auditor's remuneration to the competent bodies;
- To permanently monitor the activity and contractual ties with the Statutory Auditor, in particular as regards financial information and the effectiveness of internal control mechanisms, namely by (i) procuring the latter is endowed with the conditions necessary to carry out its activity, (ii) being the Statutory Auditor's main liaison within the Company, and (iii) receiving the content of all its reports (never after any other body or committee), and being aware of the exchange of correspondence with the Statutory Auditor relative to the Company and the companies in controlling or group relations with the Company;
- To monitor and oversee the annual individual and consolidated statutory audit, namely its execution, and assess the content of the annual statutory audit reports and audit reports with the Statutory Auditor, namely as regards any possible reservations presented thereby, in order to make recommendations to the Board of Directors and Executive Committee;
- To assess the Statutory Auditor's additional report, which namely sets out the results/issues deemed fundamental to the statutory audit that has been carried out (including debating with the Statutory Auditor those fundamental results/issues);

- To include, in the Audit Committee's annual report on its activities, information about the results of the legal review of accounts and the way that it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the Audit Committee in this process;
- To monitor the situation of the works involved in the legal review of accounts least on a quarterly basis in order to supervise the integrity and quality of the quarterly and six-monthly financial information.

In turn, the **Statutory Auditor** is responsible for reviewing the Company's accounts, as prescribed by law and in the Regulation on the Provision of Services by the Statutory Auditor mentioned above.

The official review of accounts and audit duties performed by the Statutory Auditor, which include, among others, the verification that the corporate bodies' remuneration policies and systems approved by the Remuneration Committee are applied, the effectiveness and operation of internal control mechanisms and reporting of any deficiencies to the Audit Committee, are conducted by the entity referred to in points 39 and following of Part I below of this report.

#### IV. STATUTORY AUDITOR

##### **39. Statutory auditor and audit partner who represents it**

At the Annual General Meeting held on 18 April 2018, **KPMG & Associados, SROC, S.A.** ("KPMG"), statutory auditor number 189, represented by the partner Paulo Alexandre Martins Quintas Paixão (statutory auditor number 1427), was re-elected as the Company's Statutory Auditor for the term of office 2018/2020. At this same General Meeting, Vítor Manuel da Cunha Ribeirinho (statutory auditor number 1081) was elected Alternate Statutory Auditor.

##### **40. Number of consecutive years the Statutory Auditor has carried out duties for the Company and/or the Group**

KPMG has been CTT's Statutory Auditor since **5 May 2014**. It was elected on that date to complete the 2012/2014 term of office, was re-elected on 5 May 2015 (for the 2015/2017 term of office) and on 18 April 2018 (three-year period 2018/2020)

##### **41. Description of additional services rendered to the Company by the Statutory Auditor**

See points 46 and 47 below on the services rendered by the Statutory Auditor to the Company in 2018.

#### V. EXTERNAL AUDITOR

##### **42. External auditor and the audit partner who represents it in carrying out those duties, and its CMVM registration number**

In line with Law 148/2015, of 9 September, in its current wording, and the amendments therefrom on the Portuguese Securities Code, in 2018 and on the present date, the CTT's Auditor is KPMG, **registered with the CMVM under no. 20161489**, represented by the partner Paulo Alexandre Martins Quintas Paixão.

##### **43. Number of consecutive years the external auditor and the audit partner who represents it therefore have carried out those duties for the Company and/or the Group**

KPMG has been the Statutory Auditor / (external) Auditor since 2014, and was represented by its partner Maria Cristina Santos Ferreira until 1 May 2017 and, since then, by its partner Paulo Alexandre Martins Quintas Paixão. In 2012 and 2013, KPMG was the Company's independent auditor.

#### **44. Rotation policy and frequency of rotation of the external auditor and respective partner who represents it in carrying out those duties**

Law 140/2015, of 7 September (“Chartered Accountants Regime”), sets out mandatory rules on the rotation of the Statutory Auditor and the partner involved, which apply to CTT as a “public interest company”. These rules are reflected in the Regulation for the Provision of Services by the Statutory Auditor approved by the Company.

In this regard, considering that KPMG (i) was engaged as the **independent auditor in 2012 and 2013 and as Statutory Auditor / (external) Auditor as of 2014**, and that (ii) the partner in charge was replaced taking effect on 1 May 2017, as indicated in point 43 of Part I above, the Company is in compliance with the legal rotation period of the Statutory Auditor and respective audit partner defined in the Chartered Accountants Regime.

#### **45. Corporate body responsible for assessing the External Auditor and frequency of such assessment**

See point 38 of Part I above on the Audit Committee’s powers as regards the Statutory Auditor / Auditor’s annual assessment. In exercising its powers, the Audit Committee verified the Statutory Auditor’s independence and positively assessed its work during the 2018 financial year.

#### **46. Non-audit work carried out by the external auditor for the Company and/or companies within a control relationship, internal procedures for the approval of such services and the reasons for their engagement**

In 2018, KPMG was engaged by CTT and the entities under its control or companies in a control relationship with CTT for the following non-audit services (considering the understanding expressed by the CMVM on 17 April 2017 in its update to “Frequently-asked questions about the entry into force of the new Chartered Accountants Regime and the Statutory Audit Supervision Regime”) hereinafter “Non-Audit Services Engaged in 2018”:

- Limited review of the consolidated financial statements of CTT and the individual financial statements of Banco CTT for the six-month period ending 30 June 2018, together with the issuance of a limited review report on CTT’s consolidated financial statements;
- Checking the quantitative and qualitative information included in the CTT Sustainability Report of 2018, together with the issuance of an independent limited quality assurance report;
- Issue of the 2018 report by the Statutory Auditor on the assessment of the process of quantification of the impairment of the credit portfolio of Banco CTT;
- Review of the structure of the Integrated Management Report for the 2018 financial year.

The **Regulation on the Provision of Services by Statutory Auditors** includes procedures for the engagement of non-audit services by CTT and the entities under its control, subjecting them to **the prior authorization** of the CTT Audit Committee and the Audit Committee of Banco CTT (as a public interest entity wholly owned by CTT), as indicated in point 37 of Part I above, which were followed for the Non-Audit Services Engaged in 2018.

Accordingly, the authorisation for engaging these Non-Audit Services Engaged in 2018: (a) was based in particular on analysis and confirmation (i) that the services in question are not included in the list of prohibited services and do not constitute a threat to the independence and objectivity of KPMG within the context of auditing work, and do not generate any personal interest situation, and (ii) that the engagement of such services does not exceed the annual amount recommended for the engagement of additional services from the Statutory Auditor in each financial year; and (b) was grounded on KPMG’s knowledge of the Company and the entities it controls, thus assuring possession of the relevant information for the

provision of such services (in particular given the nature of the vast majority of the Non-Audit Services Engaged in 2018) and its experience in carrying out similar work.

Besides the Non-Audit Services Engaged in 2018, non-audit services engaged in 2017 were partially provided by KPMG in 2018 (issue of opinion to Banco de Portugal on the internal control system 2017/2018 of Banco CTT), with the total amount of these services being reflected under "Accounted Services" in the table shown in point 47 below.

The information in the above-mentioned table shows that **the Non-Audit Services Engaged in 2018 represent 15.2% of the total value of the services engaged from the Statutory Auditor**, with the total non-audit services provided in 2018 representing 20.6% of all the services provided by the Statutory Auditor and entities in its network/group.

#### 47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other natural or legal persons, specifying the percentage relating to each type of service

The table below indicates the amounts corresponding to the fees of KPMG and entities in its network/group in 2018:

|   | Engaged Services <sup>1</sup> |              | Accounted Services <sup>2</sup> |              | Paid Services <sup>1</sup> |              |
|---|-------------------------------|--------------|---------------------------------|--------------|----------------------------|--------------|
|   | Amount (€)                    | %            | Amount (€)                      | %            | Amount (€)                 | %            |
| <b>CTT</b>                                  | <b>402,887</b>                | <b>43.8%</b> | <b>379,580</b>                  | <b>41.2%</b> | <b>309,099</b>             | <b>33.6%</b> |
| Statutory Audit                             | 298,337                       | 32.4%        | 288,853                         | 31.4%        | 272,199                    | 29.6%        |
| Quality Assurance Services                  | 36,900                        | 4.0%         | 35,727                          | 3.9%         | 36,900                     | 4.0%         |
| Tax Consultancy Services                    | 0                             | 0.0%         | 0                               | 0.0%         | 0                          | 0.0%         |
| Other Services                              | 67,650                        | 7.3%         | 55,000                          | 6.0%         | 0                          | 0.0%         |
| <b>Other Companies within CTT Group</b>     | <b>517,994</b>                | <b>56.2%</b> | <b>529,539</b>                  | <b>57.5%</b> | <b>450,881</b>             | <b>49.0%</b> |
| Amount of Statutory Audit Services          | 482,939                       | 52.4%        | 432,941                         | 47.0%        | 377,696                    | 41.0%        |
| Amount of Quality Assurance Services        | 35,055                        | 3.8%         | 96,597                          | 10.5%        | 73,185                     | 7.9%         |
| Amount of Tax Consultancy Services          | 0                             | 0.0%         | 0                               | 0.0%         | 0                          | 0.0%         |
| Amount of Non-Audit Services                | 0                             | 0.0%         | 0                               | 0.0%         | 0                          | 0.0%         |
| <b>TOTAL</b>                                | <b>920,880</b>                | <b>100%</b>  | <b>909,118</b>                  | <b>99%</b>   | <b>759,980</b>             | <b>83%</b>   |
| <b>Total Audit Services</b>                 | <b>781,275</b>                | <b>84.8%</b> | <b>721,794</b>                  | <b>79.4%</b> | <b>649,895</b>             | <b>85.5%</b> |
| <b>Total Non-Audit Services<sup>3</sup></b> | <b>139,605</b>                | <b>15.2%</b> | <b>187,324</b>                  | <b>20.6%</b> | <b>110,085</b>             | <b>14.5%</b> |

<sup>1</sup> Includes VAT at the applicable legal rate.

<sup>2</sup> Includes invoiced amounts and specialised amounts of the financial year.

<sup>3</sup> See point 46 above regarding engaged and accounted services. The services paid refer to services engaged in 2018 and in previous years with payment conditions met in 2018.

The table above was prepared based on the classification arising from the CMVM's understanding, as mentioned in point 46 of Part I above.

## C. INTERNAL ORGANISATION

### I. ARTICLES OF ASSOCIATION

#### 48. Provisions applicable to the amendment of the Company's Articles of Association

The General Meeting is responsible for passing resolutions on any amendment to the Articles of Association. CTT's Articles of Association do not contain special provisions for the amendment thereof. The general rules provided for in the PCC apply thereto, i.e. such resolution must be passed by a General Meeting:

- In which, on the first call, Shareholders holding shares corresponding to at least one third of the Company's share capital are present or represented; and

- By a two-thirds majority of votes cast, either on the first or second call, unless, on the second call, Shareholders holding shares corresponding to at least half of the Company's share capital are present or represented, in which case the resolution may be taken by simple majority of votes cast.

## II. REPORTING IRREGULARITIES (WHISTLEBLOWING)

### 49. Mechanisms and policy adopted by the Company for the reporting of irregularities (whistleblowing)

Pursuant to the Regulation on the Whistleblowing System that sets out the internal procedures for the reception, retention and handling of irregularity communications, in line with best practices in this area, CTT's **Audit Committee** is responsible for receiving irregularity communications presented by the Company's Shareholders, employees and others, in order to ensure the necessary independence of these procedures.

|                      |  |
|----------------------|--|
| <b>RECEPTION</b>     | <ul style="list-style-type: none"> <li>• Irregularity communications must be addressed, in writing, to CTT's Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation on the Whistleblowing System:<br/>E-mail: <a href="mailto:irregularidades@ctt.pt">irregularidades@ctt.pt</a>;</li> <li>• Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon.</li> </ul>  |
| <b>INVESTIGATION</b> | <ul style="list-style-type: none"> <li>• Once an irregularity communication has been received and recorded, the Audit Committee forwards it to the Ethics Committee, which will carry out actions to verify the existence of sufficient grounds for an investigation. Once the investigation has come to a close, the Ethics Committee will propose to the Audit Committee the appropriate measures be adopted or the closing of the procedure.</li> <li>• Given its powers and composition referenced in points 21.5 and 29.3 of Part I above (in particular, its being chaired by a member of the Audit Committee and having as its member the Head of Audit &amp; Quality who functionally reports to CTT's supervisory body), the Ethics Committee supports an effective investigation and the preparation of the Audit Committee's decision in a manner independent from the Board of Directors.</li> </ul> |
| <b>DECISION</b>      | <ul style="list-style-type: none"> <li>• Although the investigation is led by the Ethics Committee, it is the Audit Committee that receives and records communications, as well as makes the final decision on whether those are closed or other measures adopted, under the terms of the referenced Regulation on the Whistleblowing System.</li> <li>• The Audit Committee's resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity entail one of its members. According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.</li> </ul>  |

Within these procedures and as detailed in the referenced Regulation, the following **rights and safeguards** are granted to anyone presenting a complaint:

- Confidential handling of irregularity communications;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition on CTT from retaliating against any whistleblower under this mechanism.

During 2018, no occurrence of any irregularity was communicated to the Audit Committee.

### III. INTERNAL CONTROL AND RISK MANAGEMENT

#### 50. Persons/corporate bodies responsible for internal audit and the internal control system

Based on the best applicable practices and the Company's specific characteristics, the **Board of Directors** is the corporate body responsible for ensuring the effectiveness of the internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization. For this purpose, it has established:

- Processes for the monitoring and continuous improvement of the Internal Control System, underpinned by the assessment and mitigation of critical risks, ensured by Internal Audit (Operational Risks) and Risk Management (Strategic Risks), in close coordination with the corporate and business areas;
- Internal information and reporting mechanisms, allowing the organisation's performance to be monitored, observed and improved at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, as defined by the Board of Directors;
- An internal control system intended to guarantee efficient and sustainable execution of business and operations, protection of resources and assets and compliance with the applicable policies, plans, procedures and regulations.

The **Audit Committee**, as CTT's supervisory body, is responsible for the supervision of (i) the quality and integrity of the financial information, (ii) the effectiveness of the internal audit, internal control and risk management systems and (iii) the independence of the Statutory Auditor, monitoring the activity of the statutory auditor and external audit as detailed in point 38 of Part I above.

The **internal audit function** (3<sup>rd</sup> line of defence) is ensured by the Audit & Quality Department, which is responsible for the independent assessment of the appropriateness and effectiveness of CTT's and other Group companies' internal control systems, through the continuous monitoring of major risks and timely reporting to the Management and Supervisory Bodies of action plans to mitigate the identified risks, whose implementation is systematically monitored through follow-up actions.

Therefore, (i) the **Board of Directors** is responsible for stipulating the Company's strategic goals and risk limits and for creating systems for their control, in order to ensure that risks incurred are consistent with those objectives, and (ii) the **Audit Committee** is responsible for assessing the operation of internal control and risk management systems, which was carried out in 2018 as described in this chapter and in points 51 to 55 of Part I below and subchapters 2.7.1. Description of the risk management process and 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7. Risk Management of this report.

#### 51. Hierarchical/operational dependence on other Company bodies

The **Audit and Quality Department** reports hierarchically to the Executive Committee (through the CEO) and functionally to the Audit Committee.

In compliance with the Articles of Association and the Audit Committee Regulation, the **Audit Committee** has the following responsibilities:

- Ongoing monitoring, assessment and oversight of internal accounting and auditing procedures, as well as the effectiveness and suitability of the risk management, internal control and internal auditing systems.
- Stating its opinion on the work plans and resources allocated to the Audit & Quality Department and compliance services, and supervising its activities;
- Monitoring internal audit, together with the Executive Committee, assessing the reports from the Audit & Quality Department and from the compliance services;



- Supervising the risk policy and system, monitoring the implemented procedures, and the integrated risk assessment methodologies, proposing to the Executive Committee measures intended to improve the operation of the financial information internal control systems, of the risk management system and of internal audit;
- Proposing to the Executive Committee measures intended to improve the operation of the internal financial information control systems, of the risk management system and of internal audit;
- Debating the content of the internal control report with the Executive Committee and Statutory Auditor.

## 52. Other functional areas with risk control powers

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

## 53. Identification and description of the main risks (economic, financial and legal) to which the Company is exposed in exercising its activity

See subchapter 2.7.2. Identification of risks (risk matrix) and CTT response of chapter 2.7. Risk Management.

## 54. Description of the process for identifying, assessing, monitoring, controlling and managing risk

See subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk Management.

## 55. Main elements of the internal control and risk management systems implemented in the Company regarding the disclosure of financial information

The disclosure of financial information is monitored by both the management and Supervisory Bodies and by the Business Units and Corporate Departments. The financial reporting documents and other financial information are prepared by the Planning & Control and Investor Relations Departments, based on information provided by the Accounting & Treasury Department and the Business Units.

All the financial reporting documents are approved by the **Board of Directors and reviewed by the Audit Committee and the Statutory Auditor.**

In particular, the Audit Committee is responsible for supervising the adoption of the principles and policies regarding the identification and management of the main financial and operational risks associated with CTT's activity, namely by monitoring the activities of the Audit & Quality Department and the Finance & Risk Department.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and the preparation and disclosure of the Company's financial information. In this context, this body:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor and with the Heads of Accounting & Treasury, Planning & Control and Finance & Risk;
- Assesses the Audit & Quality Department's reports (specifically with respect to internal audit and internal control of the financial report), in order to make any proposals to the Executive Committee;
- Monitors internal audit, together with the Executive Committee, namely with respect to the procedures related to financial reporting, detection of risks, irregularities and conflicts of interest, and the safeguarding of assets;
- Monitors the main vulnerabilities identified by the Company and the mitigation plans.

The work carried out by the Audit Committee during 2018 sought, above all, to supervise the suitability of the preparation and disclosure of financial information and ensure that the internal and external auditors were able to perform their duties with independence and impartiality.

In turn, to issue the legal certification of accounts and the audit report, the Statutory Auditor assesses the internal control mechanisms of the main business processes of the Group companies with an impact on financial reporting.

#### IV. INVESTOR SUPPORT

**56. Department responsible for investor relations, its composition, duties, information provided by the department and contact details**

See chapter 10. Investor Support.

**57. Market relations representative**

See chapter 10. Investor Support.

**58. Proportion and waiting time limit for information requests made in the year or pending from previous years**

See chapter 10. Investor Support.

#### V. WEBSITE

**59. Address**

See chapter 11. Website.

**60. Place where information is available about the name, public company status, registered office and other identifying details**

See chapter 11. Website.

**61. Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found**

See chapter 11. Website.

**62. Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details**

See chapter 11. Website.

**63. Website where the financial statements are available, together with the half-yearly calendar of corporate events**

See chapter 11. Website.

**64. Place where the notices to convene for General Meetings and all related preparatory and subsequent information are disclosed**

See chapter 11. Website.

**65. Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available**

See chapter 11. Website.

**D. REMUNERATION**

**I. POWERS TO STIPULATE REMUNERATION**

**66. Powers to stipulate remuneration for corporate bodies, members of the Executive Committee and Company senior officers**

As per article 9 of the Company's Articles of Association, the General Meeting has the power to stipulate remuneration for corporate body members. It may appoint a **Remuneration Committee** for this purpose.

As the Board of Directors of CTT considers that the Company's directors, under articles 248-B of the Securities Code and 3 of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT, the Remuneration Committee is responsible for stipulating their remuneration.

As further detailed in point 21.4 of Part I above, the **Corporate Governance, Evaluation and Nominating Committee** has consultation powers on assessment and remuneration matters and supports the Remuneration Committee in stipulating remuneration.

The attribution of these consultation powers is in line with best practices (namely of the financial sector) in that the body which defines the remuneration should be supported by a committee within the Board of Directors, which contributes with its independence, knowledge and experience in the definition of a remuneration policy suited to the particularities of the sector and the Company, especially with detailed knowledge on its strategic and risk profile.

**II. REMUNERATION COMMITTEE**

**67. Composition of the Remuneration Committee, including natural and legal persons engaged to assist said committee and statement on independence of each member and consultant**

As at 31 December 2018, and at the present date, the composition of the Remuneration Committee was and is as follows:

| Members <sup>(1)</sup>                 | Position | Date of 1 <sup>st</sup> appointment |
|--|----------|-------------------------------------|
| João Luís Ramalho de Carvalho Talone   | Chairman | 24/03/2014                          |
| Rui Manuel Meireles dos Anjos Alpalhão | Member   | 24/03/2014                          |
| Manuel Fernando Macedo Alves Monteiro  | Member   | 28/04/2016                          |

<sup>(1)</sup> Members re-elected at the General Meeting held on 20/04/2017 for the term of office 2017/2019.

**All members of the Remuneration Committee are independent from the CTT Board of Directors**, since none of them (i) is part of any corporate body of the Company nor of any company within a control or group relationship with CTT and / or (ii) has any family relationship (i.e., through his spouse, relatives and/or kin in a direct line up to the third degree inclusive) with any Board member.

In 2018, CTT's Remuneration Committee maintained Mercer's support, for the exercise of its functions, as a consultant specialised in remuneration and human resources matters, and the Remuneration Committee considered, in the context of the engagement process, the experience accumulated by Mercer in the definition of the remuneration policy for the previous term of office, as well as the rigour and professionalism with which it always carried out the work requested of it.

In 2018, Mercer provided other services to the Company, which obtained authorisation from the Remuneration Committee for contracting such services. In order to ensure the necessary conditions of independence in the provision of services by Mercer to the Remuneration Committee, the Company has adopted procedures to ensure the necessary objectivity and impartiality of the consultants who collaborate with the Remuneration Committee through, in particular, the segregation of the teams assigned to the different services and "Chinese walls".

#### **68. Knowledge and experience of the members of the Remuneration Committee on matters of remuneration policy**

The *curricula vitae* of the members of the Remuneration Committee are presented in Annex I of this report (pages 293–308), as shown therein, all the members of this Committee have **appropriate knowledge** to analyse and decide on the matters within their power, in view of their training and extensive professional experience, namely via:

- The performance of executive and non-executive management duties in various sectors, in Portugal and abroad, and of oversight duties, in both cases in companies of a significant size and with shares admitted to trading, as well as the performance of functions in several national and international entities in the area of capital markets;
- Expertise and experience in general in the areas of corporate governance, remuneration policy, human resources, financial and risk.

### III. REMUNERATION STRUCTURE

#### **69. Description of the remuneration policy of the management and supervisory bodies referenced in article 2 of Law 28/2009, of 19 June**

The remuneration policy of the governing bodies for the **term of office 2017/2019** was defined and implemented by the Remuneration Committee in 2017, based on an extensive reflection on:

- The experience obtained in 2014/2016 with the implementation of the remuneration policy for that term of office, marked by CTT's transition from a state-owned company to an exclusively private-held company dispersed on the market;
- The benchmark studies carried out with the assistance of specialised consultants, both in terms of recommendations on corporate governance and market comparables; and
- The business goals defined for this term, as part of the Company's ongoing diversification strategy in 4 business segments.

In 2018, in order to give greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of AVR ("Annual Variable Remuneration"), as detailed in point 71 of Part I below, the Remuneration Committee decided to amend the remuneration policy of the corporate bodies for the **term of office 2017/2019**.

The remuneration policy continues to be based on the following **main principles already present in the previous term of office**:

- Operate as an instrument of the talent management policy;
- Compensate work, stimulate performance, reward outcomes, in view of individual performance and merit;
- Contribute to attract, develop and retain competent professionals, seeking to be competitive in relation to Portuguese market practices by companies of similar complexity;
- Promote the alignment of interests with the values and culture of CTT, with the business strategy, with the Company's shareholders and, in general, with all the other stakeholders;

- Contribute to the creation of value, especially in the medium and long-term, following sustained management practices.

In turn, **the benchmarking analysis conducted during this term of office** was based on a peer group composed of 20 companies selected according to 3 non-cumulative criteria: sector, regulated/non-regulated market and stability of cash-flow, thus covering the remuneration practices applied:

- By 8 European companies of the sector (Bpost, Deutsche Post DHL, La Poste, Poste Italiane, Poste NL, Post Nord, Royal Mail and TNT);
- By the 12 most significant companies in Portugal at that date, including large Portuguese companies and PSI 20 companies (BPI, Brisa, EDP, EDP Renováveis, Galp, Jerónimo Martins, Millennium BCP, NOS, Navigator, REN, Semapa and Sonae);
- Specifically in the case of the benefits detailed in 75 and 76 below, a different peer group was considered, focused on the top positions of Portuguese companies; and
- Specifically with respect to the members of the Board of the General Meeting, a different peer group was also considered, composed of Portuguese companies, including those listed in the PSI-20.

The approved policy also represents an evolution with a view to **continuous alignment with best governance practices**, defining various mechanisms aimed at:

- Promoting the effective supervisory capacity of the non-executive Directors and appraisal of the performance of the executive management according to the objectives defined in the Company's annual budgets and in the long-term business plans, approved by the Board of Directors;
- Fostering the alignment of management interests considering the particularities of the activity developed by CTT in its 4 business segments, with different challenges and maturity levels (with possible changes to this policy by the Remuneration Committee in view of relevant changes to the activity, structure and/or size of the Company and the regulatory developments); and
- Contributing to the sustainability of the Company and its results, and the creation of value for the shareholders, considering the evolution of the risk profile and the long-term strategic goals of CTT.

In view of the above, the remuneration of the **executive Directors** includes a **fixed component and a variable component, the latter consisting of a portion intended to compensate performance in the short-term and another intended to compensate long-term performance.**

The **fixed remuneration component** for this term of office was stipulated taking into account the following cumulative criteria: market median and competitiveness; sustainability of CTT's performance; and the nature and complexity of the duties (reason for which the CEO, CFO and remaining executive Directors' remuneration is different), particularly for the required skills and responsibilities of such duties within the context of the 4 business segments in which CTT operates (including Banco CTT, a regulated company wholly owned by CTT).

This component includes the annual basic remuneration paid 14 times per year and the annual meals allowance (which can be reviewed annually by the Remuneration Committee), as well as the benefits detailed in points 75 and 76 below.

In turn, the **variable remuneration ("VR")** of the executive Directors is composed of:

- An **annual component ("Annual Variable Remuneration" or "AVR")**, conditional on the predefined quantitative and qualitative objectives being achieved in each financial year; it is paid in cash in the month after the approval of the accounts by the Annual General Meeting following each financial year; and
- A **long-term component ("Long-Term Variable Remuneration" or "LTVR")**, conditional on the Total Shareholder Return ("TSR") for CTT shares by comparison with the average-weighted TSR of a peer group, as well as the results of the annual qualitative assessment through the term of office (up to 31 December 2019), as well as the investment and lock-up of part of the AVR in CTT shares, being paid in cash in 2 differed tranches (one in 2020 and the other in 2021).

Both the annual variable remuneration and the long-term variable remuneration are subject to minimum and maximum limits, namely in relation to the base remuneration, to different accomplishment levels and to diverse conditions of attribution, assessment of performance and adjustment, as explained below.

**Non-executive Directors exclusively earn an annual fixed remuneration, paid 14 times per year.**

For this terms of office, its amount was defined cumulatively considering the following criteria: the market median; the level of commitment in terms of time and estimated number of meetings (with a differentiated additional remuneration being attributed to the non-executive Directors in committees); and the level of complexity and responsibility of each position determining a valuation of the performance of duties in the Audit Committee (in view of the duties of this supervisory body) and in the Corporate Governance, Evaluation and Nominating Committee (also with responsibilities in terms of the subsidiaries,) and the positions of chairing committees and the Board of Directors (in particular the role of Chairman described in 21.1 above, whether in the leadership of the Board or before the Company's stakeholders with a dispersed capital structure).

To summarise, the remuneration policy approved for this term of office is based on the following pillars in line with **best national and international practices**:

|                               |   |
|-------------------------------|---|
| <b>Compensation mix</b>       | <ul style="list-style-type: none"> <li>• Appropriate balance between fixed and variable remuneration;</li> <li>• Appropriate balance between short and long-term remuneration.</li> </ul>   |
| <b>Performance measures</b>   | <ul style="list-style-type: none"> <li>• Appropriate balance between individual and collective goals;</li> <li>• Appropriate balance between financial and non-financial goals;</li> <li>• Performance measures that consider the Company's strategy and risk profile and establish suitable KPI and targets for the strategic plan of the CTT Group in the short and medium/long-term, based on market practices in this regard.</li> </ul>  |
| <b>Alignment of interests</b> | <ul style="list-style-type: none"> <li>• Definition of a minimum performance level to achieve the variable remuneration;</li> <li>• Definition of the maximum performance level from which there is no additional payment of variable remuneration (caps);</li> <li>• Equal levels of accomplishment for all members of the Executive Committee contributing to team cohesion;</li> <li>• Deferral via the criteria of access to long-term variable remuneration and its payment on 2 tranches, as well as via the connection between long-term variable remuneration and annual variable remuneration;</li> <li>• Conditions for granting LTVR, including investment and lock-up of part of the AVR in Company shares;</li> <li>• Establishment of adjustment mechanisms to determine the reduction or reversal of the attribution and/or payment of variable remuneration (malus/clawback provisions).</li> </ul> |
| <b>Transparency</b>           | <ul style="list-style-type: none"> <li>• Independent Remuneration Committee, assisted by specialised consultants and by a specialised and independent internal Board committee;</li> <li>• Detailed disclosure of information to the shareholders whenever requested;</li> <li>• Alignment with the peer group and strategic goals of the Company;</li> <li>• Consolidation of the overall remuneration in terms of CTT, without earning remuneration for positions held in other companies of the Group.</li> <li>• Presence of the Chairman or, in his absence, another member of the Remuneration Committee, at the Annual General Meeting and in any others, if the agenda includes an issue related to the remuneration of members of the Company's bodies and committees, or if this presence has been requested by the shareholders.</li> </ul>  |

These principles and structural elements of the remuneration policy of the members of the management

and supervisory bodies of CTT are detailed in the following points of this report and are also included in the **statement on the remuneration policy to be submitted by the Remuneration Committee for approval at the Annual General Meeting** to be held on 23 April of the current year, which will be previously be subject to the favourable opinion of the Corporate Governance, Evaluation and Nominating Committee.

In the annual statement to be submitted by the Remuneration Committee for approval by the Annual General Meeting, the due information is disclosed pursuant to Law 28/2009, of 19 June, as well as (i) information about the criteria for determination of remuneration and the rules in force on matters of termination of duties, (ii) total remuneration detailed by the different components including the proportion relative to fixed remuneration and variable remuneration, as well as (iii) information on the inexistence of deviations from the procedures of application of the approved remuneration policy.

As disclosed to the market in due course as part of the Company's **Operational Transformation Plan** and within the context of the adjustments to the Human Resources policy therein, all the members of the Board of Directors waived part of their fixed remuneration for 2018 and the executive Directors also waived the AVR for the financial years 2017 and 2018 (see points 77 and 79 below).

## **70. How remuneration is structured in order to align management body members' interests with the Company's long-term interests, and how it is based on performance assessment and discourages excessive risk taking**

### 70.1. Setting limits of the annual basic remuneration, the AVR and the LTVR, and discouraging excessive risk taking

The **value of fixed remuneration** is defined according to the criteria indicated in point 69 above, focused on alignment with market practices and on differentiation according to dedication and the level of complexity and responsibility of the positions held. This component should discourage excessive risk-taking, in view of the strategic goals and challenges of the 4 business segments in which the Company operates.

CTT's non-executive Directors receive exclusively fixed remuneration.

In turn, the variable remuneration of the executive Directors is subject to **maximum caps defined in the remuneration policy, namely by reference to the annual basic remuneration**, also consisting of a discouragement to excessive risk-taking, as follows:

- The AVR's target is 55% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the AVR goals are attained, each executive Director will be entitled to a cash AVR of 55% of his/her annual base remuneration.
- If the goals attained surpass this target, the maximum AVR each executive Director may receive is 85% of his/her annual base remuneration.
- The LTVR target is 120% of the annual base remuneration for each executive Director. Therefore, in a scenario in which 100% of the LTVR goals are attained, each executive Director will be entitled to a cash LVTR of 120% of his/her annual base remuneration.
- If the goals attained surpass this target, the maximum LVTR each executive Director may receive is 180% of his/her annual base remuneration.
- If the minimum achievement thresholds detailed in point 71 below is not attained, there will be no VR.

Further, in order to discourage excessive risk-taking, and as better detailed in point 70.2 below, if the maximum VR goals are attained, the annual fixed remuneration component will represent an average 41% of the total annual remuneration for the executive Directors. The remaining 59% will be attributed as a variable (annualised) component. If the target of the VR goals is met, **the annual fixed remuneration will represent an average 51% and the variable annualised component will represent an average 49% of the total annual remuneration.**

Finally, and pursuant to article 23 of the Articles of Association, the variable remuneration of the executive Directors may consist of a percentage of the consolidated profits. In this case, the overall percentage of profits allocated to the variable remuneration cannot exceed, in each year, the amount corresponding to

5% of the consolidated profit for the year.

70.2. Performance assessment criteria, balance between remuneration components and resulting alignment of interests

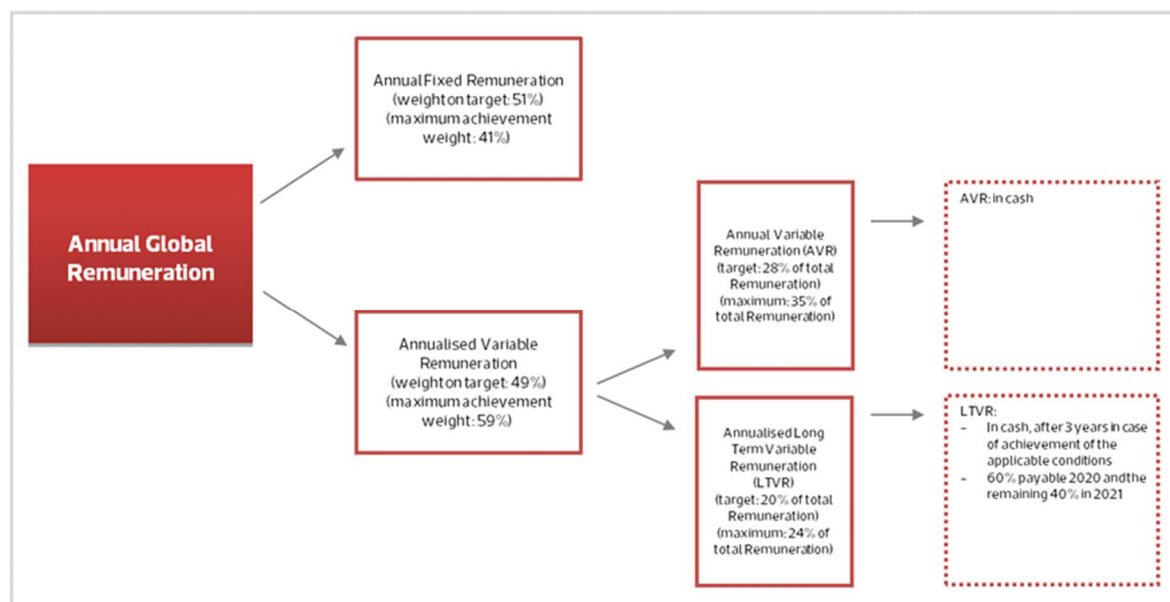
The award and amount of the VR are conditional on **compliance with pre-set goals measured using performance assessment criteria**, as described in section 71 below. This component will vary according to the degree of achievement of:

- Annual goals based on quantitative assessment criteria (set on the basis of best market practices, as well as on the business plan and the annual budget approved by the Board of Directors and related to the EBITDA, ROI and TSR of the Company vis-à-vis a peer group) and individual qualitative assessment criteria (defined by the Corporate Governance, Evaluation and Nominating Committee, within parameters established by the Remuneration Committee); and
- Multi-annual goals for the term of office (3 years) established according to long-term assessment criteria (defined on the basis of the benchmark studies), quantitative nature (with regard to the Company's TSR) and qualitative nature (considering the result of the individual assessment of each Director within the scope of the AVR).

Moreover, both the AVR and the LTVR are conditional on the minimum performance achievement thresholds and gradual goals described in section 71 below.

**Thus, these performance assessment criteria, achievement goals and thresholds seek to establish a remuneration policy that fosters the alignment of the interests of the Board members with CTT's interests and long-term performance.**

The chart below shows the fixed and variable (annualised) remuneration weight in comparison to the total annual remuneration awarded, on average, to the Executive Committee members for achieving on the target and maximum achievement of the VR goals. In overall terms, there is a **balance between the fixed annual remuneration and the total variable annualised remuneration** which also fosters the above-mentioned alignment of interests.



Overall, there is a balance between the annual fixed remuneration and the annualised total variable remuneration. The weight of the variable component in relation to the total fixed remuneration is in line with the best market practices of a universe of national and European reference companies (entities of the postal sector), incorporated in the benchmarking exercise.

In sum, the effective attribution of this **remuneration mix depends on a performance assessment** according to the criteria and goals described in point 71 below and contributed to the alignment of interests of the directors with those of the Company, as follows:



- The **fixed component** serves as a reference for the allocation of the VR, is subject to limits, can be reviewed annually by the Remuneration Committee and provides an adequate balance between remuneration components;
- The **AVR** and the **LTVR** depend on the assessment of pre-determined and gradual quantitative and qualitative performance criteria with an assessment period that matches the financial year and the term of office, respectively;
- The **LTVR** is also dependent on the investment and lock-up of a minimum of 25% of the AVR in Company shares and is paid, in a long-term perspective, in two tranches (until 2021), thus constituting an additional incentive to keep the Company's performance positive beyond the term of office.

Moreover, in terms of the remuneration policy, the executive Directors **cannot conclude contracts or other instruments, either with the Company or with third parties, whose effect is mitigating the risk inherent to the variability of the variable remuneration.**

Lastly, notwithstanding the waiver by the executive Directors of part of the fixed remuneration and of the AVR for this term of office (in line with the Company's Operational Transformation Plan and as detailed in points 77 and 79 below), a **remuneration mix based on the performance assessment** is maintained, in line with the criteria and goals and with the AVR and LTVR assessment process described in point 71 below, which will contribute to the alignment of the Directors' interests with the Company.

#### **71. Reference, if applicable, to the existence of a variable remuneration component and information on any potential impact of the performance assessment thereon**

As noted in point 69 of Part I above, the Remuneration Committee decided to change the remuneration policy, giving greater relevance to the quantitative criteria in relation to the qualitative criteria for attribution of the amount of AVR, since the qualitative component will only give rise to the attribution and payment of AVR if the assessment of the quantitative goals leads to the attribution and payment of any AVR.

The value of the **AVR** earned by the executive Directors is **70% of the assessment of the following criteria and quantitative goals**, established by the Remuneration Committee based on the business plan and budget of the CTT Group and on the benchmarking carried out:

- The amount of the annual **recurring EBITDA margin** of each CTT business unit: (i) mail; (ii) express & parcels; (iii) financial services, and (iv) Banco CTT (30%);
- The consolidated **growth percentage of the recurring EBITDA** of CTT (as defined by CTT's Audit Committee) vis-à-vis the previous calendar year (25%);
- The **ROI growth percentage** (ratio between the consolidated recurring EBITDA and invested capital), in comparison to the previous calendar year (25%);
- An **annual TSR for the Company's shares** equal to or greater than 0 and its comparison to the weighted average TSR for a peer group (20%). This peer group consists of 2 subgroups with: (i) 60% weight to the TSR for the PSI-20 index and (ii) 40% weight to the (simple average) TSR for a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, notwithstanding changes defined by the Remuneration Committee due to relevant corporate restructurings.

The awarding of AVR in terms of these goals is also dependent on the observance of (i) a **weighted average of these goals above 80%** and (ii) a **recurring EBITDA that complies with at least 85% of the established goal.**

When these conditions are met, the recorded performance in terms of the quantitative criteria and goals is remunerated in a **graduated way, according to the degree of accomplishment and parameters defined by the Remuneration Committee**, in particular:

- If the recorded performance meets the set goal in less than 80% (90% in the case of the TSR goal), no AVR will be awarded for that quantitative target, nor will it be awarded if the qualitative individual targets are met;
- If the recorded performance is between 80% and 90% of the set goal (between 90% and 95% in the case of the TSR goal), that amount will be between 24.75% and 33% of the annual base remuneration of each executive Director;

- If the recorded performance is between 90% and 130% of the set goal (between 95% and 110% in the case of the TSR goal), that amount will be between 33% and 85% of the annual base remuneration of each executive Director;
- If the recorded performance meets the set goal by more than 130% (over 110% in the case of the TSR goal), that amount will correspond to 85% of the annual base remuneration of each executive Director.

**30% of the granted AVR amount is derived from the assessment of individual qualitative goals** set and assessed by the Corporate Governance, Evaluation and Nominating Committee based on the parameters set by the Remuneration Committee and with a view to fostering the Company's values and sustainability, functioning and efficient relationship with CTT's various corporate bodies and committees and the relationship with its stakeholders. However, pursuant to the change introduced in 2018, this component will only impact the attribution and calculation of the annual variable remuneration when the **assessment of the quantitative goals of CTT leads to the attribution and payment of the annual variable remuneration**. According to these **parameters**, the recorded performance in terms of these goals is **remunerated in a graduated way**, as follows:

- The annual variable remuneration on this account is based on a percentage of the annual basic remuneration between 55% and a maximum of 85%, according to the degree of accomplishment. There is only entitlement to this if the general performance recorded corresponds to an assessment of at least the target 3 (on a scale of accomplishment of 1 to 5); and
- The annual qualitative assessment of the CEO cannot exceed, by more than one level, the annual average assessment of all the other members of the Executive Committee.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model in which the relevant criteria are the composition, image and activity of the Executive Committee, as well as its relationship with the various corporate bodies and stakeholders (including aspects such as sustainability and environment, organisational culture, corporate reputation and relationship with Shareholders, employees, regulators and customers), as well as each member's individual contribution to the Executive Committee's performance.

In turn, the attribution of **long-term variable remuneration** to the executive Directors is subject to the following **conditions of attribution**:

- A **minimum of 90% of the TSR performance of CTT shares by comparison with the average weighted TSR of the peer group shares** (the same as applicable for the AVR) during the assessment period (between 1 January 2017 and 31 December 2019);
- The **sum of the overall annual qualitative AVR assessments** of the executive Director for 2017, 2018 and 2019 is **equal to or greater than 9**; and
- The **investment in CTT shares of a minimum of 25% of the AVR amount received by each Director** and a post-term lock-up period (in 2021).

Once these conditions have been met, the calculation of the amount of LTVR to be awarded is based on the comparison of recorded TSR performance for Company shares and the weighted-average TSR for the peer group made up of the subgroups identified above for the AVR, as well as the sum of the annual overall qualitative AVR assessment, **gradually in line with the degree of achievement and the parameters established** by the Remuneration Committee, in particular:

- If the TSR for the Company's shares is less than 90% of the weighted TSR for the peer group's shares, no LTVR will be awarded;
- If the TSR for the Company's shares is between 90% and 94.9% of the average weighted TSR for the peer group's shares, each executive member is awarded an amount of between 25% and 88% of his/her annual base remuneration;
- If the TSR for the Company's shares is between 95% and 119% of the average weighted TSR for the peer group's shares, each executive Director is awarded an amount of between 95% to 174% of his/her annual base remuneration;
- If the TSR for the Company's shares is equal to or greater than 120% of the average weighted TSR for the peer group's shares, each executive Director is awarded 180% of his/her annual base remuneration;
- If the TSR for the Company's shares is less than 0, the amount of LTVR to be paid is subject to a weighting factor of 0.8;
- In addition, if the sum of the annual overall qualitative AVR assessments is less than 9, an adjustment factor of 0 is applied, and an adjustment factor of 1 is applied if it is between 9 and 15.

As better illustrated in the following graph:



## 72. Deferral of payment of the variable component of remuneration and deferral period

The attribution and calculation of the long-term variable remuneration is based on long-term performance, as both the Company's TSR compared to the peer group and the outcome of the individual qualitative assessments are appraised throughout the entire duration of the term of office (from 1 January 2017 to 31 December 2019).

Moreover, the LTVR is awarded on the condition that the executive Director remains in the Company throughout that period (without prejudice to the provisions below in this point 72), as well as the investment of part of the annual variable remuneration in shares and its retention/ lock-up to the date of payment of the LTVR in 2 tranches.

Considering that, under the Company's Operational Transformation Plan, the executive Directors waived their annual variable remuneration attributable in 2017 and 2018 (points 77 and 79 below), the precedent condition is not met for the acquisition of the right over the entire value calculated at the end of the period of assessment of the long-term variable remuneration, specifically the investment in shares representing the Company's capital of a minimum of 25% of the amounts received each year as annual variable remuneration. Thus, the amount attributable as long-term variable remuneration will be impacted by the amount of 1/3, for each year in which there was no attribution of annual variable remuneration, as if the precedent condition had not been met.

Through these mechanisms, **a period of deferral of part of the AVR and the LTVR up to 2021** is established under the following terms:

- The LTVR is awarded subject to, inter alia, the investment of a minimum of 25% of the AVR amount received each year in CTT shares and a lock-up period (free of encumbrances) until the day after the approval of the 2020 accounts by the General Meeting ("Lock-up Period"); therefore, **at least 25% of the AVR received is subject to this deferral period/mechanism (in 2021)**;
- Furthermore, the Remuneration Committee conducts an annual appraisal and confirms the fulfilment of the LTVR access conditions and the amount to be granted in this respect in the 4 months after the AVR payment date in 2020 (granting);
- The calculated LTVR is paid (vesting) as follows: (a) 60% of the calculated amount, in the month after fulfilment of the LTVR access conditions **(in 2020)** and (b) the remaining 40%, one year after that date **(in 2021)**, **thus creating a deferral period/mechanism for the LTVR in 2 tranches**.

The payment of the variable remuneration relative to an assessment period in which termination of duties occurs shall not be due (continued performance), except in situations of termination by mutual agreement, retirement, death, invalidity or other case of early termination of office for reasons not imputable to the director (namely in the event of change of control of the Company), in which case the Remuneration Committee will define a pro-rata attribution. If a director leaves for any motive, with the exception of dismissal on fair grounds or any other situation which leads to the application of an adjustment mechanism

(as described below), after the assessment period, but before the payment of the variable remuneration, its entire payment will take place to the extent corresponding to that period.

**The AVR and the LTVR are also subject to the following adjustment mechanisms, which are enforced during the deferral period, i.e. up to the second date of payment of the LTVR in 2021:**

- The **reduction of the VR** when the award and/or payment of the same is not yet an acquired right (*malus* provision) and reversal by way of **retention and/or return of the VR** when payment already constitutes an acquired right (clawback provision);
- Applicable to all or part of the **VR (attributable, attributed and/or paid)**;
- In the following **situations**, which the Remuneration Committee is responsible for ascertaining after consulting inter alia the Corporate Governance, Evaluation and Nominating Committee: the Director participated directly and decisively in or his actions were the cause of significant losses; a serious or fraudulent breach of the Code of Conduct or internal rules with a significant negative impact, or situations which constitute just cause for dismissal; and/or misstatements and/or material errors or omissions in the financial statements to which the Director's objective conduct was a decisive contributing factor.

Thus, a significant component of the VR is **conditional on the Company's positive performance during the deferral period** as follows:

- Positive performance until the end of the term of office for the purposes of LTVR is measured by comparing the recorded performance of the **TSR** for Company shares with the weighted-average TSR for a peer group. This assessment is strengthened further by the requirement for a **minimum individual qualitative AVR assessment** as a condition for awarding the LTVR, by providing that the sum of the overall annual qualitative assessments of each executive Director must be greater than or equal to 9; and
- The incentive to maintain the positive performance of 2019 up to the second date of payment of the LTVR in 2021 arises from the Lock-up Period applicable to the acquired shares of a value corresponding to at least 25% of the annual variable remuneration received.

These rules thus seek to align the interests of the management team in a long term perspective with the interests of the Company, the shareholders and all other stakeholders, whose pursuit, in view of the particularities of the Company and sector, is considered to arise from the **combination of the performance assessment criteria applicable throughout the 3 years of the term of office** (both the Company's TSR and the individual qualitative assessment described above) **and the Lock-up Period applicable to the shares acquired through the annual variable remuneration received.**

**73. Criteria underlying the awarding of variable remuneration in shares and the holding of these shares by the executive Directors; potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and proportionate value in terms of total annual remuneration**

Not applicable. See point 71 above.

**74. Criteria for variable remuneration allocation by way of options and respective deferral period and strike price**

Not applicable. See point 71 above.

**75. Main parameters and grounds of any annual bonus scheme and any other non-cash benefits**

The Company has not adopted any system of annual bonuses or other non-cash benefits, without prejudice to the following paragraph.

Supplementing the provisions in point 76 below, the executive Directors earn the following **non-cash supplementary benefits, of fixed nature**: entitlement to use a vehicle (including fuel and tolls), life and personal accident insurance (including during travel) and access to the healthcare system (IOS – Instituto de Obras Sociais) under the same terms as the Company employees. The Chairman of the Board of Directors is also entitled to use a vehicle (including fuel and tolls).

## 76. Main characteristics of supplementary pension schemes or early retirement for the directors and date on which they were individually approved by the General Meeting

Without prejudice to the following paragraph, **the Company's remuneration policy does not consider the attribution of supplementary pensions** or the attribution of any compensation in the event of the early retirement of its directors.

The monthly fixed remuneration of the executive Directors includes an amount defined by the Remuneration Committee according to the benchmarking, intended for allocation to a defined contribution pension plan or retirement saving plan (or other retirement saving instruments), specifically chosen by each executive Director.

## IV. DISCLOSURE OF REMUNERATION

### 77. Annual remuneration earned, in aggregate and individually, by the members of the Company's management body, including fixed and variable remuneration and the various components of the latter

The table below indicates the gross remuneration paid in 2018 by the Company to the **members of the Board of Directors and Audit Committee**:

| MEMBER  | POSITION                                       | AMOUNTS                               |                         |                |
|---|--|---------------------------------------|-------------------------|----------------|
|   |  | Fixed Remuneration <sup>(1) (2)</sup> | AVR 2017 <sup>(3)</sup> | Total          |
| Francisco José Queiroz de Barros de Lacerda           | Chief Executive Officer (CEO)                  | 497,072.34 €                          | 0.00 €                  | 497,072.34 €   |
| Dionizia Maria Ribeiro Farinha Ferreira               | Executive Director                             | 376,198.34 €                          | 0.00 €                  | 376,198.34 €   |
| António Pedro Ferreira Vaz da Silva                   | Executive Director                             | 376,162.30 €                          | 0.00 €                  | 376,162.30 €   |
| Francisco Maria da Costa de Sousa de Macedo Simão     | Executive Director                             | 376,144.28 €                          | 0.00 €                  | 376,144.28 €   |
| Guy Patrick Guimarães de Goyri Pacheco                | Executive Director and Chief Financial Officer | 416,413.96 €                          | 0.00 €                  | 416,413.96 €   |
| Total remuneration of the Executive Committee members |  | 2,041,991.22 €                        | 0.00 €                  | 2,041,991.22 € |

| MEMBER   | POSITION  | AMOUNTS <sup>(4)</sup> |
|--|---|------------------------|
| Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia  | Non-executive Director and Chairwoman of the Audit committee  | 76,500.06 €            |
| Nuno de Carvalho Fernandes Thomaz  | Non-executive Director and Member of the Audit Committee  | 63,749.98 €            |
| Maria Belén Amatriain Corbi  | Non-executive Director and Member of the Audit Committee  | 63,749.98 €            |
| Total remuneration of the Audit Committee  |   | 204,000.02 €           |
| António Sarmento Gomes Mota  | Chairman of the Board of Directors and of the Corporate Governance, Evaluation and Nominating Committee | 262,500.00 €           |
| José Manuel Baptista Fino  | Non-executive Director and member of the Corporate Governance, Evaluation and Nominating Committee      | 55,250.02 €            |
| Céline Dora Judith Abecassis-Moedas  | Non-executive Director and member of the Corporate Governance, Evaluation and Nominating Committee      | 55,250.02 €            |
| João Afonso Ramalho Sopas Pereira Bento  | Non-executive Director and member of the Corporate Governance, Evaluation and Nominating Committee      | 55,250.02 €            |
| Rafael Caldeira de Castel-Branco Valverde  | Non-executive Director and member of the Corporate Governance, Evaluation and Nominating Committee      | 55,250.02 €            |
| Total remuneration of the Non-executive Directors (does not include the remuneration of the Audit Committee members) |   | 483,500.08 €           |
| Total remuneration of the Non-executive members of the Board of Directors  |   | 687,500.10 €           |
| Total remuneration of the Board of Directors and of the Audit Committee members                                      |   | 2,729,491.32 €         |

<sup>(1)</sup> Amount of the fixed remuneration of the executive Directors. This value includes (i) the annual basic remuneration ("ABR"), (ii) the annual meals allowance (9.01 euros per business day of each month, 12 times a year), and (iii) the fixed amount paid annually related to the retirement savings plan corresponding to 10% of the annual basic remuneration. The annual basic remuneration paid in 2018 includes a 25% reduction relative to the annual basic remuneration defined in the remuneration policy approved for the term of office 2017/2019 for the CEO, and a 15% reduction for all the other executive Directors.

- <sup>(2)</sup> The amount of the fixed remuneration attributed to the Executive Director (CFO) Guy Patrick Guimarães de Goyri Pacheco in 2018, includes the remuneration attributed in 2017 corresponding to the days that elapsed between his co-optation on 19 December and 31 December of that year.
- <sup>(3)</sup> The executive Directors waived their annual variable remuneration for 2017 and 2018, and for this reason and regardless of the result of the assessment conducted relative to 2017, no annual variable remuneration was paid in 2018.
- <sup>(4)</sup> Fixed remuneration of the non-executive Directors who have no variable remuneration. The annual basic remuneration paid in 2018 includes a 25% reduction relative to the annual basic remuneration defined in the remuneration policy approved for the term of office 2017/2019 for the Chairman of the Board of Directors, and a 15% reduction for all the other directors.

As indicated in the table above, and without prejudice to the remuneration policy in force in the term of office in force described in points 69 and following above, as a result of the **Operational Transformation Plan** approved and disclosed in December 2017 and including a series of adjustments related to CTT's policy on Human Resources:

- During 2018, the Chairman of the Board of Directors and the Chairman of the Executive Committee waived the amount corresponding to **25% of their annual basic remuneration** for all the effects established in the remuneration policy;
- During 2018, all the other members of the Board of Directors and Executive Committee waived the amount corresponding to **15% of their annual basic remuneration** for all the effects established in the remuneration policy;
- The executive Directors also waived their **annual variable remuneration relative to 2017 and 2018**, regardless of the results of the performance assessment process to be conducted pursuant to the remuneration policy approved by the Remuneration Committee, described in points 69 and following above; and
- With respect to the **long-term variable remuneration attributable to the executive Directors due to their performance in 2017/2019**, CTT recorded staff costs of 50,880 euros as at 31 December 2018, with this long term remuneration component being paid in cash by the Company, at the end of the term of office, if the respective assumptions are met for attribution and payment under the terms described in points 69 and following above (this amount was defined by an actuarial study carried out by an independent entity).

There was no deviation from the procedures of application of the approved remuneration policy, described in point 69 above, as illustrated in the remuneration table above which indicates the annual amount of remuneration earned, as a whole and individually, by the members of the Company's management body, including fixed and variable remuneration, as well as indication of the different components giving rise to the fixed remuneration.

#### **78. Amounts paid, for whatever reason, by other companies in control or group relationship or that are subject to joint control**

During the 2018 financial year, the companies in a controlling or group relations with the Company **did not pay the members of the Board of Directors any remunerations** or amounts for any reason.

#### **79. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for such these bonuses and/or profit-sharing**

During the 2018 financial year, the members of the Board of Directors were not paid any amounts in the form of profit-sharing or bonuses.

#### **80. Compensation paid or owed to former executive Directors relating to the termination of their office during the financial year**

During the 2018 financial year, no compensation was paid or is owed to former executive Directors relative to their termination of office during the financial year.

#### **81. Annual remuneration earned, in aggregate and individually, by members of the Company's oversight body, for the purposes of Law 28/2009, of 19 June**

See point 77 of Part I above with respect to the members of the Audit Committee.

## 82. Remuneration of the Chairman of the Board of the General Meeting during the reference year

During the 2018 financial year, the remuneration earned by the Chairman and Vice-Chairman of the Board of the General Meeting was, respectively, ten thousand and four thousand euros.

## V. AGREEMENTS AFFECTING REMUNERATION

### 83. Contractual limits for compensation payable upon dismissal without just cause of a director and their connection with the variable remuneration component

The members of CTT's corporate bodies **did not enter into any remuneration or compensation agreements with the Company**. The remuneration policy approved by CTT's Remuneration Committee for the term of office 2017/2019 establishes that in the event of the termination of duties of members of the Board of Directors, the legally stipulated rules for compensation will be applicable, without prejudice to the provisions in point 72 above by reference to the variable remuneration.

- The compensation by law to members of the Board of Directors (including executive Directors), in the event of their dismissal without just cause, is indemnity for damages suffered thereby, as prescribed by law and may not exceed the remuneration that Board member would presumably receive until the end of the period for which he/she was elected

Therefore, considering the absence of individual agreements in this regard and the terms of the remuneration policy approved by the Remuneration Committee in the event of a dismissal that does not arise from a serious breach of duty nor from the inability to carry out duties normally, but that is nonetheless due to inadequate performance, the Company will only be obliged to pay compensation as prescribed by law.

See point 72 of Part I above on the impact of termination of duties relative to variable remuneration.

### 84. Agreements between the Company and members of the management body and senior officers, under article 248-B(3) of the Portuguese Securities Code providing for compensation in the event of resignation, dismissal without just cause or termination of employment following a change of control in the Company

During the 2018 financial year, **there were no agreements between the Company and the members of the Board of Directors or the Audit Committee** which provided for compensation in the case of resignation, dismissal without just cause or termination of employment following a change of control in the Company, notwithstanding point 72 of Part I above.

On this issue, it should be noted that CTT's Board of Directors considers that the Company's directors, in acceptance of article 248-B of the Portuguese Securities Code and of the EU Regulation, correspond only to the members of the management and supervisory bodies of CTT.

## VI. SHARE AWARD PLANS OR STOCK OPTION PLANS

### 85. The plan and its respective beneficiaries

As better defined in point 71 above, the remuneration policy approved by the Remuneration Committee for the term of office 2017/2019 does not foresee the attribution of any shares to executive Directors as remuneration. Furthermore, the Company does not have in force, on the present date, any type of plan for stock options.



**86. Characteristics of the plan (awarding conditions, share lock-up clauses, share price and strike price criteria, exercise period for the options, characteristics of the shares or options to be awarded, incentives to purchase shares and/or exercise options)**

As noted in point 85 of Part I above.

**87. Stock options for Company employees and staff**

As noted in point 85 of Part I above.

**88. Control mechanisms provided for in any employee-share ownership scheme in as much as voting rights are not directly exercised by those employees**

No system of employee participation in equity was in force in 2018 or exists in CTT.

**E. TRANSACTIONS WITH RELATED PARTIES**

**I. CONTROL MECHANISMS AND PROCEDURES**

**89. Mechanisms implemented by the Company to control related party transactions**

Since 2014, the Company has been implementing procedures aimed at ensuring strict compliance with the legal and accounting rules and current best practices concerning transactions with related parties and the pursuit of CTT's interests in this regard, in particular through the **Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest**.

To this end, "Related Parties" are considered to be:

- Any Shareholder with at least 2% of CTT's share capital, whether directly or indirectly, pursuant to article 20 of the Portuguese Securities Code;
- Members of CTT's management and supervisory bodies and any officers who, although not members of these corporate bodies are so classified under the referenced Regulation, or any third party related thereto through any significant commercial or personal interest;
- Subsidiaries, associated companies and jointly controlled entities (joint ventures) of CTT.

According to that Regulation, "Transactions with Related Parties" (i.e., all onerous or gratuitous legal transactions or a transfer of resources, services or obligations between, on the one hand, CTT and/or subsidiaries and, on the other hand, a related-party) shall adhere to the following principles:

- They can only take place based on motives clearly within the scope of CTT business interests;
- They must be entered into at arm's length, pursuant to the legislation in force and in line with the best corporate governance practices, in order to ensure transparency and the full protection of CTT's interests;
- They must always be put in writing, specifying their respective terms and conditions;
- Loans to "Related Parties" are expressly prohibited, except to subsidiaries, associated companies or jointly controlled entities (joint-ventures);
- They should be clearly and accurately disclosed in the notes to the Company's financial statements, with sufficient detail to identify the "Related Party" and the main conditions regarding the transactions.

See point 91 of Part I below on the prior and subsequent mechanisms for the Audit Committee to control transactions with related parties.

**90. Transactions that were subject to control during the reference year**

During the 2018 financial year, the law firm Uría Menéndez – Proença de Carvalho was engaged to provide legal advisory services to Banco CTT in the context of the partnership relations to be established with Netinvoice, S.A. for the constitution of a web platform for credit transactions and the attribution of a



financial contribution to COTEC Portugal – Associação Empresarial para a Inovação (Portuguese Association for Innovation) in the context of the “Portugal Platform i4.0: Qualify SME for the 4.0 Industry” project relative to its 2-year duration. These are considered transactions with related parties and have been subject to prior review of the supervisory body of the Company pursuant to the procedures described in the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest referred to in points 89 and 91 of Part I of this chapter.

This engagement configures a **transaction with a related party**, having been **subject to prior control** by the Company’s supervisory body under the procedures described in the Regulations on Assessment of Transactions with Related Parties and Prevention of Conflicts of Interest mentioned in points 89 and 91 of Part I of this chapter.

Additionally, the following transactions with subsidiaries of the CTT Group were subject to **control by the aforesaid body**: subsequent control in relation to (i) transactions that corresponded almost entirely to the provision of services, in the context of the postal activities; and (ii) the addenda entered into between CTT and Banco CTT in respect to the agreements governing the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership regarding CTT channel and the provision of services between CTT and Banco CTT, in the context of the financial activities.

For further details on Transactions with Related Parties, see **Note 50** – Related Parties to the consolidated and individual financial statements in chapter 7 of this report (see page 250).

#### **91. Procedures and criteria applicable to the oversight body’s intervention in the prior assessment of business transactions to be carried out between the Company and qualified shareholders**

According to the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests, “Significant Transactions with Related Parties” are submitted by the Executive Committee to the **prior opinion of the Audit Committee**, under the following terms:

- Transactions of an amount exceeding 1,000,000 euros relative to a single transaction or to a set of transactions carried out in each financial year qualify for this purpose, except for transactions carried out between CTT and directly or indirectly fully-owned subsidiaries of CTT;
- In this context, the Audit Committee analyses, in particular, the terms and conditions, scope and opportunity of the transaction, the interest of the related party, any limitations that may be imposed on CTT as a result of the transaction, the implemented pre-contractual procedures, the mechanisms adopted to resolve or prevent potential conflicts of interest and evidence that the operation will be carried out at arm’s length;
- Also subject to the prior opinion of the Audit Committee are transactions to be entered into, on the one hand, by management body members of CTT and/or subsidiaries (directly or through a third party) and, on the other hand, by CTT and/or subsidiaries, under the terms and for the purposes set out in articles 397 and 423-H of the PCC and the procedure set out in the Regulation for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.

All other “Transactions with Related Parties” are communicated to the Audit Committee for subsequent review, namely in the context of the annual activity report, by the last day of July or January, according to whether the transaction occurred in the 1<sup>st</sup> or 2<sup>nd</sup> semester of the year.

## II. TRANSACTION INFORMATION

#### **92. Place in the financial reporting documents where information on business transactions with related parties pursuant to IAS 24 is available**

The relevant transactions with related parties are described in Note 50 to the consolidated and individual financial statements in chapter 7 (see page 250) of this report and were carried out at arm’s length.

## PART II – ASSESSMENT OF CORPORATE GOVERNANCE

### 1. Identification of the adopted corporate governance code

In conformity with the provisions in number 1 of article 2 of CMVM Regulation 4/2013, CTT has adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance, in the version published in 2018, (“IPCG Code”) which can be consulted at [www.cgov.pt](http://www.cgov.pt).

### 2. Analysis of compliance with the adopted corporate governance code

| RECOMMENDATIONS OF THE IPCG CODE   |  | ADOPTION | POINTS OF CHAPTER 5 – CORPORATE GOVERNANCE  |
|--|--|----------|---|
| <b>I. GENERAL PROVISIONS</b>   |  |          |   |
| <b>GENERAL PRINCIPLE</b>   | Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.  |          |   |
| <b>I.1. Company’s relationship with investors and disclosure</b>                           |  |          |   |
| <b>PRINCIPLE</b>   | Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.  |          |   |
| <b>I.1.1.</b>  | The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.  | Adopted  | 56 to 63 (see also chapters 10. Investor support and 11. Website, pages 289 and 292 of this report) |
| <b>I.2. Diversity in the composition and functioning of the company’s governing bodies</b> |  |          |   |
| <b>PRINCIPLE I.2.A.</b>  | Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.   |          |   |
| <b>PRINCIPLE I.2.B.</b>  | Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.   |          |   |
| <b>I.2.1.</b>  | Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition. | Adopted  | 16, 19, 26 and 33   |
| <b>I.2.2.</b>  | The company’s managing and supervisory boards, as well as their committees, should have internal regulations – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members –, and detailed minutes of the meetings of each of these bodies should be carried out.  | Adopted  | 21, 22, 23, 27, 29, 34 and 35   |
| <b>I.2.3.</b>  | The internal regulations of the governing bodies – the managing body, the supervisory body and their respective committees – should be disclosed, in full, on the company’s website.   | Adopted  | 22, 34 and 61 (see also for point 61 chapter 11. Website, pages 291 and 292 of this report)         |

| RECOMMENDATIONS OF THE IPCG CODE                     |   | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE  |
|--|---|----------|---|
| <b>I.2.4.</b>  | The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.  | Adopted  | 23, 28, 29, 35, 62 and 67 (see also for point 62 chapter 11. Website, pages 291 and 292 of this report) |
| <b>I.2.5.</b>  | The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.   | Adopted  | 21.5, 35 and 49   |
| <b>I.3. Relationships between the company bodies</b> |   |          |   |
| <b>PRINCIPLE</b>                                     | Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.  |          |   |
| <b>I.3.1.</b>  | The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information. | Adopted  | 18 and 21.2   |
| <b>I.3.2.</b>  | Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.   | Adopted  | 18 and 21.2   |
| <b>I.4. Conflicts of interest</b>                    |   |          |   |
| <b>PRINCIPLE</b>                                     | The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.  |          |   |
| <b>I.4.1.</b>  | The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.  | Adopted  | 21  |
| <b>I.4.2.</b>  | Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.   | Adopted  | 21  |
| <b>I.5. Related party transactions</b>               |   |          |   |
| <b>PRINCIPLE</b>                                     | Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.  |          |   |
| <b>I.5.1.</b>  | The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the  | Adopted  | 38, 89 and 91   |

| RECOMMENDATIONS OF THE IPCG CODE                                 |  | ADOPTION    | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE |
|--|--|-------------|--|
|  | scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.   |             |  |
| I.5.2.   | The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.  | Adopted     | 91   |
| <b>II. SHAREHOLDERS AND GENERAL MEETINGS</b>                     |  |             |  |
| <b>PRINCIPLE II.A.</b>   | As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.   |             |  |
| <b>PRINCIPLE II.B.</b>   | The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.  |             |  |
| <b>PRINCIPLE II.C.</b>   | The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.   |             |  |
| II.1.  | The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.   | Adopted     | 12   |
| II.2.  | The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.   | Adopted     | 14   |
| II.3.  | The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.   | Adopted     | 12   |
| II.4.  | The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.   | Not adopted | ---  |
| II.5.  | The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits. | n.a.        | 5 and 13   |
| II.6.  | The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.   | Adopted     | 4  |
| <b>III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION</b> |  |             |  |
| <b>PRINCIPLE III.A.</b>  | The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.  |             |  |
| <b>PRINCIPLE III.B.</b>  | The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.   |             |  |

| RECOMMENDATIONS OF THE IPCG CODE |  | ADOPTION               | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE |
|----------------------------------|--|------------------------|--|
| <b>PRINCIPLE III.C.</b>          | The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.  |                        |  |
| <b>III.1.</b>                    | Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1..   | n.a.                   | 17 and 18  |
| <b>III.2.</b>                    | The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.   | Adopted                | 17 and 18  |
| <b>III.3.</b>                    | In any case, the number of non-executive directors should be higher than the number of executive directors.  | Adopted                | 17 and 18  |
| <b>III.4.</b>                    | Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: <ol style="list-style-type: none"> <li>i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;</li> <li>ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;</li> <li>iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;</li> <li>iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;</li> <li>v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; or</li> <li>vi. having been a qualified holder or representative of a shareholder of qualifying holding.</li> </ol> | Adopted <sup>(1)</sup> | 17, 18, 20 and 78                                |
| <b>III.5.</b>                    | The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).   | n.a.                   | 17 and 18  |
| <b>III.6.</b>                    | Non-executive directors should participate in the definition,  | Adopted                | 21   |
| <b>III.7.</b>                    | by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to  | n.a.                   | 15   |

| RECOMMENDATIONS OF THE IPCG CODE |  | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE  |
|----------------------------------|--|----------|---|
|                                  | their amount or risk, as well as in the assessment of the accomplishment of these actions.   |          |   |
| III.8.                           | The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.  | Adopted  | 35 and 38   |
| III.9.                           | The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.  | Adopted  | 21, 29 and 66   |
| III.10.                          | Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.  | Adopted  | 54  |
| III.11.                          | Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.  | Adopted  | 38, 50 to 52 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 37 to 39 of this report)  |
| III.12.                          | The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.   | Adopted  | 37, 38, 50, 51 and 55   |
| <b>IV. EXECUTIVE MANAGEMENT</b>  |  |          |   |
| <b>PRINCIPLE IV.A.</b>           | As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development. |          |   |
| <b>PRINCIPLE IV.B.</b>           | In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.  |          |   |
| IV.1.                            | The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.   | Adopted  | 26  |
| IV.2.                            | The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.   | Adopted  | 21  |
| IV.3.                            | In matters of risk assumption, the managing body should set objectives and look after their accomplishment.  | Adopted  | 21, 50 and 52 (see also for point 52 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 37 to 39 of this report) |

| RECOMMENDATIONS OF THE IPCG CODE                                  |   | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE  |
|---|---|----------|---|
| <b>IV.4.</b>  | The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.   | Adopted  | 38, 50 to 52 (see also for point 52 subchapter 2.7.1 Description of the risk management process of chapter 2.7. Risk management, pages 37 to 39 of this report) |
| <b>V. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT</b> |   |          |   |
| <b>V.1. Annual evaluation of performance</b>                      |   |          |   |
| <b>PRINCIPLE</b>  | The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.  |          |   |
| <b>V.1.1.</b>   | The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.   | Adopted  | 21.1, 21.4, 24, 29.2, 66, 70 and 71   |
| <b>V.1.2.</b>   | The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.   | Adopted  | 24, 35 and 38   |
| <b>V.2. Remuneration</b>  |   |          |   |
| <b>PRINCIPLE</b>  | The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.   |          |   |
| <b>V.2.1.</b>   | The remuneration should be set by a committee, the composition of which should ensure its independence from management.   | Adopted  | 66 and 67   |
| <b>V.2.2.</b>   | The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company. | Adopted  | 69 to 74  |
| <b>V.2.3.</b>   | The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19 June, should additionally contain the following:  |          |   |
|   | i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including  | Adopted  | 69 a 75, 77 and 79  |



| RECOMMENDATIONS OF THE IPCG CODE          |  | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE |
|---|--|----------|--|
|   | how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;  |          |  |
|   | ii. remunerations from companies that belong to the same group as the company;   |          | 78   |
|   | iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;   |          | 85   |
|   | iv. information on the possibility to request the reimbursement of variable remuneration;  |          | 69 and 72  |
|   | v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;  |          | 69 and 77  |
|   | vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.   |          | 69 and 80  |
| <b>V.2.4.</b>                             | For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.  | n.a.     | 76 and 80  |
| <b>V.2.5.</b>                             | In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.  | Adopted  | 69   |
| <b>V.2.6.</b>                             | Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee. | Adopted  | 67   |
| <b>V.3. Remuneration of the Directors</b> |  |          |  |
| <b>PRINCIPLE</b>                          | The directors should receive compensation: <ol style="list-style-type: none"> <li>i. that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;</li> <li>ii. that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and</li> <li>iii. that rewards performance.</li> </ol>  |          |  |
| <b>V.3.1.</b>                             | Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.   | Adopted  | 69, 70 and 71                                    |
| <b>V.3.2.</b>                             | A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.  | Adopted  | 72   |



| RECOMMENDATIONS OF THE IPCG CODE |   | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE  |
|----------------------------------|---|----------|---|
| <b>V.3.4.</b>                    | When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.   | n.a.     | 85  |
| <b>V.3.5.</b>                    | The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.  | Adopted  | 69 and 70   |
| <b>V.3.6.</b>                    | The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.  | Adopted  | 83  |
| <b>V.4. Appointments</b>         |   |          |   |
| <b>PRINCIPLE</b>                 | Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.  |          |   |
| <b>V.4.1.</b>                    | The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.   | Adopted  | 19, 21.4 and 29.2   |
| <b>V.4.2.</b>                    | The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.   | Adopted  | 21.4 and 29.2   |
| <b>V.4.3.</b>                    | This nomination committee includes a majority of nonexecutive, independent members.   | Adopted  | 29.2  |
| <b>V.4.4.</b>                    | The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity. | Adopted  | 21.4 and 29.2   |
| <b>VI. RISK MANAGEMENT</b>       |   |          |   |
| <b>PRINCIPLE</b>                 | Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.  |          |   |
| <b>VI.1.</b>                     | The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.  | Adopted  | 21, 50, 52 and 54 (see also for points 52 and 54 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 37 to 39 of this report) |
| <b>VI.2.</b>                     | Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.                              | Adopted  | 50 to 55 (see also for points 52 to 54 subchapters 2.7.1. Description of the risk management process and 2.7.2. Identification of risks (risk matrix))                        |

| RECOMMENDATIONS OF THE IPCG CODE                         |  | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE  |
|--|--|----------|---|
|  |  |          | and CTT response of chapter 2.7. Risk management, pages 37 to 41 of this report)  |
| <b>VI.3.</b>   | The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.   | Adopted  | 21, 50, 52 and 54 (see also for points 52 and 54 subchapter 2.7.1. Description of the risk management process of chapter 2.7. Risk management, pages 37 to 39 of this report) |
| <b>VII. FINANCIAL STATEMENTS AND ACCOUNTING</b>          |  |          |   |
| <b>VII.1 Financial Information</b>                       |  |          |   |
| <b>PRINCIPLE VII.A.</b>                                  | The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.   |          |   |
| <b>PRINCIPLE VII.B.</b>                                  | The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.   |          |   |
| <b>VII.1.1.</b>  | The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.  | Adopted  | 38  |
| <b>VII.2 Statutory audit of accounts and supervision</b> |  |          |   |
| <b>PRINCIPLE</b>   | The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.  |          |   |
| <b>VII.2.1.</b>  | Through the use of internal regulations, the supervisory body should define: <ul style="list-style-type: none"> <li>i. the criteria and the process of selection of the statutory auditor;</li> <li>ii. the methodology of communication between the company and the statutory auditor;</li> <li>iii. the monitoring procedures destined to ensure the independence of the statutory auditor;</li> <li>iv. the services, besides those of accounting, which may not be provided by the statutory auditor.</li> </ul> | Adopted  | 37 and 38   |
| <b>VII.2.2.</b>  | The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.   | Adopted  | 38  |
| <b>VII.2.3.</b>  | The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.   | Adopted  | 38 and 45   |

| RECOMMENDATIONS OF THE IPCG CODE |   | ADOPTION | POINTS OF CHAPTER 5<br>- CORPORATE<br>GOVERNANCE |
|----------------------------------|---|----------|--|
| VII.2.4.                         | The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.                      | Adopted  | 38   |
| VII.2.5.                         | The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties. | Adopted  | 38   |

### Comply or Explain

#### Recommendation II.4

*“The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings”*

Although the Company does not offer participation by telematic means in the general meetings to its shareholders, suitable means are implemented for the active and unimpaired participation of all its shareholders in these meetings. This involves, namely, the possibility of the shareholders also being able to vote **by correspondence or electronic vote**, with materially equivalent effects to participation by telematic means.

Notwithstanding this possibility, which is established in the Company's Articles of Association since its privatisation, and according to what has been practice in the Company's last general meetings, voting by electronic means has never been exercised. Some shareholders voted by correspondence in the first general meetings held after privatisation, but this type of participation has not been used recently.

Without prejudice to the future implementation of telematic means for participation in general meetings, CTT considers that the costs of implementing a solution of this nature could very well be disproportionate to the actual participation through these means by the shareholders, taking into account their clear preference for participation in person or through representation under the legal terms, as revealed by the practice in the last general meetings.

For this reason, the Company considers that the means currently provided for shareholder participation in the general meetings are adequate, namely through electronic vote, **in line with the principles of good corporate governance and materially equivalent to compliance with this Recommendation.**

#### <sup>(1)</sup> Recommendation III.4

*“Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:*

- i. *having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;*
- ii. *having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;*
- iii. *having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;*
- iv. *having been a beneficiary of remuneration paid by the company or by a company which is considered to be*

*in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;*

- v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings; or*
- vi. having been a qualified holder or representative of a shareholder of qualifying holding."*

Although there is no total coincidence of criteria for assessing the independence of non-executive members of the Board of Directors, between, on the one hand, CMVM Regulation 4/2013 (Point 18.1 of Annex I to said Regulation) which, in the case of the members of the Board of Directors who are also members of the Audit Committee, refers to the Portuguese Companies Code, and, on the other hand, the IPCG Code which generally refers to independence requirements without express reference to the regime of the Portuguese Companies Code as regards the members of the Audit Committee, the Company fully complies with Recommendation III.4. of the IPCG Code to the extent that, in accordance with the criteria defined for the purposes of this Recommendation, 54% of all its directors are independent, this percentage being 87.5% when measured solely in terms of its non-executive Directors.

## 6. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Under the terms of article 23 of the Articles of Association of CTT - Correios de Portugal, S.A. "CTT" or "Company"), the annual net profit, duly approved, will be appropriated as follows:

- a) A minimum of 5% will be transferred to the legal reserve, until the required amount is reached;
- b) A percentage will be distributed to the shareholders as dividends and as decided by the General Meeting;
- c) The remaining amount will be appropriated as deliberated by the General Meeting in the interest of the Company.

Under the terms of article 295(1) of the Portuguese Companies Code ("PCC"), a minimum of 5% is intended for the constitution of the legal reserve and, if necessary, its reintegration until this reserve reaches 20% of the share capital. As the share capital is €75,000,000.00, 20% is calculated at €15,000,000.00, whereby the legal reserve as at 31 December 2018 corresponds to the minimum amount required by the Articles of Association and the PCC.

Pursuant to article 294(1) of the PCC, save for another bylaw provision or a resolution passed with a majority of 3/4 of the votes corresponding to the share capital in a General Meeting called for that purpose, half of the financial year's distributable profits must be distributed to shareholders, as set out by law. CTT's Articles of Association contain no provision contrary to the referenced legal provision.

Distributable profits are the financial year's net profit after the constitution or increase of the legal reserve and after negative retained earnings have been covered, if applicable. As at 31 December 2018, the legal reserve is fully constituted and retained earnings are positive. For the financial year ended 31 December 2018, net profit for the year in the individual accounts amounted to €19,621,263.00.

Given the accounting rules in force, an amount of €2,766,408.00 is already reflected in the stated net profit regarding profit sharing with CTT employees.

Accordingly, and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes that:

- a) The net profit for the 2018 financial year, totaling €19,621,263.00, as per the individual financial statements, is allocated as follows:

|                   |                |
|-------------------|----------------|
| Dividends*        | €15,000,000.00 |
| Retained earnings | €4,621,263.00  |
- b) A maximum amount of €2,766,408.00 (already considered in the individual financial statements) is allocated to CTT employees (not including any of the members of the Board of Directors of CTT) as bonuses.

\* Distribution of €15,000,000.00 in dividends, which corresponds to €0.10 per share.

Lisbon, 15 March 2019

For the Board of Directors



## 7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017  
 Euros

|   | NOTES | Group                |                      | Company            |                    |
|---|-------|----------------------|----------------------|--------------------|--------------------|
|   |       | 31.12.2018           | 31.12.2017           | 31.12.2018         | 31.12.2017         |
| <b>ASSETS</b>                             |       |                      |                      |                    |                    |
| <b>Non-current assets</b>                 |       |                      |                      |                    |                    |
| Tangible fixed assets                     | 5     | 182,986,001          | 199,855,908          | 167,839,804        | 183,397,373        |
| Investment properties                     | 7     | 8,179,980            | 6,164,849            | 8,179,980          | 6,164,849          |
| Intangible assets                         | 6     | 56,770,556           | 47,501,684           | 25,422,412         | 19,789,332         |
| Goodwill                                  | 9     | 9,523,180            | 9,523,180            | -                  | -                  |
| Investments in subsidiary companies       | 10    | -                    | -                    | 118,057,011        | 124,181,057        |
| Investments in associated companies       | 11    | 296,260              | 296,260              | 295,779            | 295,779            |
| Investments in joint ventures             | 12    | 496,076              | -                    | 496,076            | -                  |
| Other investments                         | 13    | 1,379,137            | 1,503,572            | 1,379,137          | 1,503,572          |
| Investment securities                     | 14    | 429,038,681          | -                    | -                  | -                  |
| Investments held to maturity              | 14    | -                    | 245,827,759          | -                  | -                  |
| Shareholders                              | 50    | -                    | -                    | 1,350,000          | 2,658,000          |
| Other non-current assets                  | 23    | 1,526,644            | 1,375,223            | 1,252,268          | 1,092,403          |
| Credit to banking clients                 | 19    | 231,797,420          | 64,263,948           | -                  | -                  |
| Financial assets available for sale       | -     | -                    | 3,175,180            | -                  | -                  |
| Other banking financial assets            | 15    | 22,692,434           | 11,831,122           | -                  | -                  |
| Deferred tax assets                       | 49    | 81,733,398           | 87,155,739           | 79,559,985         | 86,007,545         |
| <b>Total non-current assets</b>           |       | <b>1,026,419,767</b> | <b>678,474,423</b>   | <b>403,832,453</b> | <b>425,089,910</b> |
| <b>Current assets</b>                     |       |                      |                      |                    |                    |
| Inventories                               | 17    | 5,568,114            | 5,696,996            | 5,187,053          | 5,022,455          |
| Accounts receivable                       | 18    | 135,855,195          | 132,480,130          | 100,059,980        | 95,987,068         |
| Credit to banking clients                 | 19    | 16,252,561           | 15,083,442           | -                  | -                  |
| Shareholders                              | 50    | -                    | -                    | 12,048,528         | 3,755,511          |
| Income taxes receivable                   | 36    | 1,108,421            | 1,552,005            | 1,034,079          | 1,564,777          |
| Deferrals                                 | 20    | 6,691,359            | 6,600,115            | 5,045,157          | 5,111,904          |
| Investment securities                     | 14    | 25,063,201           | -                    | -                  | -                  |
| Investments held to maturity              | 14    | -                    | 15,721,373           | -                  | -                  |
| Other current assets                      | 23    | 35,517,214           | 32,338,234           | 28,987,226         | 27,922,910         |
| Financial assets available for sale       | 14    | -                    | 2,576,194            | -                  | -                  |
| Other banking financial assets            | 15    | 93,621,151           | 91,417,084           | -                  | -                  |
| Cash and cash equivalents                 | 22    | 422,717,478          | 626,825,397          | 271,758,311        | 376,590,733        |
| Non-current assets held for sale          | -     | -                    | -                    | -                  | -                  |
| <b>Total current assets</b>               |       | <b>742,394,695</b>   | <b>930,290,969</b>   | <b>424,120,334</b> | <b>515,955,358</b> |
| <b>Total assets</b>                       |       | <b>1,768,814,462</b> | <b>1,608,765,392</b> | <b>827,952,787</b> | <b>941,045,268</b> |
| <b>EQUITY AND LIABILITIES</b>             |       |                      |                      |                    |                    |
| <b>Equity</b>                             |       |                      |                      |                    |                    |
| Share capital                             | 25    | 75,000,000           | 75,000,000           | 75,000,000         | 75,000,000         |
| Own shares                                | 26    | (8)                  | (8)                  | (8)                | (8)                |
| Reserves                                  | 26    | 65,836,875           | 79,947,883           | 65,836,605         | 79,897,560         |
| Retained earnings                         | 26    | 17,122,389           | 34,268,089           | 17,130,537         | 34,336,935         |
| Other changes in equity                   | 26    | (30,993,430)         | (32,634,996)         | (31,001,308)       | (32,653,520)       |
| Net profit                                | -     | 19,621,263           | 27,263,244           | 19,621,263         | 27,263,244         |
| Equity attributable to equity holders     | -     | 146,587,089          | 183,844,211          | 146,587,089        | 183,844,211        |
| Non-controlling interests                 | 29    | 165,494              | 146,738              | -                  | -                  |
| <b>Total equity</b>                       |       | <b>146,752,583</b>   | <b>183,990,949</b>   | <b>146,587,089</b> | <b>183,844,211</b> |
| <b>Liabilities</b>                        |       |                      |                      |                    |                    |
| <b>Non-current liabilities</b>            |       |                      |                      |                    |                    |
| Accounts payable                          | 33    | -                    | -                    | 312,744            | -                  |
| Debt                                      | 30    | 24,282,526           | 73,689               | 24,276,250         | -                  |
| Employee benefits                         | 31    | 244,562,078          | 252,919,533          | 244,249,491        | 252,595,578        |
| Provisions                                | 32    | 16,019,339           | 26,028,332           | 13,257,258         | 29,550,059         |
| Deferrals                                 | 20    | 305,691              | 316,892              | 305,691            | 316,892            |
| Deferred tax liabilities                  | 49    | 3,108,662            | 3,399,121            | 3,083,265          | 3,368,115          |
| <b>Total non-current liabilities</b>      |       | <b>288,278,296</b>   | <b>282,737,567</b>   | <b>285,484,699</b> | <b>285,830,644</b> |
| <b>Current liabilities</b>                |       |                      |                      |                    |                    |
| Accounts payable                          | 33    | 322,276,222          | 384,533,294          | 300,597,319        | 361,001,085        |
| Banking clients' deposits and other loans | 34    | 883,950,534          | 619,229,680          | -                  | -                  |
| Shareholders                              | 51    | -                    | -                    | 5,539,255          | 12,821,447         |
| Employee benefits                         | 31    | 17,119,105           | 17,100,808           | 17,087,341         | 17,069,013         |
| Debt                                      | 30    | 6,575,160            | 10,304,390           | -                  | -                  |
| Deferrals                                 | 20    | 2,708,090            | 1,432,696            | 2,066,612          | 1,425,534          |
| Other current liabilities                 | 35    | 86,203,693           | 91,553,848           | 70,590,472         | 79,053,334         |
| Other banking financial liabilities       | 15    | 14,950,779           | 17,882,160           | -                  | -                  |
| <b>Total current liabilities</b>          |       | <b>1,333,783,583</b> | <b>1,142,036,875</b> | <b>395,880,999</b> | <b>471,370,413</b> |
| <b>Total liabilities</b>                  |       | <b>1,622,061,879</b> | <b>1,424,774,442</b> | <b>681,365,698</b> | <b>757,201,057</b> |
| <b>Total equity and liabilities</b>       |       | <b>1,768,814,462</b> | <b>1,608,765,392</b> | <b>827,952,787</b> | <b>941,045,268</b> |

The attached notes are an integral part of these financial statements.

CTT - CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

Euros

|   | NOTES    | Group                |                      |                      |                      | Company              |                      |                      |                      |
|---|----------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   |          | Twelve months ended  |                      | Three months ended   |                      | Twelve months ended  |                      | Three months ended   |                      |
|   |          | 31.12.2018           | 31.12.2017           | 31.12.2018           | 31.12.2017           | 31.12.2018           | 31.12.2017           | 31.12.2018           | 31.12.2017           |
| <b>Revenues</b>   |          | <b>717,465,816</b>   | <b>714,277,808</b>   | <b>192,526,347</b>   | <b>196,296,866</b>   | <b>572,619,922</b>   | <b>583,908,852</b>   | <b>158,297,969</b>   | <b>158,676,975</b>   |
| Sales and services rendered   | 4/39     | 685,944,622          | 676,007,522          | 177,803,975          | 174,738,334          | 525,021,420          | 523,146,929          | 140,125,677          | 131,770,987          |
| Financial margin  | 40       | 7,867,424            | 3,389,566            | 2,370,311            | 1,286,975            | -                    | -                    | -                    | -                    |
| Other operating income  | 41       | 23,653,770           | 34,880,720           | 12,352,061           | 20,271,557           | 47,598,502           | 60,761,923           | 18,172,292           | 26,905,988           |
| <b>Operating costs</b>  |          | <b>(678,810,083)</b> | <b>(667,184,555)</b> | <b>(175,029,154)</b> | <b>(185,524,160)</b> | <b>(508,011,024)</b> | <b>(511,177,014)</b> | <b>(132,460,925)</b> | <b>(142,078,930)</b> |
| Cost of sales   | 17       | (13,896,222)         | (12,765,389)         | (4,222,929)          | (4,516,990)          | (13,140,650)         | (9,786,292)          | (5,686,394)          | (3,676,801)          |
| External supplies and services                                      | 42       | (261,769,040)        | (251,481,693)        | (68,439,514)         | (69,322,584)         | (146,539,326)        | (151,248,904)        | (37,545,274)         | (40,298,117)         |
| Staff costs   | 44       | (353,611,793)        | (354,739,819)        | (87,510,047)         | (97,239,677)         | (314,762,343)        | (313,470,667)        | (79,771,918)         | (86,775,925)         |
| Impairment of accounts receivable, net                              | 45       | (2,242,880)          | (1,098,235)          | (1,958,287)          | (164,418)            | 646                  | (48,025)             | (50,966)             | (107,413)            |
| Impairment of non-depreciable assets                                | 9        | -                    | (1,133,312)          | -                    | (1,133,312)          | -                    | (1,133,312)          | -                    | (1,133,312)          |
| Impairment of other financial banking assets                        | 45       | (197,743)            | (117,234)            | (224,864)            | (117,234)            | -                    | -                    | -                    | -                    |
| Provisions, net   | 32       | (1920,024)           | (1025,880)           | (941,817)            | (1,784,786)          | (89,590)             | (997,450)            | (435,624)            | (1,844,061)          |
| Depreciation/amortisation and impairment of investments, net        | 46       | (31,343,765)         | (30,670,452)         | (7,966,396)          | (7,915,390)          | (24,147,906)         | (23,135,944)         | (6,271,481)          | (5,864,218)          |
| Other operating costs   | 47       | (13,828,616)         | (14,152,541)         | (3,765,301)          | (3,329,769)          | (9,331,854)          | (11,356,420)         | (2,699,267)          | (2,379,083)          |
| <b>Earnings before financial income and taxes</b>                   |          | <b>38,655,733</b>    | <b>47,093,253</b>    | <b>17,497,193</b>    | <b>10,772,706</b>    | <b>64,608,898</b>    | <b>72,731,838</b>    | <b>25,837,044</b>    | <b>16,598,045</b>    |
| <b>Financial results</b>  |          | <b>(6,258,200)</b>   | <b>(5,000,539)</b>   | <b>(2,260,538)</b>   | <b>(1,276,689)</b>   | <b>(28,760,576)</b>  | <b>(27,257,136)</b>  | <b>(9,342,026)</b>   | <b>(6,272,429)</b>   |
| Interest expenses   | 48       | (5,510,975)          | (5,381,464)          | (1,379,271)          | (1,354,556)          | (5,432,295)          | (5,293,890)          | (1,366,642)          | (1,324,962)          |
| Interest income   | 48       | 48,711               | 380,925              | 12,262               | 77,867               | 232,643              | 444,227              | 54,193               | 93,897               |
| Gains/losses in subsidiary, associated companies and joint ventures | 10/11/12 | (795,935)            | -                    | (893,528)            | -                    | (23,560,924)         | (22,407,472)         | (8,029,577)          | (5,041,363)          |
| <b>Earnings before taxes</b>  |          | <b>32,397,533</b>    | <b>42,092,714</b>    | <b>15,236,655</b>    | <b>9,496,017</b>     | <b>35,848,322</b>    | <b>45,474,702</b>    | <b>16,495,019</b>    | <b>10,325,616</b>    |
| Income tax for the period   | 49       | (12,755,279)         | (14,977,391)         | (5,514,226)          | (1,752,715)          | (16,227,059)         | (18,211,458)         | (6,766,253)          | (2,571,939)          |
| <b>Net profit for the period</b>                                    |          | <b>19,642,254</b>    | <b>27,115,323</b>    | <b>9,722,428</b>     | <b>7,743,302</b>     | <b>19,621,263</b>    | <b>27,263,244</b>    | <b>9,728,766</b>     | <b>7,753,677</b>     |
| <b>Net profit for the period attributable to:</b>                   |          |                      |                      |                      |                      |                      |                      |                      |                      |
| Equity holders  |          | 19,621,263           | 27,263,244           | 9,728,766            | 7,753,677            |                      |                      |                      |                      |
| Non-controlling interests   | 29       | 20,990               | (147,921)            | (6,338)              | (10,375)             |                      |                      |                      |                      |
| <b>Earnings per share:</b>  | 28       | 0.13                 | 0.18                 | 0.00                 | 0.05                 | 0.13                 | 0.18                 | 0.06                 | 0.05                 |

The attached notes are an integral part of these financial statements.



CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

Euros

|   | NOTES | Group               |                    |                    |                    | Company             |                    |                    |                    |
|---|-------|---------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
|   |       | Twelve months ended |                    | Three months ended |                    | Twelve months ended |                    | Three months ended |                    |
|   |       | 31.12.2018          | 31.12.2017         | 31.12.2018         | 31.12.2017         | 31.12.2017          | 31.12.2017         | 31.12.2017         | 31.12.2017         |
| <b>Net profit for the period</b>  |       | <b>19,642,254</b>   | <b>27,115,323</b>  | <b>9,722,428</b>   | <b>7,743,301</b>   | <b>19,621,263</b>   | <b>27,263,244</b>  | <b>9,728,766</b>   | <b>7,753,677</b>   |
| Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss) | 26    | (2,235)             | 18,482             | (230)              | 2,308              | (718,603)           | 73,855             | (48,185)           | 18,373             |
| Changes to fair value reserves  | 26    | (50,053)            | 36,849             | (37,309)           | (2,458)            | -                   | -                  | -                  | -                  |
| Employee benefits (non re-classifiable adjustment to profit and loss)                                 | 31    | 2,181,712           | (7,579,217)        | 2,181,712          | (7,579,217)        | 2,195,449           | (7,603,118)        | 2,195,449          | (7,603,118)        |
| Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)                    | 49    | (540,146)           | 2,082,045          | (540,146)          | 2,082,045          | (543,237)           | 2,087,423          | (543,237)          | 2,087,423          |
| Other changes in equity   | 26/29 | (2,235)             | 6,775              | (230)              | 1,497              | -                   | -                  | -                  | -                  |
| <b>Other comprehensive income for the period after taxes</b>  |       | <b>1,587,043</b>    | <b>(5,435,066)</b> | <b>1,603,797</b>   | <b>(5,495,826)</b> | <b>933,609</b>      | <b>(5,441,841)</b> | <b>1,604,027</b>   | <b>(5,497,322)</b> |
| <b>Comprehensive income for the period</b>  |       | <b>21,229,297</b>   | <b>21,680,257</b>  | <b>11,326,225</b>  | <b>2,247,476</b>   | <b>20,554,873</b>   | <b>21,821,403</b>  | <b>11,332,793</b>  | <b>2,256,355</b>   |
| Attributable to non-controlling interests   |       | 18,756              | (141,146)          | (6,568)            | (8,879)            |                     |                    |                    |                    |
| Attributable to shareholders of CTT   |       | 21,210,541          | 21,821,403         | 11,332,792         | 2,256,354          |                     |                    |                    |                    |

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017  
 Euros

|   | NOTES | Share capital     | Own Shares         | Reserves            | Other changes in equity | Retained earnings   | Net profit for the year | Non-controlling interests | Total               |
|---|-------|-------------------|--------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------------|---------------------|
| <b>Balance on 1 January 2017</b>                              |       | <b>75,000,000</b> | <b>(5,097,536)</b> | <b>34,891,671</b>   | <b>(27,137,824)</b>     | <b>93,589,211</b>   | <b>62,160,395</b>       | <b>(79,135)</b>           | <b>233,326,782</b>  |
| Share capital increase  | 26    | 49,500,000        | -                  | -                   | -                       | (49,500,000)        | -                       | 367,020                   | 367,020             |
| Share capital decrease  | 26    | (49,500,000)      | -                  | 49,500,000          | -                       | -                   | -                       | -                         | -                   |
| Appropriation of net profit for the year of 2016              |       | -                 | -                  | -                   | -                       | 62,160,395          | (62,160,395)            | -                         | -                   |
| Dividends   | 27/29 | -                 | -                  | -                   | -                       | (72,000,000)        | -                       | -                         | (72,000,000)        |
| Attribution of own shares                                     | 26    | -                 | 5,097,527          | (4,480,638)         | -                       | -                   | -                       | -                         | 616,890             |
|   |       | -                 | <b>5,097,527</b>   | <b>45,019,362</b>   | -                       | <b>(59,339,605)</b> | <b>(62,160,395)</b>     | <b>367,020</b>            | <b>(71,016,090)</b> |
| Other movements   | 26/29 | -                 | -                  | -                   | -                       | -                   | -                       | 6,775                     | 6,775               |
| Actuarial gains/losses - Health Care, net from deferred taxes | 26    | -                 | -                  | -                   | (5,497,172)             | -                   | -                       | -                         | (5,497,172)         |
| Changes to fair value reserves                                | 26    | -                 | -                  | 36,849              | -                       | -                   | -                       | -                         | 36,849              |
| Adjustments from the application of the equity method         | 26    | -                 | -                  | -                   | -                       | 18,482              | -                       | -                         | 18,482              |
| Net profit for the period                                     |       | -                 | -                  | -                   | -                       | -                   | 27,263,244              | (147,921)                 | 27,115,323          |
| <b>Comprehensive income for the period</b>                    |       | -                 | -                  | <b>36,849</b>       | <b>(5,497,172)</b>      | <b>18,482</b>       | <b>27,263,244</b>       | <b>(147,921)</b>          | <b>21,680,257</b>   |
| <b>Balance on 31 December 2017</b>                            |       | <b>75,000,000</b> | <b>(8)</b>         | <b>79,947,883</b>   | <b>(32,634,996)</b>     | <b>34,268,089</b>   | <b>27,263,244</b>       | <b>146,738</b>            | <b>183,990,949</b>  |
| Adjustment on initial application of IFRS 9 (net of tax)      | 3     | -                 | -                  | -                   | -                       | (185,718)           | -                       | -                         | (185,718)           |
| Adjustment on initial application of IFRS 15 (net of tax)     | 3     | -                 | -                  | -                   | -                       | (1,281,946)         | -                       | -                         | (1,281,946)         |
| <b>Adjusted balance on 1 January 2018</b>                     |       | <b>75,000,000</b> | <b>(8)</b>         | <b>79,947,883</b>   | <b>(32,634,996)</b>     | <b>32,800,424</b>   | <b>27,263,244</b>       | <b>146,738</b>            | <b>182,523,284</b>  |
| Appropriation of net profit for the year of 2017              |       | -                 | -                  | -                   | -                       | 27,263,244          | (27,263,244)            | -                         | -                   |
| Dividends   | 27/29 | -                 | -                  | (15,372,222)        | -                       | (41,627,778)        | -                       | -                         | (57,000,000)        |
|   |       | -                 | -                  | <b>(15,372,222)</b> | -                       | <b>(14,364,534)</b> | <b>(27,263,244)</b>     | -                         | <b>(57,000,000)</b> |
| Other movements   | 26/29 | -                 | -                  | 1,311,267           | -                       | (1,311,267)         | -                       | (2,235)                   | (2,235)             |
| Actuarial gains/losses - Health Care, net from deferred taxes | 26    | -                 | -                  | -                   | 1,641,566               | -                   | -                       | -                         | 1,641,566           |
| Changes to fair value reserves                                | 26    | -                 | -                  | (50,053)            | -                       | -                   | -                       | -                         | (50,053)            |
| Adjustments from the application of the equity method         | 26    | -                 | -                  | -                   | -                       | (2,235)             | -                       | -                         | (2,235)             |
| Net profit for the period                                     |       | -                 | -                  | -                   | -                       | -                   | 19,621,263              | 20,990                    | 19,642,254          |
| <b>Comprehensive income for the period</b>                    |       | -                 | -                  | <b>1,261,214</b>    | <b>1,641,566</b>        | <b>(1,313,502)</b>  | <b>19,621,263</b>       | <b>18,756</b>             | <b>21,229,297</b>   |
| <b>Balance on 31 December 2018</b>                            |       | <b>75,000,000</b> | <b>(8)</b>         | <b>65,836,875</b>   | <b>(30,993,430)</b>     | <b>17,122,389</b>   | <b>19,621,263</b>       | <b>165,494</b>            | <b>146,752,583</b>  |

The attached notes are an integral part of these financial statements.

CIT - CORREIOS DE PORTUGAL, S.A.  
 INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017  
 Euros

|   | NOTES | Share capital     | Own Shares         | Reserves            | Other changes in equity | Retained earnings   | Net profit for the year | Total               |
|---|-------|-------------------|--------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|
| <b>Balance on 1 January 2017</b>                              |       | <b>75,000,000</b> | <b>(5,097,536)</b> | <b>34,878,397</b>   | <b>(27,137,824)</b>     | <b>93,602,685</b>   | <b>62,160,395</b>       | <b>233,405,918</b>  |
| Share capital increase  | 26    | 49,500,000        | -                  | -                   | -                       | (49,500,000)        | -                       | -                   |
| Share capital decrease  | 26    | (49,500,000)      | -                  | 49,500,000          | -                       | -                   | -                       | -                   |
| Appropriation of net profit for the year of 2016              |       | -                 | -                  | -                   | -                       | 62,160,395          | (62,160,395)            | -                   |
| Dividends   | 27/29 | -                 | -                  | -                   | -                       | (72,000,000)        | -                       | (72,000,000)        |
| Attribution of own shares                                     | 26    | -                 | 5,097,527          | (4,480,638)         | -                       | -                   | -                       | 616,890             |
|   |       | -                 | <b>5,097,527</b>   | <b>45,019,363</b>   | -                       | <b>(59,339,605)</b> | <b>(62,160,395)</b>     | <b>(71,383,110)</b> |
| Other movements   | 26/29 | -                 | -                  | -                   | -                       | -                   | -                       | -                   |
| Actuarial gains/losses - Health Care, net from deferred taxes | 26    | -                 | -                  | -                   | (5,515,695)             | -                   | -                       | (5,515,695)         |
| Adjustments from the application of the equity method         | 26    | -                 | -                  | -                   | -                       | 73,855              | -                       | 73,855              |
| Net profit for the period                                     |       | -                 | -                  | -                   | -                       | -                   | 27,263,244              | 27,263,244          |
| <b>Comprehensive income for the period</b>                    |       | -                 | -                  | -                   | <b>(5,515,695)</b>      | <b>73,855</b>       | <b>27,263,244</b>       | <b>21,821,403</b>   |
| <b>Balance on 31 December 2017</b>                            |       | <b>75,000,000</b> | <b>(8)</b>         | <b>79,897,560</b>   | <b>(32,653,520)</b>     | <b>34,336,935</b>   | <b>27,263,244</b>       | <b>183,844,210</b>  |
| Adjustment on initial application of IFRS 9 (net of tax)      | 3     | -                 | -                  | -                   | -                       | (250,252)           | -                       | (250,252)           |
| Adjustment on initial application of IFRS 15 (net of tax)     | 3     | -                 | -                  | -                   | -                       | (561,743)           | -                       | (561,743)           |
| <b>Adjusted balance on 1 January 2018</b>                     |       | <b>75,000,000</b> | <b>(8)</b>         | <b>79,897,560</b>   | <b>(32,653,520)</b>     | <b>33,524,940</b>   | <b>27,263,244</b>       | <b>183,032,216</b>  |
| Appropriation of net profit for the year of 2017              |       | -                 | -                  | -                   | -                       | 27,263,244          | (27,263,244)            | -                   |
| Dividends   | 27/29 | -                 | -                  | (15,372,222)        | -                       | (41,627,778)        | -                       | (57,000,000)        |
|   |       | -                 | -                  | <b>(15,372,222)</b> | -                       | <b>(14,364,534)</b> | <b>(27,263,244)</b>     | <b>(57,000,000)</b> |
| Other movements   | 26/29 | -                 | -                  | 1,311,267           | -                       | (1,311,267)         | -                       | -                   |
| Actuarial gains/losses - Health Care, net from deferred taxes | 26    | -                 | -                  | -                   | 1,652,211               | -                   | -                       | 1,652,211           |
| Adjustments from the application of the equity method         | 26    | -                 | -                  | -                   | -                       | (718,603)           | -                       | (718,603)           |
| Net profit for the period                                     |       | -                 | -                  | -                   | -                       | -                   | 19,621,263              | 19,621,263          |
| <b>Comprehensive income for the period</b>                    |       | -                 | -                  | <b>1,311,267</b>    | <b>1,652,211</b>        | <b>(2,029,869)</b>  | <b>19,621,263</b>       | <b>20,554,873</b>   |
| <b>Balance on 31 December 2018</b>                            |       | <b>75,000,000</b> | <b>(8)</b>         | <b>65,836,605</b>   | <b>(31,001,308)</b>     | <b>17,130,537</b>   | <b>19,621,263</b>       | <b>146,587,089</b>  |

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017  
 Euro

|  | Group |                      | Company              |                      |                     |
|--|-------|----------------------|----------------------|----------------------|---------------------|
|  | NOTES | 31.12.2018           | 31.12.2017           | 31.12.2018           | 31.12.2017          |
| <b>Cash flow from operating activities</b>                     |       |                      |                      |                      |                     |
| Collections from customers                                     |       | 697,835,645          | 655,317,131          | 544,886,904          | 536,059,315         |
| Payments to suppliers  |       | (289,648,004)        | (246,570,916)        | (154,463,465)        | (147,060,663)       |
| Payments to employees  |       | (346,172,370)        | (324,501,764)        | (307,719,484)        | (283,736,046)       |
| Banking customer deposits and other loans                      |       | 264,794,538          | 365,387,763          | -                    | -                   |
| Credit to bank clients   |       | (167,899,571)        | (71,995,568)         | -                    | -                   |
| <b>Cash flow generated by operations</b>                       |       | <b>158,910,239</b>   | <b>377,636,646</b>   | <b>82,703,955</b>    | <b>105,262,605</b>  |
| Payments/receivables of income taxes                           |       | (7,077,454)          | (14,010,391)         | (18,395,230)         | (10,579,526)        |
| Other receivables/payments                                     |       | (92,685,453)         | (72,549,019)         | (10,132,257)         | (84,363,267)        |
| <b>Cash flow from operating activities (1)</b>                 |       | <b>59,147,331</b>    | <b>291,077,236</b>   | <b>(37,015,532)</b>  | <b>10,319,812</b>   |
| <b>Cash flow from investing activities</b>                     |       |                      |                      |                      |                     |
| Receivables resulting from:                                    |       |                      |                      |                      |                     |
| Tangible fixed assets  |       | 2,165,963            | -                    | 2,165,963            | -                   |
| Investment properties  |       | 510,040              | 4,057,971            | 510,040              | 4,057,971           |
| Non-current assets held for sale                               |       | 10,265,000           | 22,500,000           | 10,265,000           | 22,500,000          |
| Financial investments  |       | 222,028              | -                    | 222,028              | -                   |
| Investment securities  |       | 59,089,135           | -                    | -                    | -                   |
| Financial assets available for sale                            |       | -                    | 24,470,000           | -                    | -                   |
| Investments held to maturity                                   |       | -                    | 4,547,673            | -                    | -                   |
| Demand deposits at Bank of Portugal                            |       | 26,538,563           | -                    | -                    | -                   |
| Other banking financial assets                                 |       | 151,858,231          | 139,035,000          | -                    | -                   |
| Interest income  |       | 197,189              | 583,657              | 174,797              | 499,715             |
| Dividends  |       | -                    | -                    | 16,193,196           | 7,348,350           |
| Loans granted  |       | -                    | -                    | 8,565,000            | 2,250,000           |
| Payments resulting from:                                       |       |                      |                      |                      |                     |
| Tangible fixed assets  |       | (12,729,185)         | (20,696,380)         | (10,000,847)         | (16,044,112)        |
| Intangible assets  |       | (15,679,199)         | (10,522,634)         | (8,209,869)          | (4,285,698)         |
| Financial investments  |       | (1,389,604)          | (1,728,091)          | (42,929,604)         | (47,234,500)        |
| Investment securities  |       | (256,581,281)        | -                    | -                    | -                   |
| Financial assets available for sale                            |       | -                    | (23,933,418)         | -                    | -                   |
| Investments held to maturity                                   |       | -                    | (167,577,821)        | -                    | -                   |
| Demand deposits at Bank of Portugal                            |       | -                    | (28,963,648)         | -                    | -                   |
| Other banking financial assets                                 |       | (165,163,231)        | (182,205,000)        | -                    | -                   |
| Loans granted  |       | -                    | -                    | (14,300,000)         | (4,798,000)         |
| <b>Cash flow from investing activities (2)</b>                 |       | <b>(200,696,351)</b> | <b>(240,432,691)</b> | <b>(37,344,296)</b>  | <b>(35,706,274)</b> |
| <b>Cash flow from financing activities</b>                     |       |                      |                      |                      |                     |
| Receivables resulting from:                                    |       |                      |                      |                      |                     |
| Loans obtained   |       | 48,179,048           | 9,274,084            | 25,000,000           | -                   |
| Payments resulting from:                                       |       |                      |                      |                      |                     |
| Loans repaid   |       | (27,148,520)         | (7,646,409)          | (205,500)            | -                   |
| Interest expenses  |       | (281,263)            | (547,800)            | (238,517)            | (366,178)           |
| Finance leases   |       | (310,477)            | (1,027,115)          | -                    | (724,749)           |
| Dividends  | 27    | (57,000,000)         | (72,000,000)         | (57,000,000)         | (72,000,000)        |
| <b>Cash flow from financing activities (3)</b>                 |       | <b>(36,281,781)</b>  | <b>(71,947,240)</b>  | <b>(32,444,017)</b>  | <b>(73,090,927)</b> |
| <b>Net change in cash and cash equivalents (1+2+3)</b>         |       | <b>(177,830,802)</b> | <b>(21,302,695)</b>  | <b>(106,803,845)</b> | <b>(98,477,389)</b> |
| Changes in the consolidation perimeter                         |       | -                    | 134,862              | -                    | -                   |
| Megeer   |       | -                    | -                    | 1,983,395            | -                   |
| <b>Cash and equivalents at the beginning of the period</b>     |       | <b>592,677,416</b>   | <b>613,845,248</b>   | <b>376,590,733</b>   | <b>475,068,122</b>  |
| <b>Cash and cash equivalents at the end of the period</b>      | 22    | <b>414,846,614</b>   | <b>592,677,416</b>   | <b>271,770,284</b>   | <b>376,590,733</b>  |
| <b>Cash and cash equivalents at the end of the period</b>      |       | <b>414,846,614</b>   | <b>592,677,416</b>   | <b>271,770,284</b>   | <b>376,590,733</b>  |
| Sight deposits at Bank of Portugal                             |       | 6,217,418            | 32,755,981           | -                    | -                   |
| Outstanding checks of Banco CTT / Checks clearing of Banco CTT |       | 1,674,742            | 1,392,000            | -                    | -                   |
| Impairment of slight and term deposits                         |       | (21,295)             | -                    | (11,973)             | -                   |
| <b>Cash and cash equivalents (Balance sheet)</b>               |       | <b>422,717,478</b>   | <b>626,825,397</b>   | <b>271,758,311</b>   | <b>376,590,733</b>  |

The attached notes are an integral part of these financial statements.

**CTT – CORREIOS DE PORTUGAL, S.A.**

Notes to the consolidated and individual financial statements  
(Amounts expressed in Euros)

**TABLE OF CONTENTS**

|         |   |     |
|---------|---|-----|
| 1.      | INTRODUCTION .....  | 150 |
| 1.1-    | CTT – CORREIOS DE PORTUGAL, S.A. (PARENT COMPANY) .....   | 150 |
| 1.2-    | BUSINESS .....  | 151 |
| 2.      | SIGNIFICANT ACCOUNTING POLICIES .....   | 152 |
| 2.1     | BASIS OF PRESENTATION.....  | 152 |
| 2.1.1   | NEW STANDARDS OR AMENDMENTS ADOPTED BY THE GROUP AND THE COMPANY ...  | 153 |
| 2.1.2   | NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED, BUT WITHOUT EFFECTIVE APPLICATION TO THE YEARS STARTING ON 1 JANUARY 2018 OR NOT EARLY ADOPTED..... | 154 |
| 2.1.2.1 | THE GROUP AND THE COMPANY DECIDED TO OPT FOR NOT HAVING AN EARLY APPLICATION OF THE FOLLOWING STANDARDS AND/OR INTERPRETATIONS ENDORSED BY THE EU: .....  | 154 |
| 2.1.2.2 | STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE FOR THE GROUP AND THE COMPANY: .....  | 156 |
| 2.2     | CONSOLIDATION PRINCIPLES.....   | 156 |
| 2.3     | SEGMENT REPORTING .....   | 157 |
| 2.4     | TRANSACTIONS AND BALANCES IN FOREIGN CURRENCY .....   | 157 |
| 2.5     | TANGIBLE FIXED ASSETS .....   | 158 |
| 2.6     | INTANGIBLE ASSETS.....  | 158 |
| 2.7     | INVESTMENT PROPERTIES.....  | 159 |
| 2.8     | IMPAIRMENT OF TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS, EXCEPT GOODWILL .....  | 160 |
| 2.9     | GOODWILL .....  | 160 |
| 2.10    | CONCENTRATION OF CORPORATE ACTIVITIES .....   | 161 |
| 2.11    | FINANCIAL ASSETS .....  | 162 |
| 2.11.1  | FINANCIAL ASSETS AT AMORTISED COST.....   | 163 |
| 2.11.2  | FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME.....  | 164 |
| 2.12    | EQUITY .....  | 166 |
| 2.13    | FINANCIAL LIABILITIES.....  | 166 |
| 2.14    | OFFSETTING FINANCIAL INSTRUMENTS .....  | 167 |
| 2.15    | IMPAIRMENT OF FINANCIAL ASSETS.....   | 167 |
| 2.16    | INVENTORIES .....   | 169 |
| 2.17    | NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS .....  | 169 |
| 2.18    | DISTRIBUTION OF DIVIDENDS .....   | 170 |
| 2.19    | EMPLOYEE BENEFITS.....  | 170 |
| 2.20    | SHARE-BASED PAYMENTS.....   | 173 |
| 2.21    | PROVISIONS AND CONTINGENT LIABILITIES .....   | 173 |
| 2.22    | REVENUE .....   | 174 |
| 2.23    | SUBSIDIES OBTAINED .....  | 176 |
| 2.24    | LEASES .....  | 176 |

|      |   |     |
|------|---|-----|
| 2.25 | BORROWING COSTS   | 176 |
| 2.26 | TAXES   | 177 |
| 2.27 | ACCRUAL BASIS   | 177 |
| 2.28 | JUDGEMENTS AND ESTIMATES  | 178 |
| 2.29 | CASH FLOW STATEMENT   | 179 |
| 2.30 | SUBSEQUENT EVENTS   | 179 |
| 3.   | CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES  | 179 |
| 4.   | SEGMENT REPORTING   | 181 |
| 5.   | TANGIBLE FIXED ASSETS   | 185 |
| 6.   | INTANGIBLE ASSETS   | 188 |
| 7.   | INVESTMENT PROPERTIES   | 190 |
| 8.   | COMPANIES INCLUDED IN THE CONSOLIDATION   | 192 |
| 9.   | GOODWILL  | 193 |
| 10.  | INVESTMENTS IN SUBSIDIARY COMPANIES   | 195 |
| 11.  | INVESTMENTS IN ASSOCIATED COMPANIES   | 196 |
| 12.  | INVESTMENTS IN JOINT VENTURES   | 197 |
| 13.  | OTHER INVESTMENTS   | 198 |
| 14.  | INVESTMENT SECURITIES, INVESTMENTS HELD TO MATURITY AND FINANCIAL ASSETS AVAILABLE FOR SALE | 198 |
| 15.  | OTHER BANKING FINANCIAL ASSETS AND LIABILITIES  | 201 |
| 16.  | FINANCIAL RISK MANAGEMENT   | 202 |
| 17.  | INVENTORIES   | 209 |
| 18.  | ACCOUNTS RECEIVABLE   | 211 |
| 19.  | CREDIT TO BANKING CLIENTS   | 213 |
| 20.  | DEFERRALS   | 215 |
| 21.  | NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS                                | 215 |
| 22.  | CASH AND CASH EQUIVALENTS   | 215 |
| 23.  | OTHER NON-CURRENT AND CURRENT ASSETS  | 216 |
| 24.  | ACCUMULATED IMPAIRMENT LOSSES   | 218 |
| 25.  | EQUITY  | 219 |
| 26.  | OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS                         | 219 |
| 27.  | DIVIDENDS   | 221 |
| 28.  | EARNINGS PER SHARE  | 222 |
| 29.  | NON-CONTROLLING INTERESTS   | 222 |
| 30.  | DEBT  | 222 |
| 31.  | EMPLOYEE BENEFITS   | 224 |
| 32.  | PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS                     | 230 |
| 33.  | ACCOUNTS PAYABLE  | 234 |
| 34.  | BANKING CLIENTS' DEPOSITS AND OTHER LOANS   | 236 |
| 35.  | OTHER CURRENT LIABILITIES   | 236 |

|  |     |
|--|-----|
| 36. INCOME TAXES RECEIVABLE /PAYABLE .....   | 236 |
| 37. FINANCIAL ASSETS AND LIABILITIES .....   | 237 |
| 38. SUBSIDIES OBTAINED .....   | 238 |
| 39. SALES AND SERVICES RENDERED .....  | 239 |
| 40. FINANCIAL MARGIN.....  | 239 |
| 41. OTHER OPERATING INCOME.....  | 240 |
| 42. EXTERNAL SUPPLIES AND SERVICES.....  | 241 |
| 43. OPERATING LEASES .....   | 242 |
| 44. STAFF COSTS .....  | 242 |
| 45. IMPAIRMENT OF ACCOUNTS RECEIVABLE AND IMPAIRMENT OF OTHER FINANCIAL BANKING ASSETS ..... | 244 |
| 46. DEPRECIATION/ AMORTISATION (LOSSES/REVERSALS).....                                       | 244 |
| 47. OTHER OPERATING COSTS .....  | 245 |
| 48. INTEREST EXPENSES AND INTEREST INCOME.....   | 245 |
| 49. INCOME TAX FOR THE PERIOD.....   | 246 |
| 50. RELATED PARTIES .....  | 250 |
| 51. FEES AND SERVICES OF THE EXTERNAL AUDITORS.....  | 252 |
| 52. INFORMATION ON ENVIRONMENTAL MATTERS .....   | 252 |
| 53. PROVISION OF INSURANCE MEDIATION SERVICE .....   | 252 |
| 54. OTHER INFORMATION.....   | 254 |
| 55. SUBSEQUENT EVENTS.....   | 255 |

## **1. INTRODUCTION**

### **1.1- CTT – Correios de Portugal, S.A. (parent company)**

CTT – Correios de Portugal, S.A. – Sociedade Aberta (“CTT” or “Company”), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the “Administração Geral dos Correios Telégrafos e Telefones” government department and its legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49368, of 10 November 1969 founded the state-owned company CTT – Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company’s name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT’s capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers (“RCM”) no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatisation of CTT took place. The shares held by Parpública – Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT’s capital, were subject to a private offering of Shares (“Equity Offering”) via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

These financial statements were approved by the Board of Directors and authorised for issue on 15 March 2019.



## 1.2- Business

The main activity of CTT and its subsidiaries ("CTT Group" or "Group"): CTT – Expresso – Serviços Postais e Logística, S.A., Payshop (Portugal), S.A., CTT Contacto, S.A., Mailtec Comunicação, S.A.<sup>35</sup>, Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A., Escrita Inteligente, S.A.<sup>1</sup>, Transporta – Transportes Porta a Porta, S.A. and Tourline Express Mensajería, SLU and its subsidiaries, is to ensure the provision of universal postal services, to render postal services and financial services. During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law. The CTT Group also provides complementary services<sup>36</sup>, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services.

The postal service is provided by CTT under the Concession contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese State and CTT. In addition to the services rendered under the concession, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 the transposition into the national legal order took place through the adoption of Law no. 17/2012, of 26 April ("new Postal Law"), with the changes introduced in 2013 by Decree-Laws no. 160/2013, of 19 November and by Law no. 16/2014, of 4 April, revoking the Law no. 102/99, of 26 July.

The new Postal Law establishes the legal regime for the provision of postal services in full competition in the national territory, as well as international services originating or terminating in the country.

Since the new Postal Law has become effective, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved to the provider of the universal postal service, CTT – Correios de Portugal, S.A.. However, for reasons of general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

According to the new Postal Law the universal postal service includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

As a result of the new Postal Law, the Portuguese Government has revised the basis of the concession, through the publication of Decree-Law no. 160/2013, of 19 November, after which the Fourth

---

<sup>35</sup> In 2018 the companies Mailtec Comunicação, S.A. and Escrita Inteligente, S.A were merged into CTT, S.A.. They ceased activity with the definite registration of the merger that occurred on the 31 December 2018.

<sup>36</sup> The activity developed in the scope of electronic communications networks and services, acting as mobile virtual network operator (MVNO), ceased on 1 January 2019.

Amendment to the concession contract of the universal postal service came into effect on 31 December 2013.

The concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended on 1 October 2001, 9 September 2003, 26 July 2006 and 31 December 2013, covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

As the Universal Postal Service incumbent operator, CTT remains the provider of universal postal services until 2020, ensuring the exclusivity of the reserved activities and services mentioned above.

Once the concession ends and, in the event, that it is not granted to CTT, CTT may provide, together with any other operators, all the postal services, in a system of free competition, in accordance with a strategic and commercial policy, excluding the services granted by concession on an exclusive basis.

In summary, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the **Group** and the **Company**.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

### 2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2018.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2018, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2018 and described in Note 2.2 through Note 2.30, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2018.

### 2.1.1 New standards or amendments adopted by the Group and the Company

The standards and amendments recently issued, already effective and adopted by the **Group** and the **Company** in the preparation of these financial statements, are as follows:

- **IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)** – IFRS 9 was endorsed by EU Commission Regulation 2067/2016, 22 December 2016 (with an effective date of application for periods beginning on or after 1 January 2018). IFRS 9 (2009) and IFRS 9 (2010) introduces new requirements for the classification and measurement of financial assets and financial liabilities. Under this new approach, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IASB published IFRS 9 (2013) addressing new requirements for hedging accounting. It was also published IFRS 9 (2014) that introduced limited amendments to the classification and measurement requirements of IFRS 9 (including enlarge the instruments measured at fair value with the changes present in other comprehensive income, from some investments in equity instruments to other investments such as bonds) and add new requirements to address the impairment of financial assets, under the expected loss model. The mandatory effective date of IFRS 9 is for years starting on or after 1 January 2018. The impacts that resulted from the adoption of IFRS 9, in the **Group** and **Company**, are described in Note 3 – Changes to accounting policies, errors and estimates.
  
- **IFRS 15 – Revenue from Contracts with Customers** – The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Customers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 2016, with an effective date of application for periods beginning on or after 1 January 2018. This standard revoked IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Acordos para a Construção de Imóveis, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services. IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:
  - i) At a time when the control of the goods or services is transferred to the customer; or
  - ii) Over the period, to the extent that represents the performance of the entity.The mandatory effective date of IFRS 15 is for years starting on or after 1 January 2018. The impacts that resulted from the adoption of IFRS 15, in the **Group** and **Company**, are described in Note 3 – Changes to accounting policies, errors and estimates.
  
- **IFRIC 22 – Foreign Currency Translations and Advance Consideration** – It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018. This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date). The **Group** and the **Company** had no impact from the adoption of these amendments on its financial statements.

- **Other Changes** - It were also endorsed by UE Commission the amendments issued by IASB:
  - On 20 June 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IFRS 2 on Classification and Measurement of Share-based Payment Transactions;
  - On 8 Dezembro 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IAS 40 - Transfers of Investment Property to clarify whether an entity should transfer property under construction or development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40;
  - The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 1 (deletion of short-term exemption for first-time adopters) and IAS 28 (measuring an associate or joint venture at fair value).

The **Group** and the **Company** had no impact from the adoption of these amendments on its financial statements.

## 2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2018 or not early adopted

### 2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **IFRS 16 - Leases** - On 13 January 2017 the IASB issued IFRS 16 - Leases, effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted as long as IFRS 15 is also applied. This new standard replaces IAS 17 - Leases.

IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:

- A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
- A lease liability representing its obligation to make lease payments until the end of the contract.

The adoption of IFRS 16 will also impact the income statement considering that the depreciations of the RoU asset and interest on the lease liability will be recognised separately instead of the current recognition of the leases as External Supplies and Services.

Under IFRS 16 the lessee may opt for the non-application of this standard to:

- Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
- Leases of low-value underlying assets (indicative value of 5,000 Euro).

### Adoption of IFRS 16 by the CTT Group

The Group will adopt the new standard with effect from 1 January 2019. A survey of all lease contracts was performed and the impact of the adoption of the new standards on its consolidated

and individual accounts was estimated. CTT will apply IFRS 16 in accordance with the full retrospective transition approach.

#### **Types of leases**

The CTT Group conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified three major groups of leases:

##### **i. Real estate leases**

Real estate lease agreements that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain of exercising.

As a practical expedient, the fixed services associated with each property (variable component) were included in the accounting for the right of use.

##### **ii. Car leases**

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

The amount of the lease rental depends on the number of kilometres the vehicle travels over the contract period. For this reason, only the minimum rents for the valuation of liabilities and right of use were considered.

As a practical expedient, the fixed services associated with each vehicle (variable component) were included in the accounting for the right of use.

##### **iii. Other leases**

Lease contracts were also identified for stackers and printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

As a practical expedient, the fixed services associated with each asset (variable component) were included in the accounting for the right of use.

#### **Incremental interest rate**

Taking into account that the lease contracts do not have an implicit rate, an incremental interest rate is considered for the discount of the rents.

The incremental interest rate depends on the maturity/duration of the lease contract.

#### **Transition model**

The Group will opt for the Full Retrospective approach including the corresponding restatement of the comparative information as at 1 January 2019. The expected range of impacts, net of taxes, on the **Group** and the **Company** are shown below:

|                   | <i>Thousand Euros</i> |                 |
|-------------------|-----------------------|-----------------|
|                   | <b>Group</b>          | <b>Company</b>  |
| Assets            | [82,200;90,900]       | [61,000;67,300] |
| Liabilities       | [92,500;102,300]      | [67,000;74,000] |
| Retained earnings | [-10,300;-11,400]     | [-6,000;-6,700] |

- **IFRIC 23 Uncertainty over Income Tax Treatment** - On June 7, 2017 was issued an interpretation on how to handle, in an accounting manner, uncertainties about the tax treatment of income taxes, especially when tax legislation requires that a payment be made to the Authorities in the context

of a tax dispute and the entity intends to appeal to appeal a tax examination which resulted in a payment to a taxation authority. The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12 applying the criterion of probability defined by the standard as to the favorable outcome in favor of the entity on the matter concerned. In this context, the entity may use the most likely amount method or, if the resolution can dictate ranges of values, use the expected value method. IFRIC 23 was endorsed by EU Commission Regulation 2018/1595, 23rd October and becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The **Group** and **Company** do not expect a significant impact from this interpretation.

- **Prepayment features with negative compensation (amendments to IFRS 9)** - Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The board clarified that IFRS 9 requires the preparer to recalculate the amortised cost of the modification financial liability by discounting the modified contractual cash flows using the original EIR and recognize any adjustment in profit or loss (align with financial assets). This amendment was endorsed by EU Commission Regulation 2018/498 and becomes effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The **Group** and **Company** do not expect a significant impact from this amendment.

#### **2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:**

- **Annual improvements cycle 2015-2017** - issued by IASB on 12 December 2017, introduce amendments, with effective date for annual periods beginning on or after, 1 January 2019, to the standards IFRS 3 (remeasure its previously held interest in a joint operation when it obtains control of the business), IFRS 11 (not remeasure its previously held interest in a joint operation when it obtains joint control of the business), IAS 12 (accounts for all income tax consequences of dividend payments in the same way), IAS 23 (treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale).
- **Other Amendments** - issued by IASB that are expected to be applied on or after 1 January 2019:
  - Long-term interests in Associates and Joint Ventures (Amendment to IAS 28, issued on 12 October 2017), clarifying the interaction with impairment model defined by IFRS 9;
  - Plan Amendment, Curtailment or Settlement (Amendments to IAS 19, issued on 7 February 2018), where on the amendment, curtailment or settlement of a defined benefit plan, a company is now required to use updated actuarial assumptions to determine its current service and net interest and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI);
  - Definition of Business (Amendments to IFRS 3 Business Combinations, issued on 22 October 2018);
  - Definition of Material (Amendments to IAS 1 and IAS 8, issued on 31 October 2018).

The **Group** and the **Company** expect no impact from the adoption of these amendments on their financial statements.

## **2.2 Consolidation principles**

Investments in companies in which the **Group** holds the control, in other words, where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated balance sheet and consolidated income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group's** accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

### 2.3 Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

### 2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favourable and unfavourable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognised in the profit or loss for the year.

The exchange rates used in the translation of the financial statements expressed in foreign currency are the closing exchange rates for assets and liabilities and the average exchange rate for the year for income and expenses.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:



|                             | 2018     |          | 2017     |          |
|-----------------------------|----------|----------|----------|----------|
|                             | Close    | Average  | Close    | Average  |
| Mozambican Metical (MZM)    | 70.24000 | 71.29330 | 70.57000 | 71.51167 |
| United States Dollar (USD)  | 1.14500  | 1.17932  | 1.19930  | 1.13703  |
| Special Drawing Right (SDR) | 1.21424  | 1.21724  | 1.18747  | 1.19554  |

Source: Bank of Portugal

## 2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.20 and 33).

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

|                                   | Years of useful life |
|-----------------------------------|----------------------|
| Buildings and other constructions | 10 – 50              |
| Basic equipment                   | 4 – 10               |
| Transport equipment               | 4 – 7                |
| Tools and utensils                | 4                    |
| Office equipment                  | 3 – 10               |
| Other tangible fixed assets       | 5 – 10               |

Land is not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Other revenues and operating gains or Other operating costs and losses.

## 2.6 Intangible assets

Intangible assets are registered at acquisition cost, minus amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the **Group** and the **Company**, and they can be measured reliably.



Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included are expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight-line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

|                      | Years of useful life |
|----------------------|----------------------|
| Development projects | 3                    |
| Industrial property  | 3 – 20               |
| Software             | 3 – 10               |

The exceptions to the above are assets related to industrial property, which are amortised over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the divestment of tangible fixed assets, determined by the difference between the sales proceeds and the respective carrying value on the date of the divestment, are included in the consolidated income statement under the heading Other operating revenues or Other operating costs.

## 2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalised.

## 2.8 Impairment of tangible fixed assets and intangible assets, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible and intangible assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case there is any indication of the existence of such evidence, the recoverable amount of the asset is estimated in order to measure the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

## 2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortised. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses are not reversible.

In the sale of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

## 2.10 Concentration of corporate activities

### Subsidiary and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual balance sheet by the equity method (Note 10 and 11).

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or **Company** is exposed, or has the right to variable returns arising from its involvement in the subsidiary and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50%.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against Gain/losses in subsidiary and associated companies, and by other changes in equity in Other comprehensive income.

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognised as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement under Gains/ losses in subsidiary and associated companies, after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of Investments in subsidiary companies and Investments in associated companies, respectively.

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

Unrealised gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the Group's interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

### Joint Ventures

Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which

demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against Gains/ losses in joint ventures, and by other changes in equity in Other comprehensive income.

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement.

Unrealised gains and losses on transactions with joint ventures are eliminated in proportion to the Group's interest in the entities, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of concentrations of business activities between entities under common control, the **Group** and the **Company** apply the communion of interest method, and no goodwill is recognised.

## 2.11 Financial assets

### Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

- i) Financial assets at amortised cost;
- ii) Financial assets at fair value through other comprehensive income; or
- iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

- i) the **Group's** business model for financial asset management; and
- ii) the characteristics of the contractual cash flows of the financial asset.

### Business Model Evaluation

With reference to January 1, 2018, the **Group** carried out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the **Group's** management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed; and
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained.

Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (eg liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the **Group** considered the original contractual terms of the instrument. This

evaluation included the analysis of the existence of situations where contractual terms could modify the periodicity and amount of cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the **Group** took into consideration:

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the **Group's** right to claim cash flows in relation to specific assets (eg contracts with clauses that prevent access to assets in default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

### **2.11.1 Financial assets at amortised cost**

#### Classification

A financial asset is classified in the category "Financial assets at amortised cost" if it meets all of the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets to collect its contractual cash flows; and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

The "Financial assets at amortised cost" category includes investments in credit institutions, credit to clients and debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds).

#### Initial recognition and subsequent measurement

Investments in credit institutions and credit to clients are recognised at the date the funds are made available to the counterparty (settlement date). Debt securities are recognised on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses for expected credit losses, which are recorded against "Impairment of other financial assets net of reversals and recoveries".

Interest on financial assets at amortised cost is recognised under the caption "Interest and similar income calculated through the effective rate", based on the effective interest rate method and in accordance with the criteria described in note 2.22.

The gains or losses generated at the time of derecognition are recorded under the caption "Results with derecognition of financial assets at amortised cost".

### 2.11.2 Financial assets at fair value through other comprehensive income

#### Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" if it meets all of the following conditions:

- the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset;
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income, and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

#### Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Income from other financial assets fair value by counterpart of other comprehensive income."

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to the measurement of impairment losses for expected credit losses. Impairment losses are recognised in the income statement under "Impairment of other financial assets net of reversals and recoveries", in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognised under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.22.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognised in income when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

#### Derecognition of financial assets

- i) The **Group** derecognises a financial asset when, and only when:
  - contractual rights to cash flows arising from the financial asset expire; or
  - transfers the financial asset as defined in points (ii) and (iii) below and the transfer meets the conditions for derecognition in accordance with point (iv).
- ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
  - transfer the contractual rights to receive the cash flows resulting from the financial asset; or

- retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).
- iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
- the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
  - the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
  - the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.
- iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:
- if the **Group** transfers substantially all the risks and benefits arising from the ownership of the financial asset, it derecognises the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained with the transfer;
  - if the **Group** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.
  - if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
    - if the **Group** has not retained control, it must derecognise the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained with the transfer;
    - if the **Group** has retained control, it must continue to recognize the financial asset to the extent of its continued involvement in the financial asset.
- v) The transfer of risks and benefits referred to in the previous point is assessed by comparing the **Group's** exposure, before and after the transfer, to the variability of the amounts and times of occurrence of the net cash flows resulting from the transferred asset.
- vi) The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

#### Loans written off (write-off)

The **Group** recognizes a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless. Credits written off are recorded in off-balance sheet accounts.

#### Reclassification between categories of financial instruments

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

### **2.12 Equity**

Costs related to the issuance of new shares are recognised directly in the share capital as a deduction from the value of the cash inflow.

Costs related to an issue of equity which has not been completed are recognised as expenditure.

### **2.13 Financial liabilities**

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

#### Debt

Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortised cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of Accounts payable (Note 33).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

#### Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

#### Non-derivatives financial liabilities

The non-derivatives financial liabilities include mainly deposits from costumers. These financial liabilities are recognised (i) initially at their fair value less the transaction costs and (ii) subsequently at amortised cost, based on the effective interest rate method. The **Group** derecognise financial liabilities when they are cancelled, extinguished or expired.



## 2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## 2.15 Impairment of financial assets

### Impairment losses

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).
- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses.

### Significant increase in credit risk (SICR)

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behaviour of customers before entities of the financial system.

### Definition of financial assets in default and in impairment

Customers who meet at least one of the following criteria are considered in default:

- Existence of installments of principal or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Reduced likelihood that the customer will pay in full its credit obligations;
- Credits restructured due to financial difficulties;
- Credits in quarantine default;
- Claims for which there is a suspicion of fraud or confirmed fraud.

### Estimates of expected credit losses - Individual analysis

Clients who meet one of the following conditions are the subject of an individual analysis:

- Private clients with exposures above 500,000 euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3.

### Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are **Grouped** taking into account their risk characteristics and subject to a collective impairment analysis. The **Group's** credit portfolio is divided by internal risk grades and according to the following segments:

|                         |                  |                       |  |
|-------------------------|------------------|-----------------------|--|
| <b>Financial Assets</b> | <b>Retail</b>    | <b>Mortgage Loans</b> | Mortgage loans that have a residential property as collateral, regardless of the degree of completion of its construction. |
|                         |                  | <b>Overdrafts</b>     | Overdrafts   |
|                         | <b>Sovereign</b> |                       | Public debt securities of the euro area and the exposures obtained through credit assignment agreements.                   |
|                         | <b>Corporate</b> |                       | Deposits, investments and funding granted to other financial institutions and corporate debt securities.                   |

The expected credit losses are estimates of credit losses that are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the **Group** expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the current value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the **Group** expects to receive;
- financial guarantees: the present value of expected repayments less the amounts that the **Group** expects to recover.

The main inputs used to measure expected credit losses on a collective basis include the following variables:

- probability of default (PD);
- Loss Given Default (LGD); and
- exposure at default ("Exposure at Default").

These parameters are obtained through internal statistical models, and other relevant historical data, taking into account already existing regulatory models adapted according to the requirements of IFRS 9.

PDs are calculated based on statistical models. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The degrees of risk are a highly relevant input for determining the PD's associated with each exposure.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

LGD is the magnitude of the loss that is expected to occur if exposure goes into default. The **Group** estimates LGD parameters based on statistical models. The LGD models consider the associated collaterals, the counterparty activity sector, the default time, as well as the recovery costs. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a parameter of great relevance in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions, including amortizations and prepayments. For commitments and financial guarantees, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses

taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Cash and cash equivalents in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

- a probability of default that derives from the rating of the issuer or counterparty, respectively; and
- a Loss Given Default (LGD) defined by the **Group**, based on data from Moody's rating agency, and depending on whether it is a Corporate or Sovereign entity.

#### Estimated expected credit losses - Receivables under IFRS 15

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model whereby the expected loss is calculated based on the experience of actual historical losses over the period considered to be statistically significant, estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

## **2.16 Inventories**

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the method of assigning cost.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

## **2.17 Non-current assets held for sale and discontinued operations**

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realised through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognised in the item Depreciation / amortisation and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the balance sheet.

Non-current assets held for sale are not depreciated or amortised.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

## 2.18 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the Company, is recognised as a liability.

## 2.19 Employee benefits

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 31).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

### Post-employment benefits – healthcare

- IOS Plan

Workers who are integrated in “Caixa Geral de Aposentações” (“CGA”, General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries’ co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The management of the healthcare plan is ensured by the IOS – Instituto das Obras Sociais (Institute of Social Works) and regulated by the CTT's Regulation of the Social Works, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

- Insurance policy

Following the Human Resources Optimization Programme, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;
- Workers under the age of 50: maintenance of healthcare benefits according to ROS, through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

#### Post-employment benefits – Pension Plan

The company Transporta - Transportes Porta a Porta, S.A. pays to a closed group of employees in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the Company maintains a liability based on an actuarial study prepared by a specialised and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2018, there were 20 beneficiaries receiving this type of Complementary Pension Benefit.

#### Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- **Suspension of contracts, redeployment, pre-retirement contracts, and release from employment**

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognised in the income statement at the time they move into these conditions.

- **Telephone subscription fee**

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,439 beneficiaries as at 31 December 2018 and 4,482 beneficiaries as at 31 December 2017) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- **Pensions for work accidents**

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which

have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2018 and 31 December 2017 there were 67 beneficiaries receiving this type of pension.

- **Monthly life annuity**

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the Company sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2018 there were 18 beneficiaries under these conditions (46 beneficiaries as at 31 December 2017), receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labour and Social Security.

- **Defined contribution plan – Open Pension Fund or Retirement Savings Plan**

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognised in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

## 2.20 Share-based payments

The benefits granted to the executive members of the Board of Directors under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

When settlement is made in cash, the value of these liabilities is determined at the time of assignment and subsequently updated, at the end of each reporting period, depending on the number of shares or stock options assigned and their fair value at the date of reporting. The liability is recorded in "Staff costs" and "Other liabilities", in a linear manner between the date of attribution and the maturity date, in proportion to the time elapsed between those dates.

## 2.21 Provisions and contingent liabilities

Provisions (Note 32) are recognised when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 48).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

### Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

### Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Company and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognised on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

#### Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

#### Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

#### Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

#### Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 32). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognised in the financial statements of the period when the change will probably occur.

The Company does not recognise contingent assets and liabilities.

## **2.22 Revenue**

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.



The revenue recognition model is based on five steps in order to determine when the revenue should be recognised and the amount:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price; and
- 5) Recognise revenue.

The revenue is recognised only when the “performance obligation” is met and depends on whether the “performance obligations” are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognised at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

Revenue from the sale of merchandising products from postal business is recognised when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the “performance obligation”.

Revenue from PO Boxes is recognised over the term of the contracts.

Revenue from the recharging of prepaid mobile phone services is deferred and recognised in earnings, according to the traffic of the specific client, during the period when the service is rendered and, therefore, the “performance obligation” is satisfied.

Revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and final amounts determined in agreement with those operators, which are not usually significant, are recognised in the consolidated income statement when the accounts become final.

Fees from collections made and from the sale of financial products are recognised on the date that the client is charged. Only the fee from collections charged by CTT is recognised as revenue, as CTT acts as an agent.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ANACOM.

Revenue from interest is recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognised as operating cash flow.

### 2.23 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognised in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognised in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

### 2.24 Leases

The classification of leases is done according to the substance of the transaction and not the form of the contract. Leases are classified as financial whenever their terms imply the substantial transfer to the lessee of all the risks and rewards associated to the ownership of the asset. All other leases are classified as operating leases.

Tangible assets acquired through financial leasing contracts, as well as the corresponding liabilities payable to the lessor, are recorded in the balance sheet at the beginning of the lease at the lowest value between the fair value of the assets and the present value of the minimum lease payments. The discount rate used is the rate implicit in the lease. If this rate is not known, then the Group's financing rate for this type of investment is used. The policy for depreciation of these assets follows the rules applicable to tangible fixed assets owned by the **Group** and the **Company**. The interest included in the rents and in amortisation of fixed tangible assets is recognised in the consolidated income statement in the period to which they refer to.

For operating leases, the instalments that are owed are recognised as a cost in the income statement over the lease period (Note 43).

### 2.25 Borrowing costs

Financial charges related to loans are recognised in net profit, when incurred. However, interest expenses are capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

## 2.26 Taxes

### Corporate income tax ("IRC")

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the Group companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 90% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except Transporta – Transportes Porta a Porta, S.A.. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

### Value Added Tax ("VAT")

For purposes of VAT, the Company follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other Group companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

## 2.27 Accrual basis

Revenues and costs are recorded according to the accrual basis, and therefore, are recognised as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in "Other current assets" or in "Other current liabilities". Deferred revenues and costs paid in advance are recorded under the heading Deferrals, under liabilities and assets, respectively.

## 2.28 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

### (i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortisation is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

### (ii) Impairment of Goodwill

Goodwill is tested at least once a year, with the purpose of verifying if it is impaired, in accordance with the policy referred to in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

### (iii) Impairment of accounts receivable

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

### (iv) Deferred taxes

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

### (v) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 31, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

(vi) Provisions

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

## 2.29 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax. Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

## 2.30 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

## 3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

The **Group** has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* as at 1 January 2018.

### **IFRS 9 – Financial Instruments**

The accounting policies amendments arising from the IFRS 9 adoption were, in generic terms, applied retrospectively, except for those described below:

- The **Group** applied the exception that allowed not to restate comparative information for prior periods in relation to classification and measurement requirements (including impairment). The differences in the accounting amount of financial assets and liabilities resulting from the adoption of IFRS 9 were recognised in retained earnings with reference to 1 January 2018;
- The following evaluation was performed based on facts and circumstances that existed at the date of the initial adoption:
  - i) The determination of the business model in which the financial asset is held;
  - ii) The designation and revocation of prior designations of certain financial assets and liabilities designated through FVTPL; and
  - iii) The designation of certain equity instruments that are not held for trading as FVOCI.

### Impact at the time of transition and in the period

The impacts of the adoption of IFRS 9, in the **Group** and **Company**, are detailed as follows:

**IFRS 9 - Impact at the time of transition and in the period**

| Group  | Impact of adopting IFRS 9 at 1 January 2018 | Impact in the period | Impact of adopting IFRS 9 at 31 December 2018 |
|--|---|----------------------|---|
| Banco CTT - Investments held to maturity, Financial assets available for sale, Cash and Other financial applications | (882,083)                                   | 1,607,751            | 725,667                                       |
| Banco CTT - Account Receivables  | 2,713                                       | <sup>(1)</sup>       | <sup>(1)</sup>                                |
| Other Companies - Cash and Equivalents and Fin. Investments  | (405,982)                                   | 384,969              | (21,013)                                      |
| Other Companies - Account Receivables  | 883,882                                     | 483                  | 884,365                                       |
| Related Tax  | 215,752                                     | (160,134)            | 55,618  |
| <b>Impact</b>  | <b>(185,718)</b>                            | <b>1,833,068</b>     | <b>1,644,637</b>                              |

<sup>(1)</sup> Taking into account that the amount is residual, the impairment was not calculated in accordance with IAS 39 on 31.12.2018

**IFRS 9 - Impact at the time of transition and in the period**

| Company                                   | Impact of adopting IFRS 9 at 1 January 2018 | Impact in the period | Impact of adopting IFRS 9 at 31 December 2018 |
|---|---|----------------------|---|
| Cash and Equivalents and Fin. Investments | (404,768)                                   | 392,795              | (11,973)                                      |
| Account Receivables                       | 56,374                                      | 135,763              | 192,137                                       |
| Related Tax                               | 98,143                                      | (49,849)             | 48,293  |
| <b>Impact</b>                             | <b>(250,252)</b>                            | <b>478,708</b>       | <b>228,457</b>                                |

**Classification and measurement**

The reconciliation of the balance sheet booked amounts according to the IAS 39 and IFRS 9, for the **Group** and **Company**, as at 1 January 2018, is shown below:

|                                     | 01.01.2018                           |   |                                       |                                  |
|-------------------------------------|--------------------------------------|---|---------------------------------------|----------------------------------|
|                                     | Original classification under IAS 39 | New classification under IFRS 9               | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
| <b>Assets</b>                       |                                      |   |                                       |                                  |
| Other Investments                   | Available-for-sale financial assets  | Fair Value through Other Comprehensive Income | 1,503,572                             | 1,503,572                        |
| Investments held to maturity        | Investments held to maturity         | Amortised Cost                                | 261,549,132                           | 261,302,060                      |
| Other assets                        | Loans and receivables                | Amortised Cost                                | 33,713,457                            | 33,713,457                       |
| Financial assets available for sale | Available-for-sale financial assets  | Fair Value through Other Comprehensive Income | 5,751,374                             | 5,740,688                        |
| Credit to bank clients              | Loans and receivables                | Amortised Cost                                | 79,347,390                            | 79,350,103                       |
| Other banking financial assets      | Loans and receivables                | Amortised Cost                                | 103,248,206                           | 102,624,809                      |
| Accounts receivable                 | Loans and receivables                | Amortised Cost                                | 132,480,130                           | 133,364,012                      |
| Cash and cash equivalents           | Loans and receivables                | Amortised Cost                                | 626,825,397                           | 626,418,487                      |
| <b>Total Financial Assets</b>       |                                      |   | <b>1,244,418,658</b>                  | <b>1,244,017,188</b>             |

| Company                       | 01.01.2018                           |   |                                       |                                  |
|-------------------------------|--------------------------------------|---|---------------------------------------|----------------------------------|
|                               | Original classification under IAS 39 | New classification under IFRS 9               | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
| <b>Assets</b>                 |                                      |   |                                       |                                  |
| Other Investments             | Available-for-sale financial assets  | Fair Value through Other Comprehensive Income | 1,503,572                             | 1,503,572                        |
| Shareholders                  | Loans and receivables                | Amortised Cost                                | 6,413,511                             | 6,413,511                        |
| Other assets                  | Loans and receivables                | Amortised Cost                                | 29,015,313                            | 29,015,313                       |
| Accounts receivable           | Loans and receivables                | Amortised Cost                                | 95,987,068                            | 96,043,442                       |
| Cash and cash equivalents     | Loans and receivables                | Amortised Cost                                | 376,590,733                           | 376,185,965                      |
| <b>Total Financial Assets</b> |                                      |   | <b>509,510,197</b>                    | <b>509,161,802</b>               |

### IFRS 15 – Revenue from Contracts with Customers

The impacts of the adoption of IFRS 15, in the **Group** and **Company**, are detailed as follows:

#### IFRS 15 – Impact at the time of transition and in the period

| Group                                     | Impact of adopting IFRS 15<br>at 1 January 2018 | Impact in the period | Impact of adopting IFRS 15<br>at 31 December 2018 |
|---|---|----------------------|---|
| Sales of philatelic and pre-paid products | (782,046)                                       | 21,399               | (760,647)   |
| Rendering of Express Services             | (822,765)                                       | 181,287              | (641,478)   |
| Related Tax                               | 322,865   | (42,585)             | 280,280   |
| <b>Impact</b>                             | <b>(1,281,946)</b>                              | <b>160,100</b>       | <b>(1,121,845)</b>                                |

#### IFRS 15 – Impact at the time of transition and in the period

| Company                                   | Impact of adopting IFRS 15<br>at 1 January 2018 | Impact in the period | Impact of adopting IFRS 15<br>at 31 December 2018 |
|---|---|----------------------|---|
| Sales of philatelic and pre-paid products | (782,046)                                       | 21,399               | (760,647)   |
| Related Tax                               | 220,302   | (15,840)             | 204,462   |
| <b>Impact</b>                             | <b>(561,743)</b>                                | <b>5,558</b>         | <b>(556,185)</b>                                  |

The **Group** decided to adopt IFRS 15 using the cumulative effect method (“modified retrospective approach”), with the effect of the initial application of this standard recognised as at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

According to the analysis performed, in the CTT Group, the adoption of IFRS 15 had the following impacts:

- a) Sales of philatelic and pre-paid products

Before the adoption of this new standard, the revenue was recognised when the philatelic and pre-paid products were sold.

Under IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products may never be used by the clients, for example the philatelic products for stamp collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognised at the time of the sale. In the remaining situations, the adoption of the IFRS 15 implies the deferral of the revenue in relation to the current policy.

- b) Rendering of Express Services

Before the adoption of this new standard, the revenue from the rendering of express services (parcels) was recognised when the customer requested the service in our retail network.

According to IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer. The adoption of the IFRS 15 implies the deferral of the revenue given the current policy.

## 4. SEGMENT REPORTING

In accordance with IFRS 8, the Group discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how best allocate resources.

In 2018, Payshop became a subsidiary of Banco CTT, through a capital increase operation in which all the shares representing the share capital of Payshop (Portugal), S.A. were transferred to Banco CTT. This operation is aligned with the strategy of concentrating the Group's business lines related to the financial sector at Banco CTT, as well as with the project submitted to Banco de Portugal at the time of the creation of Banco CTT.

The comparable information for 2017 has been restated, and Payshop has been included in Banco CTT segment.

Therefore, the business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services, but including the retail network, the sales departments, the corporate and support areas and CTT Contacto;
- Express & Parcels – includes CTT Espresso, Tourline, CORRE and Transporta;
- Financial Services – CTT, S.A. Financial Services; and
- Banco CTT – Banco CTT, S.A. and Payshop.

The segments cover the three markets where CTT operates, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Market, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Banco CTT segment.

Besides the four above mentioned segments, there are two sales channels, which are common to all businesses and products, the Retail Network and the Sales Departments. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment as well as the Sales Departments, and integrates internal revenues related to the provision of services to other segments, as well as the sale in its network of third-party products and services.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the financial statements of the companies and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has activity in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through transfer prices.

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated among the Mail and Financial Services segments according to the average number of CTT, S.A. employees affected to each of these segments.

With the allocation of all costs, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the 2018 and 2017 financial years are as follows:



| 2018   |                      |                      |                     |                              |                       |                         |                      |                      |
|--|----------------------|----------------------|---------------------|------------------------------|-----------------------|-------------------------|----------------------|----------------------|
| Euros  | Mail                 | Express & Parcels    | Financial Services  | Banco CTT (includes Payshop) | CTT Central Structure | Intragroup eliminations | Others non allocated | Total                |
| <b>Revenues</b>  | <b>531,933,019</b>   | <b>151,206,077</b>   | <b>42,279,387</b>   | <b>23,553,245</b>            | <b>101,845,984</b>    | <b>(133,351,896)</b>    | -                    | <b>717,465,816</b>   |
| Sales and services rendered                                  | 492,328,727          | 149,187,745          | 40,180,274          | 10,662,380                   | -                     | (6,414,504)             | -                    | 685,944,622          |
| Soles  | 19,513,226           | 809,694              | -                   | -                            | -                     | (1,828)                 | -                    | 20,321,093           |
| Services rendered  | 472,815,501          | 148,378,050          | 40,180,274          | 10,662,380                   | -                     | (6,412,677)             | -                    | 665,623,529          |
| Financial Margin   | -                    | -                    | -                   | 7,867,424                    | -                     | -                       | -                    | 7,867,424            |
| Operating revenues external customers                        | 25,783,586           | 2,018,332            | 1,774,843           | 5,023,441                    | 17,811,169            | (28,757,601)            | -                    | 23,653,770           |
| Internal services rendered                                   | 13,820,706           | -                    | 324,271             | -                            | 40,125,264            | (54,270,240)            | -                    | -                    |
| Allocation to CTT central structure                          | -                    | -                    | -                   | -                            | 43,909,551            | (43,909,551)            | -                    | -                    |
| <b>Operating costs</b>                                       | <b>(458,712,249)</b> | <b>(149,131,205)</b> | <b>(25,114,314)</b> | <b>(41,653,815)</b>          | <b>(101,845,984)</b>  | <b>133,351,896</b>      | -                    | <b>(643,105,671)</b> |
| External supplies and services                               | (101,936,293)        | (123,241,983)        | (7,662,318)         | (25,002,075)                 | (39,098,476)          | 35,172,107              | -                    | (261,769,040)        |
| Staff costs  | (257,007,358)        | (23,233,074)         | (1,959,803)         | (14,064,426)                 | (57,347,132)          | -                       | -                    | (353,611,793)        |
| Other costs  | (16,571,011)         | (2,656,148)          | (1,515,882)         | (2,587,314)                  | (4,394,483)           | (1)                     | -                    | (27,724,838)         |
| Internal services rendered                                   | (39,434,935)         | -                    | (13,829,411)        | -                            | (1,005,893)           | 54,270,240              | -                    | -                    |
| Allocation to CTT central structure                          | (43,762,652)         | -                    | (146,899)           | -                            | -                     | 43,909,551              | -                    | -                    |
| <b>EBITDA<sup>1)</sup></b>                                   | <b>73,220,769</b>    | <b>2,074,871</b>     | <b>17,165,073</b>   | <b>(18,100,569)</b>          | -                     | -                       | -                    | <b>74,360,145</b>    |
| Depreciation/amortisation and impairment of investments, net | (16,054,714)         | (3,511,438)          | (385,814)           | (3,571,685)                  | (8,277,774)           | -                       | 457,659              | (31,343,765)         |
| Impairment of accounts receivable, net                       | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (2,242,880)          |
| Impairment of non-depreciable assets                         | -                    | -                    | -                   | -                            | -                     | -                       | -                    | -                    |
| Impairment of other financial banking assets                 | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (197,743)            |
| Provisions, net  | (752,294)            | (363,020)            | -                   | -                            | -                     | -                       | (804,710)            | (1,920,024)          |
| Interest expenses  | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (5,510,975)          |
| Interest income  | -                    | -                    | -                   | -                            | -                     | -                       | -                    | 48,711               |
| Gains/losses in associated companies                         | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (795,935)            |
| <b>Earnings before taxes</b>                                 | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>32,397,533</b>    |
| Income tax for the period                                    | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (12,755,279)         |
| <b>Net profit for the period</b>                             | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>19,642,254</b>    |
| Non-controlling interests                                    | -                    | -                    | -                   | -                            | -                     | -                       | -                    | 20,990               |
| <b>Equity holders of parent company</b>                      | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>19,621,263</b>    |

<sup>1)</sup> Operating results + depreciation/amortisation + provisions and impairment losses, net.

| 31.12.2017 Restated  |                      |                      |                     |                              |                       |                         |                      |                      |
|--|----------------------|----------------------|---------------------|------------------------------|-----------------------|-------------------------|----------------------|----------------------|
| Euros  | Mail                 | Express & Parcels    | Financial Services  | Banco CTT (includes Payshop) | CTT Central Structure | Intragroup eliminations | Others non allocated | Total                |
| <b>Revenues</b>  | <b>527,494,738</b>   | <b>134,596,177</b>   | <b>55,180,052</b>   | <b>18,547,736</b>            | <b>108,968,040</b>    | <b>(130,508,936)</b>    | -                    | <b>714,277,808</b>   |
| Sales and services rendered                                  | 485,704,806          | 132,573,459          | 54,164,897          | 10,846,277                   | -                     | (7,281,917)             | -                    | 676,007,522          |
| Soles  | 18,526,222           | 862,783              | -                   | -                            | -                     | (3,141)                 | -                    | 19,385,864           |
| Services rendered  | 467,178,584          | 131,710,676          | 54,164,897          | 10,846,277                   | -                     | (7,278,776)             | -                    | 656,621,658          |
| Financial Margin   | -                    | -                    | -                   | 3,389,566                    | -                     | -                       | -                    | 3,389,566            |
| Operating revenues external customers                        | 26,124,670           | 2,022,718            | 931,987             | 4,311,894                    | 30,798,378            | (29,308,927)            | -                    | 34,880,720           |
| Internal services rendered                                   | 15,665,262           | -                    | 83,168              | -                            | 40,171,746            | (55,920,176)            | -                    | -                    |
| Allocation to CTT central structure                          | -                    | -                    | -                   | -                            | 37,997,916            | (37,997,916)            | -                    | -                    |
| <b>Operating costs</b>                                       | <b>(452,094,069)</b> | <b>(135,098,517)</b> | <b>(30,263,954)</b> | <b>(37,223,797)</b>          | <b>(108,968,040)</b>  | <b>130,508,936</b>      | -                    | <b>(633,139,442)</b> |
| External supplies and services                               | (102,627,079)        | (109,613,731)        | (9,479,879)         | (22,391,364)                 | (43,866,077)          | 36,496,438              | -                    | (251,481,693)        |
| Staff costs  | (256,616,143)        | (23,128,602)         | (2,677,246)         | (13,509,442)                 | (58,900,759)          | 92,373                  | -                    | (354,739,819)        |
| Other costs  | (16,433,849)         | (2,356,184)          | (1,560,340)         | (1,322,990)                  | (5,246,600)           | 2,033                   | -                    | (26,917,930)         |
| Internal services rendered                                   | (38,634,272)         | -                    | (16,331,300)        | -                            | (954,604)             | 55,920,176              | -                    | -                    |
| Allocation to CTT central structure                          | (37,782,727)         | -                    | (215,189)           | -                            | -                     | 37,997,916              | -                    | -                    |
| <b>EBITDA<sup>1)</sup></b>                                   | <b>75,400,669</b>    | <b>(502,340)</b>     | <b>24,916,098</b>   | <b>(18,676,061)</b>          | -                     | -                       | -                    | <b>81,138,366</b>    |
| Depreciation/amortisation and impairment of investments, net | (15,600,860)         | (4,025,992)          | (635,626)           | (2,949,134)                  | (7,539,378)           | -                       | 80,539               | (30,670,452)         |
| Impairment of accounts receivable, net                       | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (1,098,235)          |
| Impairment of non-depreciable assets                         | (1,133,312)          | -                    | -                   | -                            | -                     | -                       | -                    | (1,133,312)          |
| Impairment of other financial banking assets                 | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (117,234)            |
| Provisions, net  | (1,729,651)          | -                    | -                   | -                            | -                     | -                       | 703,771              | (1,025,880)          |
| Interest expenses  | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (5,381,464)          |
| Interest income  | -                    | -                    | -                   | -                            | -                     | -                       | -                    | 380,925              |
| Gains/losses in associated companies                         | -                    | -                    | -                   | -                            | -                     | -                       | -                    | -                    |
| <b>Earnings before taxes</b>                                 | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>42,092,714</b>    |
| Income tax for the period                                    | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (14,977,391)         |
| <b>Net profit for the period</b>                             | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>27,115,323</b>    |
| Non-controlling interests                                    | -                    | -                    | -                   | -                            | -                     | -                       | -                    | (147,921)            |
| <b>Equity holders of parent company</b>                      | -                    | -                    | -                   | -                            | -                     | -                       | -                    | <b>27,263,244</b>    |

<sup>1)</sup> Operating results + depreciation/amortisation + provisions and impairment losses, net.

The revenues are detailed as follows:

| Thousand Euros                 | 2018             | 2017<br>Restated |
|--------------------------------|------------------|------------------|
| <b>Mail</b>                    | <b>531,933</b>   | <b>527,495</b>   |
| Transactional mail             | 413,107          | 401,867          |
| Editorial mail                 | 14,742           | 15,514           |
| Parcels (USO)                  | 6,833            | 7,693            |
| Advertising mail               | 24,212           | 28,365           |
| Retail                         | 13,537           | 12,079           |
| Philately                      | 8,159            | 8,350            |
| Business Solutions             | 9,552            | 8,811            |
| Other                          | 41,791           | 44,816           |
| <b>Express &amp; Parcels</b>   | <b>151,206</b>   | <b>134,596</b>   |
| <b>Financial Services</b>      | <b>42,279</b>    | <b>55,180</b>    |
| <b>Banco CTT</b>               | <b>23,553</b>    | <b>18,548</b>    |
| Banco CTT                      | 12,859           | 7,615            |
| Payshop                        | 10,694           | 10,933           |
| <b>CTT Central Structure</b>   | <b>101,846</b>   | <b>108,968</b>   |
| <b>Intragroup eliminations</b> | <b>(133,352)</b> | <b>(130,509)</b> |
|                                | <b>717,466</b>   | <b>714,278</b>   |

The assets by segment are detailed as follows:

| Assets (Euros)                 | 31.12.2018         |                   |                    |                                 |                       |                      | Total                |
|--------------------------------|--------------------|-------------------|--------------------|---------------------------------|-----------------------|----------------------|----------------------|
|                                | Mail               | Express & Parcels | Financial Services | Banco CTT<br>(includes Payshop) | CTT Central Structure | Non allocated assets |                      |
| Intangible assets              | 4,301,547          | 5,114,530         | 414,028            | 24,981,211                      | 11,404,441            | 10,554,799           | 56,770,556           |
| Tangible fixed assets          | 153,990,226        | 14,336,869        | 2,434              | 650,539                         | 11,643,173            | 2,362,780            | 182,986,001          |
| Investment properties          | -                  | -                 | -                  | -                               | -                     | 8,179,980            | 8,179,980            |
| Goodwill                       | 6,161,326          | 2,955,753         | -                  | 406,101                         | -                     | -                    | 9,523,180            |
| Deferred tax assets            | -                  | -                 | -                  | -                               | -                     | 81,733,398           | 81,733,398           |
| Accounts receivable            | -                  | -                 | -                  | -                               | -                     | 135,855,195          | 135,855,195          |
| Credit to bank clients         | -                  | -                 | -                  | 248,049,981                     | -                     | -                    | 248,049,981          |
| Investment securities          | -                  | -                 | -                  | 454,101,882                     | -                     | -                    | 454,101,882          |
| Other banking financial assets | -                  | -                 | -                  | 116,313,585                     | -                     | -                    | 116,313,585          |
| Other assets                   | -                  | -                 | -                  | -                               | -                     | 52,583,225           | 52,583,225           |
| Cash and cash equivalents      | -                  | 5,378,204         | -                  | 145,339,778                     | -                     | 271,999,495          | 422,717,478          |
|                                | <b>164,453,098</b> | <b>27,785,356</b> | <b>416,462</b>     | <b>989,843,058</b>              | <b>23,047,614</b>     | <b>563,268,874</b>   | <b>1,768,814,462</b> |

| Assets (Euros)                      | 31.12.2017 Restated |                   |                    |                                 |                       |                      | Total                |
|-------------------------------------|---------------------|-------------------|--------------------|---------------------------------|-----------------------|----------------------|----------------------|
|                                     | Mail                | Express & Parcels | Financial Services | Banco CTT<br>(includes Payshop) | CTT Central Structure | Non allocated assets |                      |
| Intangible assets                   | 3,119,896           | 5,005,423         | 404,038            | 21,211,707                      | 7,631,667             | 10,128,953           | 47,501,684           |
| Tangible fixed assets               | 167,562,232         | 14,477,996        | 2,231              | 815,209                         | 15,141,231            | 1,857,009            | 199,855,908          |
| Investment properties               | -                   | -                 | -                  | -                               | -                     | 6,164,849            | 6,164,849            |
| Goodwill                            | 6,161,326           | 2,955,753         | -                  | 406,101                         | -                     | -                    | 9,523,180            |
| Deferred tax assets                 | -                   | -                 | -                  | -                               | -                     | 87,155,739           | 87,155,739           |
| Accounts receivable                 | -                   | -                 | -                  | -                               | -                     | 132,480,130          | 132,480,130          |
| Credit to bank clients              | -                   | -                 | -                  | 79,347,390                      | -                     | -                    | 79,347,390           |
| Investments held to maturity        | -                   | -                 | -                  | 261,549,132                     | -                     | -                    | 261,549,132          |
| Financial assets available for sale | -                   | -                 | -                  | 5,751,374                       | -                     | -                    | 5,751,374            |
| Other banking financial assets      | -                   | -                 | -                  | 103,248,206                     | -                     | -                    | 103,248,206          |
| Other assets                        | -                   | -                 | -                  | -                               | -                     | 49,362,404           | 49,362,404           |
| Cash and cash equivalents           | -                   | 5,207,337         | -                  | 242,844,990                     | -                     | 378,773,070          | 626,825,397          |
|                                     | <b>176,843,454</b>  | <b>27,646,509</b> | <b>406,269</b>     | <b>715,174,109</b>              | <b>22,772,898</b>     | <b>665,922,153</b>   | <b>1,608,765,392</b> |

Debt by segment is detailed as follows:

| Other information (Euros) | 31.12.2018        |                   |                    |           |                       | Total             |
|---------------------------|-------------------|-------------------|--------------------|-----------|-----------------------|-------------------|
|                           | Mail              | Express & Parcels | Financial Services | Banco CTT | CTT Central Structure |                   |
| <b>Non-current debt</b>   | <b>24,276,250</b> | <b>6,276</b>      | -                  | -         | -                     | <b>24,282,526</b> |
| Bank loans                | 24,276,250        | -                 | -                  | -         | -                     | 24,276,250        |
| Leasings                  | -                 | 6,276             | -                  | -         | -                     | 6,276             |
| <b>Current debt</b>       | -                 | <b>6,575,160</b>  | -                  | -         | -                     | <b>6,575,160</b>  |
| Bank loans                | -                 | 6,558,116         | -                  | -         | -                     | 6,558,116         |
| Leasings                  | -                 | 17,044            | -                  | -         | -                     | 17,044            |
|                           | <b>24,276,250</b> | <b>6,581,436</b>  | -                  | -         | -                     | <b>30,857,686</b> |

| Other information (Euros) | 31.12.2017 |                   |                    |           |                       | Total             |
|---------------------------|------------|-------------------|--------------------|-----------|-----------------------|-------------------|
|                           | Mail       | Express & Parcels | Financial Services | Banco CTT | CTT Central Structure |                   |
| <b>Non-current debt</b>   | -          | <b>73,689</b>     | -                  | -         | -                     | <b>73,689</b>     |
| Bank loans                | -          | 49,596            | -                  | -         | -                     | 49,596            |
| Leasings                  | -          | 24,093            | -                  | -         | -                     | 24,093            |
| <b>Current debt</b>       | -          | <b>10,304,390</b> | -                  | -         | -                     | <b>10,304,390</b> |
| Bank loans                | -          | 10,272,258        | -                  | -         | -                     | 10,272,258        |
| Leasings                  | -          | 32,132            | -                  | -         | -                     | 32,132            |
|                           | -          | <b>10,378,079</b> | -                  | -         | -                     | <b>10,378,079</b> |

The Group CTT is domiciled in Portugal. The result of its Sales and services rendered by geographical segment is disclosed below:

| Thousand Euros            | 2018           | 2017           |
|---------------------------|----------------|----------------|
| Revenue - Portugal        | 569,837        | 586,669        |
| Revenue - other countries | 116,108        | 89,339         |
|                           | <b>685,945</b> | <b>676,008</b> |

## 5. TANGIBLE FIXED ASSETS

During the years ended 31 December 2018 and 31 December 2017, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

| Group                            | 2018                       |                                   |                   |                     |                  |                             |                                   |                               | Total              |
|----------------------------------|----------------------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------|
|                                  | Land and natural resources | Buildings and other constructions | Basic equipment   | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers |                    |
| <b>Tangible fixed assets</b>     |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 37,102,139                 | 342,655,745                       | 146,667,392       | 3,381,283           | 62,174,555       | 26,040,114                  | 1,500,567                         | 391,109                       | 619,912,904        |
| Acquisitions                     | -                          | 555,859                           | 2,768,963         | 16,788              | 1,715,971        | 775,513                     | 4,134,480                         | 10,256                        | 9,977,829          |
| Disposals                        | (545,455)                  | (1,769,365)                       | (2,217,254)       | (35,899)            | (23,810)         | (962)                       | -                                 | -                             | (4,592,744)        |
| Transfers and write-offs         | (964,691)                  | (6,671,760)                       | (4,104,444)       | 236,348             | -                | (239,712)                   | (3,225,750)                       | (179,594)                     | (15,149,603)       |
| Adjustments                      | -                          | (205,393)                         | (53,825)          | (559)               | (40,721)         | (3,903)                     | -                                 | (47,608)                      | (352,008)          |
| Closing balance                  | 35,591,993                 | 334,565,087                       | 143,060,832       | 3,597,961           | 63,825,994       | 26,571,051                  | 2,409,296                         | 174,162                       | 609,796,378        |
| <b>Accumulated depreciation</b>  |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 3,851,494                  | 207,661,484                       | 128,294,129       | 3,271,073           | 55,736,402       | 21,213,074                  | -                                 | -                             | 420,007,656        |
| Depreciation for the period      | -                          | 9,932,112                         | 6,073,870         | 45,576              | 3,081,613        | 1,252,572                   | -                                 | -                             | 20,385,743         |
| Disposals                        | (13,595)                   | (790,864)                         | (2,113,563)       | (35,899)            | (23,810)         | (962)                       | -                                 | -                             | (2,978,692)        |
| Transfers and write-offs         | (98,745)                   | (6,240,250)                       | (4,282,904)       | 347,435             | (1,534)          | (153,097)                   | -                                 | -                             | (10,629,115)       |
| Adjustments                      | -                          | 31                                | 13                | 79                  | 285              | 22                          | -                                 | -                             | 531                |
| Closing balance                  | 3,739,154                  | 210,562,513                       | 127,971,545       | 3,428,245           | 58,772,955       | 22,311,709                  | -                                 | -                             | 426,786,122        |
| <b>Accumulated impairment</b>    |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | -                          | -                                 | -                 | -                   | -                | 49,340                      | -                                 | -                             | 49,340             |
| Other variations                 | -                          | -                                 | -                 | -                   | -                | (25,085)                    | -                                 | -                             | (25,085)           |
| Closing balance                  | -                          | -                                 | -                 | -                   | -                | 24,255                      | -                                 | -                             | 24,255             |
| <b>Net Tangible fixed assets</b> | <b>31,852,839</b>          | <b>124,002,575</b>                | <b>15,089,287</b> | <b>169,716</b>      | <b>5,053,039</b> | <b>4,235,087</b>            | <b>2,409,296</b>                  | <b>174,162</b>                | <b>382,986,001</b> |

| Group                                  | 2017                       |                                   |                   |                     |                  |                             |                                   |                               |                    |
|--|----------------------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------|
|  | Land and natural resources | Buildings and other constructions | Basic equipment   | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers | Total              |
| <b>Tangible fixed assets</b>           |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                        | 36,903,717                 | 334,909,767                       | 140,435,199       | 3,269,073           | 59,021,936       | 25,037,425                  | 5,016,467                         | 3,351,405                     | 607,944,990        |
| Acquisitions                           | -                          | 300,889                           | 5,013,385         | 81,568              | 2,087,373        | 741,212                     | 2,277,480                         | 475,458                       | 10,977,364         |
| Disposals                              | -                          | (8,315)                           | (1,125,067)       | -                   | (40,687)         | (137)                       | -                                 | -                             | (1,174,206)        |
| Transfers and write-offs               | 1,396                      | 6,396,121                         | 1,673,849         | -                   | 750,365          | (867,944)                   | (5,793,379)                       | (3,425,208)                   | (1,264,800)        |
| Adjustments                            | -                          | (44,923)                          | (61,259)          | (247)               | (61,727)         | (21,887)                    | -                                 | (10,547)                      | (200,588)          |
| Changes in the consolidation perimeter | 197,025                    | 1,102,206                         | 731,285           | 30,889              | 417,295          | 1,151,444                   | -                                 | -                             | 3,630,144          |
| Closing balance                        | 37,102,139                 | 342,655,745                       | 146,667,392       | 3,381,283           | 62,174,555       | 26,040,114                  | 1,500,567                         | 391,109                       | 619,912,904        |
| <b>Accumulated depreciation</b>        |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                        | 3,851,494                  | 197,359,750                       | 121,934,623       | 3,208,997           | 52,255,805       | 20,239,484                  | -                                 | -                             | 398,850,154        |
| Depreciation for the period            | -                          | 9,924,796                         | 7,139,729         | 34,044              | 3,426,663        | 1,113,660                   | -                                 | -                             | 21,638,891         |
| Disposals                              | -                          | (7,026)                           | (1,096,952)       | -                   | (40,236)         | (137)                       | -                                 | -                             | (1,144,351)        |
| Transfers and write-offs               | -                          | (39,113)                          | (158,051)         | -                   | (145,697)        | (712,315)                   | -                                 | -                             | (1,055,176)        |
| Adjustments                            | -                          | 274                               | 15,044            | (404)               | 1,082            | (6)                         | -                                 | -                             | 15,989             |
| Changes in the consolidation perimeter | -                          | 422,804                           | 459,736           | 28,437              | 218,784          | 572,388                     | -                                 | -                             | 1,702,149          |
| Closing balance                        | 3,851,494                  | 207,661,484                       | 128,294,129       | 3,271,073           | 55,716,402       | 21,213,074                  | -                                 | -                             | 420,007,656        |
| <b>Accumulated impairment</b>          |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                        | -                          | -                                 | -                 | -                   | -                | 173,055                     | -                                 | -                             | 173,055            |
| Other variations                       | -                          | -                                 | -                 | -                   | -                | (123,714)                   | -                                 | -                             | (123,714)          |
| Closing balance                        | -                          | -                                 | -                 | -                   | -                | 49,340                      | -                                 | -                             | 49,340             |
| <b>Net Tangible fixed assets</b>       | <b>33,250,644</b>          | <b>134,994,262</b>                | <b>18,373,263</b> | <b>110,210</b>      | <b>6,458,153</b> | <b>4,777,700</b>            | <b>1,500,567</b>                  | <b>391,109</b>                | <b>199,855,908</b> |

The depreciation recorded in the **Group** amounting to 20,385,743 Euros (21,638,891 Euros on 31 December 2017), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 46).

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company Transporta – Transportes Porta a Porta, S.A. acquired in May 2017.

During the years ended 31 December 2018 and 31 December 2017, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

| Company                          | 2018                       |                                   |                  |                     |                  |                             |                                   |                               |                    |
|----------------------------------|----------------------------|-----------------------------------|------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------|
|                                  | Land and natural resources | Buildings and other constructions | Basic equipment  | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers | Total              |
| <b>Tangible fixed assets</b>     |                            |                                   |                  |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 35,088,242                 | 325,657,556                       | 111,589,384      | 2,479,246           | 54,221,300       | 24,436,503                  | 1,491,945                         | 390,149                       | 555,354,325        |
| Acquisitions                     | -                          | -                                 | 146,923          | 16,788              | 1,508,162        | 690,094                     | 3,913,866                         | 10,256                        | 7,609,089          |
| Disposals                        | (545,455)                  | (1,769,365)                       | (1,806,460)      | (35,899)            | (23,810)         | (962)                       | -                                 | -                             | (4,181,950)        |
| Transfers and write-offs         | (964,691)                  | (6,427,618)                       | (4,052,883)      | 236,348             | -                | (232,458)                   | (3,217,193)                       | (178,635)                     | (14,837,131)       |
| Adjustments                      | -                          | (205,312)                         | (52,444)         | (633)               | (40,839)         | (4,008)                     | -                                 | (47,608)                      | (350,843)          |
| Mergers                          | 189,543                    | 1,377,229                         | 8,298,449        | 3,359               | 1,555,760        | 335,331                     | -                                 | -                             | 11,759,672         |
| Closing balance                  | 33,767,640                 | 318,632,490                       | 115,445,969      | 2,699,209           | 57,220,574       | 25,224,499                  | 2,188,618                         | 174,162                       | 555,353,161        |
| <b>Accumulated depreciation</b>  |                            |                                   |                  |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 3,851,494                  | 198,068,971                       | 99,125,056       | 2,459,124           | 48,660,149       | 19,742,818                  | -                                 | -                             | 371,907,612        |
| Depreciation for the period      | -                          | 9,374,884                         | 4,630,949        | 27010               | 2,639,912        | 1,216,051                   | -                                 | -                             | 17,888,807         |
| Disposals                        | (13,595)                   | (790,864)                         | (1,806,460)      | (35,899)            | (23,810)         | (962)                       | -                                 | -                             | (2,671,589)        |
| Transfers and write-offs         | (98,745)                   | (5,939,375)                       | (4,231,327)      | 147,416             | (1,534)          | (145,860)                   | -                                 | -                             | (10,269,426)       |
| Mergers                          | -                          | 1,080,853                         | 7,785,106        | 2,470               | 143,876          | 326,508                     | -                                 | -                             | 10,633,639         |
| Closing balance                  | 3,739,154                  | 201,794,470                       | 105,503,323      | 2,600,122           | 52,713,479       | 21,198,556                  | -                                 | -                             | 387,489,103        |
| <b>Accumulated impairment</b>    |                            |                                   |                  |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | -                          | -                                 | -                | -                   | -                | 49,340                      | -                                 | -                             | 49,340             |
| Other variations                 | -                          | -                                 | -                | -                   | -                | (25,085)                    | -                                 | -                             | (25,085)           |
| Closing balance                  | -                          | -                                 | -                | -                   | -                | 24,255                      | -                                 | -                             | 24,255             |
| <b>Net Tangible fixed assets</b> | <b>30,028,486</b>          | <b>116,838,020</b>                | <b>9,942,646</b> | <b>99,088</b>       | <b>4,507,094</b> | <b>4,061,689</b>            | <b>2,188,618</b>                  | <b>174,162</b>                | <b>167,839,804</b> |

| Company                          | 2017                       |                                   |                   |                     |                  |                             |                                   |                               |                    |
|----------------------------------|----------------------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------|
|                                  | Land and natural resources | Buildings and other constructions | Basic equipment   | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Advance payments to suppliers | Total              |
| <b>Tangible fixed assets</b>     |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 35,086,846                 | 319,344,985                       | 109,195,010       | 2,479,246           | 51,783,751       | 23,411,104                  | 5,016,467                         | 2,494,530                     | 548,811,940        |
| Acquisitions                     | -                          | -                                 | 3,581,466         | 27010               | 1,495,182        | 683,237                     | 2,125,790                         | 311,022                       | 8,239,849          |
| Disposals                        | -                          | -                                 | (10,361,167)      | -                   | (33,169)         | -                           | -                                 | -                             | (10,691,316)       |
| Transfers and write-offs         | 1,396                      | 6,358,159                         | (66,657)          | -                   | 10,391,168       | 365,278                     | (5,650,311)                       | (2,404,833)                   | (400,952)          |
| Adjustments                      | -                          | (45,589)                          | (84,268)          | -                   | (63,633)         | (23,117)                    | -                                 | (10,570)                      | (227,177)          |
| Closing balance                  | 35,088,242                 | 325,657,556                       | 111,589,384       | 2,479,246           | 54,221,300       | 24,436,503                  | 1,491,945                         | 390,149                       | 555,354,325        |
| <b>Accumulated depreciation</b>  |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | 3,851,494                  | 188,661,587                       | 96,165,800        | 2,431,726           | 45,977,885       | 18,683,626                  | -                                 | -                             | 355,772,119        |
| Depreciation for the period      | -                          | 9,407,384                         | 4,347,471         | 27,397              | 2,714,981        | 1,059,192                   | -                                 | -                             | 17,556,425         |
| Disposals                        | -                          | -                                 | (10,302,300)      | -                   | (32,717)         | -                           | -                                 | -                             | (10,662,947)       |
| Transfers and write-offs         | -                          | -                                 | (357,986)         | -                   | -                | -                           | -                                 | -                             | (357,986)          |
| Closing balance                  | 3,851,494                  | 198,068,971                       | 99,125,056        | 2,459,124           | 48,660,149       | 19,742,818                  | -                                 | -                             | 371,907,612        |
| <b>Accumulated impairment</b>    |                            |                                   |                   |                     |                  |                             |                                   |                               |                    |
| Opening balance                  | -                          | -                                 | -                 | -                   | -                | 173,055                     | -                                 | -                             | 173,055            |
| Other variations                 | -                          | -                                 | -                 | -                   | -                | (123,714)                   | -                                 | -                             | (123,714)          |
| Closing balance                  | -                          | -                                 | -                 | -                   | -                | 49,340                      | -                                 | -                             | 49,340             |
| <b>Net Tangible fixed assets</b> | <b>31,236,748</b>          | <b>127,588,585</b>                | <b>12,464,328</b> | <b>20,123</b>       | <b>5,561,151</b> | <b>4,644,344</b>            | <b>1,491,945</b>                  | <b>390,149</b>                | <b>383,397,373</b> |

The depreciation recorded in the **Company** amounting to 17,888,807 Euros (17,556,425 Euros on 31 December 2017), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 46).

In the **Group** and the **Company**, as at 31 December 2018, Land and natural resources and Buildings and other constructions include 590,362 Euros (625,996 Euros as at 31 December 2017), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported on CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

During the year ended 31 December 2018, the most significant movements in Tangible Fixed Assets were the following:

**Buildings and other constructions:**

The movements associated to additions and transfers relate to the capitalisation of repairs in own and third-party buildings of CTT and Tourline.

**Basic equipment:**

The amount of acquisitions mainly relates to the purchase by CTT of bicycles and motorcycles in the amount of 206 thousand Euros, trailers in the amount of 390 thousand Euros, ATMs amounting to 320 thousand Euros, scales worth 128 thousand Euros and pallets in the amount of 184 thousand Euros. CTT Expresso recognised the upgrade of parcel sorting machines worth about 641 thousand Euros. CTT Contacto acquired a sorting machine worth about 148 thousand Euros and Tourline acquired IT equipment worth approximately 235 thousand Euros.

**Office equipment:**

The amount of acquisitions relates essentially to the purchase by CTT of servers for about 366 thousand Euros and IT equipment in the amount of 935 thousand Euros.

**Other tangible fixed assets:**

The amount of acquisitions relates essentially to the acquisition by CTT of prevention and safety equipment in the amount of 357 thousand Euros and communication equipment in the amount of 195 thousand Euros.

**Tangible fixed assets in progress:**

The amounts under this heading are related to costs of improvements in own and third-party property.

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets, are as follows:

|   | <b>Group</b>   | <b>Company</b> |
|---|----------------|----------------|
| Improvements in properties                      | 490,004        | 490,004        |
| Postal furniture                                | 47,562         | 47,562         |
| Labeling machines                               | 20,762         | 20,762         |
| Postal delivery equipment                       | 20,357         | 20,357         |
| Electric vehicles                               | 19,325         | 19,325         |
| SADI/SDI - Fire and intrusion detection systems | 15,773         | 15,773         |
| Improvements in properties - Banco CTT          | 4,857          | 4,857          |
|   | <b>618,639</b> | <b>618,639</b> |

## 6. INTANGIBLE ASSETS

During the years ended 31 December 2018 and 31 December 2017, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortisation, were as follows:

| Group                           | 2018                 |                   |                     |                         |                               |                               | Total       |
|---------------------------------|----------------------|-------------------|---------------------|-------------------------|-------------------------------|-------------------------------|-------------|
|                                 | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress | Advance payments to suppliers |             |
| <b>Intangible assets</b>        |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 4,380,552            | 80,235,963        | 13,297,151          | 444,739                 | 13,254,456                    | -                             | 111,612,861 |
| Acquisitions                    | -                    | 2,332,323         | 953,564             | -                       | 17,445,388                    | -                             | 20,731,075  |
| Transfers and write-offs        | -                    | 15,512,745        | -                   | -                       | (15,559,963)                  | -                             | (47,218)    |
| Adjustments                     | -                    | -                 | 1,709               | -                       | -                             | -                             | 1,709       |
| Closing balance                 | 4,380,552            | 98,081,032        | 14,252,424          | 444,739                 | 15,139,681                    | -                             | 132,298,428 |
| <b>Accumulated amortisation</b> |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 4,371,234            | 50,542,647        | 8,752,556           | 444,739                 | -                             | -                             | 64,111,177  |
| Amortisation for the period     | 4,488                | 10,745,367        | 665,827             | -                       | -                             | -                             | 11,415,682  |
| Transfers and write-offs        | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Adjustments                     | -                    | -                 | 1,012               | -                       | -                             | -                             | 1,012       |
| Closing balance                 | 4,375,722            | 61,288,015        | 9,419,396           | 444,739                 | -                             | -                             | 75,527,871  |
| <b>Net intangible assets</b>    | 4,830                | 36,793,017        | 4,833,029           | -                       | 15,139,681                    | -                             | 56,770,556  |

| Group                                  | 2017                 |                   |                     |                         |                               |   | Total       |
|--|----------------------|-------------------|---------------------|-------------------------|-------------------------------|---|-------------|
|  | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress |   |             |
| <b>Intangible assets</b>               |                      |                   |                     |                         |                               |   |             |
| Opening balance                        | 4,372,923            | 69,732,469        | 11,722,559          | 444,739                 | 8,870,277                     | - | 95,142,968  |
| Acquisitions                           | -                    | 2,776,195         | 1,569,908           | -                       | 13,167,265                    | - | 17,513,369  |
| Transfers and write-offs               | -                    | 7,727,299         | (16,833)            | -                       | (8,802,367)                   | - | (1,091,901) |
| Adjustments                            | -                    | -                 | 21,516              | -                       | -                             | - | 21,516      |
| Changes in the consolidation perimeter | 7,629                | -                 | -                   | -                       | 19,281                        | - | 26,910      |
| Closing balance                        | 4,380,552            | 80,235,963        | 13,297,151          | 444,739                 | 13,254,456                    | - | 111,612,861 |
| <b>Accumulated amortisation</b>        |                      |                   |                     |                         |                               |   |             |
| Opening balance                        | 4,360,060            | 43,021,166        | 8,400,280           | 444,739                 | -                             | - | 56,226,245  |
| Amortisation for the period            | 10,495               | 8,740,207         | 361,397             | -                       | -                             | - | 9,112,100   |
| Transfers and write-offs               | -                    | (1,218,272)       | (16,834)            | -                       | -                             | - | (1,235,106) |
| Adjustments                            | -                    | (454)             | 7,713               | -                       | -                             | - | 7,259       |
| Changes in the consolidation perimeter | 679                  | -                 | -                   | -                       | -                             | - | 679         |
| Closing balance                        | 4,371,234            | 50,542,647        | 8,752,556           | 444,739                 | -                             | - | 64,111,177  |
| <b>Net intangible assets</b>           | 9,318                | 29,693,316        | 4,544,595           | -                       | 13,254,456                    | - | 47,501,684  |

The amortisation in the **Group** for the year ended 31 December 2018, amounting to 11,415,682 Euros (9,112,100 Euros as at 31 December 2017) was recorded under Depreciation / amortisation and impairment of investments, net (Note 46)

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company Transporta as at the acquisition date.

During the years ended 31 December 2018 and 31 December 2017, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortisation, were as follows:

| Company                         | 2018                 |                   |                     |                         |                               |                               |             |
|---------------------------------|----------------------|-------------------|---------------------|-------------------------|-------------------------------|-------------------------------|-------------|
|                                 | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress | Advance payments to suppliers | Total       |
| <b>Intangible assets</b>        |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 3,717,326            | 44,311,825        | 5,126,108           | -                       | 10,128,953                    | -                             | 63,284,212  |
| Acquisitions                    | -                    | 252,013           | 952,037             | -                       | 10,896,790                    | -                             | 12,100,840  |
| Disposals                       | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Transfers and write-offs        | -                    | 10,480,928        | -                   | -                       | (10,480,928)                  | -                             | -           |
| Adjustments                     | -                    | 357,917           | (190)               | -                       | -                             | -                             | 357,727     |
| Mergers                         | -                    | 738,487           | 2,317               | -                       | 9,984                         | -                             | 750,788     |
| Closing balance                 | 3,717,326            | 56,141,169        | 6,080,272           | -                       | 10,554,799                    | -                             | 76,493,567  |
| <b>Accumulated amortisation</b> |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 3,714,111            | 36,680,365        | 3,100,404           | -                       | -                             | -                             | 43,494,880  |
| Amortisation for the period     | 3,216                | 6,344,147         | 369,396             | -                       | -                             | -                             | 6,716,759   |
| Disposals                       | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Transfers and write-offs        | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Adjustments                     | -                    | 186,117           | -                   | -                       | -                             | -                             | 186,117     |
| Mergers                         | -                    | 673,313           | 87                  | -                       | -                             | -                             | 673,400     |
| Closing balance                 | 3,717,326            | 43,883,941        | 3,469,888           | -                       | -                             | -                             | 510,71,155  |
| <b>Net intangible assets</b>    | -                    | 12,257,228        | 2,610,384           | -                       | 10,554,799                    | -                             | 25,422,412  |
|                                 |                      |                   |                     |                         |                               |                               |             |
| Company                         | 2017                 |                   |                     |                         |                               |                               |             |
|                                 | Development projects | Computer Software | Industrial property | Other intangible assets | Intangible assets in progress | Advance payments to suppliers | Total       |
| <b>Intangible assets</b>        |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 3,717,326            | 41,477,392        | 3,585,840           | -                       | 5,546,126                     | -                             | 54,326,686  |
| Acquisitions                    | -                    | 37,315            | 1,557,100           | -                       | 9,051,417                     | -                             | 10,645,832  |
| Disposals                       | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Transfers and write-offs        | -                    | 2,797,117         | (16,833)            | -                       | (4,468,590)                   | -                             | (1,688,305) |
| Adjustments                     | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Closing balance                 | 3,717,326            | 44,311,825        | 5,126,108           | -                       | 10,128,953                    | -                             | 63,284,212  |
| <b>Accumulated amortisation</b> |                      |                   |                     |                         |                               |                               |             |
| Opening balance                 | 3,704,463            | 32,768,108        | 3,050,370           | -                       | -                             | -                             | 39,522,942  |
| Amortisation for the period     | 9,647                | 5,583,543         | 66,867              | -                       | -                             | -                             | 5,660,057   |
| Disposals                       | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Transfers and write-offs        | -                    | (1,671,286)       | (16,833)            | -                       | -                             | -                             | (1,688,119) |
| Adjustments                     | -                    | -                 | -                   | -                       | -                             | -                             | -           |
| Closing balance                 | 3,714,111            | 36,680,365        | 3,100,404           | -                       | -                             | -                             | 43,494,880  |
| <b>Net intangible assets</b>    | 3,216                | 7,631,460         | 2,025,704           | -                       | 10,128,953                    | -                             | 19,789,332  |

The amortisation in the **Company**, for the year ended 31 December 2018, amounting to 6,716,759 Euros (5,660,057 Euros as at 31 December 2017) was recorded under Depreciation / amortisation and impairment of investments, net (Note 46).

The caption Industrial property in the **Group** includes the license of the trademark "Payshop International" of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not amortised.

The transfers occurred in the year ended 31 December 2018 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 1,007,207 Euros and 797,116 Euros were capitalised in computer software or in intangible assets in progress as at 31 December 2018 and 31 December 2017, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2018, the most significant movements of the **Group** companies in Intangible assets were the following:

#### Computer software:

The amount of acquisitions relates essentially to the purchase of software "ColorStream 3500" in the amount of 155 thousand Euros by CTT and to the acquisition of upgrades to "CBS – Core Banking System" in the amount of 2,007 thousand Euros by Banco CTT.

#### Industrial property:

The acquisitions under this heading relate essentially to the purchase of licenses "Oracle Advanced Security" licenses in the amount of 129 thousand Euros, the acquisition of "Ariba" licenses for 161

thousand Euros and “Forecasting & Scheduling Suite” licenses in the amount of 524 thousand Euros by the **Company**.

As at 31 December 2018 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

|   | Group      | Company   |
|---|------------|-----------|
| SAP Hana & Hybris Billing                   | 2,346,872  | 2,346,872 |
| SIGPOSTAL - software                        | 995,452    | 995,452   |
| CRM - software                              | 747,441    | 747,441   |
| NAVE evolution                              | 704,414    | 704,414   |
| Mortgage loans - software                   | 473,733    | -         |
| Servers, storage e backup                   | 431,581    | 431,581   |
| e-Fulfillment                               | 400,722    | 400,722   |
| Digital channels - software                 | 353,297    | -         |
| Mailmanager - software                      | 344,947    | 344,947   |
| Aplica Legacy adaptations                   | 334,964    | 334,964   |
| SAP developments                            | 291,890    | 291,890   |
| Customs portal                              | 287,036    | 287,036   |
| Transaction Monitoring - software           | 270,792    | -         |
| Data Governance - software                  | 266,214    | -         |
| International Accounts - Software           | 231,176    | 231,176   |
| Payment Services Directive 2 - software     | 208,609    | -         |
| Management information - Software           | 200,160    | 200,160   |
| Robotic Process Automation - software       | 194,355    | 194,355   |
| CTTads                                      | 182,360    | 182,360   |
| INTRANET CTT                                | 168,721    | 168,721   |
| Transactions broker - software              | 159,006    | -         |
| Lease Management - software                 | 156,737    | 156,737   |
| Recibos On-line - software                  | 147,267    | 147,267   |
| DOL - Treatment and generation of schedules | 123,758    | 123,758   |
|   | 10,021,502 | 8,289,851 |

There are no Intangible assets with restricted ownership or any carrying value relative to any Intangible assets which have been given as a guarantee of liabilities.

Contractual commitments relative to the **Group** and the **Company** Intangible assets are as follows:

|  | Group     | Company |
|--|-----------|---------|
| SAP S/4 Hana e SAP Hybris                | 782,360   | 782,360 |
| CBS - Core Banking System                | 479,653   | -       |
| Housing credit evolution                 | 472,210   | -       |
| Digital Channels                         | 316,921   | -       |
| Transaction Monitoring                   | 258,760   | -       |
| PSD2 - Second Payment Services Directive | 208,609   | -       |
| Datagovernance & Datawarehouse           | 111,732   | -       |
| Privileged accesses management (PAM)     | 110,375   | -       |
| Clients and accounts Maintenance (PAC)   | 100,634   | -       |
| SIG Postal                               | 99,489    | 99,489  |
| Smart Mailboxes                          | 14,291    | 14,291  |
|  | 2,955,034 | 896,139 |

## 7. INVESTMENT PROPERTIES

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** have the following assets classified as investment properties:



|                                  | 2018                       |                                   |                                   |             |
|----------------------------------|----------------------------|-----------------------------------|-----------------------------------|-------------|
|                                  | Group and Company          |                                   |                                   |             |
|                                  | Land and natural resources | Buildings and other constructions | Investment properties in progress | Total       |
| <b>Investment properties</b>     |                            |                                   |                                   |             |
| Opening balance                  | 2,882,477                  | 11,824,326                        | -                                 | 14,706,803  |
| Disposals                        | (98,874)                   | (812,552)                         | -                                 | (911,425)   |
| Transfers and write-offs         | 724,752                    | 5,529,376                         | -                                 | 6,254,128   |
| Other movements                  | -                          | (2,518)                           | -                                 | (2,518)     |
| Closing balance                  | 3,508,355                  | 16,538,633                        | -                                 | 20,046,988  |
| <b>Accumulated depreciation</b>  |                            |                                   |                                   |             |
| Opening balance                  | 166,541                    | 7,282,857                         | -                                 | 7,449,397   |
| Depreciation for the period      | -                          | 299,932                           | -                                 | 299,932     |
| Disposals                        | (10,982)                   | (528,516)                         | -                                 | (539,498)   |
| Transfers and write-offs         | 79,415                     | 3,334,258                         | -                                 | 3,413,674   |
| Closing balance                  | 234,974                    | 10,388,531                        | -                                 | 10,623,505  |
| <b>Accumulated impairment</b>    |                            |                                   |                                   |             |
| Opening balance                  | -                          | 1,092,556                         | -                                 | 1,092,556   |
| Impairment for the period        | -                          | (732,506)                         | -                                 | (732,506)   |
| Transfers                        | -                          | 883,452                           | -                                 | 883,452     |
| Closing balance                  | -                          | 1,243,502                         | -                                 | 1,243,502   |
| <b>Net Investment properties</b> | 3,273,381                  | 4,906,599                         | -                                 | 8,179,980   |
|                                  |                            |                                   |                                   |             |
|                                  | 2017                       |                                   |                                   |             |
|                                  | Group and Company          |                                   |                                   |             |
|                                  | Land and natural resources | Buildings and other constructions | Investment properties in progress | Total       |
| <b>Investment properties</b>     |                            |                                   |                                   |             |
| Opening balance                  | 3,921,049                  | 18,372,780                        | -                                 | 22,293,828  |
| Additions                        | -                          | -                                 | 43,152                            | 43,152      |
| Disposals                        | (1,038,572)                | (6,591,606)                       | -                                 | (7,630,178) |
| Transfers and write-offs         | -                          | 43,152                            | (43,152)                          | -           |
| Closing balance                  | 2,882,477                  | 11,824,326                        | -                                 | 14,706,803  |
| <b>Accumulated depreciation</b>  |                            |                                   |                                   |             |
| Opening balance                  | 210,097                    | 11,500,249                        | -                                 | 11,710,347  |
| Depreciation for the period      | -                          | 242,117                           | -                                 | 242,117     |
| Disposals                        | (43,557)                   | (4,459,510)                       | -                                 | (4,503,066) |
| Closing balance                  | 166,541                    | 7,282,857                         | -                                 | 7,449,397   |
| <b>Accumulated impairment</b>    |                            |                                   |                                   |             |
| Opening balance                  | -                          | 1,291,498                         | -                                 | 1,291,498   |
| Transfers/Adjustments            | -                          | (198,942)                         | -                                 | (198,942)   |
| Closing balance                  | -                          | 1,092,556                         | -                                 | 1,092,556   |
| <b>Net Investment properties</b> | 2,715,936                  | 3,448,913                         | -                                 | 6,164,849   |

These assets are not allocated to the **Group** and the **Company** operating activities, nor have a specific future use.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2018 which were conducted by independent entities, amounts to 12,706,416 Euros (10,643,200 Euros as at 31 December 2017).

In the year ended 31 December 2018, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 138 thousand Euros, been recorded in the caption Other operating income.

Depreciation for the year ended on 31 December 2018, of 299,932 Euros (242,117 Euros on 31 December 2017) was recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 46).

Impairment losses of the **Company** for the period amounting to (732,506) Euros ((198,942) Euros on 31 December 2017) were recorded in the caption Depreciation/amortisation and impairment of investments, net (Note 46) and are explained by the market value reduction observed in some buildings.

## 8. COMPANIES INCLUDED IN THE CONSOLIDATION

### Subsidiary companies

As at 31 December 2018 and 31 December 2017, the parent company, CTT – Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

| Company name   | Place of business | Head office  | 2018                    |          |       | 2017                    |          |       |
|--|-------------------|--|-------------------------|----------|-------|-------------------------|----------|-------|
|  |                   |  | Percentage of ownership |          |       | Percentage of ownership |          |       |
|  |                   |  | Direct                  | Indirect | Total | Direct                  | Indirect | Total |
| <b>Parent company:</b>   |                   |  |                         |          |       |                         |          |       |
| CTT – Correios de Portugal, S.A.                                   | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | -                       | -        | -     | -                       | -        | -     |
| <b>Subsidiaries:</b>   |                   |  |                         |          |       |                         |          |       |
| CTT Expresso – Serviços Postais e Logística, S.A. ("CTT Expresso") | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | 100                     | -        | 100   | 100                     | -        | 100   |
| Payshop Portugal, S.A. ("Payshop")                                 | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | -                       | 100      | 100   | 100                     | -        | 100   |
| CTT Contacto, S.A. ("CTT Con")                                     | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | 100                     | -        | 100   | 100                     | -        | 100   |
| Mailtec Comunicação, S.A. ("Mailtec TI")                           | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | -                       | -        | -     | 100                     | -        | 100   |
| Tourline Express Mensajería, SLU. ("TourLine")                     | Spain             | Calle Alcarria, numero 8,<br>28823 Costada, Madrid   | 100                     | -        | 100   | 100                     | -        | 100   |
| Correio Expresso de Moçambique, S.A. ("CORRE")                     | Mozambique        | Av. 24 de Julho, Edifício 24, n.º<br>1097, 3.º Piso<br>Bairro da Polana<br>Maputo – Mozambique | 50                      | -        | 50    | 50                      | -        | 50    |
| Escrita Inteligente, S.A. ("RONL")                                 | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | -                       | -        | -     | 100                     | -        | 100   |
| Banco CTT, S.A. ("BancoCTT")                                       | Portugal          | Av. D. João II N.º 13<br>1999-001Lisboa  | 100                     | -        | 100   | 100                     | -        | 100   |
| Transporta – Transportes Porta a Porta, S.A. ("Transporta")        | Portugal          | Estrada de São Marcos N.º 15<br>2735-521Cacém  | 100                     | -        | 100   | 100                     | -        | 100   |

In relation to the company CORRE, as the Group has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

On 4 January 2018, the share capital of Banco CTT was increased by 6,400,000 Euros through the transfer to Banco CTT of all the shares representing the share capital of Payshop (Portugal), S.A.. This transaction had no impact on the consolidated statements.

On 7 March 2018, a new share capital increase was made in Banco CTT in the amount of 25,000,000 Euros through the issue of new shares without nominal value and with the issuance value of 1 Euro each, currently totalling the amount of 156,400,000 Euros.

In June 2018, the subsidiaries Escrita Inteligente, S.A. and Transporta – Transportes Porta a Porta, S.A., underwent a share capital reduction operation, and the amounts of the reduction were transferred to retained earnings. The share capital of these companies, after the mentioned operation, is 37,374 Euros and 250,000 Euros, respectively.

There were also capital increase operations, recognised under the caption "Other Equity Instruments", in the subsidiaries Escrita Inteligente, S.A., Transporta – Transportes Porta a Porta, S.A. and Tourline Express Mensajería, SLU, for the amounts of 285,000 Euros, 3,000,000 Euros and 7,100,000 Euros, respectively.

On 31 December 2018, but producing effects as of 1 January 2018, were registered the mergers by incorporation of Mailtec Comunicação, S.A. and Escrita Inteligente, S.A. in CTT – Correios de Portugal through the global transfer of the assets. These transactions had no impact on the consolidation perimeter.

On 31 December 2018 the subsidiary CTT Expresso, S.A. distributed reserves and retained earnings in the amount of 15,548,149 Euros.

On the same date the subsidiary Tourline Express Mensajería, SLU was subject to an operation of equity increase in the amount of 6,440,000 Euros.

### Joint ventures

As at 31 December 2018 and 31 December 2017, the Group held the following interests in joint ventures, registered through the equity method:

| Company name                                   | Place of business | Head office                                 | 2018                    |          |       | 2017                    |          |       |
|--|-------------------|---|-------------------------|----------|-------|-------------------------|----------|-------|
|  |                   |   | Percentage of ownership |          |       | Percentage of ownership |          |       |
|  |                   |   | Direct                  | Indirect | Total | Direct                  | Indirect | Total |
| NewPost, ACE                                   | Portugal          | Av. Fontes Pereira de Melo, 40<br>Lisboa    | 49                      | -        | 49    | 49                      | -        | 49    |
| PTP & F, ACE                                   | Portugal          | Estrada Casal do Canas<br>Amadora           | 51                      | -        | 51    | -                       | 51       | 51    |
| MKTPlace - Comércio Eletrónico, S.A<br>("MKT") | Portugal          | Rua Eng.ª Ferreira Dias 924 Esc. 5<br>Porto | 50                      | -        | 50    | -                       | -        | -     |

On 8 August 2018, Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., was formed, regarding the creation of an e-commerce platform to provide integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

### Associated companies

As at 31 December 2018 and 31 December 2017, the Group held the following interests in associated companies accounted for by the equity method:

| Company name  | Place of business | Head office                                 | 2018                    |          |       | 2017                    |          |       |
|---|-------------------|---|-------------------------|----------|-------|-------------------------|----------|-------|
|   |                   |   | Percentage of ownership |          |       | Percentage of ownership |          |       |
|   |                   |   | Direct                  | Indirect | Total | Direct                  | Indirect | Total |
| Multicert - Serviços de Certificação Electrónica, S.A.<br>("Multicert") | Portugal          | Lagoas Parque, Edifício 3, Piso 3<br>Oeiras | 20                      | -        | 20    | 20                      | -        | 20    |
| Mafelosa, SL <sup>(a)</sup>   | Spain             | Castellon - Spain                           | -                       | 25       | 25    | -                       | 25       | 25    |
| Urpacksur, SL <sup>(a)</sup>  | Spain             | Málaga - Spain                              | -                       | 30       | 30    | -                       | 30       | 30    |

<sup>(a)</sup> Company held by Tourline Mensajería, SLU, which currently has no activity.

### Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of Mktplace - Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

During the year ended 31 December 2017, the consolidation perimeter was changed following the acquisition of the company Transporta - Transportes Porta a Porta, S.A. on 4 May 2017.

## **9. GOODWILL**

As at 31 December 2018 and 31 December 2017, the **Group** Goodwill was made up as follows:

|                           |                     | <b>Group</b>     |                  |
|---------------------------|---------------------|------------------|------------------|
|                           | Year of acquisition | 2018             | 2017             |
| Mailtec Comunicação, S.A. | 2004                | 6,161,326        | 6,161,326        |
| Payshop Portugal, S.A.    | 2004                | 406,101          | 406,101          |
| Transporta, S.A.          | 2017                | 2,955,753        | 2,955,753        |
|                           |                     | <b>9,523,180</b> | <b>9,523,180</b> |

During the years ended 31 December 2018 and 31 December 2017, the movements in Goodwill were as follows:

|                        | <b>Group</b>     |                  |
|------------------------|------------------|------------------|
|                        | 2018             | 2017             |
| Opening balance        | 9,523,179        | 7,700,739        |
| Acquisitions           | -                | 2,955,753        |
| Impairment             | -                | (1,133,312)      |
| <b>Closing balance</b> | <b>9,523,179</b> | <b>9,523,180</b> |

In the period ended 31 December 2018 there no movements recorded in Goodwill.

The acquisitions in the period ended 31 December 2017 relate to the acquisition of the company Transporta and a Goodwill amounting to 2,955,753 Euros.

During the year ended 31 December 2017, as a result of the reduction in the business of Mailtec Comunicação, S.A., the Group reviewed the business evolution estimates, which were incorporated into the future cash flows used in the impairment test carried out in 2018, and an impairment loss amounting to 1,133,312 Euros relating to the Goodwill of the referred company was recorded.

#### Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the year ended 31 December 2018, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2018 and 31 December 2017 based on the following assumptions:

| Company name                               | Activity                             | 2018  |                                |                      |                        |
|--|--------------------------------------|---|--------------------------------|----------------------|------------------------|
|  |                                      | Base for determining the recoverable amount | Explicit period for cash flows | Discount rate (WACC) | Perpetuity rate growth |
| Mailtec Comunicação, SA                    | Documental services                  | Equity Value/DCF                            | 5 years                        | 10.11%               | 100%                   |
| Payshop Portugal, SA                       | Management of payment points network | Equity Value/DCF                            | 5 years                        | 10.05%               | 100%                   |
| Transporta - Transportes Porta a Porta, SA | Cargo and Logistics                  | Equity Value/DCF                            | 5 years                        | 10.11%               | 100%                   |
| Company name                               | Activity                             | 2017  |                                |                      |                        |
|  |                                      | Base for determining the recoverable amount | Explicit period for cash flows | Discount rate (WACC) | Perpetuity rate growth |
| Mailtec Comunicação, SA                    | Documental services                  | Equity Value/DCF                            | 5 years                        | 9.82%                | 1.00%                  |
| Payshop Portugal, SA                       | Management of payment points network | Equity Value/DCF                            | 5 years                        | 9.61%                | 1.00%                  |
| Transporta - Transportes Porta a Porta, SA | Cargo and Logistics                  | Equity Value/DCF                            | 5 years                        | 9.50%                | 1.00%                  |

The increase in the discount rate (WACC) in the year ended 31 December 2018 resulted mainly from the increase in the specific risk of the sectors to which the companies under evaluation belong.

The cash flow projections were based on the historical performance and the medium and long-term business plans, approved by the Board of Directors. As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2018 there were no indications of impairment losses.

As at 31 December 2018 and 31 December 2017, the impairment losses registered in the **Group** are as follows:

|                                  | 2018                |                           |                                  |                               |           |                |
|----------------------------------|---------------------|---------------------------|----------------------------------|-------------------------------|-----------|----------------|
|                                  | Year of acquisition | Initial value of Goodwill | Impairment losses for the period | Accumulated impairment losses | Disposals | Carrying value |
| Tourline Express Mensajería, SLU | 2005                | 20,671,985                | -                                | 20,671,985                    | -         | -              |
| Mailtec Comunicação, S.A.        | 2004                | 7,294,638                 | -                                | 1,133,312                     | -         | 6,161,326      |
|                                  |                     | 27,966,623                | -                                | 21,805,297                    | -         | 6,161,326      |

|                                  | 2017                |                           |                                  |                               |           |                |
|----------------------------------|---------------------|---------------------------|----------------------------------|-------------------------------|-----------|----------------|
|                                  | Year of acquisition | Initial value of Goodwill | Impairment losses for the period | Accumulated impairment losses | Disposals | Carrying value |
| Tourline Express Mensajería, SLU | 2005                | 20,671,985                | -                                | 20,671,985                    | -         | -              |
| Mailtec Comunicação, S.A.        | 2004                | 7,294,638                 | 1,133,312                        | -                             | -         | 6,161,326      |
|                                  |                     | 27,966,623                | 1,133,312                        | 20,671,985                    | -         | 6,161,326      |

Sensitivity analysis were performed on the results of the impairment tests, namely regarding the following key assumptions: (i) perpetuity growth rate and (ii) discount rates. The results of the sensitivity analysis do not entail the existence of impairment indicators.

## 10. INVESTMENTS IN SUBSIDIARY COMPANIES

During the years ended 31 December 2018 and 31 December 2017, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

|                           | Company                             |  |              |                                     |  |              |
|---------------------------|-------------------------------------|--|--------------|-------------------------------------|--|--------------|
|                           | 2018                                |  |              | 2017                                |  |              |
|                           | Investments in subsidiary companies | Provisions for investments in subsidiary companies | Total        | Investments in subsidiary companies | Provisions for investments in subsidiary companies | Total        |
| Opening balance           | 124,181,057                         | (4,237,541)  | 119,943,515  | 102,976,700                         | (6,912,830)  | 96,063,870   |
| Equity method             | (12,544,850)                        | (10,220,139)                                       | (22,764,989) | (15,497,216)                        | (6,910,256)  | (22,407,472) |
| Distribution of dividends | (483,106)                           | -  | (483,106)    | (7,143,238)                         | -  | (7,143,238)  |
| Share capital increase    | 33,429,633                          | 14,457,680   | 47,887,313   | 40,286,513                          | 9,585,544  | 49,872,058   |
| Acquisitions              | -                                   | -  | -            | 4,628,091                           | -  | 4,628,091    |
| Other                     | (26,525,723)                        | -  | (26,525,723) | (1,069,792)                         | -  | (1,069,792)  |
| Closing balance           | 118,057,011                         | -  | 118,057,011  | 124,181,057                         | (4,237,541)  | 119,943,515  |

The caption Share capital increase includes the Banco CTT's share capital increases, occurred on 4 January and 7 March 2018 in the amount of 6,400,000 Euros and 25,000,000 Euros, respectively, and on 27 April 2017, in the amount of 40,000,000 Euros.

As at 31 December 2018 and 31 December 2017, the detail by company of Investments in subsidiaries of the **Company** was as follows:

| Company                                      | % held | 2018        |             |            |              |           |             |            |                          |
|--|--------|-------------|-------------|------------|--------------|-----------|-------------|------------|--------------------------|
|  |        | Assets      | Liabilities | Equity     | Net profit   | Goodwill  | Investments | Provisions | Proportion of net profit |
| CTT Expresso, S.A.                           | 100%   | 43,214,385  | 29,256,310  | 13,958,074 | 3,734,425    | -         | 13,958,074  | -          | 3,734,425                |
| CTT Contacto, S.A.                           | 100%   | 4,330,416   | 1,251,285   | 3,079,130  | 1,864,429    | -         | 3,079,130   | -          | 1,864,429                |
| CORRE - Correio Expresso Moçambique, S.A.    | 50%    | 1,526,261   | 1,195,273   | 330,988    | 41,981       | -         | 165,494     | -          | 20,991                   |
| Banco CTT, S.A.                              | 100%   | 996,535,549 | 907,030,988 | 89,504,561 | (17,486,694) | -         | 89,504,561  | -          | (17,486,694)             |
| Tourline Express Mensajería, SLU             | 100%   | 22,720,585  | 38,806,214  | 3,904,371  | (7,654,321)  | -         | 2,197,523   | -          | (7,654,321)              |
| Transporta - Transportes Porta à Porta, S.A. | 100%   | 9,370,040   | 9,334,890   | 35,150     | (2,565,818)  | 2,955,753 | 35,150      | -          | (2,565,818)              |
| Mailtec Comunicação S.A.                     | -      | -           | -           | -          | -            | 6,161,326 | -           | -          | -                        |
|  |        |             |             |            |              | 9,117,079 | 108,939,932 | -          | (22,764,988)             |

| Company                                      | % held | 2017        |             |             |              |           |             |            |                          |
|--|--------|-------------|-------------|-------------|--------------|-----------|-------------|------------|--------------------------|
|  |        | Assets      | Liabilities | Equity      | Net profit   | Goodwill  | Investments | Provisions | Proportion of net profit |
| CTT Expresso, S.A.                           | 100%   | 42,147,576  | 16,216,154  | 25,931,422  | 2,370,841    | -         | 25,931,422  | -          | 2,370,841                |
| CTT Contacto, S.A.                           | 100%   | 3,948,353   | 1,625,610   | 2,322,743   | 1,312,886    | -         | 2,322,743   | -          | 1,312,886                |
| Payshop Portugal, S.A.                       | 100%   | 10,354,680  | 4,413,468   | 5,941,212   | 4,124,840    | 406,101   | 5,941,212   | -          | 4,124,840                |
| Mailtec Comunicação S.A.                     | 100%   | 5,660,047   | 1,947,563   | 3,712,484   | 33,106       | 6,161,326 | 3,712,484   | -          | 33,106                   |
| CORRE - Correio Expresso Moçambique, S.A.    | 50%    | 1,449,800   | 1,326,799   | 123,001     | (295,842)    | -         | 146,738     | -          | (147,921)                |
| Escrita Inteligente, S.A.                    | 100%   | 173,802     | 131,759     | 42,043      | (26,672)     | -         | 213,843     | -          | (26,672)                 |
| Banco CTT, S.A.                              | 100%   | 720,792,307 | 644,402,875 | 76,389,433  | (21,301,635) | -         | 76,389,433  | -          | (21,301,635)             |
| Tourline Express Mensajería, SLU             | 100%   | 21,435,314  | 23,559,031  | (2,123,717) | (6,503,280)  | -         | -           | 3,830,565  | (6,503,280)              |
| Transporta - Transportes Porta à Porta, S.A. | 100%   | 7,523,653   | 7,930,629   | (406,976)   | (2,636,795)  | 2,955,753 | 406,976     | -          | (2,018,689)              |
|  |        |             |             |             |              | 9,523,180 | 114,657,877 | 4,237,541  | (22,156,524)             |

The **Company's** investment in Banco CTT was subject to an impairment test with reference to 31 December 2018, and no impairment was determined. The impairment test was carried out considering a cost of equity of 10%.

For the years ended 31 December 2018 and 31 December 2017, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognised against the following items on the balance sheet:

|  | Company             |                     |
|--|---------------------|---------------------|
|  | 2018                | 2017                |
| Investment in subsidiaries                   |                     |                     |
| CTT Espresso, S.A.                           | 3,734,425           | 2,370,841           |
| CTT Contacto, S.A.                           | 1,186,429           | 1,312,886           |
| Payshop Portugal, S.A.                       | -                   | 4,124,840           |
| Mailtec Comunicação S.A.                     | -                   | 33,106              |
| CORRE - Correio Expresso Moçambique, S.A.    | 20,991              | (147,921)           |
| Escrita Inteligente, S.A.                    | -                   | (198,472)           |
| Banco CTT, S.A.                              | (17,486,694)        | (21,301,635)        |
| Tourline Express Mensajería, SLU             | (7,654,321)         | -                   |
| Transporta - Transportes Porta à Porta, S.A. | (2,565,818)         | (1,690,861)         |
|  | (22,764,988)        | (15,497,216)        |
| Provisions - Investment in subsidiaries      |                     |                     |
| CORRE - Correio Expresso Moçambique, S.A.    | -                   | -                   |
| Tourline Express Mensajería, SLU             | -                   | (6,503,280)         |
| Transporta - Transporte Porta à Porta, S.A.  | -                   | (406,976)           |
|  | -                   | (6,910,256)         |
|  | <b>(22,764,988)</b> | <b>(22,407,472)</b> |

## 11. INVESTMENTS IN ASSOCIATED COMPANIES

For the years ended 31 December 2018 and 31 December 2017, the **Group** and the **Company** investments in associated companies had the following movements:

|  | Group   |         | Company |         |
|--|---------|---------|---------|---------|
|  | 2018    | 2017    | 2018    | 2017    |
| Gross carrying value                     |         |         |         |         |
| Opening balance                          | 296,260 | 296,260 | 295,779 | 295,779 |
| Equity method - proportion of net income | -       | -       | -       | -       |
| Closing balance                          | 296,260 | 296,260 | 295,779 | 295,779 |

As at 31 December 2018 and 31 December 2017, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

|                 | Group   |         | Company |         |
|-----------------|---------|---------|---------|---------|
|                 | 2018    | 2017    | 2018    | 2017    |
| Multicert, S.A. | 295,779 | 295,779 | 295,779 | 295,779 |
| Urpacsur, S.L.  | 481     | 481     | -       | -       |
|                 | 296,260 | 296,260 | 295,779 | 295,779 |

| Group   | 2018   |           |             |           |            |                |            |                          |
|---|--------|-----------|-------------|-----------|------------|----------------|------------|--------------------------|
|   | % held | Assets    | Liabilities | Equity    | Net profit | Investments    | Provisions | Proportion of net profit |
| Multicert - Serviços de Certificação Electrónica, S.A. <sup>(a)</sup> | 20%    | 2,796,735 | 1,317,841   | 1,478,894 | 202,821    | 295,779        | -          | n.a.                     |
| Mafelosa, SL <sup>(b) (c)</sup>                                       | 25%    | n.a.      | n.a.        | n.a.      | n.a.       | -              | -          | n.a.                     |
| Urpacksur <sup>(b) (c)</sup>  | 30%    | n.a.      | n.a.        | n.a.      | n.a.       | 481            | -          | n.a.                     |
|   |        |           |             |           |            | <u>296,260</u> | <u>-</u>   | <u>-</u>                 |

<sup>(a)</sup> Data reported as at December 2015

<sup>(b)</sup> Companies held by Tourline Express Mensajeria

<sup>(c)</sup> Companies without activity

| Group   | 2017   |           |             |           |            |                |            |                          |
|---|--------|-----------|-------------|-----------|------------|----------------|------------|--------------------------|
|   | % held | Assets    | Liabilities | Equity    | Net profit | Investments    | Provisions | Proportion of net profit |
| Multicert - Serviços de Certificação Electrónica, S.A. <sup>(a)</sup> | 20%    | 2,796,735 | 1,317,841   | 1,478,894 | 202,821    | 295,779        | -          | n.a.                     |
| Mafelosa, SL <sup>(b) (c)</sup>                                       | 25%    | n.a.      | n.a.        | n.a.      | n.a.       | -              | -          | n.a.                     |
| Urpacksur <sup>(b) (c)</sup>  | 30%    | n.a.      | n.a.        | n.a.      | n.a.       | 481            | -          | n.a.                     |
|   |        |           |             |           |            | <u>296,260</u> | <u>-</u>   | <u>-</u>                 |

<sup>(a)</sup> Data reported as at December 2015

<sup>(b)</sup> Companies held by Tourline Express Mensajeria

<sup>(c)</sup> Companies without activity

| Company   | 2018   |           |             |           |            |                |            |                          |
|---|--------|-----------|-------------|-----------|------------|----------------|------------|--------------------------|
|   | % held | Assets    | Liabilities | Equity    | Net profit | Investments    | Provisions | Proportion of net profit |
| Multicert - Serviços de Certificação Electrónica, S.A. <sup>(a)</sup> | 20%    | 2,796,735 | 1,317,841   | 1,478,894 | 202,821    | 295,779        | -          | n.a.                     |
|   |        |           |             |           |            | <u>295,779</u> | <u>-</u>   | <u>-</u>                 |

<sup>(a)</sup> Data reported as at December 2015

| Company   | 2017   |           |             |           |            |                |            |                          |
|---|--------|-----------|-------------|-----------|------------|----------------|------------|--------------------------|
|   | % held | Assets    | Liabilities | Equity    | Net profit | Investments    | Provisions | Proportion of net profit |
| Multicert - Serviços de Certificação Electrónica, S.A. <sup>(a)</sup> | 20%    | 2,796,735 | 1,317,841   | 1,478,894 | 202,821    | 295,779        | -          | n.a.                     |
|   |        |           |             |           |            | <u>295,779</u> | <u>-</u>   | <u>-</u>                 |

<sup>(a)</sup> Data reported as at December 2015

For the years ended 31 December 2018 and 31 December 2017, no gains or losses were recognised in associated companies arising from the application of the equity method, due to the lack of more updated financial information.

## 12. INVESTMENTS IN JOINT VENTURES

As at 31 December 2018 and 31 December 2017, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

| Group and Company                    | 2018   |           |             |         |             |                |            |                          |
|--------------------------------------|--------|-----------|-------------|---------|-------------|----------------|------------|--------------------------|
|                                      | % held | Assets    | Liabilities | Equity  | Net profit  | Investments    | Provisions | Proportion of net profit |
| MKTPlace - Comércio Electrónico, S.A | 50%    | 3,179,597 | 2,187,445   | 992,151 | (1,787,057) | 496,076        | -          | (893,528)                |
| PTP & F, ACE                         | 51%    | -         | -           | -       | -           | -              | -          | -                        |
| NewPost, ACE                         | 49%    | 377,886   | 377,886     | -       | -           | -              | -          | -                        |
|                                      |        |           |             |         |             | <u>496,076</u> | <u>-</u>   | <u>(893,528)</u>         |

| Group        | 2017   |         |             |        |            |             |            |                          |
|--------------|--------|---------|-------------|--------|------------|-------------|------------|--------------------------|
|              | % held | Assets  | Liabilities | Equity | Net profit | Investments | Provisions | Proportion of net profit |
| PTP & F, ACE | 51%    | -       | -           | -      | -          | -           | -          | -                        |
| NewPost, ACE | 49%    | 377,886 | 377,886     | -      | -          | -           | -          | -                        |
|              |        |         |             |        |            | <u>-</u>    | <u>-</u>   | <u>-</u>                 |

| Company      | % held | Assets  | Liabilities | Equity | 2017       |             |            |                          |
|--------------|--------|---------|-------------|--------|------------|-------------|------------|--------------------------|
|              |        |         |             |        | Net profit | Investments | Provisions | Proportion of net profit |
| NewPost, ACE | 49%    | 377,886 | 377,886     | -      | -          | -           | -          | -                        |

### 13. OTHER INVESTMENTS

The amount of Other investments as at 31 December 2018 and 31 December 2017, in the **Group** and the **Company**, were as follows:

| Entity                             | Head office          | Group and Company |           |
|------------------------------------|----------------------|-------------------|-----------|
|                                    |                      | 2018              | 2017      |
| IPC-International Post Corporation | Brussels - Belgium   | 6,157             | 6,157     |
| Eurogiro Network                   | Copenhagen - Denmark | -                 | 124,435   |
| Tagus Park                         | Lisbon - Portugal    | 1,372,743         | 1,372,743 |
| CEPT                               | Copenhagen - Denmark | 237               | 237       |
|                                    |                      | 1,379,137         | 1,503,572 |

In February 2018, the investment in Eurogiro Network was sold, resulting in a capital gain of 97,593 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

During the year, no impairment loss was recognised in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

### 14. INVESTMENT SECURITIES, INVESTMENTS HELD TO MATURITY AND FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2018, the caption Investment securities showed the following composition:



|   | 2018               | 2017 |
|---|--------------------|------|
| <b>Non-current</b>  |                    |      |
| <b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b> |                    |      |
| Debt securities and other fixed-income securities   |                    |      |
| Public issuers  | 546,260            | -    |
| Other issuers   | 311,385            | -    |
|   | 857,645            | -    |
| <b>Investment securities measured at amortised cost</b>   |                    |      |
| Debt securities and other fixed-income securities   |                    |      |
| Public issuers  | 403,296,616        | -    |
| Other issuers   | 25,048,798         | -    |
| Impairment  | (164,378)          | -    |
|   | 428,181,036        | -    |
|   | <b>429,038,681</b> | -    |
| <b>Current</b>  |                    |      |
| <b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b> |                    |      |
| Debt securities and other fixed-income securities   |                    |      |
| Public issuers  | 13,765             | -    |
| Other issuers   | 617,658            | -    |
|   | 631,423            | -    |
| <b>Investment securities measured at amortised cost</b>   |                    |      |
| Debt securities and other fixed-income securities   |                    |      |
| Public issuers  | 14,292,141         | -    |
| Other issuers   | 10,158,084         | -    |
| Impairment  | (18,447)           | -    |
|   | 24,431,778         | -    |
|   | <b>25,063,201</b>  | -    |
|   | <b>454,101,881</b> | -    |

<sup>(1)</sup> As at 31 December 2018 includes the amount of 127,791 Euros regarding Accumulated impairment losse

It should be noted that the Group adopted IFRS 9 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period are not restated. Accordingly, the amounts currently shown in the caption Investment securities are shown under the headings Investments held to maturity and Financial assets available for sale.

As at 31 December 2017, the composition of the headings Investments held to maturity and Financial assets available for sale is as follows:

|   | 2018 | 2017               |
|---|------|--------------------|
| <b>Non-current</b>                                |      |                    |
| <b>Financial assets available for sale</b>        |      |                    |
| Debt securities and other fixed-income securities |      |                    |
| Public issuers                                    | -    | 562,115            |
| Other issuers                                     | -    | 2,613,065          |
|   | -    | 3,175,180          |
| <b>Investments held to maturity</b>               |      |                    |
| Debt securities and other fixed-income securities |      |                    |
| Public issuers                                    | -    | 228,806,240        |
| Other issuers                                     | -    | 17,021,519         |
|   | -    | 245,827,759        |
| <b>Current</b>                                    |      |                    |
| <b>Financial assets available for sale</b>        |      |                    |
| Debt securities and other fixed-income securities |      |                    |
| Public issuers                                    | -    | 13,765             |
| Other issuers                                     | -    | 2,562,429          |
|   | -    | 2,576,194          |
| <b>Investments held to maturity</b>               |      |                    |
| Debt securities and other fixed-income securities |      |                    |
| Public issuers                                    | -    | 8,729,378          |
| Other issuers                                     | -    | 6,991,995          |
|   | -    | 15,721,373         |
| <b>Financial assets available for sale</b>        | -    | <b>5,751,374</b>   |
| <b>Investments held to maturity</b>               | -    | <b>261,549,132</b> |
|   | -    | <b>267,300,506</b> |

The analysis of the Investment securities measured at Fair Value through Other Comprehensive Income and the residual maturity of the investment securities as at 31 December 2018 is detailed as follows:

|   | 2018                |                                    |                |                                   |              |                |                  |
|---|---------------------|------------------------------------|----------------|-----------------------------------|--------------|----------------|------------------|
|   | Current             |                                    |                | Non-current                       |              |                | Total            |
|   | Due within 3 months | Over 3 months and less than 1 year | Total          | Over 1 year and less than 3 years | Over 3 years | Total          |                  |
| <b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b> |                     |                                    |                |                                   |              |                |                  |
| Debt securities and other fixed-income securities   |                     |                                    |                |                                   |              |                |                  |
| Public-debt securities  |                     |                                    |                |                                   |              |                |                  |
| National  | 13,765              | -                                  | 13,765         | 546,260                           | -            | 546,260        | 560,025          |
| Foreign   | -                   | -                                  | -              | -                                 | -            | -              | -                |
| Other issuers   |                     |                                    |                |                                   |              |                |                  |
| National  | -                   | -                                  | -              | -                                 | -            | -              | -                |
| Foreign   | 9,163               | 608,495                            | 617,658        | 311,385                           | -            | 311,385        | 929,043          |
|   | <b>22,928</b>       | <b>608,495</b>                     | <b>631,423</b> | <b>857,645</b>                    | -            | <b>857,645</b> | <b>1,489,068</b> |

<sup>(1)</sup> As at 31 December 2018 includes the amount of 127,791 Euros regarding Accumulated impairment losses.

|   | 2018                |                                    |                   |                                   |                    |                    |                    |
|---|---------------------|------------------------------------|-------------------|-----------------------------------|--------------------|--------------------|--------------------|
|   | Current             |                                    |                   | Non-current                       |                    |                    | Total              |
|   | Due within 3 months | Over 3 months and less than 1 year | Total             | Over 1 year and less than 3 years | Over 3 years       | Total              |                    |
| <b>Investment securities measured at amortised cost</b> |                     |                                    |                   |                                   |                    |                    |                    |
| Debt securities and other fixed-income securities       |                     |                                    |                   |                                   |                    |                    |                    |
| Public-debt securities                                  |                     |                                    |                   |                                   |                    |                    |                    |
| National  | 4,704,139           | 6,551,473                          | 11,255,612        | 18,070,554                        | 267,159,988        | 285,230,542        | 296,486,154        |
| Foreign   | 497,547             | 2,538,983                          | 3,036,529         | 42,443,006                        | 75,623,068         | 118,066,074        | 121,102,603        |
| Other issuers   |                     |                                    |                   |                                   |                    |                    |                    |
| National  | 5,258,084           | 4,900,000                          | 10,158,084        | 17,878,512                        | 7,170,286          | 25,048,798         | 35,206,882         |
| Foreign   | -                   | -                                  | -                 | -                                 | -                  | -                  | -                  |
|   | <b>10,459,770</b>   | <b>13,990,455</b>                  | <b>24,450,225</b> | <b>78,392,071</b>                 | <b>349,953,342</b> | <b>428,345,414</b> | <b>452,795,639</b> |

Regarding 31 December 2017, the analysis of the Financial assets available for sale and the corresponding residual maturity as well as the analysis of the residual maturity of the investments held to maturity are detailed as follows:

|   | 2017                |                                    |                  |                                   |                |                  | Total            |
|---|---------------------|------------------------------------|------------------|-----------------------------------|----------------|------------------|------------------|
|   | Current             |                                    |                  | Non-current                       |                |                  |                  |
|   | Due within 3 months | Over 3 months and less than 1 year | Total            | Over 1 year and less than 3 years | Over 3 years   | Total            |                  |
| <b>Financial assets available for sale</b>        |                     |                                    |                  |                                   |                |                  |                  |
| Debt securities and other fixed-income securities |                     |                                    |                  |                                   |                |                  |                  |
| Public-debt securities                            |                     |                                    |                  |                                   |                |                  |                  |
| National  | 13,765              | -                                  | 13,765           | -                                 | 562,115        | 562,115          | 575,880          |
| Foreign   | -                   | -                                  | -                | -                                 | -              | -                | -                |
| Other issuers                                     |                     |                                    |                  |                                   |                |                  |                  |
| National  | 250,002             | -                                  | 250,002          | -                                 | -              | -                | 250,002          |
| Foreign   | 239,942             | 2,072,485                          | 2,312,427        | 2,500,506                         | 112,559        | 2,613,065        | 4,925,492        |
|   | <b>503,709</b>      | <b>2,072,485</b>                   | <b>2,576,194</b> | <b>2,500,506</b>                  | <b>674,674</b> | <b>3,175,180</b> | <b>5,751,374</b> |

|   | 2017                |                                    |                   |                                   |                    |                    | Total              |
|---|---------------------|------------------------------------|-------------------|-----------------------------------|--------------------|--------------------|--------------------|
|   | Current             |                                    |                   | Non-current                       |                    |                    |                    |
|   | Due within 3 months | Over 3 months and less than 1 year | Total             | Over 1 year and less than 3 years | Over 3 years       | Total              |                    |
| <b>Investments held to maturity</b>               |                     |                                    |                   |                                   |                    |                    |                    |
| Debt securities and other fixed-income securities |                     |                                    |                   |                                   |                    |                    |                    |
| Public-debt securities                            |                     |                                    |                   |                                   |                    |                    |                    |
| National  | 3,370,516           | 5,083,554                          | 8,454,070         | 11,789,808                        | 142,181,624        | 153,971,432        | 162,425,502        |
| Foreign   | 275,308             | -                                  | 275,308           | 20,888,425                        | 53,946,383         | 74,834,808         | 75,110,116         |
| Other issuers                                     |                     |                                    |                   |                                   |                    |                    |                    |
| National  | 1,683,085           | 5,308,910                          | 6,991,995         | 14,603,866                        | 2,417,653          | 17,021,519         | 24,013,514         |
| Foreign   | -                   | -                                  | -                 | -                                 | -                  | -                  | -                  |
|   | <b>5,328,909</b>    | <b>10,392,464</b>                  | <b>15,721,373</b> | <b>47,282,099</b>                 | <b>198,545,660</b> | <b>245,827,759</b> | <b>261,549,132</b> |

The impairment losses, for the period ended 31 December 2018, are detailed as follows:

|  | 2018            |                |                  |              |                                     |                 |
|--|-----------------|----------------|------------------|--------------|-------------------------------------|-----------------|
|  | Opening balance | Increases      | Reversals        | Utilisations | Changes in the accounting standards | Closing balance |
| <b>Non-current assets</b>  |                 |                |                  |              |                                     |                 |
| Investment securities measured at Fair Value through Other Comprehensive Income        | -               | 4,325          | (8,387)          | -            | 4,566                               | 504             |
| Investment securities measured at amortised cost                                       | -               | 110,568        | (190,198)        | -            | 244,008                             | 164,379         |
|  | -               | 114,893        | (198,585)        | -            | 248,575                             | 164,883         |
| <b>Current assets</b>  |                 |                |                  |              |                                     |                 |
| Investment securities measured at Fair Value through Other Comprehensive Income        | -               | 121,166        | -                | -            | 6,120                               | 127,286         |
| Investment securities measured at amortised cost                                       | -               | 15,383         | -                | -            | 3,064                               | 18,447          |
|  | -               | 136,549        | -                | -            | 9,184                               | 145,733         |
| <b>Investment securities measured at Fair Value through Other Comprehensive Income</b> | -               | <b>125,491</b> | <b>(8,387)</b>   | -            | <b>10,686</b>                       | <b>127,790</b>  |
| <b>Investment securities measured at amortised cost</b>                                | -               | <b>125,951</b> | <b>(190,198)</b> | -            | <b>247,072</b>                      | <b>182,825</b>  |
|  | -               | <b>251,442</b> | <b>(198,585)</b> | -            | <b>257,759</b>                      | <b>310,616</b>  |

## 15. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2018 and 31 December 2017, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

|                                    | 2018               | 2017               |
|------------------------------------|--------------------|--------------------|
| <b>Non-current assets</b>          |                    |                    |
| Loans to credit institutions       | 22,910,185         | 11,831,122         |
| Impairment                         | (217,751)          | -                  |
|                                    | <b>22,692,434</b>  | <b>11,831,122</b>  |
| <b>Current assets</b>              |                    |                    |
| Investments in credit institutions | 78,314,989         | 82,221,285         |
| Loans to credit institutions       | 14,004,877         | 7,859,401          |
| Impairment                         | (197,018)          | -                  |
| Other                              | 1,509,230          | 1,336,398          |
| Impairment                         | (10,927)           | -                  |
|                                    | <b>93,621,151</b>  | <b>91,417,084</b>  |
|                                    | <b>116,313,585</b> | <b>103,248,206</b> |
| <b>Current liabilities</b>         |                    |                    |
| Other                              | 14,950,779         | 17,882,160         |
|                                    | <b>14,950,779</b>  | <b>17,882,160</b>  |

Regarding the captions Investments in credit institutions and Loans to credit institutions, the scheduling by maturity is as follows:

|                     | 2018               | 2017               |
|---------------------|--------------------|--------------------|
| Up to 3 months      | 24,472,036         | 16,716,838         |
| From 3 to 6 months  | 56,031,030         | 16,078,185         |
| From 6 to 12 months | 11,816,800         | 57,285,663         |
| From 1 to 3 years   | 14,251,127         | 7,473,850          |
| Over 3 years        | 8,659,058          | 4,357,272          |
|                     | <b>115,230,051</b> | <b>101,911,808</b> |

For the year ended 31 December 2018, Investments in credit institutions presented an average interest rate of 0.404% (0.267% for the year ended 31 December 2017).

The impairment losses, for the ended 31 December 2018, are detailed as follows:

|  | 31.12.2018      |                |                  |              |                                     | Closing balance |
|--|-----------------|----------------|------------------|--------------|-------------------------------------|-----------------|
|  | Opening balance | Increases      | Reversals        | Utilisations | Changes in the accounting standards |                 |
| <b>Non-current assets</b>                    |                 |                |                  |              |                                     |                 |
| Investments and loans in credit institutions | -               | 564,091        | (462,633)        | -            | 116,293                             | 217,751         |
|  | -               | 564,091        | (462,633)        | -            | 116,293                             | 217,751         |
| <b>Current assets</b>                        |                 |                |                  |              |                                     |                 |
| Investments and loans in credit institutions | -               | -              | (310,086)        | -            | 507,104                             | 197,018         |
| Other  | -               | 10,927         | -                | -            | -                                   | 10,927          |
|  | -               | 10,927         | (310,086)        | -            | 507,104                             | 207,945         |
|  | -               | <b>575,018</b> | <b>(772,719)</b> | -            | <b>623,397</b>                      | <b>425,696</b>  |

## 16. FINANCIAL RISK MANAGEMENT

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Group in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company's** financial performance.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Group and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to. The **Group** and the **Company** are developing an integrated risk management system.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment.

In this context, it is relevant to monitor and control the main types of financial risks - credit, market, liquidity and operational - to which the Bank's activity is subject to.

The financial risks of particular importance include credit risk, market risk, interest and exchange rate risk as well as liquidity risk.

### Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company**. Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the Group companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

The credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation (“Regulamento de Concessão de Crédito a Clientes” (RCCC)) and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer’s capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the Group companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client.

The movement of impairment losses of accounts receivable is disclosed in Notes 24 and 45. As at 31 December 2018, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the **Group** and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2018, related to these types of assets (Cash and cash equivalents as stated in Note 22, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

| Rating <sup>(1)</sup> | 2018               |                    |
|-----------------------|--------------------|--------------------|
|                       | Group              | Company            |
| Aa3                   | 5,131,218          | 1,565              |
| A1                    | 4,479              | 4,479              |
| A2                    | 66,129             | -                  |
| A3                    | 36,407,857         | 25,195,159         |
| Baa2                  | 121,102,995        | 67,043,712         |
| Baa3                  | 91,004,969         | 51,388,819         |
| Ba1                   | 39,856,441         | 30,385,583         |
| Ba3 <sup>(2)</sup>    | 1,720              | 1,720              |
| B3                    | 54,476,279         | 53,101,452         |
| Caa2                  | 26,310,609         | 23,571,634         |
| Others <sup>(3)</sup> | 2,509,520          | 707,230            |
|                       | <b>376,872,216</b> | <b>251,401,353</b> |

<sup>(1)</sup> Rating assigned by Moody's.

<sup>(2)</sup> Conversion of BB- rating by Standard & Poor's.

<sup>(3)</sup> Others with no rating.

As at 31 December 2018, the **Group** and the **Company** caption Cash and cash equivalents included term deposits of 97,225,446 Euros and 90,821,129 Euros, respectively (297,867,550 Euros and 294,082,565 Euros as at 31 December 2017) (Note 22).

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

|                                     | Group                |                      | Company            |                    |
|-------------------------------------|----------------------|----------------------|--------------------|--------------------|
|                                     | 2018                 | 2017                 | 2018               | 2017               |
| <b>Non-current</b>                  |                      |                      |                    |                    |
| Investment securities               | 429,038,681          | -                    | -                  | -                  |
| Investments held to maturity        | -                    | 245,827,759          | -                  | -                  |
| Other assets                        | 1,526,644            | 1,375,223            | 1,252,268          | 1,092,403          |
| Financial assets available for sale | -                    | 3,175,180            | -                  | -                  |
| Credit to bank clients              | 231,797,420          | 64,263,948           | -                  | -                  |
| Other banking financial assets      | 22,692,434           | 11,831,122           | -                  | -                  |
| <b>Current</b>                      |                      |                      |                    |                    |
| Accounts receivable                 | 135,855,195          | 132,480,130          | 100,059,980        | 95,987,068         |
| Credit to bank clients              | 16,252,561           | 15,083,442           | -                  | -                  |
| Investment securities               | 25,063,201           | -                    | -                  | -                  |
| Investments held to maturity        | -                    | 15,721,373           | -                  | -                  |
| Other assets                        | 13,263,830           | 14,811,314           | 12,280,804         | 11,840,911         |
| Financial assets available for sale | -                    | 2,576,194            | -                  | -                  |
| Other banking financial assets      | 92,122,848           | 91,417,084           | -                  | -                  |
| Cash and cash equivalents           | 376,872,216          | 577,074,567          | 251,401,353        | 352,284,786        |
|                                     | <b>1,344,485,030</b> | <b>1,175,637,335</b> | <b>364,994,405</b> | <b>461,205,169</b> |

Regarding Banco CTT, an impairment model was defined and implemented based on IFRS 9 and the respective reference criteria of the Bank of Portugal defined in Circular Letter no. 62/2018.

The monitoring of Banco CTT's credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Risk Committee. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

#### Interest rate risk

Interest rate risk is essentially related to the interest obtained from the application of surplus liquidity and to the determination, through the impact of the discount rate, of the estimate of employee benefit liabilities. Gains arising from financial operations are important, therefore changes in interest rates have a direct impact on the **Group** and the **Company** Financial results.

In order to leverage the period/rate relationship on one hand and the risk/yield relationship on the other hand, the **Group** and the **Company** monitor the market trends on a regular and systematic basis. Cash investments follow criteria of financial risk diversification, both at term and institution levels, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2018 and 31 December 2017, generated interest income of 43,873 Euros and 255,800 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2018 and 2017, amounting to 87,344 Euros and 215,312 Euros, respectively (Note 41).

In the **Company** the investment of surplus liquidity, on 31 December 2018 and 31 December 2017, generated interest income of 22,601 Euros and 192,699 Euros, respectively (Note 48). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2018 and 2017, amounting to 87,344 Euros and 215,312 Euros, respectively (Note 41).

The **Group** and the **Company** generally negotiate their deposits at fixed rates, while loans are negotiated at variable rates. Due to the reduced amount of its loans, the **Group** and the **Company** believe that the difference between the financial assets fixed rate and the floating rate of the financial liabilities does not represent a significant potential impact on the income statement.

If the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2018, the effect in the interest would have been 142 thousand Euros in the **Group** and 260 thousand Euros in the **Company** (353 thousand Euros and 522 thousand Euros as at 31 December 2017, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors. Until now, Banco CTT has been managing interest rate risk in its balance sheet structurally by using natural hedges in the composition of the investment portfolio, without recourse to derivative instruments.

#### Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2018 and 31 December 2017, the net exposure (assets minus liabilities) of the **Group** amounted to 8,245,565 SDR (10,012,095 Euros at the exchange rate €/SDR 1.21424), and 4,230,477 SDR (5,023,565 Euros at the exchange rate €/SDR 1.18747), respectively.

As far as the **Company** is concerned, as at 31 December 2018 and 31 December 2017, the net exposure (assets minus liabilities) amounted to 7,942,890 SDR (9,644,575 Euros at the exchange rate €/SDR 1.21424), and 3,578,740 SDR (4,249,646 Euros at the exchange rate €/SDR 1.18747), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2018 and 31 December 2017, assuming an increase / decrease of 10% in the exchange rate € / SDR, the **Group's** profit and losses would have been higher by 1,001,209 Euros and by 502,356 Euros, respectively. The impact on the **Company's** profit and losses would have been higher by 964,457 Euros and by 424,965 Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the euro currency.

#### Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2018 and 31 December 2017 for the **Group** and the **Company** and do not reconcile with the balance sheet:

| Group   | 2018                 |                                   |              | Total                |
|---|----------------------|-----------------------------------|--------------|----------------------|
|   | Due within 1 year    | Over 1 year and less than 5 years | Over 5 years |                      |
| <b>Financial liabilities</b>                        |                      |                                   |              |                      |
| Debts   | 6,579,563            | 24,282,691                        | -            | 30,862,253           |
| Accounts payable                                    | 308,408,731          | -                                 | -            | 308,408,731          |
| Banking client deposits and other loans             | 883,950,534          | -                                 | -            | 883,950,534          |
| Other current liabilities                           | 30,490,693           | -                                 | -            | 30,490,693           |
| <b>Non-financial liabilities</b>                    |                      |                                   |              |                      |
| Operating leases (Note 43)                          | 9,623,019            | 15,546,298                        | -            | 25,169,318           |
| Non-contingent financial commitments <sup>(1)</sup> | 3,573,673            | -                                 | -            | 3,573,673            |
|   | <b>1,242,626,213</b> | <b>39,828,989</b>                 | <b>-</b>     | <b>1,282,455,202</b> |

| Group   | 2017                 |                                   |              | Total                |
|---|----------------------|-----------------------------------|--------------|----------------------|
|   | Due within 1 year    | Over 1 year and less than 5 years | Over 5 years |                      |
| <b>Financial liabilities</b>                        |                      |                                   |              |                      |
| Debts   | 10,314,256           | 80,412                            | -            | 10,394,668           |
| Accounts payable                                    | 375,607,793          | -                                 | -            | 375,607,793          |
| Banking client deposits and other loans             | 619,229,680          | -                                 | -            | 619,229,680          |
| Other current liabilities                           | 33,104,164           | -                                 | -            | 33,104,164           |
| <b>Non-financial liabilities</b>                    |                      |                                   |              |                      |
| Operating leases (Note 43)                          | 7,741,799            | 5,508,903                         | -            | 13,250,702           |
| Non-contingent financial commitments <sup>(1)</sup> | 6,998,159            | -                                 | -            | 6,998,159            |
|   | <b>1,052,995,851</b> | <b>5,589,315</b>                  | <b>-</b>     | <b>1,058,585,166</b> |

<sup>(1)</sup> The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).



| Company   | 2018               |                                   |              | Total              |
|---|--------------------|-----------------------------------|--------------|--------------------|
|   | Due within 1 year  | Over 1 year and less than 5 years | Over 5 years |                    |
| <b>Financial liabilities</b>                        |                    |                                   |              |                    |
| Debts   | -                  | 24,276,250                        | -            | 24,276,250         |
| Accounts payable                                    | 288,306,317        | 312,744                           | -            | 288,619,061        |
| Other current liabilities                           | 21,409,620         | -                                 | -            | 21,409,620         |
| <b>Non-financial liabilities</b>                    |                    |                                   |              |                    |
| Operating leases (Note 43)                          | 8,782,410          | 15,002,086                        | -            | 23,784,496         |
| Non-contingent financial commitments <sup>(1)</sup> | 1,514,778          | -                                 | -            | 1,514,778          |
|   | <b>320,013,125</b> | <b>39,591,080</b>                 | <b>-</b>     | <b>359,604,205</b> |

| Company   | 2017               |                                   |              | Total              |
|---|--------------------|-----------------------------------|--------------|--------------------|
|   | Due within 1 year  | Over 1 year and less than 5 years | Over 5 years |                    |
| <b>Financial liabilities</b>                        |                    |                                   |              |                    |
| Debts   | -                  | -                                 | -            | -                  |
| Accounts payable                                    | 352,024,409        | -                                 | -            | 352,024,409        |
| Other current liabilities                           | 27,593,558         | -                                 | -            | 27,593,558         |
| <b>Non-financial liabilities</b>                    |                    |                                   |              |                    |
| Operating leases (Note 43)                          | 6,695,559          | 4,624,406                         | -            | 11,319,965         |
| Non-contingent financial commitments <sup>(1)</sup> | 3,671,042          | -                                 | -            | 3,671,042          |
|   | <b>389,984,567</b> | <b>4,624,406</b>                  | <b>-</b>     | <b>394,608,973</b> |

<sup>(1)</sup> The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

In the scope of banking activity, liquidity risk is the risk of the Bank's potential inability to satisfy its financing repayment obligations without incurring in significant losses, due to more onerous financing conditions or the sale of assets under market values.

Banco CTT is exposed to the liquidity risk inherent to its business of transforming maturities, granted in the long-term (as credit and securities) and usually taken in the short-term (deposits). Therefore, the prudent management of liquidity risk is crucial.

Banco CTT created a liquidity risk management structure with clear cut responsibilities and processes in order to ensure that all participants in liquidity risk management are perfectly coordinated, that management controls are effective and that complies in a comfortable way with all regulatory requirements.

#### Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored on the basis of the adjusted solvency ratio, calculated as: Equity / Liabilities.

During the years ended 31 December 2018 and 31 December 2017, the **Group** and the **Company** maintained their high solvency ratio.

The solvency ratios at 31 December 2018 and 31 December 2017 were as follows:

|  | Group         |               | Company     |             |
|--|---------------|---------------|-------------|-------------|
|  | 2018          | 2017          | 2018        | 2017        |
| Equity                                 | 146,752,583   | 183,990,949   | 146,587,089 | 183,844,211 |
| Liabilities                            | 1,622,061,879 | 1,424,774,442 | 681,365,698 | 757,201,057 |
| Amounts of third parties               | 195,171,896   | 265,895,845   | 195,171,896 | 265,895,845 |
| Adjusted solvency ratio <sup>(1)</sup> | 10.3%         | 15.9%         | 30.1%       | 37.4%       |

<sup>(1)</sup> Equity / (Liabilities - Amounts of third parties in Cash and cash equivalents)

The **Group's** solvency ratio, during the year ended 31 December 2018, was significantly impacted by Banco CTT's liabilities, namely by the caption Credit to banking clients, which justifies the reduction observed in this ratio. Therefore, if the effect of Banco CTT (including Payshop) had not been considered the solvency ratio would be 28.2% and 35.3% in the years ended 31 December 2018 and 2017, respectively.

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT has developed and formalised its methodology for the Internal Capital Assessment Adequacy Process (ICAAP), in order to ensure that the risks to which it is exposed are adequately assessed and that the internal capital it has is adequate in view of its risk profile. The methods and procedures adopted are based on the assessment and quantification of internal capital and the risks through quantitative and qualitative methods.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above 9.875% (which includes capital preservation buffer), corresponding to the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013, adopted on 26 June 2013 by the European Parliament and the Council.

The referred Regulation (EU) No. 575/2013 comprises a set of transitional provisions allowing the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both at the level of own funds and at the level of minimum capital ratios.

#### Capital ratios – Banco CTT

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and the basic indicator method for operational risk.

Capital, calculated pursuant to Directive 2013/36/EU and Regulation (EU) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The legislation in force stipulates a transition period for capital requirements under national law and those calculated under EU law, in order to gradually phase-out previously included elements and to phase-in new elements. Under the new prudential framework, institutions shall report Common Equity Tier 1, Tier 1 and total ratios of no less than 7%, 8.5% and 10.5% respectively, including a 2.5% conservation buffer and a 0% countercyclical buffer, but with the benefit of a transition period until the end of 2019.

Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognise in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2018 and 2017, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

|  | 2018                  |                              | 2017                  |                              |
|--|-----------------------|------------------------------|-----------------------|------------------------------|
|  | <i>CRR Phasing in</i> | <i>CRR Fully Implemented</i> | <i>CRR Phasing in</i> | <i>CRR Fully Implemented</i> |
| <b>OWN FUNDS</b>                             |                       |                              |                       |                              |
| <b>Share Capital</b>                         | <b>156,400,000</b>    | <b>156,400,000</b>           | <b>125,000,000</b>    | <b>125,000,000</b>           |
| <b>Retained Earnings</b>                     | <b>(48,660,891)</b>   | <b>(48,660,891)</b>          | <b>(27,359,256)</b>   | <b>(27,359,256)</b>          |
| <b>Other Reserves</b>                        | <b>(53,422)</b>       | <b>(53,422)</b>              |                       |                              |
| <b>Prudential Filters</b>                    | <b>(1,219)</b>        | <b>(1,219)</b>               | <b>35,658</b>         | <b>44,572</b>                |
| Fair value reserve                           | 270                   | 270                          | 40,259                | 50,323                       |
| Additional Valuation Adjustment (AVA)        | (1,489)               | (1,489)                      | (4,601)               | (5,751)                      |
| <b>Deduction to the main Tier 1 elements</b> | <b>(42,908,742)</b>   | <b>(43,568,709)</b>          | <b>(42,301,446)</b>   | <b>(42,301,446)</b>          |
| Losses for the period                        | (17,486,694)          | (17,486,694)                 | (21,301,635)          | (21,301,635)                 |
| Intangible assets                            | (25,387,312)          | (25,387,312)                 | (20,999,811)          | (20,999,811)                 |
| IFRS 9 adoption                              | (34,735)              | (694,703)                    | -                     | -                            |
| <b>Common Equity Tier 1</b>                  | <b>64,775,727</b>     | <b>64,115,759</b>            | <b>55,374,956</b>     | <b>55,383,870</b>            |
| <b>Tier 1 Capital</b>                        | <b>64,775,727</b>     | <b>64,115,759</b>            | <b>55,374,956</b>     | <b>55,383,870</b>            |
| <b>Total Own Funds</b>                       | <b>64,775,727</b>     | <b>64,115,759</b>            | <b>55,374,956</b>     | <b>55,383,870</b>            |
| <b>RWA</b>                                   |                       |                              |                       |                              |
| Credit Risk                                  | 258,673,290           | 258,673,290                  | 198,329,594           | 198,329,594                  |
| Operational Risk                             | 16,512,591            | 16,512,591                   | 10,658,383            | 10,658,383                   |
| IFRS 9 Adjustments                           | -                     | (480,327)                    | -                     | -                            |
|  | 275,185,881           | 274,705,554                  | 208,987,977           | 208,987,977                  |
| <b>CAPITAL RATIOS</b>                        |                       |                              |                       |                              |
| <i>Common Equity Tier 1</i>                  | 23.54%                | 23.34%                       | 26.50%                | 26.50%                       |
| <i>Tier 1 Ratio</i>                          | 23.54%                | 23.34%                       | 26.50%                | 26.50%                       |
| <i>Total Capital Ratio</i>                   | 23.53%                | 23.34%                       | 26.50%                | 26.50%                       |

## 17. INVENTORIES

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** Inventories are detailed as follows:

|  | 2018         |                   |            |              |                   |            |
|--|--------------|-------------------|------------|--------------|-------------------|------------|
|  | Group        |                   |            | Company      |                   |            |
|  | Gross amount | Impairment losses | Net amount | Gross amount | Impairment losses | Net amount |
| Merchandise                              | 4,849,214    | 1824,112          | 3,025,102  | 4,479,790    | 1804,417          | 2,675,374  |
| Raw, subsidiary and consumable materials | 3,273,849    | 633,526           | 2,640,324  | 3,242,516    | 633,526           | 2,608,990  |
| Advances on purchases                    | (97,311)     | -                 | (97,311)   | (97,311)     | -                 | (97,311)   |
|  | 8,025,752    | 2,457,638         | 5,568,114  | 7,624,995    | 2,437,942         | 5,187,053  |

|  | 2017             |                   |                  |                  |                   |                  |
|--|------------------|-------------------|------------------|------------------|-------------------|------------------|
|  | Group            |                   |                  | Company          |                   |                  |
|  | Gross amount     | Impairment losses | Net amount       | Gross amount     | Impairment losses | Net amount       |
| Merchandise                              | 4,784,093        | 1,719,745         | 3,064,348        | 4,374,052        | 1,680,355         | 2,693,696        |
| Raw, subsidiary and consumable materials | 3,233,843        | 658,137           | 2,575,706        | 2,865,245        | 593,428           | 2,271,817        |
| Advances on purchases                    | 56,942           | -                 | 56,942           | 56,942           | -                 | 56,942           |
|  | <b>8,074,878</b> | <b>2,377,882</b>  | <b>5,696,996</b> | <b>7,296,238</b> | <b>2,273,783</b>  | <b>5,022,455</b> |

### Cost of sales

During the years ended 31 December 2018 and 31 December 2017, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

|                           | 2018              |  |                   |                  |  |                   |
|---------------------------|-------------------|--|-------------------|------------------|--|-------------------|
|                           | Group             |  |                   | Company          |  |                   |
|                           | Merchandise       | Raw, subsidiary and consumable materials | Total             | Merchandise      | Raw, subsidiary and consumable materials | Total             |
| Opening balance           | 4,784,094         | 2,881,001                                | 7,665,095         | 4,374,052        | 2,865,245                                | 7,239,297         |
| Purchases                 | 10,841,803        | 4,034,546                                | 14,876,349        | 9,933,670        | 4,003,309                                | 13,936,979        |
| Offers                    | (36,451)          | -  | (36,451)          | (36,451)         | -  | (36,451)          |
| Adjustments               | (364,165)         | (240,688)                                | (604,853)         | (135,631)        | (240,688)                                | (376,319)         |
| Impairment of inventories | 143,757           | (24,611)                                 | 119,146           | 124,061          | (24,611)                                 | 99,450            |
| Closing balance           | (4,849,213)       | (3,273,851)                              | (8,123,064)       | (4,479,790)      | (3,242,516)                              | (7,722,306)       |
| Cost of sales             | <b>10,519,824</b> | <b>3,376,397</b>                         | <b>13,896,222</b> | <b>9,779,911</b> | <b>3,360,739</b>                         | <b>13,140,650</b> |

|                           | 2017             |  |                   |                  |  |                  |
|---------------------------|------------------|--|-------------------|------------------|--|------------------|
|                           | Group            |  |                   | Company          |  |                  |
|                           | Merchandise      | Raw, subsidiary and consumable materials | Total             | Merchandise      | Raw, subsidiary and consumable materials | Total            |
| Opening balance           | 4,561,582        | 2,944,342                                | 7,505,924         | 4,048,936        | 2,642,023                                | 6,690,959        |
| Purchases                 | 9,728,895        | 3,688,568                                | 13,417,463        | 8,976,843        | 1,554,180                                | 10,531,023       |
| Offers                    | (30,436)         | (29,002)                                 | (59,438)          | (30,436)         | (29,002)                                 | (59,438)         |
| Adjustments               | (141,743)        | (253,489)                                | (395,232)         | (141,743)        | (253,489)                                | (395,232)        |
| Impairment of inventories | 235,799          | 78,809                                   | 314,608           | 196,409          | 61,867                                   | 258,276          |
| Closing balance           | (4,784,093)      | (3,233,843)                              | (8,017,937)       | (4,374,052)      | (2,865,245)                              | (7,239,297)      |
| Cost of sales             | <b>9,570,003</b> | <b>3,195,385</b>                         | <b>12,765,389</b> | <b>8,675,958</b> | <b>1,110,334</b>                         | <b>9,786,292</b> |

### Impairment

During the years ended 31 December 2018 and 31 December 2017, the movements in the **Group** Accumulated impairment losses (Note 24) were as follows:

| Group                          | 2018             |                |                 |                 |                  |
|--------------------------------|------------------|----------------|-----------------|-----------------|------------------|
|                                | Opening balance  | Increases      | Reversals       | Utilisations    | Closing balance  |
| <b>Current assets</b>          |                  |                |                 |                 |                  |
| Merchandise                    | 1,719,745        | 145,341        | (1,585)         | (39,390)        | 1,824,111        |
| Raw, subsidiary and consumable | 658,137          | -              | (24,611)        | -               | 633,526          |
|                                | <b>2,377,882</b> | <b>145,341</b> | <b>(26,196)</b> | <b>(39,390)</b> | <b>2,457,637</b> |
| Group                          | 2017             |                |                 |                 |                  |
|                                | Opening balance  | Increases      | Reversals       | Utilisations    | Closing balance  |
| <b>Current assets</b>          |                  |                |                 |                 |                  |
| Merchandise                    | 1,565,187        | 236,253        | (455)           | (81,240)        | 1,719,745        |
| Raw, subsidiary and consumable | 579,327          | 78,810         | -               | -               | 658,137          |
|                                | <b>2,144,514</b> | <b>315,063</b> | <b>(455)</b>    | <b>(81,240)</b> | <b>2,377,882</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of inventories were recorded in the **Group** net of reversals amounting to 119,145 Euros and 314,609 Euros, respectively, in the caption Cost of sales.

In relation to the **Company**, during the years ended 31 December 2018 and 31 December 2017, the movements in Accumulated impairment losses (Note 24) were as follows:

| 2018                           |                  |                |                 |              |               |                  |
|--------------------------------|------------------|----------------|-----------------|--------------|---------------|------------------|
| Company                        | Opening balance  | Increases      | Reversals       | Utilisations | Mergers       | Closing balance  |
| <b>Current assets</b>          |                  |                |                 |              |               |                  |
| Merchandise                    | 1,680,355        | 124,061        | -               | -            | -             | 1,804,416        |
| Raw, subsidiary and consumable | 593,428          | -              | (24,611)        | -            | 64,709        | 633,526          |
|                                | <b>2,273,783</b> | <b>124,061</b> | <b>(24,611)</b> | -            | <b>64,709</b> | <b>2,437,942</b> |

| 2017                           |                  |                |           |              |         |                  |
|--------------------------------|------------------|----------------|-----------|--------------|---------|------------------|
| Company                        | Opening balance  | Increases      | Reversals | Utilisations | Mergers | Closing balance  |
| <b>Current assets</b>          |                  |                |           |              |         |                  |
| Merchandise                    | 1,483,947        | 196,408        | -         | -            | -       | 1,680,355        |
| Raw, subsidiary and consumable | 531,560          | 61,868         | -         | -            | -       | 593,428          |
|                                | <b>2,015,507</b> | <b>258,276</b> | -         | -            | -       | <b>2,273,783</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of inventories were recorded in the **Company** net of reversals amounting to 99,450 Euros and 258,276 Euros, respectively, in the caption Cost of sales.

## 18. ACCOUNTS RECEIVABLE

As at 31 December 2018 and 31 December 2017 the **Group** and the **Company** heading Accounts receivable showed the following composition:

|                                | Group              |                    | Company            |                   |
|--------------------------------|--------------------|--------------------|--------------------|-------------------|
|                                | 2018               | 2017               | 2018               | 2017              |
| Third parties                  | 90,258,876         | 90,967,275         | 49,242,789         | 51,608,449        |
| Postal operators               | 44,613,717         | 41,246,582         | 42,706,081         | 39,545,944        |
| Group companies <sup>(1)</sup> | 982,602            | 266,273            | 8,111,111          | 4,832,675         |
|                                | <b>135,855,195</b> | <b>132,480,130</b> | <b>100,059,980</b> | <b>95,987,068</b> |

<sup>(1)</sup> Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2018 and 31 December 2017, the ageing of accounts receivable is detailed as follows:

| Accounts receivable            | 2018               |                               |                    |                    |                               |                    |
|--------------------------------|--------------------|-------------------------------|--------------------|--------------------|-------------------------------|--------------------|
|                                | Group              |                               |                    | Company            |                               |                    |
|                                | Gross amount       | Accumulated impairment losses | Net amount         | Gross amount       | Accumulated impairment losses | Net amount         |
| <b>Non-overdue</b>             | 68,261,228         | 7,958                         | 68,253,270         | 47,385,292         | 5,903                         | 47,379,389         |
| <b>Overdue <sup>(2)</sup>:</b> |                    |                               |                    |                    |                               |                    |
| 0-30 days                      | 10,844,534         | 182,341                       | 10,662,193         | 5,797,877          | 807                           | 5,797,070          |
| 31-90 days                     | 15,860,031         | 26,935                        | 15,833,096         | 11,797,859         | 5,935                         | 11,791,924         |
| 91-180 days                    | 9,714,210          | 134,667                       | 9,579,542          | 6,555,255          | 21,950                        | 6,533,305          |
| 181-360 days                   | 16,559,170         | 454,681                       | 16,104,489         | 14,095,422         | 40,337                        | 14,055,085         |
| > 360 days                     | 48,052,644         | 32,630,040                    | 15,422,604         | 18,515,953         | 4,012,746                     | 14,503,207         |
|                                | <b>169,291,816</b> | <b>33,436,621</b>             | <b>135,855,195</b> | <b>104,147,658</b> | <b>4,087,678</b>              | <b>100,059,980</b> |

| Accounts receivable           | 2017               |                               |                    |                    |                               |                   |
|-------------------------------|--------------------|-------------------------------|--------------------|--------------------|-------------------------------|-------------------|
|                               | Group              |                               |                    | Company            |                               |                   |
|                               | Gross amount       | Accumulated impairment losses | Net amount         | Gross amount       | Accumulated impairment losses | Net amount        |
| <b>Non-overdue</b>            | 67,663,959         | -                             | 67,663,959         | 45,602,738         | -                             | 45,602,738        |
| <b>Overdue<sup>(1)</sup>:</b> |                    |                               |                    |                    |                               |                   |
| 0-30 days                     | 13,342,151         | 295,887                       | 13,046,264         | 7,210,292          | -                             | 7,210,292         |
| 31-90 days                    | 14,686,662         | 138,083                       | 14,548,579         | 9,887,699          | 33,778                        | 9,853,921         |
| 91-180 days                   | 4,450,499          | 383,125                       | 4,067,374          | 2,174,218          | 23,638                        | 2,150,580         |
| 181-360 days                  | 14,366,268         | 780,133                       | 13,586,135         | 12,260,603         | 14,072                        | 12,246,531        |
| > 360 days                    | 50,554,146         | 30,986,327                    | 19,567,819         | 22,911,682         | 3,988,677                     | 18,923,005        |
|                               | <b>165,063,685</b> | <b>32,583,555</b>             | <b>132,480,130</b> | <b>100,047,233</b> | <b>4,060,165</b>              | <b>95,987,068</b> |

<sup>(1)</sup> The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The net amount of the accounts receivable balances overdue over 360 days is broken down as follows:

|  | Group               |                     | Company             |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 2018                | 2017                | 2018                | 2017                |
| Other accounts receivable                    | 775,457             | 54,904              | 440,295             | 69,291              |
| Foreign operators                            | 14,647,147          | 19,512,914          | 14,062,912          | 18,853,715          |
| <b>Total</b>                                 | <b>15,422,604</b>   | <b>19,567,819</b>   | <b>14,503,207</b>   | <b>18,923,005</b>   |
| <b>Foreign operators - payable (Note 33)</b> | <b>(15,282,334)</b> | <b>(18,570,644)</b> | <b>(14,865,688)</b> | <b>(18,175,152)</b> |

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. The credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 33).

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables changed from 2.0% at the end of 2017 to 2.1% as at 31 December 2018, in the **Group** and from 2.6% at the end of 2017 to 2.5% as at 31 December 2018 in the **Company**.

|                  | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2018             | 2017             | 2018             | 2017             |
| Advance deposits | 1,377,872        | 1,432,003        | 1,366,654        | 1,417,512        |
| Bank guarantees  | 515,873          | 361,239          | 81,253           | 54,753           |
| <b>Total</b>     | <b>1,893,745</b> | <b>1,793,242</b> | <b>1,447,907</b> | <b>1,472,265</b> |

### Impairment losses

During the years ended 31 December 2018 and 31 December 2017, the movement in the **Group** Accumulated impairment losses caption (Note 24) was as follows:

| Group               | 2018              |                  |                    |                  |  |                                     | Closing balance   |
|---------------------|-------------------|------------------|--------------------|------------------|--|-------------------------------------|-------------------|
|                     | Opening balance   | Increases        | Reversals          | Utilisations     | Changes in the consolidation perimeter | Changes in the accounting standards |                   |
| Accounts receivable | 32,583,555        | 4,693,073        | (2,465,765)        | (490,358)        | -                                      | (883,883)                           | 33,436,621        |
|                     | <b>32,583,555</b> | <b>4,693,073</b> | <b>(2,465,765)</b> | <b>(490,358)</b> | -                                      | <b>(883,883)</b>                    | <b>33,436,621</b> |

| Group               | 2017              |                  |                    |                    |  |                                     | Closing balance   |
|---------------------|-------------------|------------------|--------------------|--------------------|--|-------------------------------------|-------------------|
|                     | Opening balance   | Increases        | Reversals          | Utilisations       | Changes in the consolidation perimeter | Changes in the accounting standards |                   |
| Accounts receivable | 30,309,524        | 2,358,555        | (1,302,268)        | (1,060,347)        | 2,278,091                              | -                                   | 32,583,555        |
|                     | <b>30,309,524</b> | <b>2,358,555</b> | <b>(1,302,268)</b> | <b>(1,060,347)</b> | <b>2,278,091</b>                       | -                                   | <b>32,583,555</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 2,227,308 Euros and 1,056,287 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

During the years ended 31 December 2018 and 31 December 2017, the movement in Accumulated impairment losses caption (Note 24) of the **Company** was as follows:

| Company             | 2018             |                |           |                  |                                     |               | Closing balance  |
|---------------------|------------------|----------------|-----------|------------------|-------------------------------------|---------------|------------------|
|                     | Opening balance  | Increases      | Reversals | Utilisations     | Changes in the accounting standards | Mergers       |                  |
| Accounts receivable | 4,060,165        | 175,452        | -         | (142,251)        | (80,236)                            | 74,548        | 4,087,678        |
|                     | <b>4,060,165</b> | <b>175,452</b> | -         | <b>(142,251)</b> | <b>(80,236)</b>                     | <b>74,548</b> | <b>4,087,678</b> |

| Company             | 2017             |                |                  |                  |                                     |         | Closing balance  |
|---------------------|------------------|----------------|------------------|------------------|-------------------------------------|---------|------------------|
|                     | Opening balance  | Increases      | Reversals        | Utilisations     | Changes in the accounting standards | Mergers |                  |
| Accounts receivable | 4,416,504        | 516,833        | (496,575)        | (376,597)        | -                                   | -       | 4,060,165        |
|                     | <b>4,416,504</b> | <b>516,833</b> | <b>(496,575)</b> | <b>(376,597)</b> | -                                   | -       | <b>4,060,165</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 175,452 Euros and 20,258 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 45).

## 19. CREDIT TO BANKING CLIENTS

As at 31 December 2018 and 31 December 2017, the **Group** caption Credit to banking clients was detailed as follows:

|                                   | 2018               | 2017              |
|-----------------------------------|--------------------|-------------------|
| <b>Performing loans</b>           | <b>248,114,654</b> | <b>79,393,333</b> |
| Mortgage Loans                    | 238,667,450        | 66,145,178        |
| Overdrafts                        | 529,154            | 299,170           |
| Other credits                     | 8,918,050          | 12,948,985        |
| <b>Overdue loans</b>              | <b>392,852</b>     | <b>71,708</b>     |
| Overdue loans - less than 90 days | 60,947             | 11,810            |
| Overdue loans - more than 90 days | 331,905            | 59,898            |
|                                   | 248,507,506        | 79,465,041        |
| <b>Credit risk impairment</b>     | <b>(457,525)</b>   | <b>(117,651)</b>  |
|                                   | 248,049,981        | 79,347,390        |

The maturity analysis of the Credit to bank clients as at 31 December 2018 and 31 December 2017 is detailed as follows:

|                | 2018                       |                        |                                  |                   |                                      |                    |                    |                    |
|----------------|----------------------------|------------------------|----------------------------------|-------------------|--------------------------------------|--------------------|--------------------|--------------------|
|                | Current                    |                        |                                  |                   | Non-current                          |                    |                    | Total              |
|                | At sight /<br>Undetermined | Due within 3<br>months | Over 3 months<br>and less than 1 | Total             | Over 1 year and<br>less than 3 years | Over 3 years       | Total              |                    |
| Mortgage loans | -                          | 1,722,857              | 4,921,205                        | 6,644,062         | 13,332,739                           | 218,690,649        | 232,023,388        | 238,667,450        |
| Overdrafts     | 922,006                    | -                      | -                                | 922,006           | -                                    | -                  | -                  | 922,006            |
| Other credits  | -                          | 8,918,050              | -                                | 8,918,050         | -                                    | -                  | -                  | 8,918,050          |
|                | <b>922,006</b>             | <b>10,640,907</b>      | <b>4,921,205</b>                 | <b>16,484,118</b> | <b>13,332,739</b>                    | <b>218,690,649</b> | <b>232,023,388</b> | <b>248,507,506</b> |

|                | 2017                       |                        |                                  |                   |                                      |                   |                   |                   |
|----------------|----------------------------|------------------------|----------------------------------|-------------------|--------------------------------------|-------------------|-------------------|-------------------|
|                | Current                    |                        |                                  |                   | Non-current                          |                   |                   | Total             |
|                | At sight /<br>Undetermined | Due within 3<br>months | Over 3 months<br>and less than 1 | Total             | Over 1 year and<br>less than 3 years | Over 3 years      | Total             |                   |
| Mortgage loans | -                          | 465,590                | 1,357,066                        | 1,822,656         | 3,680,670                            | 60,641,852        | 64,322,522        | 66,145,178        |
| Overdrafts     | 370,878                    | -                      | -                                | 370,878           | -                                    | -                 | -                 | 370,878           |
| Other credits  | -                          | 12,948,985             | -                                | 12,948,985        | -                                    | -                 | -                 | 12,948,985        |
|                | <b>370,878</b>             | <b>13,414,575</b>      | <b>1,357,066</b>                 | <b>15,142,519</b> | <b>3,680,670</b>                     | <b>60,641,852</b> | <b>64,322,522</b> | <b>79,465,041</b> |

The breakdown of this heading by type of rate is as follows:

|                        | 2018               | 2017              |
|------------------------|--------------------|-------------------|
| Fixed rate             | 922,006            | 370,878           |
| Floating rate          | 247,585,500        | 79,094,163        |
|                        | <b>248,507,506</b> | <b>79,465,041</b> |
| Credit risk impairment | (457,525)          | (117,651)         |
|                        | <b>248,049,981</b> | <b>79,347,390</b> |

### Impairment losses

During the year ended 31 December 2018 and 31 December 2017, the movement in the **Group** under the Accumulated impairment losses caption (Note 24) was as follows:

|                           | 2018            |                |                 |              |   |                 |
|---------------------------|-----------------|----------------|-----------------|--------------|---|-----------------|
|                           | Opening balance | Increases      | Reversals       | Utilisations | Changes in the<br>accounting<br>standards | Closing balance |
| <b>Non-current assets</b> |                 |                |                 |              |   |                 |
| Credit to banking clients | 59,078          | 230,708        | (57,229)        | -            | (6,589)                                   | 225,968         |
|                           | 59,078          | 230,708        | (57,229)        | -            | (6,589)                                   | 225,968         |
| <b>Current assets</b>     |                 |                |                 |              |   |                 |
| Credit to banking clients | 58,573          | 169,107        | -               | -            | 3,876                                     | 231,556         |
|                           | 58,573          | 169,107        | -               | -            | 3,876                                     | 231,556         |
|                           | <b>117,651</b>  | <b>399,816</b> | <b>(57,229)</b> | <b>-</b>     | <b>(2,713)</b>                            | <b>457,525</b>  |

|                           | 2017            |                |                 |              |                 |
|---------------------------|-----------------|----------------|-----------------|--------------|-----------------|
|                           | Opening balance | Increases      | Reversals       | Utilisations | Closing balance |
| <b>Non-current assets</b> |                 |                |                 |              |                 |
| Credit to banking clients | -               | 62,628         | (3,550)         | -            | 59,078          |
|                           | -               | 62,628         | (3,550)         | -            | 59,078          |
| <b>Current assets</b>     |                 |                |                 |              |                 |
| Credit to banking clients | 417             | 70,950         | (12,794)        | -            | 58,573          |
|                           | 417             | 70,950         | (12,794)        | -            | 58,573          |
|                           | <b>417</b>      | <b>133,578</b> | <b>(16,344)</b> | <b>-</b>     | <b>117,651</b>  |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 342,586 Euros and to 117,234 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).



## 20. DEFERRALS

As at 31 December 2018 and 31 December 2017, the Deferrals included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

|                              | <b>Group</b>     |                  | <b>Company</b>   |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | 2018             | 2017             | 2018             | 2017             |
| <b>Assets deferrals</b>      |                  |                  |                  |                  |
| Current                      |                  |                  |                  |                  |
| Rents payable                | 1,299,445        | 1,375,076        | 1,037,114        | 1,069,573        |
| Meal allowances              | 1,541,263        | 1,615,852        | 1,541,263        | 1,615,852        |
| Other                        | 3,850,652        | 3,609,187        | 2,466,780        | 2,426,479        |
|                              | <b>6,691,359</b> | <b>6,600,115</b> | <b>5,045,157</b> | <b>5,111,904</b> |
| <b>Liabilities deferrals</b> |                  |                  |                  |                  |
| Non-current                  |                  |                  |                  |                  |
| Investment subsidy           | 305,691          | 316,892          | 305,691          | 316,892          |
|                              | <b>305,691</b>   | <b>316,892</b>   | <b>305,691</b>   | <b>316,892</b>   |
| Current                      |                  |                  |                  |                  |
| Phone-ix top ups             | 110,597          | 143,203          | 110,597          | 143,203          |
| Investment subsidy           | 11,201           | 17,299           | 11,201           | 11,201           |
| Contractual liabilities      | 1,402,125        | -                | 760,647          | -                |
| Other                        | 1,184,167        | 1,272,194        | 1,184,167        | 1,271,130        |
|                              | <b>2,708,090</b> | <b>1,432,696</b> | <b>2,066,612</b> | <b>1,425,534</b> |
|                              | <b>3,013,781</b> | <b>1,749,588</b> | <b>2,372,303</b> | <b>1,742,426</b> |

The caption "Contractual liabilities" results from the adoption, as at 1 January 2018, of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced but not yet recognised as revenue because the performance obligations have not yet been met as recommended by the standard.

## 21. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, during the year ended 31 December 2018 the amount of 4,355,273 Euros related to the real estate located in Rua da Palma, was reclassified to the caption Non-current assets held for sale following the promissory purchase agreement in May 2018 which set the operation's completion until the end of 2018.

As described in the referred standard, the associated depreciations of the real estate have ceased.

In 2018, following the conclusion of the above-mentioned sale, there are no amounts recognised under this heading. The sale of these properties resulted in a capital gain of 8.5 million Euros was recognised under Other operating income in the income statement.

As at 31 December 2018 and 31 December 2017, there were no operations classified as discontinued operations.

## 22. CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 31 December 2017, Cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

|  | Group              |                    | Company            |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2018               | 2017               | 2018               | 2017               |
| Cash   | 45,866,557         | 49,750,830         | 20,368,931         | 24,305,947         |
| Sight deposits   | 169,754,656        | 69,475,587         | 161,223,251        | 58,202,221         |
| Deposits in other credit institutions                          | -                  | 176,975,449        | -                  | -                  |
| Sight deposits in Central Banks                                | 6,217,417          | 32,755,981         | -                  | -                  |
| Investments in other credit institutions                       | 104,308,402        | -                  | -                  | -                  |
| Term deposits  | 96,570,446         | 297,867,550        | 90,166,129         | 294,082,565        |
| <b>Cash and cash equivalents (Balance sheet)</b>               | <b>422,717,478</b> | <b>626,825,397</b> | <b>271,758,311</b> | <b>376,590,733</b> |
| Sight deposits at Bank of Portugal                             | (6,217,418)        | (32,755,981)       | -                  | -                  |
| Outstanding checks of Banco CTT / Checks clearing of Banco CTT | (1,674,742)        | (1,392,000)        | -                  | -                  |
| Impairment of sight and term deposits                          | 21,295             | -                  | 11,973             | -                  |
| <b>Cash and cash equivalents (Cash flow statement)</b>         | <b>414,846,614</b> | <b>592,677,416</b> | <b>271,770,284</b> | <b>376,590,733</b> |

The heading Sight deposits at Bank of Portugal includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities.

### Impairment

Following the adoption of IFRS 9 – Financial instruments the Group has begun to recognise impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the period ended 31 December 2018, the movement recorded under the caption “Impairment of sight and term deposits” (Note 24) related to the **Group** is detail as follows:

| Group                   | 2018            |              |                  |              |                                     |                 |
|-------------------------|-----------------|--------------|------------------|--------------|-------------------------------------|-----------------|
|                         | Opening balance | Increases    | Reversals        | Utilisations | Changes in the accounting standards | Closing balance |
| Sight and term deposits | -               | 8,270        | (393,885)        | -            | 406,909                             | 21,295          |
|                         | -               | <b>8,270</b> | <b>(393,885)</b> | -            | <b>406,909</b>                      | <b>21,295</b>   |

For the year ended 31 December 2018 impairment losses (increases net of reversals) of sight and term deposits amounted to 385,614 were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company**, in the period ended 31 December 2018, the movement recorded under the caption “Impairment of sight and term deposits” (Note 24) related to the **Company** is detail as follows:

| Company                 | 2018            |           |                  |              |                                     |                 |
|-------------------------|-----------------|-----------|------------------|--------------|-------------------------------------|-----------------|
|                         | Opening balance | Increases | Reversals        | Utilisations | Changes in the accounting standards | Closing balance |
| Sight and term deposits | -               | -         | (392,868)        | -            | 404,841                             | 11,973          |
|                         | -               | -         | <b>(392,868)</b> | -            | <b>404,841</b>                      | <b>11,973</b>   |

For the year ended 31 December 2018 impairment losses (increases net of reversals) of sight and term deposits amounted to 392,868 were booked under the heading Impairment of accounts receivable, net (Note 45).

## 23. OTHER NON-CURRENT AND CURRENT ASSETS

As at 31 December 2018 and 31 December 2017, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2018              | 2017              | 2018              | 2017              |
| <b>Non-current</b>                         |                   |                   |                   |                   |
| Advances to staff                          | 254,009           | 364,521           | 254,009           | 364,521           |
| Other receivables from staff               | 2,476,953         | 2,320,930         | 2,476,953         | 2,320,930         |
| Labour compensation fund                   | 301,029           | 306,025           | 191,452           | 193,682           |
| Other non-current assets                   | 477,543           | 170,477           | 312,744           | -                 |
| Impairment                                 | (1,982,890)       | (1,786,730)       | (1,982,890)       | (1,786,730)       |
|  | <b>1,526,644</b>  | <b>1,375,223</b>  | <b>1,252,268</b>  | <b>1,092,403</b>  |
| <b>Current</b>                             |                   |                   |                   |                   |
| Advances to suppliers                      | 359,466           | 775,903           | 359,466           | 436,268           |
| Advances to staff                          | 3,843,311         | 3,850,644         | 3,845,493         | 3,849,401         |
| Postal financial services                  | 5,838,741         | 4,449,539         | 5,838,741         | 4,449,539         |
| State and other public entities            | 416,638           | 663,633           | 75                | 376,902           |
| Debtors by accrued revenues                | 5,090,021         | 5,892,380         | 4,104,813         | 5,062,009         |
| Amounts collected on CTT behalf            | 1,480,410         | 1,333,035         | 1,207,336         | 1,272,666         |
| Guaranteed                                 | 393,162           | 232,678           | -                 | -                 |
| Advances to lawyers                        | 72,594            | 167,295           | -                 | -                 |
| Debtors by asset disposals                 | 83,294            | 152,157           | 83,294            | 152,157           |
| Payshop agents                             | 407,301           | 375,677           | -                 | -                 |
| Mobility allowances for Autonomous Regions | 10,337,363        | 9,119,889         | 10,337,363        | 9,119,889         |
| Office for media                           | 208,887           | 378,139           | 208,887           | 378,139           |
| Compensations                              | -                 | 39,959            | -                 | -                 |
| Sundry debtors                             | 277,500           | 235,145           | 277,500           | 234,240           |
| Other current assets                       | 14,225,515        | 12,007,258        | 9,353,680         | 9,118,565         |
| Impairment                                 | (7,516,988)       | (7,335,097)       | (6,629,421)       | (6,526,865)       |
|  | <b>35,517,214</b> | <b>32,338,234</b> | <b>28,987,226</b> | <b>27,922,910</b> |

The amounts recorded in the caption Postal financial services refer to receivables from the redemption of savings products and the sale of insurance.

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and the Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions.

#### Debtors by accrued revenues

As at 31 December 2018 and 31 December 2017, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts.

#### Impairment

For the years ended 31 December 2018 and 31 December 2017, the movement in the **Group** Accumulated impairment losses (Note 24) was as follows:

| Group                                | 2018             |                |                  |                 |  |                  |
|--------------------------------------|------------------|----------------|------------------|-----------------|--|------------------|
|                                      | Opening balance  | Increases      | Reversals        | Utilisations    | Changes in the consolidation perimeter | Closing balance  |
| Other current and non-current assets | 9,121,827        | 627,957        | (226,769)        | (23,137)        | -                                      | 9,499,878        |
|                                      | <b>9,121,827</b> | <b>627,957</b> | <b>(226,769)</b> | <b>(23,137)</b> | <b>-</b>                               | <b>9,499,878</b> |

| Group                                | 2017             |                |                  |                    |  |                  |
|--------------------------------------|------------------|----------------|------------------|--------------------|--|------------------|
|                                      | Opening balance  | Increases      | Reversals        | Utilisations       | Changes in the consolidation perimeter | Closing balance  |
| Other current and non-current assets | 9,921,963        | 487,781        | (445,833)        | (1,168,880)        | 326,796                                | 9,121,827        |
|                                      | <b>9,921,963</b> | <b>487,781</b> | <b>(445,833)</b> | <b>(1,168,880)</b> | <b>326,796</b>                         | <b>9,121,827</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 401,188 Euros and 41,948 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 45).

Regarding the **Company**, during the years ended 31 December 2018 and 31 December 2017, the movement in the Accumulated impairment losses caption (Note 24) was as follows:

| Company                              | 2018             |                |                  |                 |                |                  |
|--------------------------------------|------------------|----------------|------------------|-----------------|----------------|------------------|
|                                      | Opening balance  | Increases      | Reversals        | Utilisations    | Mergers        | Closing balance  |
| Other current and non-current assets | 8,313,595        | 417,761        | (200,990)        | (22,059)        | 104,005        | 8,612,312        |
|                                      | <b>8,313,595</b> | <b>417,761</b> | <b>(200,990)</b> | <b>(22,059)</b> | <b>104,005</b> | <b>8,612,312</b> |

| Company                              | 2017             |                |                  |                 |          |                  |
|--------------------------------------|------------------|----------------|------------------|-----------------|----------|------------------|
|                                      | Opening balance  | Increases      | Reversals        | Utilisations    | Mergers  | Closing balance  |
| Other current and non-current assets | 8,330,394        | 446,302        | (418,336)        | (44,365)        | -        | 8,313,595        |
|                                      | <b>8,330,394</b> | <b>446,302</b> | <b>(418,336)</b> | <b>(44,365)</b> | <b>-</b> | <b>8,313,595</b> |

For the years ended 31 December 2018 and 31 December 2017, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 216,771 Euros and 27,766 Euros, respectively in the caption Impairment of accounts receivable, net (Note 45).

## 24. ACCUMULATED IMPAIRMENT LOSSES

During the years ended 31 December 2018 and 31 December 2017, the following movements occurred in the **Group's** impairment losses:

| Group                          | 2018              |                  |                    |                    |                |  |  |                   |
|--------------------------------|-------------------|------------------|--------------------|--------------------|----------------|--|--|-------------------|
|                                | Opening balance   | Increases        | Reversals          | Utilisations       | Transfers      | Changes in the consolidation perimeter | Changes in the accounting standards    | Closing balance   |
| <b>Non-current assets</b>      |                   |                  |                    |                    |                |  |  |                   |
| Tangible fixed assets          | 49,341            | -                | (25,085)           | -                  | -              | -                                      | -                                      | 24,256            |
| Investment properties          | 1,092,556         | -                | (732,506)          | -                  | 883,452        | -                                      | -                                      | 1,243,502         |
|                                | <b>1,141,897</b>  | <b>-</b>         | <b>(757,591)</b>   | <b>-</b>           | <b>883,452</b> | <b>-</b>                               | <b>-</b>                               | <b>1,267,758</b>  |
| Investment securities          | -                 | 114,893          | (198,585)          | -                  | -              | -                                      | 248,575                                | 164,883           |
| Other non-current assets       | 1,786,729         | 196,161          | -                  | -                  | -              | -                                      | -                                      | 1,982,890         |
| Credit to banking clients      | 59,078            | 230,708          | (57,229)           | -                  | -              | -                                      | (6,589)                                | 225,968           |
| Other banking financial assets | -                 | 564,091          | (462,633)          | -                  | -              | -                                      | 116,293                                | 217,751           |
|                                | <b>1,845,807</b>  | <b>1,105,853</b> | <b>(728,447)</b>   | <b>-</b>           | <b>-</b>       | <b>-</b>                               | <b>358,279</b>                         | <b>2,581,492</b>  |
|                                | <b>2,987,704</b>  | <b>1,105,853</b> | <b>(1,476,038)</b> | <b>-</b>           | <b>883,452</b> | <b>-</b>                               | <b>358,279</b>                         | <b>3,859,250</b>  |
| <b>Current assets</b>          |                   |                  |                    |                    |                |  |  |                   |
| Accounts receivable            | 32,583,555        | 4,693,073        | (2,465,765)        | (490,358)          | -              | -                                      | (883,883)                              | 33,436,621        |
| Credit to banking clients      | 58,573            | 169,107          | -                  | -                  | -              | -                                      | 3,876                                  | 231,556           |
| Investment securities          | -                 | 136,549          | -                  | -                  | -              | -                                      | 9,184                                  | 145,733           |
| Other current assets           | 7,335,098         | 431,796          | (226,769)          | (23,137)           | -              | -                                      | -                                      | 7,516,988         |
| Other banking financial assets | -                 | 10,927           | (310,086)          | -                  | -              | -                                      | 507,104                                | 207,945           |
| Slight and term deposits       | -                 | 8,271            | (393,885)          | -                  | -              | -                                      | 406,909                                | 21,295            |
|                                | <b>39,977,226</b> | <b>5,449,724</b> | <b>(3,396,505)</b> | <b>(513,495)</b>   | <b>-</b>       | <b>-</b>                               | <b>43,190</b>                          | <b>41,560,139</b> |
| Merchandise                    | 1,719,745         | 145,341          | (1,585)            | (39,390)           | -              | -                                      | -                                      | 1,824,111         |
| Raw, subsidiary and consumable | 658,137           | -                | (24,611)           | -                  | -              | -                                      | -                                      | 633,526           |
|                                | <b>2,377,882</b>  | <b>145,341</b>   | <b>(26,196)</b>    | <b>(39,390)</b>    | <b>-</b>       | <b>-</b>                               | <b>-</b>                               | <b>2,457,637</b>  |
|                                | <b>42,355,108</b> | <b>5,595,065</b> | <b>(3,422,701)</b> | <b>(552,885)</b>   | <b>-</b>       | <b>-</b>                               | <b>43,190</b>                          | <b>44,017,776</b> |
|                                | <b>45,342,812</b> | <b>6,700,917</b> | <b>(4,898,739)</b> | <b>(552,885)</b>   | <b>883,452</b> | <b>-</b>                               | <b>401,469</b>                         | <b>47,877,025</b> |
| Group                          | 2017              |                  |                    |                    |                |  |  |                   |
|                                | Opening balance   | Increases        | Reversals          | Utilisations       | Transfers      | Changes in the consolidation perimeter | Changes in the consolidation perimeter | Closing balance   |
| <b>Non-current assets</b>      |                   |                  |                    |                    |                |  |  |                   |
| Tangible fixed assets          | 173,055           | -                | (123,714)          | -                  | -              | -                                      | -                                      | 49,341            |
| Investment properties          | 1,291,498         | 49,208           | (248,150)          | -                  | -              | -                                      | -                                      | 1,092,556         |
|                                | <b>1,464,553</b>  | <b>49,208</b>    | <b>(371,864)</b>   | <b>-</b>           | <b>-</b>       | <b>-</b>                               | <b>-</b>                               | <b>1,141,897</b>  |
| Credit to bank clients         | -                 | 62,628           | (3,550)            | -                  | -              | -                                      | -                                      | 59,078            |
| Other non-current assets       | 1,748,286         | 233,311          | -                  | (194,868)          | -              | -                                      | -                                      | 1,786,729         |
|                                | <b>1,748,286</b>  | <b>295,939</b>   | <b>(3,550)</b>     | <b>(194,868)</b>   | <b>-</b>       | <b>-</b>                               | <b>-</b>                               | <b>1,845,807</b>  |
|                                | <b>3,212,839</b>  | <b>345,147</b>   | <b>(375,414)</b>   | <b>(194,868)</b>   | <b>-</b>       | <b>-</b>                               | <b>-</b>                               | <b>2,987,704</b>  |
| <b>Current assets</b>          |                   |                  |                    |                    |                |  |  |                   |
| Accounts receivable            | 30,309,524        | 2,358,555        | (1,302,268)        | (1,060,347)        | -              | 2,278,091                              | -                                      | 32,583,555        |
| Credit to bank clients         | 417               | 70,950           | (12,794)           | -                  | -              | -                                      | -                                      | 58,573            |
| Other current assets           | 8,173,677         | 254,470          | (445,833)          | (974,012)          | -              | 326,796                                | -                                      | 7,335,098         |
|                                | <b>38,483,618</b> | <b>2,683,975</b> | <b>(1,760,895)</b> | <b>(2,034,359)</b> | <b>-</b>       | <b>2,604,887</b>                       | <b>-</b>                               | <b>39,977,226</b> |
| Merchandise                    | 1,565,187         | 236,253          | (455)              | (81,240)           | -              | -                                      | -                                      | 1,719,745         |
| Raw, subsidiary and consumable | 579,327           | 78,810           | -                  | -                  | -              | -                                      | -                                      | 658,137           |
|                                | <b>2,144,514</b>  | <b>315,063</b>   | <b>(455)</b>       | <b>(81,240)</b>    | <b>-</b>       | <b>-</b>                               | <b>-</b>                               | <b>2,377,882</b>  |
|                                | <b>40,628,132</b> | <b>2,999,038</b> | <b>(1,761,350)</b> | <b>(2,115,599)</b> | <b>-</b>       | <b>2,604,887</b>                       | <b>-</b>                               | <b>42,355,108</b> |
|                                | <b>43,840,971</b> | <b>3,344,185</b> | <b>(2,136,764)</b> | <b>(2,310,467)</b> | <b>-</b>       | <b>2,604,887</b>                       | <b>-</b>                               | <b>45,342,812</b> |

Regarding the **Company**, during the years ended 31 December 2018 and 31 December 2017, the movement in the Accumulated impairment losses was as follows:

| Company                        | 2018              |                  |                    |                  |                |                                     |                | Closing balance   |
|--------------------------------|-------------------|------------------|--------------------|------------------|----------------|-------------------------------------|----------------|-------------------|
|                                | Opening balance   | Increases        | Reversals          | Utilisations     | Transfers      | Changes in the accounting standards | Mergers        |                   |
| <b>Non-current assets</b>      |                   |                  |                    |                  |                |                                     |                |                   |
| Tangible fixed assets          | 49,340            | -                | (25,085)           | -                | -              | -                                   | -              | 24,255            |
| Investment properties          | 1,092,556         | -                | (732,506)          | -                | 883,452        | -                                   | -              | 1,243,502         |
|                                | 1,141,896         | -                | (757,591)          | -                | 883,452        | -                                   | -              | 1,267,757         |
| Other non-current assets       | 1,786,730         | 196,161          | -                  | -                | -              | -                                   | -              | 1,982,890         |
|                                | 1,786,730         | 196,161          | -                  | -                | -              | -                                   | -              | 1,982,890         |
|                                | <b>2,928,626</b>  | <b>196,161</b>   | <b>(757,591)</b>   | -                | <b>883,452</b> | -                                   | -              | <b>3,250,647</b>  |
| <b>Current assets</b>          |                   |                  |                    |                  |                |                                     |                |                   |
| Accounts receivable            | 4,060,165         | 175,452          | -                  | (142,251)        | -              | (80,236)                            | 74,548         | 4,087,678         |
| Other current assets           | 6,526,865         | 221,600          | (200,990)          | (22,059)         | -              | -                                   | 104,005        | 6,629,421         |
| Slight and term deposits       | -                 | -                | (392,868)          | -                | -              | 404,841                             | -              | 11,973            |
|                                | 10,587,030        | 397,052          | (593,858)          | (164,310)        | -              | 324,605                             | 178,553        | 10,729,072        |
| Merchandise                    | 1,680,355         | 124,061          | -                  | -                | -              | -                                   | -              | 1,804,416         |
| Raw, subsidiary and consumable | 593,428           | -                | (24,611)           | -                | -              | -                                   | 64,709         | 633,526           |
|                                | 2,273,783         | 124,061          | (24,611)           | -                | -              | -                                   | 64,709         | 2,437,942         |
|                                | <b>12,860,813</b> | <b>521,113</b>   | <b>(618,469)</b>   | <b>(164,310)</b> | -              | <b>324,605</b>                      | <b>243,262</b> | <b>13,167,014</b> |
|                                | <b>15,789,439</b> | <b>717,274</b>   | <b>(1,376,060)</b> | <b>(164,310)</b> | <b>883,452</b> | <b>324,605</b>                      | <b>243,262</b> | <b>16,417,662</b> |
| Company                        | 2017              |                  |                    |                  |                |                                     |                | Closing balance   |
|                                | Opening balance   | Increases        | Reversals          | Utilisations     | Transfers      | Changes in the accounting standards | Mergers        |                   |
| <b>Non-current assets</b>      |                   |                  |                    |                  |                |                                     |                |                   |
| Tangible fixed assets          | 173,055           | -                | (123,734)          | -                | -              | -                                   | -              | 49,341            |
| Investment properties          | 1,291,498         | 49,208           | (248,350)          | -                | -              | -                                   | -              | 1,092,556         |
|                                | 1,464,553         | 49,208           | (371,864)          | -                | -              | -                                   | -              | 1,141,897         |
| Other non-current assets       | 1,553,419         | 233,311          | -                  | -                | -              | -                                   | -              | 1,786,730         |
|                                | 1,553,419         | 233,311          | -                  | -                | -              | -                                   | -              | 1,786,730         |
|                                | <b>3,017,972</b>  | <b>282,519</b>   | <b>(371,864)</b>   | -                | -              | -                                   | -              | <b>2,928,627</b>  |
| <b>Current assets</b>          |                   |                  |                    |                  |                |                                     |                |                   |
| Accounts receivable            | 4,416,504         | 536,833          | (496,575)          | (376,597)        | -              | -                                   | -              | 4,060,165         |
| Other current assets           | 6,776,775         | 212,791          | (438,336)          | (44,365)         | -              | -                                   | -              | 6,526,865         |
|                                | 11,193,279        | 729,624          | (934,911)          | (420,962)        | -              | -                                   | -              | 10,587,030        |
| Merchandise                    | 1,483,947         | 196,408          | -                  | -                | -              | -                                   | -              | 1,680,355         |
| Raw, subsidiary and consumable | 531,560           | 61,868           | -                  | -                | -              | -                                   | -              | 593,428           |
|                                | 2,015,507         | 258,276          | -                  | -                | -              | -                                   | -              | 2,273,783         |
|                                | <b>13,208,786</b> | <b>987,900</b>   | <b>(934,911)</b>   | <b>(420,962)</b> | -              | -                                   | -              | <b>12,860,813</b> |
|                                | <b>16,226,758</b> | <b>1,270,419</b> | <b>(1,286,775)</b> | <b>(420,962)</b> | -              | -                                   | -              | <b>15,789,440</b> |

## 25. EQUITY

As at 31 December 2018, the Company share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in section 5.1.2 of the Integrated Report.

## 26. OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

### Own shares

The commercial legislation regarding own shares requires that a non-distributable reserve must be created for the same amount of the acquisition price of such shares. This reserve is not available for distribution while the shares stay in the Company's possession. In addition, the applicable accounting standards determine that the gains or losses obtained with the sale of such shares are recognised in reserves.

On 31 January 2017, and pursuant to the remuneration policy approved by the Remuneration Committee for the 2014-2016 term of office and the Share Plan to the executive members of the Board of Directors approved by the General Meeting on 5 May 2015, CTT granted a total of 600,530 own shares, representing 0.400% of the corresponding share capital, to the Company's executive members of the Board of Directors, as long-term variable remuneration regarding that term of office.

As at 31 December 2018, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

Own shares held by CTT are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

In the years ended 31 December 2018 and 31 December 2017, the movements that occurred in this caption were as follows:

|                                    | Quantity | Value    | Average price |
|------------------------------------|----------|----------|---------------|
| Balance at 31 December 2017        | 1        | 8        | 8.488         |
| Acquisitions                       | -        | -        | -             |
| Attribution                        | -        | -        | -             |
| <b>Balance at 31 December 2018</b> | <b>1</b> | <b>8</b> | <b>8.488</b>  |

|                                    | Quantity  | Value       | Average price |
|------------------------------------|-----------|-------------|---------------|
| Balance at 31 December 2016        | 600,531   | 5,097,536   | 8.488         |
| Acquisitions                       | -         | -           | -             |
| Attribution                        | (600,530) | (5,097,527) | 8.488         |
| <b>Balance at 31 December 2017</b> | <b>1</b>  | <b>8</b>    | <b>8.488</b>  |

### Reserves

As at 31 December 2018 and 31 December 2017, the **Group's** and **Company's** heading Reserves showed the following composition:

|                                     | 2018              |                     |                     |                   |                   | 2018              |                     |                     |                   |                   |
|-------------------------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
|                                     | Group             |                     | Company             |                   |                   | Group             |                     | Company             |                   |                   |
|                                     | Legal reserves    | Own shares reserves | Fair Value reserves | Other reserves    | Total             | Legal reserves    | Own shares reserves | Fair Value reserves | Other reserves    | Total             |
| Opening balance                     | 15,000,000        | 8                   | 50,323              | 64,897,551        | 79,947,883        | 15,000,000        | 8                   | -                   | 64,897,551        | 79,897,560        |
| Distribution of dividends (Note 27) | -                 | -                   | -                   | (15,372,222)      | (15,372,222)      | -                 | -                   | -                   | (15,372,222)      | (15,372,222)      |
| Other movements                     | -                 | -                   | -                   | 1,311,267         | 1,311,267         | -                 | -                   | -                   | 1,311,267         | 1,311,267         |
| Assets fair value                   | -                 | -                   | (50,053)            | -                 | (50,053)          | -                 | -                   | -                   | -                 | -                 |
| <b>Closing balance</b>              | <b>15,000,000</b> | <b>8</b>            | <b>270</b>          | <b>50,836,597</b> | <b>65,836,875</b> | <b>15,000,000</b> | <b>8</b>            | <b>-</b>            | <b>50,836,597</b> | <b>65,836,605</b> |

|                          | 2017              |             |               |                   |                   | 2017              |             |            |                   |                   |
|--------------------------|-------------------|-------------|---------------|-------------------|-------------------|-------------------|-------------|------------|-------------------|-------------------|
|                          | Group             |             | Company       |                   |                   | Group             |             | Company    |                   |                   |
|                          | Legal reserves    | Own shares  | Fair Value    | Other reserves    | Total             | Legal reserves    | Own shares  | Fair Value | Other reserves    | Total             |
| Opening balance          | 18,072,559        | 5,097,536   | 13,474        | 11,708,102        | 34,891,671        | 18,072,559        | 5,097,536   | -          | 11,708,102        | 34,878,197        |
| Share capital decrease   | -                 | -           | -             | 49,500,000        | 49,500,000        | -                 | -           | -          | 49,500,000        | 49,500,000        |
| Transfers                | (3,072,559)       | -           | -             | 3,072,559         | -                 | (3,072,559)       | -           | -          | 3,072,559         | -                 |
| Own shares attribution   | -                 | (5,097,527) | -             | 5,097,527         | -                 | -                 | (5,097,527) | -          | 5,097,527         | -                 |
| Assets fair value        | -                 | -           | 36,849        | -                 | 36,849            | -                 | -           | -          | -                 | -                 |
| Share Plan (attribution) | -                 | -           | -             | (4,480,638)       | (4,480,638)       | -                 | -           | -          | (4,480,638)       | (4,480,638)       |
| <b>Closing balance</b>   | <b>15,000,000</b> | <b>8</b>    | <b>50,323</b> | <b>64,897,551</b> | <b>79,947,883</b> | <b>15,000,000</b> | <b>8</b>    | <b>-</b>   | <b>64,897,551</b> | <b>79,897,560</b> |

As approved at the General Meeting of Shareholders, which was held on 20 April 2017, an operation of reduction and increase of CTT's share capital was performed according to the following terms:

- (i) decrease in the share capital, to release capital surplus, from €75m to €25.5m, with the decrease in the amount of €49.5m to be transferred to free reserves (through the reduction of the nominal value of each share from €0.50 to €0.17), and the share capital increase from €25.5m to €75m, corresponding to an increase of €49.5m (through the increase of the nominal value of each share from €0.17 to €0.50 and considering that article 4(1) and (2) of the Articles of Association of CTT remains unchanged) to be carried out by way of incorporation of reserves mainly resulting from retained earnings arising from revaluations of tangible fixed assets, carried out under special legislation in the amount of €44m and other retained earnings amounting to €5.5m; and
- (ii) adjustment of the amount of the Company's legal reserve, which will thus amount to €15m, by transferring the amount of €3m to free reserves.

### Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the Company but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

### Own shares reserve (CTT, S.A.)

Following the attribution of own shares to executive members of the Board of Directors within the scope of the remuneration policy established by the Remuneration Committee for the 2014-2016 term of office, in January 2017, the corresponding reserve was reduced in the amount of 5,097,527 Euros.

As at 31 December 2018, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

### Other reserves

This heading records the profits transferred to reserves that are not imposed by the law or articles of association, nor constituted pursuant to contracts signed by the Company.

### Retained earnings

During the years ended 31 December 2018 and 31 December 2017, the following movements were made in the **Group** and the **Company** heading Retained earnings:

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2018         | 2017         | 2018         | 2017         |
| Opening balance                                       | 34,268,089   | 93,589,211   | 34,336,935   | 93,602,685   |
| Application of the net profit of the prior year       | 27,263,244   | 62,160,395   | 27,263,244   | 62,160,395   |
| Distribution of dividends (Note 27)                   | (41,627,778) | (72,000,000) | (41,627,778) | (72,000,000) |
| Share capital increase                                | -            | (49,500,000) | -            | (49,500,000) |
| Changes to accounting policies                        | (1,467,664)  | 18,482       | (1,467,664)  | 73,855       |
| Adjustments from the application of the equity method | (2,235)      | -            | (62,933)     | -            |
| Other movements                                       | (1,311,267)  | -            | (1,311,267)  | -            |
| Closing balance                                       | 17,122,389   | 34,268,089   | 17,130,537   | 34,336,935   |

### Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 31).

Thus, for the years ended 31 December 2018 and 31 December 2017, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

|                                  | Group        |              | Company      |              |
|----------------------------------|--------------|--------------|--------------|--------------|
|                                  | 2018         | 2017         | 2018         | 2017         |
| Opening balance                  | (32,634,996) | (27,137,824) | (32,653,520) | (27,137,824) |
| Actuarial gains/losses (Note 31) | 2,181,712    | (7,579,217)  | 2,195,448    | (7,603,118)  |
| Tax effect (Note 49)             | (540,146)    | 2,082,045    | (543,237)    | 2,087,423    |
| Closing balance                  | (30,993,430) | (32,634,996) | (31,001,308) | (32,653,520) |

## 27. DIVIDENDS

According to the dividend distribution proposal included in the 2017 Annual Report, at the General Meeting of Shareholders, which was held on 18 April 2018, a dividend distribution of 57,000,000 Euros regarding the financial year ended 31 December 2017 was proposed and approved. The amount of 41,627,778 Euros was withdrawn from retained earnings and 15,372,222 Euros from reserves. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.38 Euros.

At the General Meeting of Shareholders held on 20 April 2017, a dividend distribution of 72,000,000 Euros was also approved, corresponding to a dividend per share of 0.48 Euros, regarding the financial year ended 31 December 2016. The dividend was paid on 19 May 2017. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.48 Euros.

## 28. EARNINGS PER SHARE

During the years ended 31 December 2018 and 31 December 2017, the earnings per share were calculated as follows:

|                                   | 2018        | 2017        |
|-----------------------------------|-------------|-------------|
| Net income for the period         | 19,621,263  | 27,263,244  |
| Average number of ordinary shares | 149,999,999 | 149,950,640 |
| Earnings per share                |             |             |
| Basic                             | 0.13        | 0.18        |
| Diluted                           | 0.13        | 0.18        |

The average number of shares is detailed as follows:

|  | 2018        | 2017        |
|--|-------------|-------------|
| Shares issued at beginning of the period | 150,000,000 | 150,000,000 |
| Own shares effect                        | 1           | 49,360      |
| Average number of shares during the p    | 149,999,999 | 149,950,640 |

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the Group.

As at 31 December 2018, the number of own shares held is 1 and its average number for the year ended 31 December 2018 is 1, reflecting the fact that the acquisition of own shares occurred in previous years and their attribution occurred on 31 January 2017.

There are no dilutive factors of earnings per share.

## 29. NON-CONTROLLING INTERESTS

During the years ended 31 December 2018 and 31 December 2017, the following movements occurred in non-controlling interests:

|  | 2018    | 2017      |
|--|---------|-----------|
| Opening balance  | 146,738 | (79,135)  |
| Net profit for the year attributable to non-controlling interest | 20,991  | (147,921) |
| Other movements  | (2,235) | 373,795   |
| Closing balance  | 165,494 | 146,738   |

As at 31 December 2018 and 31 December 2017, non-controlling interests related to the following companies:

|                                      | 2018    | 2017    |
|--------------------------------------|---------|---------|
| Correio Expresso de Moçambique, S.A. | 165,494 | 146,738 |
|                                      | 165,494 | 146,738 |

## 30. DEBT

As at 31 December 2018 and 31 December 2017, Debt of the **Group** and the **Company** showed the following composition:



|                         | Group      |            | Company    |      |
|-------------------------|------------|------------|------------|------|
|                         | 2018       | 2017       | 2018       | 2017 |
| Non-current liabilities |            |            |            |      |
| Bank loans              | 24,276,250 | 49,596     | 24,276,250 | -    |
| Leasing                 | 6,276      | 24,093     | -          | -    |
|                         | 24,282,526 | 73,689     | 24,276,250 | -    |
| Current liabilities     |            |            |            |      |
| Bank loans              | 6,558,116  | 10,272,258 | -          | -    |
| Leasing                 | 17,044     | 32,132     | -          | -    |
|                         | 6,575,160  | 10,304,390 | -          | -    |
|                         | 30,857,686 | 10,378,079 | 24,276,250 | -    |

As at 31 December 2018, the interest rates applied to finance leases were between 1.50% and 2.75% (31 December 2017: between 0.625% and 4.50%) and the interest rates applied to other loans were between 1.25% and 1.875% (31 December 2017: 1.49% and 2.25%).

### Bank loans and other loans

As at 31 December 2018 and 31 December 2017, the details of the **Group** and **Company** bank loans were as follows:

| Financing entity   | Group      |             |             | Company     |             |             |
|--------------------|------------|-------------|-------------|-------------|-------------|-------------|
|                    | Limit      | 2018        |             | Limit       | 2017        |             |
|                    |            | Amount used |             |             | Amount used |             |
|                    |            | Current     | Non-current |             | Current     | Non-current |
| Bank loans         |            |             |             |             |             |             |
| Millennium BCP     | 11,250,000 | 6,543,879   | -           | 10,750,000  | 10,272,258  | -           |
| BBVA / Bankinter   | 75,000,000 | -           | 24,276,250  | 90,000,000  | -           | -           |
| BIM - (Mozambique) | 14,237     | 14,237      | -           | 92,107      | -           | 49,596      |
| Other loans        |            |             |             |             |             |             |
| BIM - (Mozambique) | 6,049      | -           | -           | 42,511      | -           | -           |
|                    | 86,270,286 | 6,558,116   | 24,276,250  | 100,884,618 | 10,272,258  | 49,596      |

| Financing entity | Company    |             |             | Company     |             |             |
|------------------|------------|-------------|-------------|-------------|-------------|-------------|
|                  | Limit      | 2018        |             | Limit       | 2017        |             |
|                  |            | Amount used |             |             | Amount used |             |
|                  |            | Current     | Non-current |             | Current     | Non-current |
| Bank loans       |            |             |             |             |             |             |
| Millennium BCP   | 100,000    | -           | -           | 10,750,000  | -           | -           |
| BBVA / Bankinter | 75,000,000 | -           | 24,276,250  | 90,000,000  | -           | -           |
|                  | 75,100,000 | -           | 24,276,250  | 100,750,000 | -           | -           |

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. As at 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros.

The financing negotiated with Spanish banks is intended to finance the operating activity of the subsidiary Tourline, subject to Eonia interest rate.

### Leasings

As at 31 December 2018 and 31 December 2017, the **Group** has the following assets under finance leases:

|                     | 2018         |  |                 | 2017         |  |                 |
|---------------------|--------------|--|-----------------|--------------|--|-----------------|
|                     | Gross amount | Depreciation/accumulated impairment losses | Carrying amount | Gross amount | Depreciation/accumulated impairment losses | Carrying amount |
| Basic equipment     | 70,439       | 34,836                                     | 35,603          | -            | -  | -               |
| Transport equipment | -            | -  | -               | 316,422      | 173,916                                    | 142,506         |
|                     | 70,439       | 34,836                                     | 35,603          | 316,422      | 173,916                                    | 142,506         |

During the year ended 31 December 2017, the leasing contracts existing in CTT and CTT Expresso terminated, and both companies exercised the purchase option as provided in those contracts.

The leasing contracts existing in the **Group** relate to the leasing of vehicles used in the operational activity of the subsidiary Corre.

The monthly rents are calculated based on the initial contract value, and it is possible to exercise the call option by paying a residual value.

There are no other restrictions in the contracts that have been signed.

As at 31 December 2018 and 31 December 2017, the **Group** liabilities with financial lease contracts presented the following plan of due dates:

|                          | 2018    |          |        | 2017    |          |        |
|--------------------------|---------|----------|--------|---------|----------|--------|
|                          | Capital | Interest | Total  | Capital | Interest | Total  |
| Due within 1 year        | 17,044  | 4,403    | 21,447 | 32,132  | 9,866    | 41,998 |
| Due between 1 to 5 years | 6,276   | 164      | 6,441  | 24,093  | 6,723    | 30,816 |
| Over 5 years             | -       | -        | -      | -       | -        | -      |
| Total                    | 23,320  | 4,567    | 27,887 | 56,224  | 16,589   | 72,813 |

For the years ended 31 December 2018 and 31 December 2017, the values paid by the **Group** in relation to leasing interest amounted to 452 Euros and 1,776 Euros, respectively. In the **Company**, the amount paid was 802 Euros for the period ended 31 December 2017.

### 31. EMPLOYEE BENEFITS

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare and pension plan (ii) other long-term benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2018 and 31 December 2017, the **Group** and the **Company** liabilities presented the following movement:

|                        | 2018        |              |                                   |   |             |   |             | 2017        |                                   |   |             |   |             |  |
|------------------------|-------------|--------------|-----------------------------------|---|-------------|---|-------------|-------------|-----------------------------------|---|-------------|---|-------------|--|
|                        | Group       |              |                                   |   | Equity      |   |             | Company     |                                   |   |             | Equity                                    |             |  |
|                        | Healthcare  | Pension Plan | Other long-term employee benefits | Other long-term benefits statutory bodies | Total       | Other long-term benefits statutory bodies | Total       | Healthcare  | Other long-term employee benefits | Other long-term benefits statutory bodies | Total       | Other long-term benefits statutory bodies | Total       |  |
| Opening balance        | 253,972,386 | 355,750      | 15,652,065                        | 40,140                                    | 270,020,341 | -   | 270,020,341 | 253,972,386 | 15,652,065                        | 40,140                                    | 269,664,591 | -   | 269,664,591 |  |
| Movement of the period | (2,173,876) | (11,399)     | (6,204,763)                       | 50,880                                    | (8,339,158) | (8,339,158)                               | (8,339,158) | (2,173,876) | (6,204,763)                       | 50,880                                    | (8,327,759) | (8,327,759)                               | (8,327,759) |  |
| Closing balance        | 251,798,510 | 344,351      | 9,447,302                         | 91,020                                    | 261,681,183 | (8,339,158)                               | 261,681,183 | 251,798,510 | 9,447,302                         | 91,020                                    | 261,336,832 | (8,327,759)                               | 261,336,832 |  |

|                        | 2017        |              |                                   |   |             |   |             | 2017        |                                   |   |             |   |             |  |
|------------------------|-------------|--------------|-----------------------------------|---|-------------|---|-------------|-------------|-----------------------------------|---|-------------|---|-------------|--|
|                        | Group       |              |                                   |   | Equity      |   |             | Company     |                                   |   |             | Equity                                    |             |  |
|                        | Healthcare  | Pension Plan | Other long-term employee benefits | Other long-term benefits statutory bodies | Total       | Other long-term benefits statutory bodies | Total       | Healthcare  | Other long-term employee benefits | Other long-term benefits statutory bodies | Total       | Other long-term benefits statutory bodies | Total       |  |
| Opening balance        | 249,110,199 | -            | 18,725,982                        | -   | 267,836,181 | 4,480,638                                 | 272,316,819 | 249,110,199 | 18,725,982                        | -   | 267,836,181 | 4,480,638                                 | 272,316,819 |  |
| Movement of the period | 4,862,187   | 355,750      | (3,073,917)                       | 40,140                                    | 2,184,160   | (4,480,638)                               | (2,296,478) | 4,862,187   | (3,073,917)                       | 40,140                                    | 1,828,410   | (4,480,638)                               | (2,652,228) |  |
| Closing balance        | 253,972,386 | 355,750      | 15,652,065                        | 40,140                                    | 270,020,341 | (4,480,638)                               | 270,020,341 | 253,972,386 | 15,652,065                        | 40,140                                    | 269,664,591 | (4,480,638)                               | 269,664,591 |  |

The heading Other long-term benefits essentially refers to the benefit Pensions for work accidents and to the on-going staff reduction programme.

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

|                         | Group       |             | Company     |             |
|-------------------------|-------------|-------------|-------------|-------------|
|                         | 2018        | 2017        | 2018        | 2017        |
| Non-current liabilities | 244,562,078 | 252,919,533 | 244,249,491 | 252,595,578 |
| Current liabilities     | 17,119,105  | 17,100,808  | 17,087,341  | 17,069,013  |
|                         | 261,681,183 | 270,020,341 | 261,336,832 | 269,664,591 |

As at 31 December 2018 and 31 December 2017, the costs related to employee benefits recognised in the consolidated and individual income statement and the amount recognised directly in Other changes in equity were as follows:

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018        | 2017        | 2018        | 2017        |
| Costs for the period                      |             |             |             |             |
| Healthcare                                | 9,468,797   | 7,458,167   | 9,468,797   | 7,458,167   |
| Pension plan                              | 7,100       | 3,748       | -           | -           |
| Other long-term employee benefits         | (3,496,528) | 86,118      | (3,496,528) | 86,118      |
| Other long-term benefits statutory bodies | 50,880      | 657,030     | 50,880      | 657,030     |
|   | 6,030,249   | 8,205,063   | 6,023,149   | 8,201,315   |
| Other changes in equity                   |             |             |             |             |
| Healthcare                                | (2,195,448) | (7,603,118) | (2,195,448) | (7,603,118) |
| Pension Plan                              | 13,736      | 23,901      | -           | -           |
|   | (2,181,712) | (7,579,217) | (2,195,448) | (7,603,118) |

### Healthcare

As mentioned in Note 2.19, CTT is responsible for financing both healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2018.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

|                                | 2018  | 2017  |
|--------------------------------|---|---|
| <b>Financial assumptions</b>   |   |   |
| Discount rate                  | 2.10%   | 2.00%   |
| Salaries expected growth rate  | 2.25%   | 2.25%   |
| Pensions growth rate           | Law no. 53-B/2006<br>(with $\Delta$ GDP < 2%) | Law no. 53-B/2006<br>(with $\Delta$ GDP < 2%) |
| Inflation rate                 | 1.50%   | 1.50%   |
| Health costs growth rate       |   |   |
| - Inflation rate               | 1.50%   | 1.50%   |
| - Growth due to ageing         | 1.75%   | 2.00%   |
| <b>Demographic assumptions</b> |   |   |
| Mortality table                | Men: TV 88/90<br>Women: TV 88/90 (-1)         | TV 88/90                                      |
| Disability table               | Swiss RE                                      | Swiss RE                                      |

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA" or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The discount rate is determined by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 2.10%.

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan's data.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

|                                      | Group and Company |             |             |             |             |
|--------------------------------------|-------------------|-------------|-------------|-------------|-------------|
|                                      | 2018              | 2017        | 2016        | 2015        | 2014        |
| Liabilities at the end of the period |                   |             |             |             |             |
| IOS plan                             | 244,758,317       | 250,622,728 | 246,367,140 | 236,806,000 | 241,166,000 |
| Insurance policy                     | 7,040,193         | 3,349,658   | 2,743,059   | -           | -           |
|                                      | 251,798,510       | 253,972,386 | 249,110,199 | 236,806,000 | 241,166,000 |

For the years ended 31 December 2018 and 31 December 2017, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

|                           | Group and Company |              |                  |           |
|---------------------------|-------------------|--------------|------------------|-----------|
|                           | IOS Plan          |              | Insurance policy |           |
|                           | 2018              | 2017         | 2018             | 2017      |
| Opening balance           | 250,622,728       | 246,367,140  | 3,349,658        | 2,743,059 |
| Service cost of the year  | 4,598,000         | 4,533,000    | -                | -         |
| Interest cost of the year | 4,911,000         | 4,829,000    | 66,000           | 53,000    |
| Plan amendment            | (3,704,171)       | (2,628,511)  | 3,597,968        | 671,678   |
| Pensioners contributions  | 4,591,286         | 4,840,725    | 154,509          | 17,481    |
| (Payment of benefits)     | (13,228,127)      | (14,342,805) | (392,850)        | (97,728)  |
| (Other costs)             | (547,319)         | (602,923)    | (24,724)         | (13,849)  |
| Actuarial (gains)/losses  | (2,485,080)       | 7,627,101    | 289,631          | (23,983)  |
| Closing balance           | 244,758,317       | 250,622,728  | 7,040,193        | 3,349,658 |

Under the human resources optimisation process, started in 2016 and reinforced in 2017 and 2018, some employees are no longer considered in the IOS healthcare plan ("*Instituto das Obras Sociais*") being from that date onwards covered by an insurance policy with similar coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms, as referred to in note 2.19. This revised plan has been considered as an amendment to the plan and therefore recognised in profit and loss under the caption Staff costs.

The total costs for the period were recognised as follows:

|   | Group and Company |           |                  |         |
|---|-------------------|-----------|------------------|---------|
|   | IOS Plan          |           | Insurance policy |         |
|   | 2018              | 2017      | 2018             | 2017    |
| Staff costs/employee benefits (Note 44) | 346,509           | 1,301,566 | 3,573,244        | 657,829 |
| Other costs                             | 547,319           | 602,923   | 24,724           | 13,849  |
| Interest expenses (Note 48)             | 4,911,000         | 4,829,000 | 66,000           | 53,000  |
|   | 5,804,829         | 6,733,489 | 3,663,968        | 724,678 |

As at 31 December 2018, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (2,485,080) Euros (7,627,101 Euros as at 31 December 2017) were recognised in equity under Other changes in equity, net of deferred taxes of 695,822 Euros (2,093,639 Euros as at 31 December 2017).

In this respect, the amount of the actuarial (gains)/losses accounted in 31 December 2018 regarding the IOS Plan mainly refers to the change in the discount rate combined with the adjustment considered in the mortality table as well as to the fact that the growth in healthcare costs per capita was higher than the expected growth rate.

In what refers to the Insurance Policy, as at 31 December 2018 and as at 31 December 2017, the amounts of 289,631 Euros and (23,983) Euros, respectively, related to the actuarial (gains)/losses were recognised in equity under Other changes in equity, net of deferred taxes of 81,097 Euros and 6,583 Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognise in the next annual period is 9,397 thousand Euros.

The sensitivity analysis performed for the healthcare plan leads to the following conclusions:

- (i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 311,044 thousand Euros, increasing by approximately 23.5%.
- (ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.9%, amounting to 261,619 thousand Euros.
- (iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 2.7% amounting to a total of 258,663 thousand Euros.

#### Pension Plan

As mentioned in Note 2.19, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta.

In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2018.

The main assumptions followed in the **Group** actuarial study were:

|                                | 2018                                  | 2017     |
|--------------------------------|---------------------------------------|----------|
| <u>Financial assumptions</u>   |                                       |          |
| Discount rate                  | 2.10%                                 | 2.00%    |
| Salaries growth rate           | 2.25%                                 | 2.25%    |
| Inflation rate                 | 150%                                  | 150%     |
| <u>Demographic assumptions</u> |                                       |          |
| Mortality table                | Men: TV 88/90<br>Women: TV 88/90 (-1) | TV 88/90 |
| Disability rate                | EKV 80                                | EKV 80   |

For the year ended 31 December 2018, the movement of **Group** liabilities with the Pension Plan was as follows:

|  | Group    |          |
|--|----------|----------|
|  | 2018     | 2017     |
| Opening balance                        | 355,750  | -        |
| Changes in the consolidation perimeter | -        | 398,472  |
| Service cost of the year               | 303      | 612      |
| Interest cost of the year              | 6,797    | 3,136    |
| (Payment of benefits)                  | (32,235) | (22,569) |
| Actuarial (gains)/losses               | 13,736   | (23,901) |
| Closing balance                        | 344,351  | 355,750  |

The total costs for the period were recognised as follows:

|   | Group |       |
|---|-------|-------|
|   | 2018  | 2017  |
| Staff costs/employee benefits (Note 44) | 303   | 612   |
| Other costs                             | -     | -     |
| Interest expenses (Note 48)             | 6,797 | 3,136 |
|   | 7,100 | 3,748 |

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognise in the next annual period, is 7,174 Euros.

The sensitivity analysis performed in the year ended 31 December 2018 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 2%, amounting to 351,238 Euros.

#### Other long-term employee benefits

As mentioned in Note 2.19, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2018, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

|  | 2018                                  | 2017     |
|--|---------------------------------------|----------|
| <u>Financial assumptions</u>   |                                       |          |
| Discount rate  | 2.10%                                 | 2.00%    |
| Salaries growth rate (Suspension of contracts)                             | 2.25%                                 | 2.25%    |
| Pensions growth rate<br>(Pension for work accidents, Monthly life annuity) | 150%                                  | 150%     |
| Inflation rate   | 150%                                  | 150%     |
| <u>Demographic assumptions</u>   |                                       |          |
| Mortality table  | Men: TV 88/90<br>Women: TV 88/90 (-1) | TV 88/90 |

For the years ended 31 December 2018 and 31 December 2017, the movement of **Group** and the **Company** liabilities with other long-term employee benefits was as follows:

|  | <b>Group and Company</b> |                   |
|--|--------------------------|-------------------|
|  | 2018                     | 2017              |
| <b>Suspension of contracts, redeployment and release of employment</b> |                          |                   |
| Opening balance  | 3,311,871                | 5,494,833         |
| Interest cost of the period  | 47,354                   | 88,229            |
| Liabilities relative to new beneficiaries                              | -                        | 194,189           |
| Curtailment  | -                        | (110,686)         |
| (Payment of benefits)  | (2,058,910)              | (2,517,021)       |
| Actuarial (gains)/losses   | 291,191                  | 162,327           |
| <b>Closing balance</b>   | <b>1,591,506</b>         | <b>3,311,871</b>  |
| <b>Telephone subscription fee</b>                                      |                          |                   |
| Opening balance  | 1,503,339                | 2,105,828         |
| Interest cost of the period  | 28,487                   | 40,003            |
| (Payment of benefits)  | (140,360)                | (150,161)         |
| Actuarial (gains)/losses   | 31,145                   | (492,331)         |
| <b>Closing balance</b>   | <b>1,422,611</b>         | <b>1,503,339</b>  |
| <b>Pension for work accidents</b>                                      |                          |                   |
| Opening balance  | 6,943,008                | 7,349,306         |
| Interest cost of the period  | 134,938                  | 142,677           |
| (Payment of benefits)  | (430,448)                | (393,246)         |
| Actuarial (gains)/losses   | (404,182)                | (155,729)         |
| <b>Closing balance</b>   | <b>6,243,316</b>         | <b>6,943,008</b>  |
| <b>Monthly life annuity</b>  |                          |                   |
| Opening balance  | 3,893,847                | 3,776,015         |
| Interest cost of the period  | 76,887                   | 74,573            |
| Curtailment  | (3,542,819)              | -                 |
| (Payment of benefits)  | (78,517)                 | (99,608)          |
| Actuarial (gains)/losses   | (159,529)                | 142,867           |
| <b>Closing balance</b>   | <b>189,869</b>           | <b>3,893,847</b>  |
| <b>Total</b>   | <b>9,447,302</b>         | <b>15,652,065</b> |

During the years ended 31 December 2018 and 31 December 2017, the total costs for the year were recognised as follows:

|   | <b>Group and Company</b> |                  |
|---|--------------------------|------------------|
|   | 2018                     | 2017             |
| <b>Staff costs/employee benefits (Note 44)</b>                  |                          |                  |
| Suspension of contracts, redeployment and release of employment | 291,191                  | 245,830          |
| Telephone subscription fee                                      | 31,145                   | (492,331)        |
| Pension for work accidents                                      | (404,182)                | (155,729)        |
| Monthly life annuity  | (3,702,348)              | 142,867          |
|   | <b>(3,784,194)</b>       | <b>(259,363)</b> |
| <b>Interest expenses (Note 48)</b>                              |                          |                  |
|   | 287,666                  | 345,482          |
|   | <b>(3,496,528)</b>       | <b>86,118</b>    |

The liability reduction recognised in the benefit "Monthly life annuity" (SMV) is due to the replacement by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October, and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT. In accordance and in order to inform the beneficiaries of these changes, the Company sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

In the year ended 31 December 2017, following the analysis of the historical data of the monthly costs per beneficiary and the number of beneficiaries of the Telephone subscription fee performed by the

independent expert, a liability reduction was recorded in the amount of 492,331 Euros, in the heading Staff costs since it related to long-term employee benefits. In the year ended 31 December 2018 the assumptions related to the monthly cost per beneficiary were maintained.

The liabilities related to new beneficiaries as well as the cut observed in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimisation process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

The actuarial (gains)/losses regarding long-term employee benefits recognised as at 31 December 2018 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognised in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 180,533 Euros.

The sensitivity analysis performed on 31 December 2018 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 2.0%, increasing to 9,636 thousand Euros.

#### Other long-term benefits for the Statutory Bodies

CTT approved, with effect from 31 December 2017, the Remuneration Regulation for Members of the Statutory Bodies for the period 2017-2019, which defines the allocation of a long-term variable remuneration, to be paid in cash (note 2.19). The plan is now considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting therefrom should be recorded in the income statement.

The amount to be attributed to the members of the CTT Executive Committee is based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

As a result, as at 31 December 2018, CTT recorded a cost of 50,880 Euros corresponding to the period from 1 January 2018 to 31 December 2018, booked against Other liabilities.

## 32. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

### Provisions

For the years ended 31 December 2018 and 31 December 2017, in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognised provisions, which showed the following movement:

| Group   | 2018              |                   |                    |                     |                  |  | Closing balance   |
|---|-------------------|-------------------|--------------------|---------------------|------------------|--|-------------------|
|   | Opening balance   | Increases         | Reversals          | Utilisations        | Transfers        | Changes in the consolidation perimeter |                   |
| Non-current provisions  |                   |                   |                    |                     |                  |  |                   |
| Litigations   | 3,390,479         | 1,209,497         | (1,294,790)        | (261,423)           | 105,858          | -                                      | 3,149,620         |
| Restructuring   | 1,729,651         | 1,509,881         | (394,567)          | (119,354)           | (883,452)        | -                                      | 1,842,159         |
| Other provisions  | 8,338,601         | 1,534,560         | (644,556)          | (101,264)           | (105,858)        | -                                      | 9,021,484         |
| <b>Sub-total - caption "Provisions (increases)/reversals"</b> | <b>13,458,730</b> | <b>4,253,937</b>  | <b>(2,333,913)</b> | <b>(482,041)</b>    | <b>(883,452)</b> | -                                      | <b>14,013,263</b> |
| Restructuring   | 11,903,172        | 16,731,772        | (286,479)          | (27,321,562)        | -                | -                                      | 1,026,902         |
| Other provisions  | 666,430           | 316,802           | (4,058)            | -                   | -                | -                                      | 979,174           |
|   | <b>26,028,332</b> | <b>21,302,512</b> | <b>(2,624,450)</b> | <b>(27,803,603)</b> | <b>(883,452)</b> | -                                      | <b>16,019,339</b> |



| Group   | 2017              |                   |                    |                    |           |  | Closing balance   |
|---|-------------------|-------------------|--------------------|--------------------|-----------|--|-------------------|
|   | Opening balance   | Increases         | Reversals          | Utilisations       | Transfers | Changes in the consolidation perimeter |                   |
| Non-current provisions  |                   |                   |                    |                    |           |  |                   |
| Litigations   | 4,838,552         | 2,316,092         | (2,805,272)        | (1,140,292)        | 151,399   | 30,000                                 | 3,390,479         |
| Restructuring   | -                 | 1,729,651         | -                  | -                  | -         | -                                      | 1,729,651         |
| Other provisions  | 9,288,931         | 118,462           | (333,053)          | (584,340)          | (151,399) | -                                      | 8,338,601         |
| <b>Sub-total - caption "Provisions (increases)/reversals"</b> | <b>14,127,483</b> | <b>4,164,205</b>  | <b>(3,138,325)</b> | <b>(1,724,632)</b> | <b>-</b>  | <b>30,000</b>                          | <b>13,458,730</b> |
| Restructuring   | -                 | 13,101,590        | (146,222)          | (1,052,197)        | -         | -                                      | 11,903,172        |
| Other provisions  | -                 | 666,430           | -                  | -                  | -         | -                                      | 666,430           |
|   | <b>14,127,483</b> | <b>17,932,225</b> | <b>(3,284,546)</b> | <b>(2,776,829)</b> | <b>-</b>  | <b>30,000</b>                          | <b>26,028,332</b> |

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (1,920,024) Euros and (1,025,880) Euros as at 31 December 2018 and 2017, respectively.

| Company   | 2018              |                   |                    |                     |                  |               | Closing balance   |
|---|-------------------|-------------------|--------------------|---------------------|------------------|---------------|-------------------|
|   | Opening balance   | Increases         | Reversals          | Utilisations        | Transfers        | Mergers       |                   |
| Non-current provisions  |                   |                   |                    |                     |                  |               |                   |
| Litigations   | 2,942,813         | 1,132,552         | (1,216,749)        | (231,611)           | 105,858          | 30,878        | 2,763,740         |
| Restructuring   | 1,729,651         | 1,146,861         | (394,567)          | (119,354)           | (883,452)        | -             | 1,479,139         |
| Other provisions  | 8,248,347         | 156               | (578,663)          | (18,772)            | (105,858)        | 4,327         | 7,549,538         |
| <b>Sub-total - caption "Provisions (increases)/reversals"</b> | <b>12,920,810</b> | <b>2,279,569</b>  | <b>(2,189,979)</b> | <b>(369,737)</b>    | <b>(883,452)</b> | <b>35,205</b> | <b>11,792,417</b> |
| Investments in subsidiary and associated companies            | 4,237,541         | 10,220,139        | -                  | (14,457,680)        | -                | -             | -                 |
| Restructuring   | 11,841,708        | 16,418,645        | (268,479)          | (27,088,781)        | -                | 11,748        | 914,840           |
| Other provisions  | 550,000           | -                 | -                  | -                   | -                | -             | 550,000           |
|   | <b>29,550,059</b> | <b>28,918,354</b> | <b>(2,458,458)</b> | <b>(41,916,198)</b> | <b>(883,452)</b> | <b>46,953</b> | <b>13,257,257</b> |

| Company   | 2017              |                   |                    |                     |           |          | Closing balance   |
|---|-------------------|-------------------|--------------------|---------------------|-----------|----------|-------------------|
|   | Opening balance   | Increases         | Reversals          | Utilisations        | Transfers | Mergers  |                   |
| Non-current provisions  |                   |                   |                    |                     |           |          |                   |
| Litigations   | 4,486,591         | 1,995,738         | (2,609,440)        | (1,081,475)         | 151,399   | -        | 2,942,813         |
| Restructuring   | -                 | 1,729,651         | -                  | -                   | -         | -        | 1,729,651         |
| Other provisions  | 8,927,881         | 37,772            | (156,270)          | (409,637)           | (151,399) | -        | 8,248,347         |
| <b>Sub-total - caption "Provisions (increases)/reversals"</b> | <b>13,414,472</b> | <b>3,763,160</b>  | <b>(2,765,710)</b> | <b>(1,491,112)</b>  | <b>-</b>  | <b>-</b> | <b>12,920,810</b> |
| Investments in subsidiary and associated companies            | 6,912,830         | 6,910,256         | -                  | (9,585,544)         | -         | -        | 4,237,541         |
| Restructuring   | -                 | 11,841,708        | -                  | -                   | -         | -        | 11,841,708        |
| Other provisions  | -                 | 550,000           | -                  | -                   | -         | -        | 550,000           |
|   | <b>20,327,302</b> | <b>23,065,124</b> | <b>(2,765,710)</b> | <b>(11,076,656)</b> | <b>-</b>  | <b>-</b> | <b>29,550,059</b> |

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to (89,590) Euros and (997,450) Euros as at 31 December 2018 and 2017, respectively.

### Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits.

### Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. As a result of this Transformation Plan, a provision for restructuring in the total amount of 13,571,359 Euros was recorded in the **Company** having 11,841,708 Euros been recorded against the caption Staff costs and the amount of 1,729,651 Euros was recognised under the heading Provisions, net in the income statement.

Following the continuation of the HR optimisation programme in 2018, reinforcements of this provision in the amount of 16,731,772 Euros and 16,418,645 Euros were recorded in the **Group** and in the **Company**, respectively, against the caption Staff costs in the income statement. As at 31 December 2018 the provision amounts to 1,026,902 Euros and 914,841 Euros in the **Group** and in the **Company**, respectively.

The utilisations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Also, within the scope of the Operational Transformation Plan, in the area of optimisation of the delivery network and mail processing operations, the **Group** and the **Company**, in the period ended 31 December 2018, created a provision for restructuring in the amount of 1,397,647 Euros and 1,034,626 Euros, respectively, which was recognised under "Provisions (increases) / reversals" in the income statement by nature.

In addition, during the year ended 31 December 2017, a provision for restructuring was recognised in the accounts of the subsidiary Transporta – Transportes Porta a Porta, S.A., for 1,198,418 Euros, following the human resources optimisation and restructuring process. This provision was recorded under the heading Staff costs in the consolidated income statement.

#### Other provisions

As at 31 December 2018 the provision, in the **Group** and the **Company**, to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 7,197,562 Euros (7,882,083 as at 31 December de 2017).

As at 31 December 2018, a provision is recognised in Tourline to face the notification issued by the Spanish National Commission on Markets and Competition, which has now been the subject of an appeal to the Spanish Audiencia Nacional (National High Court). The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors.

As at 31 December 2018, in addition to the previously mentioned situations, this heading also includes in the **Group** and the **Company**:

- the amount of 71,228 Euros in the **Company** to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 670,914 Euros in the **Group** and 550,000 Euros in the **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies.
- the amount of 312,744 Euros regarding the liability, recognised in the company Transporta, with a labour legal proceeding.

#### Investments in subsidiary and associated companies

The provision for investments in associated companies corresponds to the assumption by the Group of legal or constructive obligations regarding the associated company Payshop Moçambique, S.A.. The reversal recorded on 31 December 2017 results from the **Group** assessment in which it concluded that the previously existing obligations are no longer maintained.

The provision for investments in subsidiary companies corresponds to the assumption by the **Company** of legal or constructive obligations regarding the subsidiaries Transporta – Transportes Porta a Porta, S.A. and Tourline Express Mensajería, SLU in the year ended 31 December 2017.

#### Guarantees provided

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

| Description   | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2018              | 2017              | 2018              | 2017              |
| Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)  | 10,863,848        | 4,844,868         | 10,863,848        | 4,721,328         |
| Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comisión Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain) | 3,148,845         | -                 | 3,148,845         | -                 |
| PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)  | 2,033,582         | 2,033,582         | 2,033,582         | 2,033,582         |
| LandSearch, Compra e Venda de Imóveis (Real estate company)   | 1,792,886         | 1,792,886         | 1,792,886         | 1,792,886         |
| Courts  | 232,687           | 126,204           | 87,927            | 104,984           |
| TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)   | 150,000           | 150,000           | -                 | -                 |
| Municipalities  | 122,165           | 188,491           | 118,658           | 186,487           |
| INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)  | 85,056            | 46,167            | -                 | -                 |
| Solred (Repsol's fuel cards)  | 80,000            | 80,000            | -                 | -                 |
| EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)  | 68,895            | 21,433            | 68,895            | -                 |
| Fonavi, Nave Hospitalet   | 40,477            | 40,477            | -                 | -                 |
| ANA - Aeroportos de Portugal (Airports of Portugal)   | 34,000            | 68,000            | 34,000            | 68,000            |
| EMEL, S.A. (Municipal company managing parking in Lisbon)   | 26,984            | 26,984            | 26,984            | 7,600             |
| Águas do Norte (Water Supply of the Northern Region)  | 23,804            | 23,804            | 23,804            | 23,804            |
| Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)  | 17,000            | 17,000            | 17,000            | -                 |
| Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)   | 16,867            | 16,867            | 16,867            | 16,867            |
| Portugal Telecom, S.A. (Telecommunication Company)  | 16,658            | 16,658            | 16,658            | 16,658            |
| Refer (public service for the management of the national railway network infrastructure)  | 16,460            | 16,460            | -                 | -                 |
| Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)  | 16,406            | 16,406            | 16,406            | 16,406            |
| SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)  | 15,889            | 15,889            | 15,889            | -                 |
| Repsol (Oil and Gas Company)  | 15,000            | 15,000            | -                 | -                 |
| Other entities  | 14,103            | 14,103            | -                 | -                 |
| Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area)  | 13,086            | 13,086            | 13,086            | 13,086            |
| ACT Autoridade Condições Trabalho (Authority for Working Conditions)  | 12,460            | 12,460            | 12,460            | 12,460            |
| Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)  | 10,720            | 10,720            | -                 | -                 |
| SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)   | 9,909             | 9,909             | 9,909             | 7,101             |
| Instituto de Segurança Social (Social Security Institute)   | 8,190             | 8,190             | 8,190             | 8,190             |
| Promodois (Real estate company)   | 6,273             | 6,273             | 6,273             | 6,273             |
| Consejería Salud (Local Health Service/ Spain)  | 4,116             | 4,116             | -                 | -                 |
| Instituto do emprego e formação profissional (Employment and Professional Training Institute)   | 3,718             | 3,718             | 3,718             | -                 |
| Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the Ministry of Internal Administration)  | 3,644             | -                 | 3,644             | -                 |
| Casa Pia de Lisboa, I.P. (public institute for the promotion and protection of the children and youngsters' rights)   | 1,863             | 1,863             | 1,863             | 1,863             |
| IFADAP (National Support Institute for Farming and Fishing)   | 1,746             | 1,746             | 1,746             | 1,746             |
| Águas do Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)   | 870               | 870               | 870               | 870               |
| FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA (Pension Fund)  | -                 | 3,030,174         | -                 | 3,030,174         |
| NOVIMOVESTE - Fundo de Investimento Imobiliário (Property fund)   | -                 | 1,523,201         | -                 | 1,523,201         |
| LUSIMOVESTE - Fundo de Investimento Imobiliário (Property fund)   | -                 | 1,274,355         | -                 | 1,274,355         |
| SPMS - Serviços Partilhados do Ministério da Saúde (Shared services of the Ministry of Health)  | -                 | 30,180            | -                 | 30,180            |
| TNT Express Worldwide   | -                 | 6,010             | -                 | -                 |
|   | <b>18,908,206</b> | <b>15,508,150</b> | <b>18,344,007</b> | <b>14,898,100</b> |

### Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the **Company's** services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided.

These guarantees amount to 3,826,468 Euros and 9,654,198 Euros as at 31 December 2018 and 31 December 2017, respectively, in the **Group** and the **Company**.

The amounts relating to the Portuguese Tax and Customs Authority ("Autoridade Tributária e Aduaneira") arise essentially from tax enforcement proceedings arising from the inspection process regarding VAT of fiscal years 2013, 2014 and 2015.

Following the risk assessment carried out by its legal advisors, the **Company** provided bank guarantees under the opposition presented in the arbitral tribunal, considering these proceedings as contingent liabilities.

Tourline Express Mensageria, SLU provided a bank guaranty to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition (“Comisión Nacional de los Mercados y la Competencia”) in the amount of 3,148,845 Euros, while the appeal presented by Tourline in the National Audience in Spain proceeds.

#### Commitments

As at 31 December 2018 and 31 December 2017, the **Group** subscribed promissory notes amounting to approximately 42.7 thousand Euros and 42.5 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the subsidiary Tourline and regarding the subsidiary Corre in the amount of 92,540 Euros, which are still active as at 31 December 2018.

In addition, the **Group** and the **Company** also assumed commitments relating to real estate rents under lease contracts and rents for operating and financial leases.

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

### 33. ACCOUNTS PAYABLE

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** heading Accounts payable showed the following composition:

|  | <b>Group</b> |             | <b>Company</b> |             |
|--|--------------|-------------|----------------|-------------|
|  | 2018         | 2017        | 2018           | 2017        |
| Non-current                                  |              |             |                |             |
| Other accounts payable                       | -            | -           | 312,744        | -           |
|  | -            | -           | 312,744        | -           |
| Current                                      |              |             |                |             |
| Advances from customers                      | 2,939,052    | 2,989,508   | 2,914,849      | 2,968,359   |
| CNP money orders                             | 85,601,930   | 192,760,943 | 85,601,930     | 192,760,943 |
| Suppliers                                    | 68,209,836   | 67,167,246  | 55,841,227     | 52,568,608  |
| Invoices pending confirmation                | 12,332,620   | 10,783,684  | 9,144,335      | 6,827,573   |
| Fixed assets suppliers                       | 5,996,962    | 8,069,559   | 4,246,703      | 5,937,841   |
| Invoices pending confirmation (fixed assets) | 9,367,220    | 8,934,307   | 9,265,281      | 8,658,715   |
| Values collected on behalf of third parties  | 11,491,455   | 10,307,613  | 8,798,133      | 7,686,289   |
| Postal financial services                    | 115,408,707  | 77,584,441  | 115,408,707    | 77,584,441  |
| Advances regarding disposals                 | 12,253       | 9,947       | 12,253         | 9,947       |
| Other accounts payable                       | 10,916,185   | 5,926,046   | 9,363,900      | 5,998,369   |
|  | 322,276,222  | 384,533,294 | 300,597,319    | 361,001,085 |
|  | 322,276,222  | 384,533,294 | 300,910,063    | 361,001,085 |

#### CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Centre (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year.

#### Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders.

### Suppliers and fixed assets suppliers

As at 31 December 2018 and 31 December 2017 the **Group** and the **Company** heading Suppliers showed the following composition:

|                                | Group      |            | Company    |            |
|--------------------------------|------------|------------|------------|------------|
|                                | 2018       | 2017       | 2018       | 2017       |
| Other suppliers                | 33,444,068 | 30,726,477 | 21,115,816 | 16,050,954 |
| Postal operators               | 34,751,168 | 36,431,299 | 33,735,978 | 35,546,803 |
| Group companies <sup>(1)</sup> | 14,599     | 9,470      | 989,432    | 970,851    |
|                                | 68,209,836 | 67,167,246 | 55,841,227 | 52,568,608 |

<sup>(1)</sup> Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2018 and 31 December 2017, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

| Suppliers                      | Group      |            | Company    |            |
|--------------------------------|------------|------------|------------|------------|
|                                | 2018       | 2017       | 2018       | 2017       |
| <b>Non-overdue</b>             | 24,039,588 | 26,555,426 | 15,614,171 | 17,379,843 |
| <b>Overdue <sup>(1)</sup>:</b> |            |            |            |            |
| 0-30 days                      | 9,663,956  | 6,556,830  | 6,905,445  | 2,532,767  |
| 31-90 days                     | 9,804,326  | 3,894,829  | 9,359,383  | 3,292,291  |
| 91-180 days                    | 145,873    | 276,540    | 11,134     | 56,812     |
| 181-360 days                   | 9,215,690  | 11,284,286 | 9,105,105  | 11,099,156 |
| > 360 days                     | 15,340,404 | 18,599,336 | 14,845,990 | 18,207,739 |
|                                | 68,209,836 | 67,167,246 | 55,841,227 | 52,568,608 |

<sup>(1)</sup> The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

| Fixed assets suppliers | Group     |           | Company   |           |
|------------------------|-----------|-----------|-----------|-----------|
|                        | 2018      | 2017      | 2018      | 2017      |
| <b>Non-overdue</b>     | 3,825,896 | 6,839,708 | 2,397,916 | 4,905,073 |
| <b>Overdue:</b>        |           |           |           |           |
| 0-30 days              | 1,185,391 | 698,145   | 987,071   | 585,706   |
| 31-90 days             | 342,142   | 36,623    | 309,297   | -         |
| 91-180 days            | 225,309   | 305,644   | 181,767   | 305,644   |
| 181-360 days           | 21,202    | 24,169    | -         | 20,233    |
| > 360 days             | 397,022   | 165,270   | 370,652   | 121,186   |
|                        | 5,996,962 | 8,069,559 | 4,246,703 | 5,937,841 |

The current amount of accounts payable overdue over 360 days is as follows:

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2018                | 2017                | 2018                | 2017                |
| Other suppliers                                 | 58,070              | 28,692              | (19,699)            | 32,587              |
| Foreign operators                               | 15,282,334          | 18,570,644          | 14,865,688          | 18,175,152          |
| <b>Total</b>                                    | <b>15,340,404</b>   | <b>18,599,336</b>   | <b>14,845,990</b>   | <b>18,207,739</b>   |
| <b>Foreign operators - receivable (Note 18)</b> | <b>(14,647,147)</b> | <b>(19,512,914)</b> | <b>(14,062,912)</b> | <b>(18,853,715)</b> |

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 18).

### 34. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 31 December 2018 and 31 December 2017, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

|                  | 2018               | 2017               |
|------------------|--------------------|--------------------|
| Sight deposits   | 671,672,699        | 408,639,274        |
| Term deposits    | 100,832,482        | 129,945,220        |
| Savings deposits | 111,445,353        | 80,645,186         |
|                  | <b>883,950,534</b> | <b>619,229,680</b> |

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 31 December 2018 and 31 December 2017, the residual maturity of banking client deposits and other loans, is detailed as follows:

|                  | 2018                |                     |                                    |                                   |              | Total              |
|------------------|---------------------|---------------------|------------------------------------|-----------------------------------|--------------|--------------------|
|                  | No defined maturity | Due within 3 months | Over 3 months and less than 1 year | Over 1 year and less than 3 years | Over 3 years |                    |
| Sight deposits   | 671,672,699         | -                   | -                                  | -                                 | -            | 671,672,699        |
| Term deposits    | -                   | 47,462,967          | 53,369,515                         | -                                 | -            | 100,832,482        |
| Savings deposits | 111,445,353         | -                   | -                                  | -                                 | -            | 111,445,353        |
|                  | <b>783,118,052</b>  | <b>47,462,967</b>   | <b>53,369,515</b>                  | -                                 | -            | <b>883,950,534</b> |

|                  | 2017                |                     |                                    |                                   |              | Total              |
|------------------|---------------------|---------------------|------------------------------------|-----------------------------------|--------------|--------------------|
|                  | No defined maturity | Due within 3 months | Over 3 months and less than 1 year | Over 1 year and less than 3 years | Over 3 years |                    |
| Sight deposits   | 408,639,274         | -                   | -                                  | -                                 | -            | 408,639,274        |
| Term deposits    | -                   | 63,510,961          | 66,434,259                         | -                                 | -            | 129,945,220        |
| Savings deposits | 80,645,186          | -                   | -                                  | -                                 | -            | 80,645,186         |
|                  | <b>489,284,460</b>  | <b>63,510,961</b>   | <b>66,434,259</b>                  | -                                 | -            | <b>619,229,680</b> |

### 35. OTHER CURRENT LIABILITIES

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** heading Other current liabilities showed the following composition:

|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2018              | 2017              | 2018              | 2017              |
| Current  |                   |                   |                   |                   |
| Estimated holiday pay, holiday subsidy and other remunerations | 43,327,134        | 45,196,224        | 38,211,318        | 39,818,065        |
| Estimated supplies and external services                       | 30,489,604        | 33,104,164        | 21,393,548        | 27,593,558        |
| State and other public entities                                |                   |                   |                   |                   |
| Value Added Tax  | 2,445,030         | 3,204,066         | 1,998,433         | 2,539,807         |
| Personal income tax withholdings                               | 3,283,953         | 3,285,921         | 2,947,445         | 2,941,443         |
| Social Security contributions                                  | 3,921,463         | 3,795,300         | 3,415,546         | 3,280,987         |
| Caixa Geral de Aposentações                                    | 2,124,680         | 2,409,807         | 2,106,102         | 2,381,486         |
| Local Authority taxes  | 515,970           | 491,565           | 502,007           | 483,485           |
| Other taxes  | 94,770            | 46,338            | -                 | 330               |
| Other  | 1,090             | 20,463            | 16,072            | 14,173            |
|  | <b>86,203,693</b> | <b>91,553,848</b> | <b>70,590,472</b> | <b>79,053,334</b> |

### 36. INCOME TAXES RECEIVABLE /PAYABLE

As at 31 December 2018 and 31 December 2017 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

|                      | Group     |           | Company   |           |
|----------------------|-----------|-----------|-----------|-----------|
|                      | 2018      | 2017      | 2018      | 2017      |
| Current assets       |           |           |           |           |
| Corporate income tax | 1,108,421 | 1,552,005 | 1,034,079 | 1,564,777 |
|                      | 1,108,421 | 1,552,005 | 1,034,079 | 1,564,777 |

The **Company's** current assets and current liabilities relative to corporate income tax were calculated as follows:

|                                       | Company     |              |
|---------------------------------------|-------------|--------------|
|                                       | 2018        | 2017         |
| Estimated income tax                  | (9,451,157) | (17,224,948) |
| Estimated Group companies' income tax | 2,535,336   | 2,969,128    |
| Payments on account                   | 7,295,799   | 14,981,579   |
| Withholding taxes                     | 654,101     | 839,018      |
|                                       | 1,034,079   | 1,564,777    |

### 37. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2018 and 31 December 2017, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

| Group  | 2018                 |   |                             |                                  |          | Total                |
|--|----------------------|---|-----------------------------|----------------------------------|----------|----------------------|
|  | Amortised cost       | Fair value through other comprehensive income | Other financial liabilities | Non-financial assets/liabilities |          |                      |
| <b>Assets</b>  |                      |   |                             |                                  |          |                      |
| Other investments (Note 13)                          | -                    | 1,379,137                                     | -                           | -                                | -        | 1,379,137            |
| Non-current investment securities (Note 14)          | 428,181,036          | 857,645                                       | -                           | -                                | -        | 429,038,681          |
| Other non-current assets (Note 23)                   | 1,526,644            | -   | -                           | -                                | -        | 1,526,644            |
| Non-current credit to bank clients (Note 19)         | 231,797,420          | -   | -                           | -                                | -        | 231,797,420          |
| Other non-current banking financial assets (Note 15) | 22,692,434           | -   | -                           | -                                | -        | 22,692,434           |
| Accounts receivable (Note 18)                        | 135,855,195          | -   | -                           | -                                | -        | 135,855,195          |
| Current credit to bank clients (Note 19)             | 16,252,561           | -   | -                           | -                                | -        | 16,252,561           |
| Current investment securities (Note 14)              | 24,431,778           | 631,423                                       | -                           | -                                | -        | 25,063,201           |
| Other current assets (Note 23)                       | 13,263,830           | -   | -                           | 22,253,385                       | -        | 35,517,214           |
| Other current banking financial assets (Note 15)     | 92,122,848           | -   | -                           | 1,498,303                        | -        | 93,621,151           |
| Cash and cash equivalents (Note 22)                  | 422,717,478          | -   | -                           | -                                | -        | 422,717,478          |
| <b>Total Financial assets</b>                        | <b>1,388,841,224</b> | <b>2,868,205</b>                              | <b>-</b>                    | <b>23,751,688</b>                | <b>-</b> | <b>1,415,461,117</b> |
| <b>Liabilities</b>                                   |                      |   |                             |                                  |          |                      |
| Non-current debt (Note 30)                           | -                    | -   | 24,282,526                  | -                                | -        | 24,282,526           |
| Current accounts payable (Note 33)                   | -                    | -   | 308,408,731                 | 13,867,491                       | -        | 322,276,222          |
| Banking client deposits and other loans (Note 34)    | -                    | -   | 883,950,534                 | -                                | -        | 883,950,534          |
| Current debt (Note 30)                               | -                    | -   | 6,575,160                   | -                                | -        | 6,575,160            |
| Other current liabilities (Note 35)                  | -                    | -   | 30,490,693                  | 55,713,000                       | -        | 86,203,693           |
| <b>Total Financial liabilities</b>                   | <b>-</b>             | <b>-</b>                                      | <b>1,253,707,644</b>        | <b>69,580,490</b>                | <b>-</b> | <b>1,323,288,135</b> |

| Group   | 2017                  |                                     |                              |                             |                                  | Total                |
|---|-----------------------|-------------------------------------|------------------------------|-----------------------------|----------------------------------|----------------------|
|   | Loans and receivables | Available-for-sale financial assets | Investments held to maturity | Other financial liabilities | Non-financial assets/liabilities |                      |
| <b>Assets</b>   |                       |                                     |                              |                             |                                  |                      |
| Other investments (Note 13)                               | -                     | 1,503,572                           | -                            | -                           | -                                | 1,503,572            |
| Non-current investments held to maturity (Note 14)        | -                     | -                                   | 245,827,759                  | -                           | -                                | 245,827,759          |
| Other non-current assets (note 23)                        | 1,375,223             | -                                   | -                            | -                           | -                                | 1,375,223            |
| Non-current financial assets available for sale (Note 14) | -                     | 3,175,180                           | -                            | -                           | -                                | 3,175,180            |
| Non-current credit to bank clients (Note 19)              | 64,263,948            | -                                   | -                            | -                           | -                                | 64,263,948           |
| Other non-current banking financial assets (Note 15)      | 11,831,122            | -                                   | -                            | -                           | -                                | 11,831,122           |
| Accounts receivable (Note 18)                             | 132,480,130           | -                                   | -                            | -                           | -                                | 132,480,130          |
| Current credit to bank clients (Note 19)                  | 15,083,442            | -                                   | -                            | -                           | -                                | 15,083,442           |
| Current investments held to maturity (Note 14)            | -                     | -                                   | 15,721,373                   | -                           | -                                | 15,721,373           |
| Other current assets (Note 23)                            | 12,672,525            | -                                   | -                            | -                           | 19,665,709                       | 32,338,234           |
| Current financial assets available for sale (Note 14)     | -                     | 2,576,194                           | -                            | -                           | -                                | 2,576,194            |
| Other current banking financial assets (Note 15)          | 90,080,686            | -                                   | -                            | -                           | 1,336,398                        | 91,417,084           |
| Cash and cash equivalents (Note 22)                       | 626,825,397           | -                                   | -                            | -                           | -                                | 626,825,397          |
| <b>Total Financial assets</b>                             | <b>954,612,473</b>    | <b>7,254,946</b>                    | <b>261,549,132</b>           | <b>-</b>                    | <b>21,002,107</b>                | <b>1,244,418,658</b> |
| <b>Liabilities</b>  |                       |                                     |                              |                             |                                  |                      |
| Medium and long term debt (Note 30)                       | -                     | -                                   | -                            | 73,689                      | -                                | 73,689               |
| Current accounts payable (Note 33)                        | -                     | -                                   | -                            | 375,607,793                 | 8,925,501                        | 384,533,294          |
| Banking client deposits and other loans (Note 34)         | -                     | -                                   | -                            | 619,229,680                 | -                                | 619,229,680          |
| Short term debt (Note 30)                                 | -                     | -                                   | -                            | 10,304,390                  | -                                | 10,304,390           |
| Other current liabilities (Note 35)                       | -                     | -                                   | -                            | 33,193,469                  | 58,360,379                       | 91,553,848           |
| <b>Total Financial liabilities</b>                        | <b>-</b>              | <b>-</b>                            | <b>-</b>                     | <b>1,038,409,021</b>        | <b>67,285,880</b>                | <b>1,105,694,901</b> |

The **Group** believes that the fair value of its financial assets and liabilities is similar to its book value, with the exception of the following caption:

|  | 2018        |             | 2017        |             |
|--|-------------|-------------|-------------|-------------|
|  | Book value  | Fair value  | Book value  | Fair value  |
| <b>Financial assets</b>                          |             |             |             |             |
| Investment securities measured at amortised cost | 452,612,813 | 468,350,733 | -           | -           |
| Investments held to maturity                     | -           | -           | 261,549,132 | 275,438,176 |

Regarding the **Company**, as at 31 December 2018 and 31 December 2017, the categories of financial assets and liabilities were broken down as follows:

| Company                                | 2018               |                                     |                             |                                  |          | Total              |
|--|--------------------|-------------------------------------|-----------------------------|----------------------------------|----------|--------------------|
|  | Amortised cost     | Available-for-sale financial assets | Other financial liabilities | Non-financial assets/liabilities |          |                    |
| <b>Assets</b>                          |                    |                                     |                             |                                  |          |                    |
| Other investments (Note 13)            | -                  | 1,379,137                           | -                           | -                                | -        | 1,379,137          |
| Non-current shareholders (Note 50)     | 1,350,000          | -                                   | -                           | -                                | -        | 1,350,000          |
| Other non-current assets (Note 23)     | 1,252,268          | -                                   | -                           | -                                | -        | 1,252,268          |
| Accounts receivable (Note 18)          | 100,059,980        | -                                   | -                           | -                                | -        | 100,059,980        |
| Current shareholders (Note 50)         | 10,558,000         | -                                   | -                           | 1,490,528                        | -        | 12,048,528         |
| Other current assets (Note 23)         | 12,280,804         | -                                   | -                           | 16,706,422                       | -        | 28,987,226         |
| Cash and cash equivalents (Note 22)    | 271,758,311        | -                                   | -                           | -                                | -        | 271,758,311        |
| <b>Total Financial assets</b>          | <b>397,259,363</b> | <b>1,379,137</b>                    | <b>-</b>                    | <b>18,196,950</b>                | <b>-</b> | <b>416,835,451</b> |
| <b>Liabilities</b>                     |                    |                                     |                             |                                  |          |                    |
| Non-current debt (Note 30)             | -                  | -                                   | 24,276,250                  | -                                | -        | 24,276,250         |
| Non-current accounts payable (Note 33) | -                  | -                                   | 312,744                     | -                                | -        | 312,744            |
| Current accounts payable (Note 33)     | -                  | -                                   | 288,306,317                 | 12,291,002                       | -        | 300,597,319        |
| Shareholders (Note 50)                 | -                  | -                                   | -                           | 5,539,255                        | -        | 5,539,255          |
| Other current liabilities (Note 35)    | -                  | -                                   | 21,409,620                  | 49,180,852                       | -        | 70,590,472         |
| <b>Total Financial liabilities</b>     | <b>-</b>           | <b>-</b>                            | <b>334,304,931</b>          | <b>67,011,109</b>                | <b>-</b> | <b>401,316,040</b> |

| Company                             | 2017                  |                                     |                              |                             |                                  | Total              |
|-------------------------------------|-----------------------|-------------------------------------|------------------------------|-----------------------------|----------------------------------|--------------------|
|                                     | Loans and receivables | Available-for-sale financial assets | Investments held to maturity | Other financial liabilities | Non-financial assets/liabilities |                    |
| <b>Assets</b>                       |                       |                                     |                              |                             |                                  |                    |
| Other investments (Note 13)         | -                     | 1,503,572                           | -                            | -                           | -                                | 1,503,572          |
| Shareholders (Note 50)              | 6,368,047             | -                                   | -                            | -                           | 45,464                           | 6,413,511          |
| Other non-current assets (Note 23)  | 1,092,403             | -                                   | -                            | -                           | -                                | 1,092,403          |
| Accounts receivable (Note 18)       | 95,987,068            | -                                   | -                            | -                           | -                                | 95,987,068         |
| Other current assets (Note 23)      | 11,840,911            | -                                   | -                            | -                           | 16,081,999                       | 27,922,910         |
| Cash and cash equivalents (Note 22) | 376,590,733           | -                                   | -                            | -                           | -                                | 376,590,733        |
| <b>Total Financial assets</b>       | <b>491,879,162</b>    | <b>1,503,572</b>                    | <b>-</b>                     | <b>-</b>                    | <b>16,127,463</b>                | <b>509,510,197</b> |
| <b>Liabilities</b>                  |                       |                                     |                              |                             |                                  |                    |
| Current accounts payable (Note 33)  | -                     | -                                   | -                            | 352,024,409                 | 8,976,676                        | 361,001,085        |
| Shareholders (Note 50)              | -                     | -                                   | -                            | -                           | 12,821,447                       | 12,821,447         |
| Other current liabilities (Note 35) | -                     | -                                   | -                            | 27,670,080                  | 51,383,254                       | 79,053,334         |
| <b>Total Financial liabilities</b>  | <b>-</b>              | <b>-</b>                            | <b>-</b>                     | <b>379,694,489</b>          | <b>73,181,377</b>                | <b>452,875,866</b> |

The **Company** believes that the fair value of its financial assets and liabilities is similar to its book value.

### 38. SUBSIDIES OBTAINED

As at 31 December 2018 and 31 December 2017, the information regarding European Union subsidies or grants (Note 2.23) to the **Group** and the **Company** was as follows:

|                    | 2018             |                |                      |                    |                  |                  |                |                    |                      |                  |
|--------------------|------------------|----------------|----------------------|--------------------|------------------|------------------|----------------|--------------------|----------------------|------------------|
|                    | Group            |                |                      |                    |                  | Company          |                |                    |                      |                  |
|                    | Attributed value | Value received | Value to be received | Accumulated income | Value to be used | Attributed value | Value received | Value not received | Accumulated revenues | Value to be used |
| Investment subsidy | 9,886,315        | 9,732,999      | 153,316              | 9,569,423          | 316,892          | 9,868,022        | 9,714,706      | 153,316            | 9,551,130            | 316,892          |
| Operating subsidy  | 200,667          | 200,667        | -                    | 200,667            | -                | 177,045          | 177,045        | -                  | 177,045              | -                |
|                    | 10,086,982       | 9,933,666      | 153,316              | 9,770,090          | 316,892          | 10,045,067       | 9,891,751      | 153,316            | 9,728,175            | 316,892          |



|                    | 2017             |                |                      |                    |                  |                  |                |                    |                      |                  |
|--------------------|------------------|----------------|----------------------|--------------------|------------------|------------------|----------------|--------------------|----------------------|------------------|
|                    | Group            |                |                      |                    |                  | Company          |                |                    |                      |                  |
|                    | Attributed value | Value received | Value to be received | Accumulated income | Value to be used | Attributed value | Value received | Value not received | Accumulated revenues | Value to be used |
| Investment subsidy | 9,886,315        | 9,732,999      | 153,316              | 9,552,124          | 334,191          | 9,868,022        | 9,714,706      | 153,316            | 9,539,928            | 328,094          |
| Operating subsidy  | 200,667          | 200,667        | -                    | 200,667            | -                | 177,045          | 177,045        | -                  | 177,045              | -                |
|                    | 10,086,982       | 9,933,666      | 153,316              | 9,752,791          | 334,191          | 10,045,067       | 9,891,751      | 153,316            | 9,716,973            | 328,094          |

The amounts received as investment subsidy – FEDER – are recognised in the income statement, under the heading Other operating income, as the corresponding assets are amortised.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. (“Institute of Employment and Professional Training”) (“IEFP”), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 20) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognised.

### 39. SALES AND SERVICES RENDERED

For the years ended 31 December 2018 and 31 December 2017, the significant categories of the **Company** revenue were as follows:

|   | Company     |             |
|---|-------------|-------------|
|   | 2018        | 2017        |
| Sales                                     | 19,513,226  | 18,526,222  |
| Mail services rendered                    | 457,952,873 | 443,070,503 |
| Postal financial services                 | 34,673,666  | 48,474,325  |
| Electronic vehicle identification devices | 5,836,523   | 5,969,234   |
| Telecommunication services                | 633,798     | 723,239     |
| Other services                            | 6,411,335   | 6,383,406   |
|   | 525,021,420 | 523,146,929 |

Other services fundamentally concern:

|                                       | 2018      | 2017      |
|---------------------------------------|-----------|-----------|
| Photocopies Certification             | 211,766   | 226,771   |
| Reg. Aut. Madeira transport allowance | 1,089,841 | 741,443   |
| Others Philately                      | 76,452    | 98,888    |
| Costums presentation tax              | 2,031,746 | 2,190,832 |
| Corfax                                | 71,145    | 110,253   |
| Non-adressed mail                     | 178,698   | 252,284   |
| Portugal Telecom services             | 97,254    | 164,544   |
| Digital mailRoom                      | 453,410   | 500,894   |
| Other services                        | 2,201,023 | 2,097,497 |
|                                       | 6,411,335 | 6,383,406 |

### 40. FINANCIAL MARGIN

As at 31 December 2018 and 31 December 2017, the composition of the **Group** heading Financial margin was as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018             | 2017             |
| <b>Interest and similar income calculated using the effective interest method</b>           | <b>8,560,487</b> | <b>4,199,520</b> |
| Interest on investment securities measured at amortised cost                                | 6,225,967        | -                |
| Interest on investments held to maturity  | -                | 3,383,428        |
| Interest on deposits at credit institutions   | 454,104          | 197,587          |
| Interest on credit to bank clients  | 1,856,021        | 588,817          |
| Interest on investment securities measured at Fair Value through Other Comprehensive Income | 24,395           | -                |
| Interest on financial assets available for sale   | -                | 29,688           |
| <b>Interest and similar charges</b>   | <b>693,063</b>   | <b>809,954</b>   |
| Interest from banking client's deposits   | 692,771          | 748,742          |
| Other interest  | 292              | 61,212           |
|   | <b>7,867,424</b> | <b>3,389,566</b> |

#### 41. OTHER OPERATING INCOME

For the years ended 31 December 2018 and 31 December 2017, the composition of the **Group** and the **Company** heading Other operating income was as follows:

|   | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2018              | 2017              | 2018              | 2017              |
| Supplementary revenues  | 4,375,869         | 4,804,120         | 34,007,908        | 35,559,551        |
| Early settlement discounts received   | 63,390            | 62,804            | 7,111             | 22,926            |
| Gains inventories   | 107,755           | 8,734             | 107,755           | 8,734             |
| Favourable exchange rate differences of assets and liabilities other than financing | 835,310           | 2,515,850         | 781,859           | 2,366,716         |
| Income from financial investments   | 515,385           | 643,765           | 279,310           | 329,833           |
| Income from non-financial investments   | 9,435,327         | 19,563,152        | 9,383,167         | 19,523,067        |
| Income from fees and commissions  | 4,987,549         | 4,138,846         | -                 | -                 |
| Interest income and expenses - financial services                                   | 87,344            | 215,312           | 87,344            | 215,312           |
| VAT adjustments   | 2,846,769         | 2,188,084         | 2,846,769         | 2,188,084         |
| Other   | 399,073           | 740,053           | 97,279            | 547,700           |
|   | <b>23,653,770</b> | <b>34,880,720</b> | <b>47,598,502</b> | <b>60,761,923</b> |

Regarding the **Group** and the **Company**, the interest related to the Financial Services segment is recognised under this caption (Note 2.22).

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology in the **Company**.

In the year ended 31 December 2018 the caption Income from non-financial investments of the **Group** and the **Company** included the accounting gains obtained on the sale of three properties classified as Investment properties in the amount of 138 thousand Euros, the accounting gain obtained on the sale of one property classified as Tangible fixed assets in the amount of 590 thousand Euros as well as the gain in the amount of 8.5 million Euros regarding the sale of real estate properties located at Rua da Palma.

In the year ended 31 December 2017 the caption Income from non-financial investments of the **Group** and the **Company** included the accounting gains obtained on the sale of ten properties classified as Investment properties in the amount of 1.1 million Euros, as well as the gain in the amount of 16.2 million Euros regarding the sale of real estate properties located at Rua de S. José.

In the Group the caption "Income from fees and commissions" is detailed as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018             | 2017             |
| <b>Income from fees and commissions</b> |                  |                  |
| From banking services                   | 4,749,797        | 3,128,104        |
| From insurance mediation services       | 184,508          | 1,010,743        |
| From other commissions                  | 53,243           | -                |
|   | <b>4,987,549</b> | <b>4,138,846</b> |

In the year ended 31 December 2018 the caption "Income from fees and commissions – From banking services" includes the amount of 1,031 thousand Euros (1,073 as at 31 December 2017) related to commissions from the intermediation of credit products.

Regarding the **Company**, the caption Supplementary revenues fundamentally relates to:

|   | Company           |                   |
|---|-------------------|-------------------|
|   | 2018              | 2017              |
| <i>Royalties</i>                                    | 500,000           | 500,000           |
| Services rendered to Group companies <sup>(1)</sup> | 29,528,309        | 30,575,834        |
| Rental of spaces in urban buildings                 | 2,340,050         | 2,224,272         |
| Other   | 1,639,548         | 2,259,445         |
|   | <b>34,007,908</b> | <b>35,559,551</b> |

<sup>(1)</sup> Includes subsidiary, associated and joint-ventures companies.

## 42. EXTERNAL SUPPLIES AND SERVICES

For the years ended 31 December 2018 and 31 December 2017, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

|   | Group              |                    | Company            |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2018               | 2017               | 2018               | 2017               |
| Subcontracts  | 14,543,375         | 10,243,699         | 100,363            | -                  |
| Specialised services                                | 64,559,617         | 67,228,192         | 36,285,266         | 41,168,361         |
| Services rendered by Group companies <sup>(1)</sup> | 97,850             | 101,207            | 3,343,329          | 4,607,138          |
| Materials   | 2,689,439          | 2,641,626          | 1,542,188          | 1,676,094          |
| Energy and fuel                                     | 16,325,161         | 16,772,935         | 14,255,358         | 14,600,102         |
| Staff transportation                                | 183,669            | 209,840            | 181,698            | 203,908            |
| Transportation of goods                             | 71,278,018         | 63,853,736         | 11,496,682         | 11,468,044         |
| Rents   |                    |                    |                    |                    |
| Vehicle operational lease                           | 7,022,798          | 7,804,909          | 5,991,497          | 6,817,305          |
| Other rental charge                                 | 29,904,204         | 30,181,897         | 24,900,702         | 24,752,781         |
| Communication                                       | 1,777,986          | 2,310,829          | 720,035            | 855,246            |
| Insurance   | 2,718,944          | 2,400,014          | 1,834,172          | 1,916,125          |
| Litigation and notary                               | 214,420            | 241,937            | 162,844            | 182,674            |
| Cleaning, hygiene and confort                       | 3,810,373          | 4,008,772          | 3,378,814          | 3,630,280          |
| Postal Agencies                                     | 5,763,001          | 4,979,992          | 5,781,273          | 4,998,387          |
| Postal operators                                    | 22,154,802         | 20,332,867         | 21,234,894         | 19,179,315         |
| Delivery subcontracting                             | 6,121,495          | 6,091,867          | 6,121,495          | 6,091,867          |
| Other services                                      | 12,603,211         | 12,077,180         | 5,663,986          | 5,746,928          |
| Services rendered by Group companies <sup>(1)</sup> | 677                | 194                | 3,544,730          | 3,354,349          |
|   | <b>261,769,040</b> | <b>251,481,693</b> | <b>146,539,326</b> | <b>151,248,904</b> |

<sup>(1)</sup> Includes subsidiary, associated and joint-ventures companies.

- (i) Specialised services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;
- (ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;
- (iii) Transportation of goods refers to costs with the transportation of mail in several ways (sea, air, surface);
- (iv) Rents mainly refer to costs with leased facilities from third parties and the operating lease of vehicles;
- (v) Postal operators refer to costs with peer postal operators.

### 43. OPERATING LEASES

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** maintained medium and long-term liabilities in operating lease contracts of vehicles, with penalty clauses in the case of cancellation. The total amount of the future payments relative to operating leases is as follows:

|                          | Group      |            | Company    |            |
|--------------------------|------------|------------|------------|------------|
|                          | 2018       | 2017       | 2018       | 2017       |
| Due within 1 year        | 9,623,019  | 7,741,799  | 8,782,410  | 6,695,559  |
| Due between 1 to 5 years | 15,546,298 | 5,508,903  | 15,002,086 | 4,624,406  |
| Due over 5 years         | -          | -          | -          | -          |
|                          | 25,169,318 | 13,250,702 | 23,784,496 | 11,319,965 |

During the years ended 31 December 2018 and 31 December 2017, the costs incurred with operating lease contracts amounted to 7,022,798 Euros and to 7,804,909 Euros, respectively, by the **Group**, and 5,991,497 Euros and to 6,817,305 Euros, respectively, by the **Company**. These costs are recognised under the caption Supplies and external services in the income statement.

The operating leases relate to leasing agreements of short duration, in which the lessor transfers the temporary use of the asset to a third party upon payment of an income or rental.

Lease payments are made monthly by equal amounts during the period of the lease agreement and the recognition of the rent is considered as an expense which will also be performed on a linear basis (straight-line basis).

There is no recognition of any leased asset, because the lease is a rental in substance and there is no evidence that the lessee will obtain future economic benefits from the asset beyond the contract period.

The transfer of the legal ownership of the assets to the lessee at the end of the contract is not expected.

### 44. STAFF COSTS

During the years ended 31 December 2018 and 31 December 2017, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018        | 2017        | 2018        | 2017        |
| Remuneration                               | 262,636,194 | 266,166,851 | 232,070,788 | 234,526,997 |
| Employee benefits                          | 404,659     | 2,607,370   | 369,356     | 2,571,758   |
| Indemnities                                | 21,318,586  | 16,506,980  | 20,644,374  | 14,824,913  |
| Social Security charges                    | 58,012,659  | 58,844,758  | 51,106,780  | 51,640,644  |
| Occupational accident and health insurance | 4,433,987   | 3,519,027   | 4,180,454   | 3,295,885   |
| Social welfare costs                       | 6,707,488   | 6,941,329   | 6,390,590   | 6,610,470   |
| Other staff costs                          | 98,220      | 153,504     | -           | -           |
|  | 353,611,793 | 354,739,819 | 314,762,343 | 313,470,667 |

#### Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2018 and 31 December 2017, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

| Company                                      | 2018               |                 |                    |                                 |           |
|--|--------------------|-----------------|--------------------|---------------------------------|-----------|
|  | Board of Directors | Audit Committee | Remuneration Board | General Meeting of Shareholders | Total     |
| Short-term remuneration                      |                    |                 |                    |                                 |           |
| Fixed remuneration                           | 2,358,913          | 174,857         | 55,800             | 14,000                          | 2,603,570 |
| Annual variable remuneration                 | -                  | -               | -                  | -                               | -         |
|  | 2,358,913          | 174,857         | 55,800             | 14,000                          | 2,603,570 |
| Long-term remuneration                       |                    |                 |                    |                                 |           |
| Defined contribution plan RSP                | 183,550            | -               | -                  | -                               | 183,550   |
| Long-term variable remuneration - Share Plan | 50,880             | -               | -                  | -                               | 50,880    |
|  | 234,430            | -               | -                  | -                               | 234,430   |
|  | 2,593,343          | 174,857         | 55,800             | 14,000                          | 2,838,000 |

| Company                                      | 2017               |                 |                    |                                 |           |
|--|--------------------|-----------------|--------------------|---------------------------------|-----------|
|  | Board of Directors | Audit Committee | Remuneration Board | General Meeting of Shareholders | Total     |
| Short-term remuneration                      |                    |                 |                    |                                 |           |
| Fixed remuneration                           | 2,657,766          | 209,843         | 50,241             | 4,500                           | 2,922,350 |
| Annual variable remuneration                 | -                  | -               | -                  | -                               | -         |
|  | 2,657,766          | 209,843         | 50,241             | 4,500                           | 2,922,350 |
| Long-term remuneration                       |                    |                 |                    |                                 |           |
| Defined contribution plan RSP                | 214,697            | -               | -                  | -                               | 214,697   |
| Long-term variable remuneration - Share Plan | 657,030            | -               | -                  | -                               | 657,030   |
|  | 871,727            | -               | -                  | -                               | 871,727   |
|  | 3,529,493          | 209,843         | 50,241             | 4,500                           | 3,794,077 |

Following the revision of the Remuneration Regulation for Members of the Statutory Bodies for the term of office 2017-2019, the terms of the Long-term Variable Remuneration were revised, with the payment being now made in cash, not in shares as in the previous plan. The plan is now considered as "cash settlement" which, according to IFRS 2, implies that the liability should be annually updated and any changes resulting from the assessment should be recorded in the income statement.

The attribution and calculation of the Long-term Variable Remuneration are based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies.

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 50,880 Euros corresponds to the cost to be assumed in the period between 1 January 2018 and 31 December 2018 and was set by an independent entity.

For the year ended 31 December 2018, and in accordance with the provisions of the Operational Transformation Plan, no estimate of Annual Variable Compensation was recorded for the members of the Statutory Bodies.

According to the remuneration model of the members of the Statutory Bodies defined by the Remuneration Committee for the 2014-2016 term of office and in compliance with the Share Plan to the executive members of the Board of Directors, 600,530 own shares were granted to the Company's executive members of the Board of Directors. The amount of 616,890 Euros recorded under the caption "Long-term variable remuneration - Share Plan" results from the de-recognition of the liability after the attribution of the shares, reflecting the difference between that liability, estimated on 31 December 2014, and the value of the own shares recorded in Equity granted to the statutory bodies on 31 January 2017.

### Remuneration

The change in the "Remuneration" caption arises essentially from the combined effect of the HR optimisation programme initiated in the previous year, the salary revision agreed with the workers' representative organisations, as well as the decision not to pay the variable remuneration related to 2017.

### Employee benefits

The amount registered in the caption Employee benefits in the year ended 31 December 2018 mainly reflects the liability reduction related to the benefit "Monthly life annuity".

### Indemnities

During the year ended 31 December 2018, this caption includes the amount of 20.5 million Euros related to compensations established for termination of employment contracts by mutual agreement, a process initiated in 2018 following the continuation of the HR optimisation programme.

### Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work.

As at 31 December 2018 and 31 December 2017, the **Group** and the **Company** heading Staff costs includes the amounts of 778,065 Euros and 880,491 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2018, the average number of staff of the **Group** and the **Company** was 12,391 and 10,957 employees, respectively, (12,538 employees and 11,029 employees in the year ended 31 December 2017).

## **45. IMPAIRMENT OF ACCOUNTS RECEIVABLE AND IMPAIRMENT OF OTHER FINANCIAL BANKING ASSETS**

For the years ended 31 December 2018 and 31 December 2017, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

|   | <b>Group</b>       |                    | <b>Company</b> |                 |
|---|--------------------|--------------------|----------------|-----------------|
|   | 2018               | 2017               | 2018           | 2017            |
| <b>Impairment of accounts receivable</b>            |                    |                    |                |                 |
| Impairment losses                                   |                    |                    |                |                 |
| Accounts receivable                                 | 4,693,073          | 2,358,555          | 175,452        | 516,833         |
| Other current and non-current assets                | 627,957            | 487,781            | 417,761        | 446,102         |
| Slight and term deposits                            | 8,270              | -                  | -              | -               |
|   | <b>5,329,300</b>   | <b>2,846,336</b>   | <b>593,213</b> | <b>962,936</b>  |
| Reversals of impairment losses                      |                    |                    |                |                 |
| Accounts receivable                                 | 2,465,765          | 1,302,268          | -              | 496,575         |
| Other current and non-current assets                | 226,769            | 445,833            | 200,990        | 438,336         |
| Slight and term deposits                            | 393,885            | -                  | 392,868        | -               |
|   | <b>3,086,420</b>   | <b>1,748,101</b>   | <b>593,858</b> | <b>914,911</b>  |
| <b>Net movement of the period</b>                   | <b>(2,242,880)</b> | <b>(1,098,235)</b> | <b>645</b>     | <b>(48,025)</b> |
| <b>Impairment of other financial banking assets</b> |                    |                    |                |                 |
| Impairment losses                                   |                    |                    |                |                 |
| Investment securities                               | 251,442            | -                  | -              | -               |
| Other banking financial assets                      | 575,038            | -                  | -              | -               |
| Credit to banking clients                           | 399,816            | 133,578            | -              | -               |
|   | <b>1,226,276</b>   | <b>133,578</b>     | <b>-</b>       | <b>-</b>        |
| Reversals of impairment losses                      |                    |                    |                |                 |
| Investment securities                               | 198,585            | -                  | -              | -               |
| Other banking financial assets                      | 772,719            | -                  | -              | -               |
| Credit to banking clients                           | 57,229             | 16,344             | -              | -               |
|   | <b>1,028,533</b>   | <b>16,344</b>      | <b>-</b>       | <b>-</b>        |
| <b>Net movement of the period</b>                   | <b>(197,743)</b>   | <b>(117,234)</b>   | <b>-</b>       | <b>-</b>        |
|   | <b>(2,440,623)</b> | <b>(1,215,469)</b> | <b>645</b>     | <b>(48,025)</b> |

## **46. DEPRECIATION/ AMORTISATION (LOSSES/REVERSALS)**

For the years ended 31 December 2018 and 31 December 2017, the detail of Depreciation/ amortisation and impairment losses, net, regarding the **Group** and the **Company** was as follows:

|                              | Group             |                   | Company           |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | 2018              | 2017              | 2018              | 2017              |
| <b>Tangible fixed assets</b> |                   |                   |                   |                   |
| Depreciation (Note 5)        | 20,385,743        | 21,638,891        | 17,888,807        | 17,556,425        |
| Impairment losses (Note 5)   | (25,085)          | (123,714)         | (25,085)          | (123,714)         |
| <b>Intangible assets</b>     |                   |                   |                   |                   |
| Amortisation (Note 6)        | 11,415,682        | 9,112,100         | 6,716,759         | 5,660,057         |
| Impairment losses (Note 6)   | -                 | -                 | -                 | -                 |
| <b>Investment properties</b> |                   |                   |                   |                   |
| Depreciation (Note 7)        | 299,932           | 242,117           | 299,932           | 242,117           |
| Impairment losses (Note 7)   | (732,506)         | (198,942)         | (732,506)         | (198,942)         |
|                              | <b>31,343,765</b> | <b>30,670,452</b> | <b>24,147,906</b> | <b>23,135,944</b> |

#### 47. OTHER OPERATING COSTS

For the years ended 31 December 2018 and 31 December 2017, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

|  | Group             |                   | Company          |                   |
|--|-------------------|-------------------|------------------|-------------------|
|  | 2018              | 2017              | 2018             | 2017              |
| Taxes and other fees                             | 2,334,566         | 2,277,710         | 2,038,929        | 2,020,176         |
| Bad debts  | 424,790           | 466,592           | 16,130           | 437,709           |
| Losses in inventories                            | 497,718           | 407,846           | 497,718          | 407,846           |
| Costs and losses from non-financial investments  | 34,320            | 30,410            | -                | 6,309             |
| Unfavourable exchange rate differences of assets | 806,923           | 2,801,611         | 746,496          | 2,714,793         |
| Donations  | 1,189,620         | 1,143,618         | 1,188,919        | 1,143,618         |
| Bankingservices                                  | 2,918,701         | 2,742,873         | 2,717,680        | 2,578,610         |
| Interest on arrears                              | 58,330            | 15,909            | 54,590           | 14,193            |
| Contractual penalties                            | 47,136            | 109,699           | 47,136           | 109,699           |
| Subscriptions                                    | 758,216           | 811,653           | 695,812          | 739,567           |
| Expenses of fees and commissions                 | 2,357,732         | 1,092,236         | -                | -                 |
| Deposits Guarantee Fund/Resolution unified Fund  | 29,380            | 4,257             | -                | -                 |
| Indemnities                                      | 1,174,475         | 816,833           | 502,704          | 266,925           |
| Other costs                                      | 1,196,710         | 1,431,294         | 825,740          | 916,975           |
|  | <b>13,828,616</b> | <b>14,152,541</b> | <b>9,331,854</b> | <b>11,356,420</b> |

The caption "Taxes and other fees" in the **Group** includes the amounts of 1,320,971 Euros and 1,199,218 Euros, for the years ended 31 December 2018 and 31 December 2017, respectively, relating to ANACOM fees.

The caption "Expenses of fees and commissions" is detailed as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018             | 2017             |
| <b>Expenses of fees and commissions</b> |                  |                  |
| From banking services                   | 2,271,461        | 1,054,211        |
| From securities operations              | 71,657           | 32,921           |
| From other services                     | 14,614           | 5,103            |
|   | <b>2,357,732</b> | <b>1,092,236</b> |

#### 48. INTEREST EXPENSES AND INTEREST INCOME

For the years ended 31 December 2018 and 31 December 2017, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2018             | 2017             | 2018             | 2017             |
| Interest expenses                               |                  |                  |                  |                  |
| Bank loans                                      | 77,378           | 80,807           | 7,764            | 419              |
| Financial leases                                | 452              | 1,776            | -                | 802              |
| Other interest                                  | 83,421           | 65,212           | 83,323           | 64,377           |
| Interest costs from employee benefits (Note 31) | 5,271,463        | 5,230,618        | 5,264,666        | 5,227,482        |
| Other interest costs                            | 78,261           | 3,051            | 76,542           | 810              |
|   | <b>5,510,975</b> | <b>5,381,464</b> | <b>5,432,295</b> | <b>5,293,890</b> |

During the years ended 31 December 2018 and 31 December 2017, the **Group** and the **Company** heading Interest income was detailed as follows:

|   | Group         |                | Company        |                |
|---|---------------|----------------|----------------|----------------|
|   | 2018          | 2017           | 2018           | 2017           |
| Interest income                         |               |                |                |                |
| Deposits in credit institutions         | 43,873        | 255,800        | 22,601         | 192,699        |
| Loans to Group companies <sup>(1)</sup> | -             | -              | 205,204        | 126,404        |
| Other supplementary income              | 4,838         | 125,125        | 4,838          | 125,124        |
|   | <b>48,711</b> | <b>380,925</b> | <b>232,643</b> | <b>444,227</b> |

<sup>(1)</sup> Includes subsidiary, associated and joint-ventures companies.

#### 49. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on CTT and its subsidiaries CTT - Espresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., through the Special Regime for the Taxation of Groups of Companies ("RETGS"). The remaining companies are taxed individually.

#### Reconciliation of the income tax rate

For the years ended 31 December 2018 and 31 December 2017, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:



|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2018              | 2017              | 2018              | 2017              |
| Earnings before taxes (a)                                      | 32,397,533        | 42,092,714        | 35,848,322        | 45,474,702        |
| Nominal tax rate   | 210%              | 210%              | 210%              | 210%              |
|  | <b>6,803,482</b>  | <b>8,839,470</b>  | <b>7,528,148</b>  | <b>9,549,687</b>  |
| Tax Benefits   | (411,759)         | (480,197)         | (374,296)         | (384,609)         |
| Accounting capital gains/(losses)                              | (1,969,369)       | (3,654,534)       | (1,970,385)       | (3,647,877)       |
| Tax capital gains/(losses)                                     | 854,473           | 1,359,977         | 857,146           | 1,356,652         |
| Equity method  | -                 | -                 | 4,947,794         | 4,705,569         |
| Provisions not considered in the calculation of deferred taxes | 21,150            | (24,714)          | 33                | (12,447)          |
| Impairment losses and reversals                                | 214,761           | 281,457           | 62,371            | 243,826           |
| Other situations, net  | 1,611,132         | 1,494,582         | 1,496,918         | 1,145,330         |
| Adjustments related with - autonomous taxation                 | 553,829           | 969,175           | 480,657           | 694,971           |
| Impact of the change in income tax rate (deferred tax)         | 539,891           | 345,685           | 539,891           | 345,685           |
| Tax losses without deferred tax                                | 1,606,221         | 1,335,973         | -                 | -                 |
| Insufficiency / (Excess) estimated income tax                  | 658,644           | 40,236            | 798,715           | 88,915            |
| Subtotal (b)   | 10,482,455        | 10,507,110        | 14,366,992        | 14,085,702        |
| (b)/(a)  | 32.36%            | 24.96%            | 40.08%            | 30.97%            |
| Adjustments related with - Municipal Surcharge                 | 656,832           | 1,046,514         | 474,246           | 886,016           |
| Adjustments related with - State Surcharge                     | 1,615,992         | 3,423,767         | 1,385,821         | 3,239,740         |
| <b>Income taxes for the period</b>                             | <b>12,755,279</b> | <b>14,977,391</b> | <b>16,227,059</b> | <b>18,211,458</b> |
| Effective tax rate   | 39.37%            | 35.58%            | 45.27%            | 40.05%            |
| Income taxes for the period                                    |                   |                   |                   |                   |
| Current tax  | 6,966,177         | 14,279,018        | 9,444,228         | 17,182,476        |
| Deferred tax   | 5,130,458         | 658,137           | 5,984,117         | 940,067           |
| Insufficiency / (Excess) estimated income tax                  | 658,644           | 40,236            | 798,715           | 88,915            |
|  | <b>12,755,279</b> | <b>14,977,391</b> | <b>16,227,059</b> | <b>18,211,458</b> |

In the year ended 31 December 2018, the heading Insufficiency/(Excess) estimated income tax mainly relates to the insufficiency of the income tax estimate of previous years in the net amount of 1,111,546 Euros and to the tax credit related to SIFIDE of 2016 in the amount of 452,822 Euros.

In the year ended 31 December 2017, the heading Insufficiency/(Excess) estimated income tax mainly relates to the reimbursement of Autonomous Taxation of 2011 and 2012 in the amount of 347,036 Euros, the insufficiency of the income tax estimate of 2016 and 2015 amounting to 1,391,132 Euros and to the tax credit related to SIFIDE of 2015 in the amount of 1,079,208 Euros.

The effective tax rate, not considering the effect of the "Tax losses without deferred tax" would be of 34.41% and 32.41%, in the year ended 31 December 2018 and 31 December 2017, respectively.

#### Deferred taxes

As at 31 December 2018 and 31 December 2017, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2018       | 2017       | 2018       | 2017       |
| Deferred tax assets                                  |            |            |            |            |
| Employee benefits - healthcare                       | 70,503,582 | 71,544,019 | 70,503,582 | 71,544,019 |
| Employee benefits - pension plan                     | 77,479     | 80,044     | -          | -          |
| Employee benefits - other long-term benefits         | 2,645,244  | 4,409,187  | 2,645,244  | 4,409,187  |
| Impairment losses and provisions                     | 3,561,740  | 6,753,261  | 3,405,180  | 6,709,312  |
| Tax losses carried forward                           | 1,292,172  | 688,388    | -          | -          |
| Impairment losses in tangible fixed assets           | 283,474    | 257,614    | 283,474    | 257,614    |
| Long-term variable remuneration (Board of directors) | 25,486     | 11,308     | 25,486     | 11,308     |
| Land and buildings                                   | 452,012    | 494,805    | 452,012    | 494,805    |
| Tangible assets' tax revaluation regime              | 2,245,007  | 2,581,300  | 2,245,007  | 2,581,300  |
| Other  | 647,203    | 335,813    | -          | -          |
|  | 81,733,398 | 87,155,739 | 79,559,985 | 86,007,545 |
| Deferred tax liabilities                             |            |            |            |            |
| Revaluation of tangible fixed assets before IFRS     | 2,337,888  | 2,591,593  | 2,337,888  | 2,591,593  |
| Suspended capital gains                              | 745,377    | 776,522    | 745,377    | 776,522    |
| Other  | 25,397     | 31,006     | -          | -          |
|  | 3,108,662  | 3,399,121  | 3,083,265  | 3,368,115  |

The deferred tax asset related to Tangible assets tax revaluation regime was recognised following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2018 the deferred tax asset amounts to 2,245,007 Euros.

As at 31 December 2018, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.5 million Euros and 0.3 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2018 and 31 December 2017, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018        | 2017        | 2018        | 2017        |
| Deferred tax assets                                  |             |             |             |             |
| Opening balances                                     | 87,155,739  | 86,220,762  | 86,059,097  | 85,578,604  |
| Effect on net profit                                 |             |             |             |             |
| Employee benefits - healthcare                       | (497,200)   | (1,061,122) | (497,200)   | (1,066,500) |
| Employee benefits - pension plan                     | (2,565)     | 80,044      | -           | -           |
| Employee benefits - other long-term benefits         | (1,763,943) | (892,139)   | (1,763,943) | (892,139)   |
| Deferred accounting gains                            | -           | (606,790)   | -           | (606,790)   |
| Impairment losses and provisions                     | (3,351,649) | 3,722,704   | (3,450,701) | 3,719,146   |
| Tax losses carried forward                           | 603,784     | 361,204     | (13,591)    | -           |
| Impairment losses in tangible fixed assets           | 25,860      | (102,719)   | 25,860      | (102,719)   |
| Long-term variable remuneration (Board of directors) | 14,178      | 11,364      | 14,178      | 11,364      |
| Share plan   | -           | (1,268,526) | -           | (1,268,526) |
| Land and buildings                                   | (42,793)    | (1,365,661) | (42,793)    | (1,352,832) |
| Tangible assets' tax revaluation regime              | (336,293)   | (86,657)    | (336,293)   | (99,486)    |
| Other  | (70,191)    | 61,230      | (204,486)   | -           |
| Effect on equity                                     |             |             |             |             |
| Employee benefits - healthcare                       | (540,146)   | 2,082,045   | (543,237)   | 2,087,423   |
| Other  | 538,618     | -           | 313,095     | -           |
| Closing balance                                      | 81,733,399  | 87,155,739  | 79,559,985  | 86,007,545  |

|   | Group     |           | Company   |           |
|---|-----------|-----------|-----------|-----------|
|   | 2018      | 2017      | 2018      | 2017      |
| Deferred tax liabilities                                  |           |           |           |           |
| Opening balances  | 3,399,121 | 4,123,146 | 3,368,115 | 4,086,530 |
| Effect on net profit                                      |           |           |           |           |
| Revaluation of tangible fixed assets before IFRS adoption | (253,705) | (560,116) | (253,705) | (560,116) |
| Suspended capital gains                                   | (31,145)  | (158,299) | (31,145)  | (158,299) |
| Other   | (5,610)   | (5,610)   | -         | -         |
| Closing balance   | 3,108,661 | 3,399,121 | 3,083,265 | 3,368,115 |

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Transporta and are detailed as follows:

| Company      | Tax losses        | Deferred tax assets |
|--------------|-------------------|---------------------|
| Tourline     | 47,586,401        | -                   |
| Transporta   | 6,153,199         | 1,292,172           |
| <b>Total</b> | <b>53,739,600</b> | <b>1,292,172</b>    |

Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017 and 2018 have no time limit for deduction. Regarding Transporta, the tax losses refer to the years 2017 and 2018 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.3 million Euros in the **Group** and in the **Company**.

#### SIFIDE

The **Group** and the **Company** policy for recognition of fiscal credits regarding SIFIDE is to recognise the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

For the year ended 31 December 2016, for the expenses incurred with R&D of 1,895,281 Euros and 1,677,058 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 1,006,271 Euros and 826,237 Euros, respectively. According to the notification dated 22 March 2018 of the Certification Commission, a tax credit of 452,822 Euros was attributed to the **Group** and 444,973 Euros to the **Company**.

For the year ended 31 December 2017 the expenses incurred with R&D, of 1,432,825 Euros and 1,035,199 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 590,740 Euros and 336,440 Euros, respectively.

For the year ended 31 December 2018 the expenses incurred with R&D, of 1,005,470 Euros and 1,003,838 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 326,778 Euros and 326,247 Euros, respectively.

#### Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2016 and onwards may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected, even though the deadlines for the year 2015 have not yet expired.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2018.

## 50. RELATED PARTIES

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as a qualified shareholder, officer, or even a third party related by any commercial or relevant personal interest and subsidiaries or associates or jointly controlled entities (joint ventures).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by the Audit Committee of CTT.

The other related parties' transactions are communicated to the Audit Committee for the purpose of subsequent examination.

During the years ended 31 December 2018 and 31 December 2017, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

| Group                                 | 2018                |                  |          |           |            |
|---------------------------------------|---------------------|------------------|----------|-----------|------------|
|                                       | Accounts receivable | Accounts payable | Revenues | Costs     | Dividends  |
| Shareholders                          | -                   | -                | -        | -         | 57,000,000 |
| Other shareholders of Group companies |                     |                  |          |           |            |
| Associated companies                  | 4,525               | 14,599           | 12,321   | 105,998   | -          |
| Jointly controlled                    | 978,077             | -                | 371,865  | -         | -          |
| Members of the (Note 44)              |                     |                  |          |           |            |
| Board of Directors                    | -                   | -                | -        | 2,358,913 | -          |
| Audit Committee                       | -                   | -                | -        | 174,857   | -          |
| Remuneration Committee                | -                   | -                | -        | 55,800    | -          |
| General Meeting                       | -                   | -                | -        | 14,000    | -          |
|                                       | 982,602             | 14,599           | 384,186  | 2,709,569 | 57,000,000 |

| Group                                 | 2017                |                  |          |           |            |
|---------------------------------------|---------------------|------------------|----------|-----------|------------|
|                                       | Accounts receivable | Accounts payable | Revenues | Costs     | Dividends  |
| Shareholders                          | -                   | -                | -        | -         | 72,000,000 |
| Other shareholders of Group companies |                     |                  |          |           |            |
| Associated companies                  | 1,658               | 9,470            | 11,250   | 106,989   | -          |
| Jointly controlled                    | 264,615             | -                | 519,618  | 216       | -          |
| Members of the (Note 44)              |                     |                  |          |           |            |
| Board of Directors                    | -                   | -                | -        | 2,657,766 | -          |
| Audit Committee                       | -                   | -                | -        | 209,843   | -          |
| Remuneration Committee                | -                   | -                | -        | 50,241    | -          |
| General Meeting                       | -                   | -                | -        | 4,500     | -          |
|                                       | 266,273             | 9,470            | 530,868  | 3,029,555 | 72,000,000 |

During the years ended 31 December 2018 and 31 December 2017, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

| Company                  | 2018                |                                       |                  |                                       |            |            |                 |            |
|--------------------------|---------------------|---------------------------------------|------------------|---------------------------------------|------------|------------|-----------------|------------|
|                          | Accounts receivable | Shareholders and Group companies (DB) | Accounts payable | Shareholders and Group companies (CB) | Revenues   | Costs      | Interest income | Dividends  |
| Shareholders             | -                   | -                                     | -                | -                                     | -          | -          | -               | 57,000,000 |
| Group companies          |                     |                                       |                  |                                       |            |            |                 |            |
| Subsidiaries             | 8,195,321           | 12,940,956                            | 2,825,440        | 5,539,255                             | 30,250,897 | 3,877,974  | 205,204         | -          |
| Associated companies     | 4,525               | -                                     | 14,102           | -                                     | 12,321     | 102,109    | -               | -          |
| Joint Ventures           | 977,959             | -                                     | 977,959          | -                                     | 371,713    | -          | -               | -          |
| Other related parties    | 200,637             | 457,571                               | 378,522          | -                                     | 939,792    | 3,855,833  | -               | -          |
| Members of the (Note 44) |                     |                                       |                  |                                       |            |            |                 |            |
| Board of Directors       | -                   | -                                     | -                | -                                     | -          | 2,358,913  | -               | -          |
| Audit Committee          | -                   | -                                     | -                | -                                     | -          | 174,857    | -               | -          |
| Remuneration Committee   | -                   | -                                     | -                | -                                     | -          | 55,800     | -               | -          |
| General Meeting          | -                   | -                                     | -                | -                                     | -          | 14,000     | -               | -          |
|                          | 9,378,442           | 13,398,528                            | 4,196,023        | 5,539,255                             | 31,574,723 | 10,439,486 | 205,204         | 57,000,000 |

DB - Debit balance; CB - Credit balance

| Company                                     | 2017                |                                       |                  |                                       |            |            |                 |            |
|---|---------------------|---------------------------------------|------------------|---------------------------------------|------------|------------|-----------------|------------|
|   | Accounts receivable | Shareholders and Group companies (DB) | Accounts payable | Shareholders and Group companies (CB) | Revenues   | Costs      | Interest income | Dividends  |
| Shareholders                                | -                   | -                                     | -                | -                                     | -          | -          | -               | 72,000,000 |
| Group companies                             |                     |                                       |                  |                                       |            |            |                 |            |
| Subsidiaries                                | 5,833,733           | 6,413,511                             | 2,601,776        | 12,821,447                            | 32,806,937 | 8,901,683  | 126,404         | -          |
| Associated companies                        | 1,658               | -                                     | 9,470            | -                                     | 11,250     | 105,230    | -               | -          |
| Joint Ventures                              | 264,615             | -                                     | -                | -                                     | 519,618    | -          | -               | -          |
| Other related parties                       | -                   | -                                     | -                | -                                     | -          | -          | -               | -          |
| Members of the Board of Directors (Note 44) | -                   | -                                     | -                | -                                     | -          | 2,657,766  | -               | -          |
| Audit Committee                             | -                   | -                                     | -                | -                                     | -          | 209,843    | -               | -          |
| Remuneration Committee                      | -                   | -                                     | -                | -                                     | -          | 50,241     | -               | -          |
| General Meeting                             | -                   | -                                     | -                | -                                     | -          | 4,500      | -               | -          |
|   | 6,100,006           | 6,413,511                             | 2,611,246        | 12,821,447                            | 33,337,805 | 11,929,263 | 126,404         | 72,000,000 |

DB - Debit balance; CB - Credit balance

Regarding the **Company**, as at 31 December 2018 and 31 December 2017, the nature and detail, by company of the Group, of the main debit and credit balances was as follows:

| Company  | 2018                |                                       |                           |                  |                                       |                        |
|--|---------------------|---------------------------------------|---------------------------|------------------|---------------------------------------|------------------------|
|  | Accounts receivable | Shareholders and Group companies (DB) | Total accounts receivable | Accounts payable | Shareholders and Group companies (CB) | Total accounts payable |
| <b>Subsidiaries</b>                                    |                     |                                       |                           |                  |                                       |                        |
| Banco CTT, S.A.  | 817,612             | -                                     | 817,612                   | 26,143           | 5,539,255                             | 5,565,398              |
| CTT Expresso, S.A.                                     | 3,912,914           | 9,934,259                             | 13,847,173                | 1,993,274        | -                                     | 1,993,274              |
| CTT Contacto, S.A.                                     | 279,586             | 348,698                               | 628,284                   | 452,161          | -                                     | 452,161                |
| CORRE - Correio Expresso Moçambique, S.A.              | 745,828             | -                                     | 745,828                   | -                | -                                     | -                      |
| Tourline Express Mensajeria, S.A.                      | 1,346,582           | -                                     | 1,346,582                 | 34,121           | -                                     | 34,121                 |
| Transporta - Transportes Porta a Porta, S.A.           | 1,092,800           | 2,658,000                             | 3,750,800                 | 319,740          | -                                     | 319,740                |
| <b>Associated companies</b>                            |                     |                                       |                           |                  |                                       |                        |
| Multicert - Serviços de Certificação Electrónica, S.A. | 4,525               | -                                     | 4,525                     | 14,102           | -                                     | 14,102                 |
| <b>Joint Ventures</b>                                  |                     |                                       |                           |                  |                                       |                        |
| NewPost, ACE   | 108,099             | -                                     | 108,099                   | -                | -                                     | -                      |
| Mktplace - Comércio Eletrónico, S.A.                   | 869,860             | -                                     | 869,860                   | -                | -                                     | -                      |
| <b>Other related parties</b>                           |                     |                                       |                           |                  |                                       |                        |
| Payshop Portugal, S.A.                                 | 200,637             | 457,571                               | 658,208                   | 378,522          | -                                     | 378,522                |
|  | 9,378,442           | 13,398,528                            | 22,776,970                | 3,218,064        | 5,539,255                             | 8,757,319              |

DB - Debit balance; CB - Credit balance

| Company  | 2017                |                                       |                           |                  |                                       |                        |
|--|---------------------|---------------------------------------|---------------------------|------------------|---------------------------------------|------------------------|
|  | Accounts receivable | Shareholders and Group companies (DB) | Total accounts receivable | Accounts payable | Shareholders and Group companies (CB) | Total accounts payable |
| <b>Subsidiaries</b>                                    |                     |                                       |                           |                  |                                       |                        |
| Banco CTT, S.A.  | 310,169             | -                                     | 310,169                   | 9,069            | 11,131,017                            | 11,140,086             |
| CTT Expresso, S.A.                                     | 2,616,197           | 1,125,000                             | 3,741,197                 | 1,663,559        | 1,425,115                             | 3,088,673              |
| Payshop Portugal, S.A.                                 | 121,469             | -                                     | 121,469                   | 413,354          | 238,187                               | 651,541                |
| CTT Contacto, S.A.                                     | 318,404             | 490,511                               | 808,915                   | 326,359          | -                                     | 326,359                |
| Mailtec Comunicação S.A.                               | 150,301             | -                                     | 150,301                   | 184,432          | 27,128                                | 211,560                |
| Escrita Inteligente, S.A.                              | 119,059             | -                                     | 119,059                   | -                | -                                     | -                      |
| CORRE - Correio Expresso Moçambique, S.A.              | 723,519             | -                                     | 723,519                   | -                | -                                     | -                      |
| Tourline Express Mensajeria, S.A.                      | 1,396,998           | 2,140,000                             | 3,536,998                 | 5,003            | -                                     | 5,003                  |
| Transporta - Transportes Porta a Porta, S.A.           | 77,617              | 2,658,000                             | 2,735,617                 | -                | -                                     | -                      |
| <b>Associated companies</b>                            |                     |                                       |                           |                  |                                       |                        |
| Multicert - Serviços de Certificação Electrónica, S.A. | 1,658               | -                                     | 1,658                     | 9,470            | -                                     | 9,470                  |
| <b>Joint Ventures</b>                                  |                     |                                       |                           |                  |                                       |                        |
| NewPost, ACE   | 264,615             | -                                     | 264,615                   | -                | -                                     | -                      |
|  | 6,100,006           | 6,413,511                             | 12,513,517                | 2,611,246        | 12,821,447                            | 15,432,693             |

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2018 and 31 December 2017, the nature and detail, by company of the Group, of the main transactions was as follows:

| Company  | 2018            |                           |             |                             |                          |                                |                       |                 |
|--|-----------------|---------------------------|-------------|-----------------------------|--------------------------|--------------------------------|-----------------------|-----------------|
|  | Assets acquired | Services to be reinvoiced | Assets sold | Sales and services rendered | Other operating revenues | Supplies and external services | Other operating costs | Interest Income |
| <b>Subsidiaries</b>                                    |                 |                           |             |                             |                          |                                |                       |                 |
| Banco CTT, S.A.  | -               | -                         | -           | 807,979                     | 1,326,474                | -                              | -                     | -               |
| CTT Expresso, S.A.                                     | -               | 48,723                    | 133,706     | 316,887                     | 23,575,487               | 2,015,732                      | -                     | 5,835           |
| CTT Contacto, S.A.                                     | -               | 60,196                    | 23,683      | 38,269                      | 2,783,652                | 1,855,427                      | -                     | -               |
| CORRE - Correio Expresso Moçambique, S.A.              | -               | -                         | -           | -                           | 218,823                  | -                              | -                     | -               |
| Tourline Express Mensajeria, S.A.                      | 34,498          | 3,749                     | -           | 2,302                       | 538,399                  | -                              | -                     | 125,869         |
| Transporta - Transportes Porta a Porta, S.A.           | -               | 115,569                   | -           | 4,390                       | 638,234                  | 6,816                          | -                     | 73,500          |
| <b>Associated companies</b>                            |                 |                           |             |                             |                          |                                |                       |                 |
| Multicert - Serviços de Certificação Electrónica, S.A. | -               | -                         | -           | 12,321                      | -                        | 102,109                        | -                     | -               |
| <b>Joint Ventures</b>                                  |                 |                           |             |                             |                          |                                |                       |                 |
| NewPost, ACE   | -               | -                         | -           | -                           | 362,064                  | -                              | -                     | -               |
| Mktplace - Comércio Eletrónico, S.A.                   | -               | -                         | -           | -                           | 9,649                    | -                              | -                     | -               |
| <b>Other related parties</b>                           |                 |                           |             |                             |                          |                                |                       |                 |
| Payshop Portugal, S.A.                                 | -               | -                         | 52,254      | 122,610                     | 817,182                  | 3,855,833                      | -                     | -               |
|  | 34,498          | 228,236                   | 209,643     | 1,304,758                   | 30,269,966               | 7,835,915                      | -                     | 205,204         |

| Company  | 2017            |                           |                |                             |                          |                                |                       |                 |
|--|-----------------|---------------------------|----------------|-----------------------------|--------------------------|--------------------------------|-----------------------|-----------------|
|  | Assets acquired | Services to be reinvoiced | Assets sold    | Sales and services rendered | Other operating revenues | Supplies and external services | Other operating costs | Interest Income |
| <b>Subsidiaries</b>                                    |                 |                           |                |                             |                          |                                |                       |                 |
| Banco CTT, S.A.  | -               | -                         | -              | 497,014                     | 515,567                  | -                              | -                     | -               |
| CTT Expresso, S.A.                                     | -               | 17,865                    | 234,106        | 287,017                     | 24,140,279               | 1,837,933                      | -                     | 24,870          |
| Paysshop Portugal, S.A.                                | -               | -                         | 20,916         | 65,800                      | 863,055                  | 4,343,145                      | -                     | -               |
| CTT Contacto, S.A.                                     | -               | 17,524                    | 11,970         | 530,341                     | 3,631,247                | 1,760,690                      | -                     | -               |
| Mailtec Comunicação S.A.                               | -               | 1,056,895                 | -              | 245,183                     | 621,262                  | 952,969                        | -                     | -               |
| Escrita Inteligente, S.A.                              | -               | -                         | 12,480         | -                           | -                        | -                              | -                     | -               |
| CORRE - Correio Expresso Moçambique, S.A.              | -               | -                         | -              | -                           | 382,729                  | -                              | -                     | -               |
| Tourline Express Mensajeria, S.A.                      | 33,060          | 1,614                     | -              | 2,367                       | 1,023,719                | 6,000                          | -                     | 82,509          |
| Transporta - Transportes Porta a Porta, S.A.           | -               | -                         | -              | 1,358                       | -                        | 947                            | -                     | 19,025          |
| <b>Associated companies</b>                            |                 |                           |                |                             |                          |                                |                       |                 |
| Multicert - Serviços de Certificação Electrónica, S.A. | -               | -                         | -              | 11,250                      | -                        | 105,230                        | -                     | -               |
| <b>Joint Ventures</b>                                  |                 |                           |                |                             |                          |                                |                       |                 |
| NewPost, ACE   | -               | -                         | -              | -                           | 519,618                  | -                              | -                     | -               |
|  | <b>33,060</b>   | <b>1,093,897</b>          | <b>279,472</b> | <b>1,640,330</b>            | <b>31,697,475</b>        | <b>9,006,913</b>               | <b>-</b>              | <b>126,404</b>  |

## 51. FEES AND SERVICES OF THE EXTERNAL AUDITORS

The information concerning the fees and services provided by the external auditors is detailed in section 5.1.1 of the Integrated Report.

## 52. INFORMATION ON ENVIRONMENTAL MATTERS

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the Group, from a perspective of risk and opportunity management, as presented in more detail in sections 2.3 and 2.4 of the Integrated Report.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

## 53. PROVISION OF INSURANCE MEDIATION SERVICE

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Company** discloses the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

- a) Description of the accounting policies adopted for the recognition of revenue

The insurance agent recognises revenue in accordance with the rules in force, i.e. when the mediator closes accounts with the Insurance companies. The issuance and repayment of insurance are recorded in each post office accounting document and allocated to the respective account, according to the respective nature.

- b) Indication of total revenue received detailed by nature

| By nature          | 2018             | 2017             |
|--------------------|------------------|------------------|
| Cash               | 1,713,885        | 1,800,530        |
| Kind               |                  |                  |
|                    | <b>1,713,885</b> | <b>1,800,530</b> |
| By type            | 2018             | 2017             |
| Commissions        | 1,713,885        | 1,800,530        |
| Fees               |                  |                  |
| Other remuneration |                  |                  |
|                    | <b>1,713,885</b> | <b>1,800,530</b> |

- c) Indication of total revenues relating to insurance contracts intermediated by the Company detailed by Branch Life and Non-Life

| By entity           | 2018             |                  |
|---------------------|------------------|------------------|
|                     | Branch Life      | Branch Non-Life  |
| Insurance Companies | 1,681,840        | 1,687,736        |
| Other mediators     |                  |                  |
| Customers (other)   |                  |                  |
|                     | <b>1,681,840</b> | <b>1,687,736</b> |

- d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

| By entity           | 2018   | 2017   |
|---------------------|--------|--------|
| Insurance Companies |        |        |
| FIDELIDADE          | 92.20% | 88.40% |
| Other mediators     |        |        |
| Customers (other)   |        |        |

- e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

| Accounts 'Customers' | 2018        | 2017       |
|----------------------|-------------|------------|
| Open Balance         | -           | -          |
| Closing Balance      | -           | -          |
| Volume handled       |             |            |
| Debt                 | 167,294,972 | 39,720,945 |
| Credit               | 4,739,823   | 2,535,619  |

- f) Accounts receivable and payable broken down by source

| By entity                                | Accounts receivable |                | Accounts payable |               |
|--|---------------------|----------------|------------------|---------------|
|  | 2018                | 2017           | 2018             | 2017          |
| Policyholders, insureds or beneficiaries |                     |                |                  |               |
| Insurance companies                      | 1,082,423           | 406,681        | 37,180           | 37,907        |
| Reinsurance undertakings                 |                     |                |                  |               |
| Other mediators                          |                     |                |                  |               |
| Customers (other)                        |                     |                |                  |               |
|  | <b>1,082,423</b>    | <b>406,681</b> | <b>37,180</b>    | <b>37,907</b> |

## g) Indication of the aggregate amounts included in accounts receivable and payable

| By entity  | Accounts receivable |                   | Accounts payable   |                   |
|--|---------------------|-------------------|--------------------|-------------------|
|  | 2018                | 2017              | 2018               | 2017              |
| Funds received in order to be transferred to insurance companies for payment of insurance premiums   | 4,739,823           | 2,535,619         | 4,458,059          | 2,198,490         |
| Collecting funds in order to be transferred to insurance companies for payment of insurance premiums   |                     |                   |                    |                   |
| Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation) | 166,732,744         | 40,788,406        | 167,294,972        | 39,720,945        |
| Remuneration in respect of insurance premiums already collected and to be collected other mediators  |                     |                   |                    |                   |
| <b>Total</b>   | <b>171,472,567</b>  | <b>43,324,025</b> | <b>171,753,031</b> | <b>41,919,434</b> |

Note: The remaining paragraphs of the standard do not apply.

#### 54. OTHER INFORMATION

Following the process of transformation of Post Office into Postal Agencies, covering situations where only a single post office exists in a county seat, at the end of 2018 CTT was cited in six precautionary measures filed either by Intermunicipal Communities or by Municipalities (Douro, Beiras and Serra da Estrela, Dão Lafões, Alfândega da Fé, Belmonte and Aljustrel) requiring CTT to refrain from closing or transforming post offices into postal agencies. In 2019 and to date, CTT was also cited for four other measures of identical content and purpose (Terras de Trás-os-Montes, Óbidos, Sobral de Monte Agraço, Terras do Infante e Lagoa) and two administrative actions (Dão Lafões and Aljustrel). CTT was acquitted of the proceedings in the case brought by the Municipality of Alfândega da Fé and others, on grounds of illegitimacy of the applicants, who in the meantime appealed against the decision.

In July 2018, a decision was issued regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, which increased the quality of service indicators from 11 to 24 and imposed aggravated compliance targets, including a target of 99.9% for six of these indicators. This decision, considered to be misaligned and disproportionate in the context of sharp decline in postal traffic and the concession agreement in force, was challenged on 18 October by CTT in an administrative action brought against ANACOM and in the Arbitral Tribunal against the Portuguese State, as grantor, requesting the declaration of invalidity of this decision. In the event that the ANACOM Decision is not declared invalid, in view of this regulatory framework that affects the financial balance of the concession (an additional charge of up to € 12 million per year until 2020 is estimated for the Company to approximate the fulfilment of the imposed objectives) CTT will submit a subsidiary claim for compensation under the Concession Agreement of the UPS in force until that date. Both processes are in progress.

On 21 June 2018, ANACOM decided to submit to the grantor a proposal for the application of 11 contractual fines within the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract, which occurred during 2015, 2016 and 2017. CTT exercised its right to present comments, essentially alleging lack of proof, reasoning and lack of preliminary hearing. The process waits for additional verifiable evidence to be produced, as requested by CTT.

On 28 December 2018, a decision was made by ANACOM following the results of the audit of the 2016 and 2017 annual values of the quality of the universal postal service, providing for changes in the measurement system of the Quality of Service Indicators (QSI), to be implemented until 1 July 2019. These



changes lead to a worsening of the costs to be borne by CTT with the contracting of the QSI measurement system.

On 10 January 2019, ANACOM issued its decision in respect of the Draft Decision on the revision of the density targets of the postal network and of the minimum service offers, on which CTT took a position on 21 February.

On 15 February 2019, ANACOM decided to approve a draft decision as a result of the audit of the cost accounting system for the financial year 2016, under which that entity considers that new criteria for the allocation of expenses between postal activity and banking activity should be identified, determining the reformulation of the cost accounting system for the 2016 and 2017 financial years. CTT will present its pronouncement on 5 April 2019.

## **55. SUBSEQUENT EVENTS**

Up to the present date, no relevant or material fact has occurred in the Group's activity that has not been disclosed in the notes to the financial statements.



## 8. DECLARATION OF CONFORMITY

For the purposes of article 245(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby declare that, to the best of their knowledge, the management report, the annual individual and consolidated accounts, the legal accounts certificate of and other accounting documents (i) were prepared in compliance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, (ii) faithfully describe the business evolution, the performance and position of CTT and the companies included in the consolidation perimeter, and (iii) contain a description of the major risks faced by CTT in its activity.

Lisbon, 15 March 2019

### **The Board of Directors**

#### **The (non-executive) Chairman of the Board of Directors**

António Sarmiento Gomes Mota

#### **The Vice-Chairman of the Board of Directors & Chief Executive Officer (CEO)**

Francisco José Queiroz de Barros de Lacerda

#### **The Member of the Board of Directors and of the Executive Committee**

Dionizia Maria Ribeiro Farinha Ferreira

#### **The (non-executive) Member of the Board of Directors and of the Audit Committee**

Nuno de Carvalho Fernandes Thomaz

**The (non-executive) Member of the Board of Directors**

José Manuel Baptista Fino

**The (non-executive) Member of the Board of Directors**

Céline Dora Judith Abecassis-Moedas

**The Member of the Board of Directors and of the Executive Committee**

António Pedro Ferreira Vaz Silva

**The Member of the Board of Directors and of the Executive Committee**

Francisco Maria da Costa de Sousa de Macedo Simão

**The (non-executive) Member of the Board of Directors**

João Afonso Ramalho Sopas Pereira Bento

**The (non-executive) Member of the Board of Directors and Chairwoman of the Audit Committee**

Maria Luísa Coutinho Ferreira Leite Castro Anacoreta Correia

**The (non-executive) Member of the Board of Directors and of the Audit Committee**

Maria Belén Amatriain Corbi

**The (non-executive) Member of the Board of Directors**

Rafael Caldeira de Castel-Branco Valverde

**The Member of the Board of Directors and of the Executive Committee (CFO)**

Guy Patrick Guimarães de Goyri Pacheco

(SIGNED ON THE ORIGINAL)



**9. AUDIT REPORT, REPORT AND OPINION OF THE AUDIT COMMITTEE AND  
INDEPENDENT LIMITED ASSURANCE REPORT**







KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º  
1069-006 Lisboa - Portugal  
+351 210 110 000 | www.kpmg.pt

## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of CTT – Correios de Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 (showing a total of 1,768,814,462 euros and shareholders' equity of 146,752,583 euros, including non-controlling interests of 165,494 euros and a profit attributable to the shareholders of CTT of 19,621,263 euros), and the consolidated income statement by nature, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of CTT – Correios de Portugal, S.A. as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. Capital Social: 3.515.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489. Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

### Revenue recognition

---

| Risk   | Our response to identified risk  |
|--|--|
| <p>CTT is active in several business areas (Post, Express &amp; Parcels, Financial services and Banking) and the policies for the recognition of revenue are different for each of the area, as mentioned in notes 2.22 and 39.</p> <p>We considered the presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue arising from pressure on management to achieve the estimated results.</p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>— Test the design and implementation of key controls related to revenue recognition;</li> <li>— Test the operating effectiveness of controls related with the revenue recognition process;</li> <li>— Tests of details to the transactions (on a sample basis) namely in relation to the timing of revenue recognition;</li> <li>— Substantive analytical procedures and tests of the journal entries in order to identify and test the risk of fraud and possible override of the implemented controls;</li> <li>— Assessment of the impacts of the new standard IFRS 15 – Revenue from contracts with customers; and</li> <li>— Evaluation of the adequacy of disclosures made by the Entity in relation to revenue recognition, taking into account the applicable accounting framework.</li> </ul> |

---

---

## Employee benefits

---

### Risk

The responsibilities with post-employment health benefits and other long-term benefits of employees and board members amount to 261,681,183 euros and involve a significant degree of judgment in the definition of long term assumptions, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.19, 2.28 and 31.

### Our response to identified risk

Our audit procedures included, among others, the following:

- Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation and the methodology for the computation of the responsibility;
  - Comparison of the information provided by management to the independent actuary for the computation of the responsibility;
  - Evaluation of the competence, independence and integrity of the actuary hired by management; and
  - Evaluation of the adequacy of disclosures made by the Entity in relation to employee benefits, including the sensitivity analyses, taking into account the applicable accounting framework.
- 

---

## Investment in Banco CTT (Bank)

---

### Risk

As referred in note 1.2 the Bank started its activity at the end of 2015, and in 2018 continued the strategy for investment, increase of the number of branches and launch of new products.

The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity.

### Our response to identified risk

Our audit procedures included, among others, the following:

- Analysis of the evolution of the activity of the Bank during 2018 and discussion with management of the future expectations, namely in relation to credit concession, forms of financing and expected profitability;
  - Analysis of the main assumptions of the impairment model of the Bank's assets and performance of sensitivity analyses of the main assumptions, namely *Cost of Equity* and Core Tier 1 requirements; and
  - Evaluation of the adequacy of disclosures made by the Group regarding the impairment test of Bank's assets.
-

---

## Operational transformation plan

---

### Risk

As referred in notes 32 and 44, CTT communicated to the markets an operational transformation plan with the objective of optimizing the growth and operational efficiency. The main impacts of the plan in the financial statements were:

- Recognition of indemnities costs of 21,318,586 euros (2017: 16,506,980 euros);
- Recognition of a 1,842,159 euros (2017: 1,729,651 euros) provision related to costs to incur with the closure of branches to optimize the existing net of branches;
- Decrease of the variable remuneration liability estimate.

### Our response to identified risk

Our audit procedures included, among others, the following:

- Challenge the assumptions supporting Management's estimates;
  - Evaluation of the remaining impacts of the operational transformation plan and challenging the underlying assumptions;
  - Discuss with Management the impact of the plan's measures, namely in the future plans used in the impairment tests; and
  - Evaluation of the adequacy of disclosures related to provisions recognition, as well as subsequent events after 31 December 2018, taking into account the accounting framework.
-



---

## Credit concession

---

| Risk  | Our response to identified risk   |
|---|---|
| <p>The Group started, through Banco CTT ("Bank"), conceding housing loans in March 2017.</p> <p>This process was newly created by the bank, based on an IT workflow developed with an external partner.</p> <p>Due to the recent integration of this process in the bank, defined objectives to the management and the relevance to bank activity, we classify this area as a key audit matter.</p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"><li>— Understanding the credit concession process, since the proposals reception until the final booking and associated disclosure, identifying the risks and related controls;</li><li>— Analysis of the minutes of the Credit Committee, where the proposals with higher risk are discussed and the key guidelines for the credit concession process are defined;</li><li>— Analysis of the integration of processes between the bank and the other partners, as well as between the operational and accounting systems;</li><li>— Evaluation of the design and implementation of controls and testing of controls operating effectiveness related to the credit concession process and to the impairment model implemented by the bank to comply with the framework of IFRS 9;</li><li>— External confirmation of a sample of exposures included in the loan portfolio;</li><li>— Testing of interest of the period and accrued interest;</li><li>— Testing of impairment calculated according to IFRS 9; and</li><li>— Evaluation of disclosures made by the Group in accordance with the applicable accounting framework.</li></ul> |

---

## **Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements**

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **On the Management Report**

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

#### **On the Corporate Governance Report**

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

#### **On the non-financial information defined in the article 508-B of the Portuguese Companies' Code**

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has prepared a separate report where includes the non-financial information defined in article 508-B of the Portuguese Companies' Code, having that report being published with the management report.

#### **On the additional matters provided in article nr. 10 of the Regulation (EU) nr. 537/2014**

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of CTT – Correios de Portugal, S.A. (parent Entity of the Group) in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 14 March 2018; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Group in conducting the audit.

15 March 2019

SIGNED ON THE ORIGINAL

---

**KPMG & Associados -**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)





KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º  
1069-006 Lisboa - Portugal  
+351 210 110 000 | www.kpmg.pt

## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of CTT – Correios de Portugal, S.A. (the Entity or CTT), which comprise the individual statement of financial position as at 31 December 2018 (showing a total of 827,952,787 euros and shareholders' equity of 146,587,089 euros, including a profit of 19,621,263 euros), the individual income statement, individual statement of comprehensive income, individual statement of changes in equity and individual cash flows statement for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of CTT – Correios de Portugal, S.A. as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

### Revenue recognition

---

#### Risk

CTT is active in several business areas (Post, Express & Parcels, Financial services and Banking) and the policies for the recognition of revenue are different for each of the area, as mentioned in notes 2.22 and 39.

We considered the presumption present in the International Standards on Auditing of increased risk of fraud associated with revenue arising from pressure on management to achieve the estimated results.

#### Our response to identified risk

Our audit procedures included, among others, the following:

- Test the design and implementation of key controls related to revenue recognition;
  - Test the operating effectiveness of controls related with the revenue recognition process;
  - Tests of details to the transactions (on a sample basis) namely in relation to the timing of revenue recognition;
  - Substantive analytical procedures and tests of the journal entries in order to identify and test the risk of fraud and possible override of the implemented controls;
  - Assessment of the impacts of the new standard IFRS 15 – Revenue from contracts with customers; and
  - Evaluation of the adequacy of disclosures made by the Entity in relation to revenue recognition, taking into account the applicable accounting framework.
-

---

## Employee benefits

---

### Risk

The responsibilities with post-employment health benefits and other long-term benefits of employees and board members amount to 261,336,832 euros and involve a significant degree of judgment in the definition of long term assumptions, which might result in significant variances of the amounts booked in the financial statements as referred to in notes 2.19, 2.28 and 31.

### Our response to identified risk

Our audit procedures included, among others, the following:

- Evaluation of the reasonableness of assumptions and estimates used in the actuarial computation and the methodology for the computation of the responsibility;
  - Comparison of the information provided by management to the independent actuary for the computation of the responsibility;
  - Evaluation of the competence, independence and integrity of the actuary hired by management; and
  - Evaluation of the adequacy of disclosures made by the Entity in relation to employee benefits, including the sensitivity analyses, taking into account the applicable accounting framework.
-

---

## Investment in Banco CTT (Bank)

---

### Risk

As referred in note 1.2 the Banco CTT ("Bank") started its activity at the end of 2015, and in 2018 continued the strategy for investment, increase of the number of branches and launch of new products.

The monitoring of the budget and business plan approved by the shareholder is relevant to the audit strategy, particularly the impact of market conditions and the consequent adjustments to the plan in the shareholder capital requirements and in the dividend distribution capacity.

### Our response to identified risk

Our audit procedures included, among others, the following:

- Analysis of the valuation methodology used, *Dividend Discount Model* (DDM), with the involvement of our valuation specialists;
  - Analysis of the computation of the recoverable amount of Banco CTT and of the main assumptions of the impairment model, namely the discount rate (cost of equity), the perpetuity growth rate, the Core Tier 1 requirements considered for the computation of profits available for distribution, dividends distributed and capital increases;
  - Test the mathematical accuracy of the impairment model;
  - Comparison of the financial projections with the budget and plan approved and presented to the Banco de Portugal;
  - Discuss with management the future expectations, namely in relation to credit concession, forms of financing and expected profitability;
  - Performance of sensitivity analyses to the main assumptions; and
  - Evaluation of the adequacy of disclosures made by the Entity in the financial statements.
-

---

## Operational transformation plan

---

| Risk  | Our response to identified risk   |
|---|---|
| <p>As referred in notes 32 and 44, CTT communicated to the markets an operational transformation plan with the objective of optimizing the growth and operational efficiency. The main impacts of the plan in the financial statements were:</p> <ul style="list-style-type: none"> <li>— Recognition of indemnities costs of 20,644,374 euros (2017: 14,824,913 euros);</li> <li>— Recognition of a 1,479,139 euros (2017: 1,729,651 euros) provision related to costs to incur with the closure of branches to optimize the existing net of branches;</li> <li>— Decrease of the variable remuneration liability estimate.</li> </ul> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>— Challenge the assumptions supporting Management's estimates;</li> <li>— Evaluation of the remaining impacts of the operational transformation plan and challenging the underlying assumptions;</li> <li>— Discuss with Management the impact of the plan's measures, namely in the future plans used in the impairment tests; and</li> <li>— Evaluation of the adequacy of disclosures related to provisions recognition, as well as subsequent events after 31 December 2017, taking into account the accounting framework.</li> </ul> |

---

## Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,

- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **On the Management Report**

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

### **On the Corporate Governance Report**

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### **On the non-financial information defined in the article 66-B of the Portuguese Companies' Code**

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, having that report being published with the management report

### **On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014**

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 5 May 2014 to complete the last year of the term of the three year period from 2012 to 2014. We were appointed at the shareholders' meeting on 18 April 2018 for the current term from 2018 to 2020;

- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud;
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 14 March 2019; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Entity in conducting the audit.

15 March 2019

SIGNED ON THE ORIGINAL

---

**KPMG & Associados -**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)



# AUDIT COMMITTEE

---

## Report and Opinion of the Audit Committee - 2018 Financial Year -

### 1. Introduction

In compliance with the provisions of Article 423-F(1)(g) of the Portuguese Companies Code (“PCC”) and article 7(5) of the Internal Regulation of the Audit Committee (“AUC” or “Committee”) of CTT-Correios de Portugal, S.A. (“CTT” or “Company”), this body is hereby submitting its report of the supervisory and oversight activities carried out during the 2018 financial year and giving its opinion on the CTT Integrated Report, which includes the management report, the corporate governance report, information on the non-financial statements, the individual and consolidated accounts for the financial year ended on 31 December 2018, and the proposal for the appropriation of results submitted by the Board of Directors (“BoD”).

### 2. Activities Carried Out

During the 2018 financial year, the AUC held seventeen meetings at which all its members were present.

In order to ensure the full accomplishment of its mission throughout the year, the Committee carried out various activities within the scope of its competences and in the fulfilment of its duties and responsibilities, with emphasis on the following in each of its main areas of intervention:

- **Monitor the functioning of the Company and ensure compliance with the law, the regulations and the articles of association**

The regular monitoring of the evolution of the activity of the Company and its main subsidiaries, particularly of the decisions of fundamental importance for the Company, was carried out specifically through:

**(i)** the participation of its members in the Board of Directors’ meetings; **(ii)** the contacts with the Executive Committee (“EC”), especially the participation in the meetings of approval of accounts; **(iii)** other contacts with Company Directors as deemed necessary and timely by the AUC, particularly with the Chief Financial Officer of CTT and Banco CTT and other senior officers of the Company such as the Heads of Accounting & Treasury, Planning & Control, Finance & Risk, Investor Relations, Regulation & Competition, Legal Services, Labour Legal Services, and Audit & Quality, including the Head of Compliance; and **(iv)** meetings with the Statutory Auditor.

In the performance of its duties the Committee also examined the documents distributed to support its work and obtained the information and clarifications to the questions raised in the analysis of such documents, especially those considered timely and adequate, regarding the compliance with the Articles of Association and the applicable legal and regulatory provisions. The Committee did not come across any constraints or limitations to its action.

- **Supervising the quality and integrity of the financial information in the statements of accounts**

Within the competences laid down in Article 423-F(1)(c) to (f) of the PCC and in Article 3(3)(a) and (b) of Law no. 148/2015, particularly for the purpose of supervising the compliance with accounting policies, criteria and practices, and reliability of the financial information, the following main actions were carried out:

**(i)** Regular monitoring of the preparation and disclosure of the financial information, as well as assessment of the accounting principles and standards and respective amendments, including the supervision of their compliance, of the estimates and judgements, the proceedings and the valuation criteria used, aiming to ensure their consistent enforcement throughout each financial year; **(ii)** Monitoring of the new IFRS and their impacts on CTT; **(iii)** Analysis of the impact of the subsidiaries accounts on CTT accounts; **(iv)** Monitoring of the relevant financial and operating indicators, as well as of the non-recurring transactions; **(v)** Analysis of the 2017 Annual Reports of CTT subsidiary companies, and Representation Letters for the respective Statutory Auditors; **(vi)** Assessment of the 2017 Annual Report of CTT and of the Corporate Governance Report, including opinion on same and on the Proposal for the Appropriation of Results submitted to the Annual General Meeting of Shareholders held on 18 April 2018; and **(vii)** Analysis of the consolidated and individual quarterly and half-yearly accounts of the 2018 financial year.

- **Overseeing the internal audit, internal control and risk management systems**

In the scope of the oversight of the effectiveness of the risk management, internal control and internal audit systems, as well as the assessment of their functioning and their procedures, the following aspects should be noted:

**(i)** Follow-up of the work of the Audit & Quality Department on internal audit and compliance issues and of the implementation of the recommendations issued, and conveying to the Statutory Auditor the relevant information; **(ii)** Approval of the Audit & Quality Department

Activity Plan for 2019 and allocated resources; **(iii)** Appraisal of the draft proposal of the CTT Policy for the Prevention of Money Laundering and Terrorism Financing; **(iv)** Assessment of the risk management model of CTT and Banco CTT and analysis of the main associated risks and mitigation plans; **(v)** Appraisal of the Risk Management Internal Regulations of the CTT Group (excluding Banco CTT); **(vi)** Follow-up of the litigation underway and other closed relevant contingencies; **(vii)** Assessment of the Reports on the Violation of the Code of Conduct; **(viii)** Assessment of the Activity Report of the Ethics Committee and of the Whistleblowing Reports; and **(ix)** Preliminary assessment of the transactions with related parties, whenever required under the Regulation on Related Parties' Transactions, and subsequent assessment in the case of the other transactions with related parties through half-yearly reports of the EC, as provided for in same Regulation; **(x)** Appraisal of the 2019 budget and the strategic lines within the 2019/2021 Plan of CTT; **(xi)** Promotion of the debate on issues such as Cybersecurity of the CTT Group, Personal Data Protection, Laws on the Fight of Money Laundering and Terrorism Financing, the Legal Framework of the Central Register of the Beneficial Owner, and the Role of the BoD in Digital Transformation, with the participation of external entities (whenever needed) and of the remaining members of the BoD of CTT and of the Board of Directors of Banco CTT; and **(xii)** Follow-up of the legal and regulatory changes the Company is subject to.

- **Supervising the performance of the duties of the Statutory Auditor**

Regarding the relationship with the Statutory Auditor of the companies within the CTT Group, KPMG & Associados, SROC, S.A. ("KPMG"), and the supervision of its compliance with the rules of independence, as required by the applicable laws and regulations, as well as of its audit work, the following activities carried out by this Committee stand out:

**(i)** Approval of the proposal to be submitted to the Annual General Meeting of CTT to appoint KPMG as Statutory Auditor for the 2018/2020 period; **(ii)** Analysis of the proposal for the contracting of statutory audit services and prior authorisation for the provision of non-audit services by the Statutory Auditor to companies of the CTT Group in 2018 and appraisal of the EC reports on the work awarded to the Statutory Auditor and corresponding fees; **(iii)** Assessment of the Statutory Auditor's Report and Audit Reports on the consolidated and individual financial statements of the financial year ended on 31 December 2017; **(iv)** Appraisal of the Statutory Auditor's Additional Report for the 2017 financial year; **(v)** Assessment of the Limited Review Report regarding the consolidated financial statements as at 30 June 2018; **(vi)** Monitoring and assessment of the preparatory work and matters considered relevant in the Statutory Auditor's

Report of the consolidated and individual accounts of the 2018 financial year; **(vii)** Analysis and discussion with the Statutory Auditor on accounting policies and relevant aspects of the new standards, main auditing issues and results of its audit work, as well as of the overall environment of internal control; **(viii)** Assessment of the Statutory Auditor's recommendations, following the audit of the 2017 financial statements, on accounting and internal control aspects and of the information of the Company on the implementation of those recommendations; **(ix)** Follow-up of the audit work of Statutory Auditor and the Audit Committee of Banco CTT; **(x)** Appraisal of the Statutory Auditor's 2016 and 2017 Transparency Reports; **(xi)** Assessment of KPMG's activity and independence, appreciation of its letter of independence, and issuance of the Activity and Independence Assessment Report for the 2017 financial year; **(xii)** Analysis of the Portuguese Securities Market Commission's ("CMVM") Public Consultation no. 8/2018 that intends to amend the legal framework of the audit oversight set forth in Law no. 148/2015 and submission of the opinion of this Committee to CMVM regarding the limited review of interim accounts; and **(xiii)** Discussion on the new structure of the management report of CTT.

### **3. Declaration of Conformity**

Under the provisions of article 245(1)(c) of the Portuguese Securities Code ("PSC"), the members of the Audit Committee of CTT identified hereafter, in the framework of the duties they are assigned with, hereby state that, to the best of their knowledge, the information in the Integrated Report regarding the management report, the annual consolidated and individual financial statements, the Statutory Auditor's Report and Auditor's Report of consolidated accounts, and the Statutory Auditor's Report and Auditor's Report of individual accounts, and other consolidated and individual Financial Statements related documents required by law or regulation, regarding the financial year ended on 31 December 2018:

- i.** was prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter; and
- ii.** the management report, in particular, faithfully describes the business evolution, the performance and position of CTT and the companies included in its consolidation perimeter and contains a description of the major risks and uncertainties they are faced with.

#### 4. Opinion on the Integrated Report for the 2018 financial year

The AUC has reviewed, as parts of the Integrated Report, the management report and the consolidated and individual financial statements for the financial year ended on 31 December 2018, including the statement of financial position, the income statements by nature, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, as well as the notes attached thereto, all of which deserve its approval.

The consolidated and individual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union on 31 December 2018.

The AUC also analysed, as components of the Integrated Report, the corporate governance report, taking into account the provisions of article 420(5) of the PCC and article 245-A of the PSC, and information on the non-financial statements, pursuant to articles 66-B and 508-G of the PCC.

The AUC appraised with special attention the terms of the Statutory Auditor's Report and of the Audit Reports on **(i)** the auditing of the consolidated and individual financial statements approved by the Board of Directors and issued on 15 March 2019 by KPMG & Associados–Sociedade de Revisores Oficiais de Contas, S.A., which express a favourable opinion on said financial statements, with no limitations or qualifications and **(ii)** the compliance with other legal and regulatory requirements applicable to the management report, the corporate governance report and to the non-financial information as set forth in article 508-B of the PCC, which express compliance with said requirements in force. The AUC also noted that the Statutory Auditor's Report and the Audit Reports include the additional information required in Article 10 of Regulation (EU) No 537/2014, particularly the so-called "Audit-Relevant Matters" which, in the case of the Company, KPMG defined as being:

- i. Recognition of revenue;
- ii. Employee benefits;
- iii. Investment in Banco CTT;
- iv. Operational Transformation Plan; and
- v. Provision of credit (in the consolidated accounts).

Given the above-mentioned data and the action carried out, as well as in compliance with the provisions of article 423-F(1)(g), article 420(5) and (6), applicable by reference to the provisions of article 423-F(2), and article 452, all of the PCC, the Audit Committee hereby states that, to the best of its knowledge, the information within the Integrated Report of CTT – Correios de Portugal, S.A. of the Integrated Report as at 31 December 2018 regarding:

- the management report, the corporate governance report, and the information on non-financial statements,
- the consolidated and individual financial statements,
- the Statutory Auditor's Report on the consolidated and individual accounts and the Audit Reports dated 15 March 2019, and
- the Proposal for the Appropriation of Results.

comply with the applicable legal and accounting rules and the Articles of Association. Accordingly, the Committee agrees with same and recommends that the General Meeting of CTT approves them.

Lisbon, 15 March 2019

**The Audit Committee of CTT – Correios de Portugal, S.A.,**

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman)

Nuno de Carvalho Fernandes Thomaz (Member)

Maria Belén Amatriain Corbi (Member)



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.  
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º  
1069-006 Lisboa - Portugal  
+351 210 110 000 | www.kpmg.pt

## Independent Limited Assurance Report

(This Report is a free translation to English from the Portuguese version  
In case of doubt or misinterpretation the Portuguese version will prevail.)

To the Board of Directors of  
CTT - Correios de Portugal, S.A.

### Introduction

We were engaged by the Board of Directors of CTT - Correios de Portugal, S.A. ("CTT") to provide limited assurance on the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2018, identified in the Annex IV "GRI index and indicators".

### Board of Directors' Responsibilities

The Board of Directors of CTT is responsible for:

- The preparation and presentation of the sustainability information included in the Report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI), for the level Core, and the information and assertions contained therein; and,
- Establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

### Our Responsibilities

Our responsibility is to carry out a limited assurance engagement described in "Scope" section and to express a conclusion based on the work performed.

### Scope

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether anything came to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2018, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Core, as described in the "Methodology notes" of the Report.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489 Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078



The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement on sustainability information consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented in the Report, applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with the responsible persons to understand the processes implemented in CTT to identify material issues for the relevant stakeholders of CTT;
- Interviews with relevant staff, at corporate and business units, responsible for providing the sustainability information in the Report;
- Comparing the transactions identified to corresponding information in the relevant underlying sources to assess the accuracy of the information and determine whether all the relevant information contained in such underlying sources has been included in the Report; and
- Reading the information presented in the Report to conclude if it is in line with our overall knowledge of, and experience with, the sustainability performance of CTT.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

- 1 Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the Integrated Report ("the Report") of CTT for the year ended 31 December 2018, identified in the Annex IV "GRI index and indicators" is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) for the level Core, as described in the "Methodology notes" of the Report.





### **Restriction of use and distribution of our report**

Our report is not intended to be used for any other purpose. Any party other than the intended addressees who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than CTT for our work, for this independent limited assurance report, or for the conclusions we have reached.

15 March 2019

SIGNED ON THE ORIGINAL

---

**KPMG & Associados -**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão



## 10. INVESTOR SUPPORT

The mission of the **Investor Relations (IR)** department of CTT is to ensure a solid and long-term relationship between, on the one hand, shareholders, investors and research analysts, the Portuguese Securities Market Commission (CMVM), Euronext Lisbon, and the capital markets in general and, on the other, the Company and its corporate bodies, providing timely, clear and transparent information representing the current evolution of CTT in economic, financial and corporate governance terms. Additionally, the department ensures that the Company's strategy is proactively articulated with investors and research analysts and that the Company has a complete understanding of the perception the markets have of it.

CTT's IR team consists of 5 people and is managed by Peter Tsvetkov, with **contacts** as follows:

Address: Avenida D. João II, n. 13, 12<sup>th</sup> floor  
 1999-001 Lisboa-Portugal  
[investors@ctt.pt](mailto:investors@ctt.pt)  
 Telephone: +351 210 471 087  
 Fax: +351 210 471 996  
 Website: [www.ctt.pt](http://www.ctt.pt)

The **Market Relations Representative** of CTT is the Executive Director and CFO, Guy Patrick Guimarães de Goyri Pacheco.

In 2018, within the above-mentioned mission of the IR, CTT carried out the following initiatives:

- In addition to the regular publication of financial accounts – Annual Report 2017 and Interim Report (1<sup>st</sup> half of 2018) – issued 23 press releases with material information (including press releases and presentations of quarterly results) and 26 press releases regarding qualifying holdings in CTT, as well as 4 concerning management transactions of CTT shares. In total, 55 communications to the market were produced.
- 356 e-mails were received and processed from institutional investors, 1,636 from research analysts, 663 from organisers of investor events and conferences and 994 from other investors and the public. As some of these e-mails did not call for an answer (e.g. research reports on CTT and peers which the IR receives from brokers) or were responded directly by phone, the number of responses given by e-mail and respective response times are indicated in the table below. At the end of 2018, no e-mail or other query was left unanswered.

**2017-2018 comparative table of the responses given by e-mail**

|   | within 1h* |            | from 1h to 24h* |            | more than 24h* |           | Total        |            |
|---|------------|------------|-----------------|------------|----------------|-----------|--------------|------------|
|   | 2017       | 2018       | 2017            | 2018       | 2017           | 2018      | 2017         | 2018       |
| To institutional investors                        | 282        | 126        | 83              | 36         | 6              | 12        | 371          | 174        |
| To analysts                                       | 213        | 132        | 51              | 29         | 3              | 3         | 267          | 164        |
| To other (retail investors, general public, etc.) | 223        | 176        | 163             | 139        | 12             | 9         | 398          | 324        |
| <b>Total</b>                                      | <b>718</b> | <b>434</b> | <b>297</b>      | <b>204</b> | <b>21</b>      | <b>24</b> | <b>1,036</b> | <b>662</b> |
| <b>Percentage</b>                                 | 69.3%      | 65.6%      | 28.7%           | 30.8%      | 2.0%           | 3.6%      | 100%         | 100%       |

\* counted from the time of receipt of the inquiry.

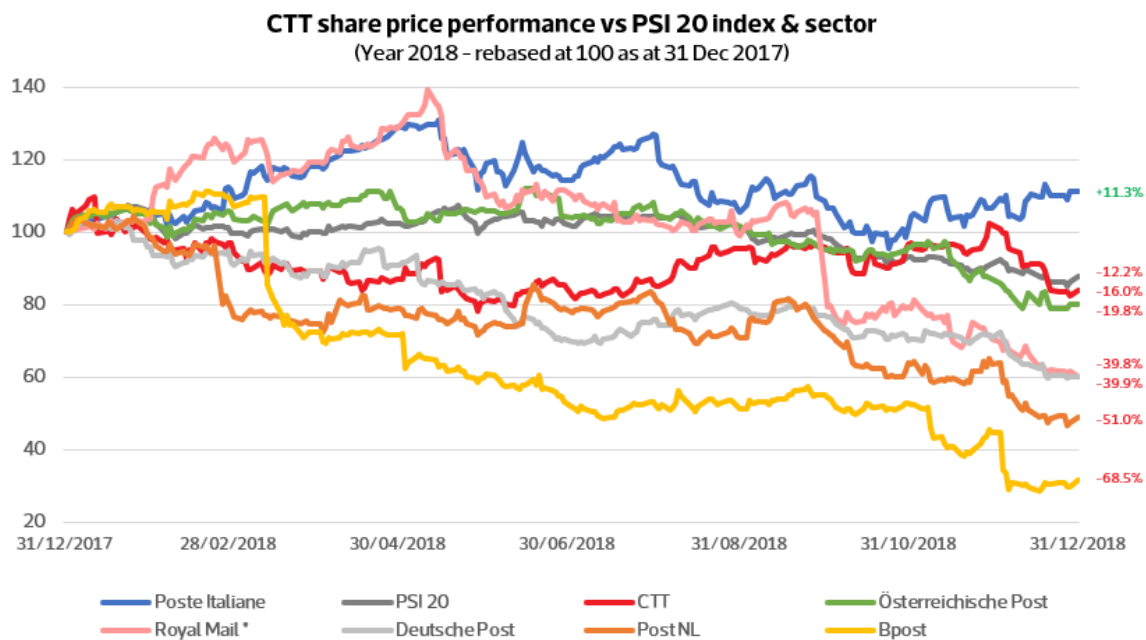
- During the year, 11.5 days were spent in external meetings with investors, 7 of which in 7 conferences (organised by 6 different brokers in 4 different cities) and 4.5 days in 5 roadshows (organised by 3 different brokers in 4 different cities). In 2018, the CEO of the Company spent 3 days abroad on activities involving Investor Relations and the CFO spent 4.5 days on similar activities. CTT also received visits by 5 investors in Lisbon. Throughout the year, the Company met with 117 investors.

As at 31 December 2018, the coverage of CTT shares was provided by 8 research analysts (11 at the end of 2017). As at that date, the average target price of the 8 analysts who provided regular coverage of the share (i.e. who issued research and recommendations in the last 12 months) was €3.407 and Santander was under revision. One of the analysts issued a negative recommendation the share, while 5 held neutral recommendations and one held a positive recommendation.

Throughout the year 2018, circa 230 million CTT shares were traded, corresponding to a daily average of 903 thousand shares, which translates into an annualised turnover ratio of around 150% of the share capital, which is a strong measure of the share liquidity level. As at 31 December 2018, in the last trading session of the year, the closing price of the CTT share was €2.946.

In 2018, CTT paid a dividend of €0.38 per share and the CTT share price depreciated by 16.00%. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at 31 December 2017) was -5.09%. During this period, the PSI 20 depreciated by 12.19% and recorded a total shareholder return of -8.64%.

In terms of share price appreciation, the best performer of the European postal sector in 2018 was Poste Italiane, whose shares appreciated by 11.30% while the remaining peers recorded depreciations ranging from -19.8% to -68.5%.



\* Royal Mail share price in GBP.

## 11. WEBSITE

### Address

CTT's website address is as follows: [www.ctt.pt](http://www.ctt.pt).

### Place where information is available about the name, public company status, registered office and other identifying details

This information can be consulted at "CTT and Investors", "The Company", "Corporate Governance", "Identification of the Company" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### Place where the Articles of Association and the Internal Regulations of the corporate bodies and/or committees may be found

This information can be consulted at "CTT and Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### Place where information is available on the names of the members of governing bodies, the market relations representative, the investor relations office or equivalent structure, their respective duties and contact details

This information can be consulted at "CTT and Investors", "The Company" ("Corporate Governance" section) and "Investor Relations" ("Contacts" section) on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

### Website where the financial statements are available, together with the half-yearly calendar of corporate events

This information can be consulted at "CTT and Investors", "Financial Information" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

CTT's financial schedule for 2019 includes the following corporate events:

| Event                                    | Date              |
|--|-------------------|
| Full Year 2018 Results                   | 20 February 2019* |
| 2018 Annual Report                       | 15 March 2019*    |
| Annual Shareholders' Meeting             | 23 April 2019     |
| 1 <sup>st</sup> Quarter 2019 Results     | 29 April 2019*    |
| Ex-dividend Date                         | 15 May 2019       |
| Dividend Payment                         | 17 May 2019       |
| 1 <sup>st</sup> Half 2019 Results        | 25 July 2019*     |
| 1 <sup>st</sup> Half 2019 Interim Report | 28 August 2019*   |
| 3 <sup>rd</sup> Quarter 2019 Results     | 30 October 2019*  |

\* After market close

### Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available

This information can be consulted at "CTT and Investors", "Investor Relations", "General Meetings" on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

**Place where the records of all resolutions taken in the Company's General Meetings, the share capital represented and voting results are available**

This information can be consulted at "CTT and Investors", "Investor Relations", "General Meetings", on CTT's website ([www.ctt.pt](http://www.ctt.pt)).

**Place where the sustainability report and the sustainability principles and initiatives of the Company are available.**

This information can be consulted at "CTT and Investors", "Financial Information", "Consolidated Accounts" and additional information at "CTT Investors", "Sustainability", on CTT's website ([www.ctt.pt](http://www.ctt.pt)). We are interested in receiving comments, which can be sent to the following address: [sustentabilidade@ctt.pt](mailto:sustentabilidade@ctt.pt), or to the physical address, CTT- Correios de Portugal, c/o Marca e Comunicação/Sustentabilidade e Ambiente.

## ANNEX I – CURRICULA

### CURRICULA OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AND REMUNERATION COMMITTEE.

#### I. Members of the management and supervisory bodies

##### António Sarmento Gomes Mota

Chairman of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT) (Non-Executive and Independent)

|  |                                |
|--|--------------------------------|
| <b>Date of birth and nationality</b>             | 10 June 1958, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 12 November 2013               |
| <b>Term of office</b>                            | 2017-2019                      |

##### Academic qualifications

- ✓ **2000:** Doctorate in Business Management, ISCTE - Instituto Universitário de Lisboa
- ✓ **1984:** MBA, Universidade Nova de Lisboa
- ✓ **1981:** Licentiate degree in Business Organisation and Management, ISCTE - Instituto Universitário de Lisboa

##### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive chairman of the Board of Directors of CTT (from 2014 to 2016 Vice-Chairman of the Board of Directors, Non-executive Director and Lead Independent Director of CTT)
- ✓ **2014-2016:** Chairman of the Audit Committee of CTT (from 2013 to 2014 Chairman of the Board of Auditors of CTT)

##### Other internal positions

- ✓ **2017-...:** Chairman of the Committee for Monitoring the Implementation of the Operational Transformation Plan of CTT
- ✓ **2016-...:** Member of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2015-...:** Chairman of the Selection Committee of Banco CTT, S.A.
- ✓ **2014-...:** Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT (appointed for the term of office 2017-2019)

##### Professional experience

- ✓ His main professional occupation in addition to his academic activity, are the duties performed at CTT.
- ✓ He has followed a business path for 30 years, holding management positions in the banking, consulting and financial service sectors. Over these years he has chaired various Boards of Directors and Supervisory Boards in major companies listed on the stock exchange operating in Portugal and abroad (the case of EDP present in 14 countries).
- ✓ He has extensive experience in the areas of corporate governance, strategy, business assessment and risk management, as a consultant in the past, as a member of the corporate governance, remuneration and audit committees and as Vice-Chairman and currently Chairman of the Portuguese Institute of Corporate Governance.
- ✓ Full Professor of Finance at ISCTE Business School since 2005. Director of ISCTE Business School (from 2003 to 2012), Chairman of INDEG/ISCTE (2005 to 2012). Author of various reference works in the areas of corporate finance, financial markets and instruments, strategy and corporate restructuring. He has also been a member and chairman of audit committees of major listed companies.

##### Management and supervisory positions in other companies (last 5 years)

- ✓ **2009-2017:** Member of the General and Supervisory Board and Audit Committee of EDP - Energias de Portugal, S.A., having been chairman of the Audit Committee since 2015
- ✓ **2013-2016:** Chairman of the Board of Directors (non-executive) of SDC - Investimentos, SGPS, S.A.
- ✓ **2014-2015:** Vice-Chairman of the Board of Directors (non-executive) of Soares da Costa Construção, SGPS, S.A.
- ✓ **2009-2012:** Non-executive member of the Board of Directors and Chairman of the Nomination and Remuneration Committee of Cimpor - Cimentos de Portugal, SGPS, S.A.

##### Other external positions (last 5 years)

- ✓ **2013-...:** Member of the Remuneration Committee of PHAROL, SGPS, S.A., having been its Chairman since 2018
- ✓ **2010-...:** Vice-Chairman of the Board of the Portuguese Institute of Corporate Governance, having been its Chairman since 2016

## Francisco José Queiroz de Barros de Lacerda

Executive Chairman (CEO) and Vice-Chairman of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

|  |                                     |
|--|-------------------------------------|
| <b>Date of birth and nationality</b>             | 24 September 1960, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 24 August 2012                      |
| <b>Term of office</b>                            | 2017-2019                           |

### Academic qualifications

- ✓ **2015-2016:** Training Programme for Senior Management of Banco CTT, S.A., Instituto Superior de Gestão Bancária and Portuguese Bank Association
- ✓ **1982:** Licentiate degree in Business Administration and Management, Universidade Católica Portuguesa

### Internal management and supervisory positions

- ✓ **2012-...:** Executive Chairman (CEO) of CTT (from 2012 to 2017 also **Chairman of the Board of Directors**) and Vice-Chairman of the Board of Directors of CTT since 2017
- ✓ **2015-...:** Non-executive Chairman of the Board of Directors of Banco CTT, S.A.
- ✓ **2014-...:** Chairman of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. and Tourline Express Mensajería, S.L.U. (from January 2018 to February 2019 he also performed duties as Chairman of the Executive Committee of Tourline)

### Other internal positions

- ✓ **2016-...:** Chairman of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.
- ✓ **2015-...:** Chairman of the Remuneration Committee (in the Board of Directors) and member of the Selection Committee of Banco CTT, S.A.
- ✓ **2013-...:** Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A.
- ✓ **2014-2016:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

### Professional experience

- ✓ He has been the CEO of CTT since 2012, which is his main professional occupation. He is responsible for the areas of Strategy and Corporate Development, Human Resources Development, Secretariat-General and Legal, Brand and Communication, Institutional and Audit and Quality, accumulated with the positions of Chairman of the Board of Directors of Banco CTT and the Express & Parcels subsidiaries (CTT Expresso in Portugal and Tourline Express Mensajería in Spain). He is also non-executive Director of Endesa Energia (with registered office in Spain) and member of the Board of COTEC Portugal.
- ✓ During 25 years up to 2008, he held various positions in investment banking, companies and retail, including CEO of Banco Mello and executive Director of Millennium BCP, the largest Portuguese bank listed on the stock exchange and with important operations in Central and Eastern Europe, for which he was responsible.
- ✓ He has held other relevant positions in companies listed on the stock exchange operating in Portugal and abroad, having been CEO of Cimpor (internal cement group at the time operating in 12 countries and one of the 5 largest companies on the NYSE Euronext Lisbon stock exchange) from 2010 to 2012, and non-executive Director and member of the Audit Committee of EDP Renováveis (at the time the 3<sup>rd</sup> largest company worldwide of renewable energy) from 2008 to 2012.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2015-...:** Non-executive member of the Board of Directors, the Audit and Compliance Committee, and the Nomination and Remuneration Committee of Endesa Energia, S.A.
- ✓ **May-October 2014:** Non-executive member of the Board of Directors of Norfin - Portuguese Property Group, S.A.

### Other external positions

- ✓ **2015-...:** Member of the Board of COTEC Portugal - Business Association for Innovation (from 2015 to 2017, holding the position of Chairman of the Board)
- ✓ **2012-...:** Member of the Board of Directors (former General Council) of the Portuguese Foundation for Communications
- ✓ **2009-...:** Member of the Remuneration Committee of PHAROL, SGPS, S.A. (with the exercise of the position having been suspended from August 2012 to March 2014)
- ✓ **2006-...:** Member of the General Council of Clube Naval de Cascais (Vice-Commodore since 2016)
- ✓ **2014-2016:** Member of the Board of Directors of the International Post Corporation



**Dionizia Maria Ribeiro Farinha Ferreira**

Member of the Board of Directors and Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

|  |                                  |
|--|----------------------------------|
| <b>Date of birth and nationality</b>             | 3 January 1966, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 24 August 2012                   |
| <b>Term of office</b>                            | 2017-2019                        |

**Academic qualifications**

- ✓ **2005:** Executive MBS, AESE (Higher Education Business Management Studies Association)
- ✓ **1988:** Licentiate degree in Business Administration and Management, Instituto Superior de Economia e Gestão

**Internal management and supervisory positions**

- ✓ **2017-...:** Member of the Board of Directors and Executive Committee of CTT - Correios de Portugal, S.A. (position held since 2012, re-elected for the term of office 2017-2019)
- ✓ **2017-...:** Chairman of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.
- ✓ **2015 - ...:** Chairman of the Board of Directors of CTT Contacto, S.A.
- ✓ **2015-...:** Member of the Board of Directors of Correio Expresso de Moçambique, S.A.
- ✓ **2014-...:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U. (from January 2018 to February 2019 she was also member of the Executive Committee)
- ✓ **2014-...:** Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A.
- ✓ **2013-2018:** Chairman of the Board of Directors of Mailtec Comunicação, S.A.

**Other internal positions**

- ✓ ---

**Professional experience**

- ✓ Executive member of CTT since 2012, which has been her main professional occupation since that date. Currently, she is responsible for the B2B business incorporating the areas of B2B Sales 1 to 5, Customer Marketing, Mail Marketing, Advertising Mail Marketing and Business Solutions – PSE and Sales Planning and Control, which include the services provided by CTT and by the subsidiary companies Mailtec Comunicação, CTT Contacto, CTT Expresso and Transporta. She is also responsible for the area of Express & Parcels Marketing (CTT Expresso in Portugal, Tourline in Spain and CORRE in Mozambique) and the area of Customer and Business Support.
- ✓ She has 18 years of experience in retail banking (up to 2003) in senior positions at Barclays Bank, Banco Mello, Millennium BCP and Banco Popular Portugal. During two years she performed the duties of Chief Executive Officer at Payup (Portugal and Spain).
- ✓ From 2003 to 2007, she started his career in the postal service sector as Commercial and Marketing Director of CTT, having been responsible for the operational and strategic marketing of the retail network, SME and Large Accounts.

**Management and supervisory positions in other companies (last 5 years)**

- ✓ **2013-2014:** Chairman of the Board of Directors of EAD - Empresa de Arquivo de Documentação, S.A.

**Other external positions (last 5 years)**

- ✓ ---

## Nuno de Carvalho Fernandes Thomaz

Non-executive member of the Board of Directors and member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

|  |                                 |
|--|---------------------------------|
| <b>Date of birth and nationality</b>             | 5 August 1943, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 24 March 2014                   |
| <b>Term of office</b>                            | 2017-2019                       |

### Academic qualifications

- ✓ **1965:** Licentiate degree in Law, Universidade Clássica de Lisboa

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT (position held since 2014, re-elected for the term of office 2017-2019)
- ✓ **2017-...:** Member of the Audit Committee of CTT (position held since 2014, re-elected for the term of office 2017-2019)

### Other internal positions

- ✓ **2017-...:** Chairman of the Ethics Committee of CTT (position held since 2014, re-elected for the term of office 2017-2019)
- ✓ **2014-2014:** Member of the Corporate Governance, Evaluation and Nominating Committee

### Professional experience

- ✓ Exercise of positions of leadership and consulting at universities and non-profit making organisations (supplementary to being a non-executive member at CTT) are currently his main professional occupation.
- ✓ A law graduate, he started his professional career by practicing law in Portugal, from 1965 to 1974, having simultaneously held management positions in large financial and industrial consortiums, both national and international, namely at the Anglo-American/De Beers Group (Portugal), at Banco do Alentejo and the para-bank Diners Club. In Brazil, from 1975 to 1981, he was a consultant at Interbrás - Petrobrás and Chairman of Banco Pinto de Magalhães and the distributor and broker of securities Pinto de Magalhães.
- ✓ In Portugal, from 1981 he held various executive management positions in the Jorge de Mello/Nutrinveste Group, as member, Vice-Chairman and Chairman of more than 25 industrial and financial companies (namely Tabaqueira, Molaflex, Incofina). Recently, he has performed duties in large companies listed on the stock exchange in Portugal, such as Luz Saúde.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2016 - ...:** Chairman of the Board of Auditors of Sagasta Finance, STC, S.A.
- ✓ **2005 - ...:** Manager of I Cook - Organização de Eventos, Lda.
- ✓ **2014 - 2015:** Non-executive member of the Board of Directors of Espírito Santo Saúde, SGPS, S.A.
- ✓ **2010-2017:** Chairman of Sociedade Gestora do Fundo de Capital de Risco Bem Comum
- ✓ **1998 - 2014:** Non-executive member of the Board of Directors of Nutrinveste, SGPS, S.A.

### Other external positions (last 5 years)

- ✓ **2018-...:** Consultant at IDESCOM - Associação Informação, Desenvolvimento, Comunicação
- ✓ **2016 - ...:** Member of the General Council of the Portuguese Institute of Corporate Governance, representing CTT
- ✓ **2006 - ...:** Vice-Chairman of the Forum for Competitivity
- ✓ **2015 - 2018:** Member of the Advisory Council of Luz Saúde, S.A.
- ✓ **2009 - 2018:** Chairman of the Council of the Faculty of Nova School of Business and Economics
- ✓ **2008 - 2017:** Member of the International and European Boards of UNIAPAC - Union des Entrepreneurs Chrétiens
- ✓ **2011 - 2016:** Member of the Advisory Council of the Portuguese Institute of Corporate Governance
- ✓ **2008 - 2015:** Vice-Chairman of ACEGE - Christian Association of Entrepreneurs and Managers

## José Manuel Baptista Fino

Non-executive member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                                   |
|--|-----------------------------------|
| <b>Date of birth and nationality</b>             | 10 January 1954, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 19 December 2014                  |
| <b>Term of office</b>                            | 2017-2019                         |

### Academic qualifications

- ✓ **1972-1974:** Attendance of the Business Studies course at North East London Polytechnic, UK

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT (position held since 2014, re-elected for the term of office 2017-2019)

### Other internal positions

- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (position held since 2014, re-elected for the term of office 2017-2019)
- ✓ **2015-...:** Member of the Selection Committee of Banco CTT, S.A.

### Professional experience

- ✓ Holding of positions on the Boards of Directors of large companies listed on the stock exchange (including CTT since 2014) and an entrepreneur in different sectors are currently his main professional occupation.
- ✓ An entrepreneur since 1977, he has been a developer and manager of various companies in Portugal, Spain and more recently in Mozambique. His activities have been particularly incident in the home retail area, such as at Snucker and Área Infinitas (companies that resulted from Habitat's franchise in Portugal), in real estate development and in the agro-industrial business.
- ✓ Representing important shareholder positions, he was a non-executive member of the Board of Directors of Cimpor - Cimentos de Portugal, SGPS, S.A. for 8 years (from 2004 to 2012), and has also been, since 2008, a non-executive member of the Board of Directors of SDC - Investimentos, SGPS, S.A., both companies with shares listed on Euronext Lisbon and operating in Portugal and abroad. He is also a non-executive member of the Board of Directors of Speciality Minerals (Portugal), a subsidiary in Portugal of the multinational group Minerals Technologies Inc.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-...:** Sole Manager of Strongmystery, Unipessoal, Lda.
- ✓ **2018-...:** Sole Manager of Ecletic Surprises, Unipessoal, Lda.
- ✓ **2009-...:** Chairman of the Board of Directors of Ramada Energias Renováveis, S.A.
- ✓ **2001-...:** Chairman of the Board of Directors of Apra Hill Capital, S.A.
- ✓ **1997-...:** Director-Shareholder of Nova Algodoeira, Lda.
- ✓ **1994-...:** Non-executive member of the Board of Directors of Speciality Minerals (Portugal) Especialidades Minerais, S.A.
- ✓ **2008-2018:** Non-executive member of the Board of Directors of SDC - Investimentos, SGPS, S.A.
- ✓ **2007-2018:** Sole Director of Dignatis - Investimentos Imobiliários e Turísticos SGPS, S.A.
- ✓ **1996-2018:** Sole Director of Dorfino Imobiliário, S.A.
- ✓ **2004-2013:** Member of the Board of Directors of Investifino - Investimentos e Participações, SGPS, S.A.
- ✓ **2004-2013:** Member of the Board of Directors of Manuel Fino, SGPS, S.A.
- ✓ **2001-2013:** Chairman of the Board of Directors of Ethnica, SGPS, S.A.
- ✓ **2001-2013:** Chairman of the Board of Directors of Área Infinitas Design de Interiores, S.A.

### Other external positions (last 5 years)

- ✓ ---

**Céline Dora Judith Abecassis-Moedas**

Non-executive member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                               |
|--|-------------------------------|
| <b>Date of birth and nationality</b>             | 1 June 1971, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 04 August 2016                |
| <b>Term of office</b>                            | 2017-2019                     |

**Academic qualifications**

- ✓ **1999:** Doctorate in Business Strategy, École Polytechnique, Paris
- ✓ **1996:** Master's in Scientific Management Methods, Dauphine Université, Paris
- ✓ **1994:** Licentiate degree in Economics and Management, École Normale Supérieure de Cachan and La Sorbonne

**Internal management and supervisory positions**

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT (co-opted in 2016, re-elected for the term of office 2017-2019)

**Other internal positions**

- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

**Professional experience**

- ✓ Her high level academic activity in the areas of strategy and innovation and the duties performed as a non-executive member of listed companies are her main professional occupation.
- ✓ She has over 15 years of experience of collaboration with companies, in the areas of consulting, training of executives and in the corporate bodies of companies. She is an Associate Professor in the areas of Strategy and Innovation at CATÓLICA-LISBON School of Business and Economics of Universidade Católica in Lisbon, and Affiliated Professor at ESCP Europe. Her work is widely available in highly reputed international publications. She was an invited professor at the Sloan School of Management in MIT and Professor at Queen Mary – University of London. From 2000 to 2002 she worked as strategy consultant at AT Kearney in London and as Product Manager at Lectra in New York. She started her career in the Research Lab of France Telecom.
- ✓ Recently, she has performed the duties of Lead Independent Director and other non-executive positions in large companies listed on the stock exchange, and is a member of various specialised committees.

**Management and supervisory positions in other companies (last 5 years)**

- ✓ **2016-...:** Non-executive member of the Board of Directors of José de Mello Saúde, S.A.
- ✓ **2015-...:** Member of the Audit Committee of Europac (Papeles y Cartones de Europa, S.A.)
- ✓ **2015-...:** Lead Independent Director and Chairman of the Nomination and Remuneration Committee of Europac (Papeles y Cartones de Europa, S.A.)
- ✓ **2012-...:** Non-executive member of the Board of Directors of Europac (Papeles y Cartones de Europa, S.A.)

**Other external positions (last 5 years)**

- ✓ **2019-...:** Deputy Director for Executive Training on the Board of CATÓLICA-LISBON School of Business and Economics
- ✓ **2018-...:** Member of the Advisory Council of COTEC Portugal - Business Association for Innovation
- ✓ **2017-...:** Chairman of the Strategic Innovation Council of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL

**António Pedro Ferreira Vaz da Silva**

Member of the Board of Directors and Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

|  |                                    |
|--|------------------------------------|
| <b>Date of birth and nationality</b>             | 13 November 1966, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                      |
| <b>Term of office</b>                            | 2017-2019                          |

**Academic qualifications**

- ✓ **2015-2016:** Training Programme for Senior Management of Banco CTT, S.A., Instituto Superior de Gestão Bancária and Portuguese Bank Association
- ✓ **2014:** Senior Business Management Programme, AESE Business School
- ✓ **1984:** Secondary Education, Amadora Secondary School

**Internal management and supervisory positions**

- ✓ **2018-...:** Member of the Board of Directors of Payshop (Portugal), S.A.
- ✓ **2017-...:** Member of the Board of Directors and Executive Committee of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2017-...:** Non-executive member of the Board of Directors of Banco CTT, S.A.

**Other internal positions**

- ✓ ---

**Professional experience**

- ✓ Currently, he is responsible for the Retail Network and for the areas of Philately, Payments, Human Resources Administration and Labour Legal.
- ✓ With a professional career of 20 years in commercial and retail banking at Millennium BCP, he has held various positions within the group in Portugal and was part of the Private and Business team of MillenniumBcp in 2000.
- ✓ In 2004 he entered CTT as a Commercial Manager, having been responsible for the operations and sales of the south zone of the Retail Network. He successfully developed his career at CTT having taken up the position of Director of the Retail Network in 2013, acquiring extensive experience in management and motivation of teams and Human Resources as well as in sales of marketing of the different products placed through the Retail Network (from Mail, to Express & Parcels and to Financial Services, as well as services of general interest). Throughout this period of 12 years, he was involved in various initiatives and key projects related to the optimisation and rationalisation of the Retail Network and its portfolio, as well as the promotion of the proximity and capillarity associated to this network.
- ✓ His long history at CTT contributed to making the Retail Network a channel of sales and services of increasingly more importance in the growth of CTT's revenues in all business units, and a national platform of convenience and multiple services. More recently, he played an active role in the launch of Banco CTT in 2016 which is supported by this Network. He is also a member of the Business Coordination Committee created jointly by CTT and Banco CTT (which is a key forum for discussing and agreeing on issues related to the CTT / Banco CTT partnership related to Retail Network Channel).

**Management and supervisory positions in other companies (last 5 years)**

- ✓ ---

**Other external positions (last 5 years)**

- ✓ ---

## Francisco Maria da Costa de Sousa de Macedo Simão

Member of the Board of Directors and Executive Committee of CTT - Correios de Portugal, S.A. (CTT)

|  |                                   |
|--|-----------------------------------|
| <b>Date of birth and nationality</b>             | 04 October 1982, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                     |
| <b>Term of office</b>                            | 2017-2019                         |

### Academic qualifications

- ✓ **2008:** MBA, INSEAD
- ✓ **2005:** Licentiate degree in Economics, Universidade Nova de Lisboa

### Internal management and supervisory positions

- ✓ **2018-...:** Member of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.
- ✓ **2018-...:** Member of the Board of Directors of CTT Contacto, S.A.
- ✓ **2017-...:** Member of the Board of Directors and Executive Committee of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- ✓ **2018-2018:** Member of the Board of Directors of Mailtec Comunicação, S.A.
- ✓ **2015-2018:** Chairman of the Board of Directors of Escrita Inteligente, S.A. (start-up of the digital area acquired by CTT)

### Other internal positions

- ✓ ---

### Professional experience

- ✓ Currently, he is responsible for the areas of IT, Changes and Processes, Innovation and Business Development, e-Commerce, as well as for the area of Operations and Distribution, which includes the operations of CTT and its subsidiaries Mailtec Comunicação, CTT Contacto, CTT Expresso and Transporta.
- ✓ He started his career in 2005 at McKinsey & Company, as an analyst of project leader duties, where he was advisor of various business transformation, operational and business projects in a number of derivative industries, namely banking, telecommunications, logistics, retail and health.  
Before entering CTT, he held management positions in large Portuguese companies listed on the stock exchange such as Cimpor (a cement group active at that time in 12 countries and one of the 5 largest companies on Euronext Lisbon, where he was Head of Office of the CEO); REN (operator of the electricity and natural gas transport network, where he was Responsible for Business Development after the 2<sup>nd</sup> stage of privatisation and beginning of its strategic project with global partners in the sector); SIBS (the main Portuguese company offering payment solutions with a portfolio of products focused primarily on processing business cards, digital platforms and payment infrastructures, where he was Director of Strategy, Control of Management and Communication, and CEO da SIBS Payments).
- ✓ He entered into CTT in 2014 as head of the Strategy and Development Department of the CTT Group, composed of 4 levels: Strategy of the Group and management of the portfolio, supporting executive decisions in a perspective of creation of sustainable development; preparation and launch of business organics together with the 4 business units and in close relations with the different areas of CTT focused on measures of efficiency and innovative solutions, especially in terms of Marketing, Operations and IT; Leadership in Mergers and Acquisitions in an end-to-end perspective with a view to capturing inorganic growth opportunities; and management of innovation whether exploratory or incremental.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2016-...:** Non-executive member of the Board of Directors of Almonda, S.A.
- ✓ **2013-2014:** Member of the Board of Directors and Chief Executive Officer of SIBS Pagamentos, S.A.

### Other external positions (last 5 years)

- ✓ ---

## João Afonso Ramalho Sopas Pereira Bento

Non-executive member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)

|  |                                    |
|--|------------------------------------|
| <b>Date of birth and nationality</b>             | 12 November 1960, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                      |
| <b>Term of office</b>                            | 2017-2019                          |

### Academic qualifications

- ✓ **1999:** Aggregation in Smart Systems at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1992:** Doctorate in Civil Engineering, Imperial College, London and equivalence of the Doctoral degree by Universidade de Lisboa
- ✓ **1987:** Master's in Structural Engineering at Instituto Superior Técnico (IST), Universidade de Lisboa
- ✓ **1983:** Licentiate degree in Civil Engineering, Instituto Superior Técnico (IST), Universidade de Lisboa

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT

### Other internal positions

- ✓ **2017-...:** Member of the Committee for Monitoring the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

### Professional experience

- ✓ Exercising the duties of Vice-Chairman and CEO at Gestmin, SGPS, S.A, currently Manuel Champalimaud SGPS, S.A., are his main professional occupation since 2015.
- ✓ He has 30 years of professional experience in executive and non-executive positions in large companies listed on the stock exchange in Portugal and Brazil, especially in the sectors of infrastructures and energy. He was an executive member of the Board of Directors of Brisa for 11 years, a listed company on the stock exchange with activity in Portugal and abroad (at the time operating in 5 countries), being responsible, among others, for the areas of operations, innovation, business development and international, chairing various infrastructure concessionaires. From 2000 to 2003, he was a non-executive member of the Board of Directors of EDP, at that time being the largest listed company on the stock exchange in Portugal. From 2011 to 2015 he was a member of the Board of Directors and CEO of Efavec, an industrial company recognised for its innovation in equipment and automation in the energy business, at that time present in 22 countries, being responsible for areas such as risk management, human resources, communication, innovation and international business.
- ✓ He started his professional career as an academic, being a Full Professor at Instituto Superior Técnico (IST) since 2000. He took extended leave in 2002, so as to be able to hold business management positions on a full-time basis.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2016-...:** Chairman of the Board of Directors of OZ Energia, S.A.
- ✓ **2016-...:** Sole Manager of Manuel Champalimaud Serviços, Unipessoal, Lda.
- ✓ **2015-...:** Vice-Chairman of the Board of Directors and Chief Executive Officer of Manuel Champalimaud, SGPS, S.A.
- ✓ **2016-2016:** Member of the Board of Directors of Sogestão, S.A.
- ✓ **2014-2016:** Member of the Board of Directors of CCB - Fundação Centro Cultural de Belém
- ✓ **2012-2015:** Member of the Board of Directors of Grupo José de Mello, SGPS, S.A.
- ✓ **2011-2015:** Member of the Board of Directors and Chief Executive Officer of Efavec Capital, SGPS, S.A.
- ✓ **2011-2015:** Chairman of various subsidiaries of Efavec: Efavec-Sistemas de Gestão (PT), Efavec Energia - Máquinas e Equipamentos Eléctricos (PT), Efavec Engenharia e Sistemas (PT), Efavec-Serviços de Manutenção e Assistência (PT), Efavec Marketing Internacional (PT), Gemp - Empreendimentos Imobiliários (PT), Empovar (PT), Efavec USA, Inc. (US), Efavec India Private Limited (IN), Efavec Handling Solutions (PT), Efavec Moçambique (MZ), Efasa (ZA).

### Other external positions (last 5 years)

- ✓ **2017-...:** Member of the Strategic Innovation Council of VdA - Vieira de Almeida & Associados, Sociedade de Advogados, RL
- ✓ **2016-...:** Member of the General Council of the Portuguese Institute of Corporate Governance
- ✓ **2015-...:** Chairman of Quinta do Peru Golf Club
- ✓ **2014-...:** Member of the Advisory Council of ANI (National Innovation Agency)
- ✓ **2013-...:** Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal)
- ✓ **2011-...:** Vice-Chairman of the Engineering Academy
- ✓ **2007-...:** Honorary Chairman of ASECAP (European Association of Operators of Toll Road Infrastructures)
- ✓ **2015-2018:** Member of the Board of COTEC Portugal - Business Association for Innovation (Chairman from 2012 to 2015)
- ✓ **2014 - 2018:** Member of the General Council of Universidade de Lisboa
- ✓ **2014-2015:** Chairman of the General Meeting of APGEI (Portuguese Association of Industrial Management and Engineering)
- ✓ **2012-2015:** Member and co-coordinator of CNEI (National Council for Entrepreneurship and Innovation)

## Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-executive member of the Board of Directors and Chairman of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

|  |                                    |
|--|------------------------------------|
| <b>Date of birth and nationality</b>             | 14 December 1967, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                      |
| <b>Term of office</b>                            | 2017-2019                          |

### Academic qualifications

- ✓ **2009:** Doctorate in Management, ISCTE - Instituto Universitário de Lisboa
- ✓ **2001:** Chartered Accountant (Statutory Auditor), registered at OROC (Chartered Accountants Association)
- ✓ **1999:** Master's in Economics, Universidade do Porto
- ✓ **1991:** Licentiate degree in Management, Universidade Católica Portuguesa (UCP)

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT
- ✓ **2017-...:** Chairman of the Audit Committee of CTT

### Other internal positions

- ✓ **2017-...:** Member of the Committee for Monitoring the Implementation of the Operational Transformation Plan of CTT

### Professional experience

- ✓ Her top academic activity and performance of duties in supervisory bodies of large companies listed on the stock exchange are currently her main professional occupation.
- ✓ She has more than 20 years of academic experience as a Professor at UCP (since 1993) in the areas of Accounting and Taxation. She was director, from 2010 to 2017, of the master's course in Auditing and Taxation at the Faculty of Economics and Management of UCP and scientific coordinator at Católica Porto Business School of UCP. She was also deputy director of the Presidency of the Regional Centre of Porto of UCP for administration and entrepreneurship.
- ✓ As a Statutory Auditor for over 10 years, she was elected to the position of Chairman of the Board of Auditors of OROC (Portuguese Chartered Accountants Association) in 2012, and to the Steering Board in November 2017. She is an OROC representative at the Accounting Standards Committee. She is also a member of management and supervisory bodies of large companies listed and unlisted on the stock exchange in Portugal (since 2008), having recently been elected to the position of Chairman of the Board of Auditors of Centro Hospitalar de São João.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2017-...:** Chairman of the Board of Auditors of Centro Hospitalar São João, EPE
- ✓ **2016-...:** Non-executive member of the Board of Directors of Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A.
- ✓ **2016-...:** Chairman of the Board of Auditors of Sogrape, SGPS, S.A.
- ✓ **2014-...:** Partner of Novais, Anacoreta & Associado, SROC
- ✓ **2008-...:** Non-executive member of the Board of Directors and Audit Committee of Impresa, SGPS, S.A.
- ✓ **2012-2018:** Chairman of the Board of Auditors of OROC (Portuguese Chartered Accountants Association) and its representative at the Fédération des Experts-Comptables Européens

### Other external positions (last 5 years)

- ✓ **2018-...:** Member of the Steering Board of OROC (Chartered Accountants Association)
- ✓ **2017-...:** Member of the General Council and Executive Committee of the Accounting Standard Committee
- ✓ **2011-...:** Member of the Scientific Council of the Portuguese Fiscal Association
- ✓ **2011-...:** Arbitrator on matters related taxation of CAAD (Administrative Arbitration Centre)



## Maria Belén Amatriain Corbi

Non-executive member of the Board of Directors and member of the Audit Committee of CTT - Correios de Portugal, S.A. (CTT) (Independent)

|  |                                 |
|--|---------------------------------|
| <b>Date of birth and nationality</b>             | 29 December 1958, born in Spain |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                   |
| <b>Term of office</b>                            | 2017-2019                       |

### Academic qualifications

- ✓ **2015:** Good Governance Certificate, IC-A Instituto de Consejeros-Administradores, Spain
- ✓ **1982:** Licentiate degree in Law and academic degree in Economics – ICADE E-1, Universidad Pontificia de Comillas, Madrid, Spain

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT
- ✓ **2017-...:** Member of the Audit Committee of CTT

### Other internal positions

- ✓ ---

### Professional experience

- ✓ The positions held as a non-executive member in various Boards of Directors are her main professional occupation, especially as a member of Nomination and Remuneration, Audit, Compliance and Risk Committees.
- ✓ Over 15 years and up to 1997, she held positions in the areas of marketing and advertising, having been a top senior professional during 10 years in companies providing marketing services.
- ✓ From 1997 to 2012 she held various positions in the Telefónica Group (a telecommunications listed company on the stock exchange in a number of countries), including the position of CEO of Telefónica Móviles Espanha, CEO of Telefónica Espanha (fixed & mobile), CEO and Chairman of the Board of Directors at a worldwide level of TPI (Yellow Pages).
- ✓ More recently, she has held positions of leadership and as a member of management and supervisory bodies of companies listed on the stock exchange and large companies in Spain, performing non-executive duties, and in Audit, Risk, Compliance and Remuneration Committees, including at Banco Evo, since 2014.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-...:** Non-executive member of the Board of Directors of Faes Farma, S.A.
- ✓ **2016-...:** Non-executive member of the Board of Directors and Chairman of the Audit Committee of PRIM, S.A. (listed company on the stock exchange of the health technology area)
- ✓ **2016-...:** Non-executive member of the Board of Directors and member of the Nomination and Remuneration Committee of IC-A Instituto de Consejeros-Administradores
- ✓ **2015-...:** Non-executive member of the Board of Directors and member of the Nomination and Remuneration Committee of Euskaltel (listed company on the stock exchange of the telecommunications area)
- ✓ **2014-...:** Non-executive member of the Board of Directors, member of the Risk Committee, member of the Audit and Compliance Committee (having been its Chairman since 2018), Chairman of the Nomination and Remuneration Committee (having been its Vice-Chairman since 2018) at Evo Banco, S.A.U. (Spain)
- ✓ **2015-2017:** Non-executive member of the Board of Directors, Chairman of the Nomination and Remuneration Committee and member of the Audit Committee of SolidQ (Business Intelligence)
- ✓ **2013-2016:** Non-executive member of the Board of Directors of Capital Radio, Economía, S.L.
- ✓ **2012-2016:** Non-executive member of the Board of Directors of Amacor, Gestión Inmobiliaria, S.L.
- ✓ **2009-2012:** Chief Marketing Officer at a worldwide level of Telefónica S.A. (telecommunications listed company on the stock exchange)

### Other external positions (last 5 years)

- ✓ Awarded the Grand-Cross of Civil Merit by the Spanish Government for her work in the development of the Internet in Spain

## Rafael Caldeira de Castel-Branco Valverde

Non-executive member of the Board of Directors of CTT - Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                                 |
|--|---------------------------------|
| <b>Date of birth and nationality</b>             | 15 April 1953, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 20 April 2017                   |
| <b>Term of office</b>                            | 2017-2019                       |

### Academic qualifications

- ✓ **1975:** Licentiate degree in Economics, Instituto Superior de Economia, Universidade Técnica de Lisboa

### Internal management and supervisory positions

- ✓ **2017-...:** Non-executive member of the Board of Directors of CTT

### Other internal positions

- ✓ **2017-...:** Member of the Committee for Monitoring the Implementation of the Operational Transformation Plan of CTT
- ✓ **2017-...:** Member of the Corporate Governance, Evaluation and Nominating Committee of CTT
- ✓ **2017-...:** Member of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A.

### Professional experience

- ✓ Management consulting is currently her main professional occupation.
- ✓ With a long professional career of 30 years in investment banking at Haitong Bank, S.A. (former BESI-Banco Espírito Santo de Investimento, S.A.), where she started as Managing Director of Corporate Finance, she subsequently worked in various positions, performing different duties both in terms of banking products and in the respective administration and executive management bodies.
- ✓ In the last 11 years, she was Vice-Chairman of the Board of Directors and member of the Executive Committee of Haitong Bank, S.A, where she held various positions both in Portugal and abroad, namely Commercial head, Global Head of Corporate Finance, Global Head of Acquisition Finance, Global Head of Asset Management and Global Head of Private Banking. She was also the representative at the Financial Services Authority (FSA - regulatory entity of financial services in the United Kingdom) for the London branch of Haitong Bank, S.A.
- ✓ From 2008 to 2015 she performed non-executive administration duties at EDP Renováveis, S.A. (a world player in the renewable energy sector with registered office in Spain and shares listed on Euronext Lisbon since 2008), having been an independent director of its Nomination and Remuneration Committee.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-...:** Manager at Sal Fin – Consultadoria, Lda.
- ✓ **2017-...:** Vice-Chairman (non-executive) of the Board of Directors of Banco Caixa Geral – Brasil, S.A.
- ✓ **2015-2017:** Non-executive member of the Board of Directors of Empark – Aparcamientos y Servicios, S.A.
- ✓ **2015-2016:** Chairman of the Board of Directors of Haitong Banco de Investimento do Brasil, S.A.
- ✓ **2014-2015:** Chairman of the Board (Executive Committee) of Haitong Banco de Investimento do Brasil, S.A.
- ✓ **2010-2014:** Member of the Board of Directors of ESSI Investimentos, SGPS, S.A. (incorporated in Haitong Bank S.A.)
- ✓ **2008-2015:** Non-executive member of the Board of Directors and Nomination and Remuneration Committee of EDP Renováveis, S.A.
- ✓ **2008-2016:** Member of the Board of Directors of Haitong Securities (UK) Limited
- ✓ **2008-2016:** Representative at the Financial Services Authority (FSA) for the London branch of Haitong Bank, S.A.
- ✓ **2005-2016:** Vice-Chairman of the Board of Directors and member of the Executive Committee of Haitong Bank, S.A.
- ✓ **2004-2014:** Member of the Board of Directors of ESSI, SGPS, S.A. (incorporated in Haitong Bank, S.A.)
- ✓ **2004-2013:** Member of the Board of Directors of Espírito Santo Investment Holdings Limited (incorporated in Haitong Securities (UK) Limited)
- ✓ **2004-2013:** Member of the Board of Directors of ESSI Comunicações, SGPS, S.A. (incorporated in Haitong Securities (UK) Limited)
- ✓ **2000-2014:** Advisor at Haitong Banco de Investimento do Brasil, S.A.

### Other external positions (last 5 years)

- ✓ **2013-2016:** Member of the Board of the Luso-Brazilian Chamber of Commerce and Industry (CCILB)
- ✓ **2013-2016:** Member of the Board of the Portuguese Chamber of Commerce in Brazil (CPCB)
- ✓ **2013-2015:** Representative of Haitong Banco de Investimento do Brasil, S.A. in ABBI (Brazilian Association of International Banks)
- ✓ **1991-2014:** Member of the Board of Auditors of Santa Cecília Music Academy

## Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and Chief Financial Officer (CFO) of CTT – Correios de Portugal, S.A. (CTT)

|  |                               |
|--|-------------------------------|
| <b>Date of birth and nationality</b>             | 25 May 1977, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 19 December 2017              |
| <b>Term of office</b>                            | 2017-2019                     |

### Academic qualifications

- ✓ **2011:** The Lisbon MBA – Católica/Nova – Leaders who transform
- ✓ **2010:** Leadership Executive Program, Universidade Católica Portuguesa
- ✓ **2000:** Licentiate degree in Economics, Faculty of Economics, Universidade do Porto

### Internal management and supervisory positions

- ✓ **2018-...:** Non-executive member of the Board of Directors of Banco CTT, S.A.
- ✓ **2018-...:** Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
- ✓ **2017-...:** Member of the Board of Directors and Chief Financial Officer (CFO) of CTT
- ✓ **2017-...:** Member of the Board of Directors of CTT Express, S.A.

### Other internal positions

- ✓ ---

### Professional experience

- ✓ Currently, he is responsible at CTT for the areas of Investor Relations, Regulation and Competition, Finance and Risk, Planning and Control, and Accounting and Treasury. He is also responsible for the areas of Physical Resources and Security, and Procurement and Logistics.
- ✓ His main professional occupation from 2015 to 2017 was CFO of PT Portugal, SGPS, S.A. and from 2011 to 2015 he was Director of Planning and Control of Portugal Telecom, SGPS, S.A. (listed company on the stock exchange).
- ✓ He has skills in the financial, planning and control, financial reporting and operational areas, having held positions of administration and senior management in these fields within the PT universe during some 17 years.
- ✓ With extensive experience and a transformational profile in positions related to strategic transformation in the sector of telecommunications and digital business, with national and international presence (having worked from 2001 to 2017 in markets marked by a challenging regulatory, technological and competition context, and having been especially involved, from 2007 to 2011, in projects of continuous improvement and transformation) and, more recently, leading as CFO for close to 2 years, plans for optimisation and rationalisation of costs in the same sector.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2017-...:** Member of the Board of Directors of New Finerge, S.A.
- ✓ **2017-...:** Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A.
- ✓ **2017-...:** Member of the Board of Directors of First State Wind Energy Investments, S.A.
- ✓ **2017-2017:** Non-executive member of the Board of Directors of Sport TV Portugal, S.A.
- ✓ **2016-2017:** Chairman of the Board of Directors of Janela Digital – Informática e Telecomunicações, S.A.
- ✓ **2016-2017:** Non-executive member of the Board of Directors of Capital Criativo, SCR, S.A.
- ✓ **2015-2017:** Member of the Executive Committee (Chief Financial Officer) of PT Portugal, SGPS, S.A.
- ✓ **2015-2017:** Chairman of the Board of Auditors of Hungaro Digitel Plc.
- ✓ **2015-2017:** Member of the Board of Directors of PT Pay, S.A.
- ✓ **2015-2016:** Chairman of the Board of Auditors of Fibroglobal – Comunicações Electrónicas, S.A.
- ✓ **2013-2015:** Member of the Board of Directors of PT Centro Corporativo, S.A.
- ✓ **2013-2015:** Member of the Board of Auditors of Fundação Portugal Telecom
- ✓ **2011-2014:** Non-executive member of the Board of Directors of PT PRO – Serviços Administrativos e de Gestão Partilhados, S.A.

### Other external positions (last 5 years)

- ✓ **2018-...:** Member of the Board of AEM (Association of Companies Issuing Listed Securities)

## II. Remunerations Committee Members

### João Luís Ramalho de Carvalho Talone

Chairman of the Remuneration Committee of CTT – Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                                    |
|--|------------------------------------|
| <b>Date of birth and nationality</b>             | 27 October 1951, born in Portugal) |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 24 March 2014                      |
| <b>Proposed term of office</b>                   | 2017-2019                          |

#### Academic qualifications

- ✓ **2002:** AMP, Harvard Business School
- ✓ **1984:** MBA, Universidade Nova de Lisboa
- ✓ **1974:** Licenciature degree in Civil Engineering, Instituto Superior Técnico de Lisboa

#### Internal positions

- ✓ **2014-...:** Chairman of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

#### Professional experience

- ✓ Currently his main professional activity is Founding Partner of Magnum Capital, the largest Iberian private equity fund, and member of the Board of Directors of various Portuguese companies.
- ✓ During 13 years (1988-2001) he was an executive member of the Board of Directors of Millenniumbcp. He was Special Commissioner for the Portuguese Government (2002-2003), where he led the process of extinction of the State Company of Investments and Equity Holdings (IPE), which held and controlled the largest industrial equity stakes of the State. He was also executive Chairman of EDP – Energias de Portugal, S.A. (2003-2006), one of the largest European operators of the energy sector and Vice-Chairman of the Board of Directors of HidroCantábrico (2005-2006).

#### Management and supervisory positions in other companies (last 5 years)

- ✓ **2017-...:** Director at Grupo ITA, Barcelona
- ✓ **2006-...:** Chairman of the Board of Directors of Grupo Vendap
- ✓ **2014-2017:** Member of the Board of Directors of Grupo Nace
- ✓ **2006-2017:** Chairman of the Board of Directors of Grupo Generis
- ✓ **2006-2016:** Member of the Board of Directors of Grupo Eptisa
- ✓ **2006-2015:** Chairman of the Board of Directors of Iberwind

#### Other external positions (last 5 years)

- ✓ **2017 - ...:** Member of the Advisory Council of Banco de Portugal
- ✓ **2017-...:** Director at Fundação Alfredo de Sousa, linked to NOVA SBE
- ✓ **2013-...:** Member of the Engineering Academy
- ✓ **2006-...:** Partner-Founder of Magnum Capital, the largest Iberian private equity fund
- ✓ **2014-2016:** Member of CNEI (National Council for Entrepreneurship and Innovation)
- ✓ **2014-2016:** Representative of Portugal at the Trilateral Committee

## Rui Manuel Meireles dos Anjos Alpalhão

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                                 |
|--|---------------------------------|
| <b>Date of birth and nationality</b>             | 5 August 1963, born in Portugal |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 24 March 2014                   |
| <b>Proposed term of office</b>                   | 2017-2019                       |

### Academic qualifications

- ✓ **1985:** Licentiate degree in Economics, Universidade Nova de Lisboa
- ✓ **1988:** Master's in Administration and Management, Universidade Nova de Lisboa
- ✓ **2007:** Doctorate in Finance, Instituto Universitário de Lisboa

### Internal positions

- ✓ **2014-....:** Member of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

### Professional experience

- ✓ Currently, his main professional activity is that of member of the Board of Directors of various Portuguese companies.
- ✓ He was director at companies participated (and controlled) by Banco Totta & Açores and Caixa Geral de Depósitos, and coordinated the management buy in of a fund manager, whose executive administration he would later assure. Subsequently, he created FundBox Holdings, which holds qualifying holdings in three fund holding companies and started business in the market of distressed assets.
- ✓ He began his professional career in university teaching, and is currently Invited Associate Professor of Finance at Instituto Universitário de Lisboa. He has published scientific articles and books on finance and economics.

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2016-....:** Chairman of the Board of Directors of Trans Three Portugal, S.A.
- ✓ **2008-....:** Member of the Board of Directors of Safeunit, S.A.
- ✓ **2006-....:** Member of the Board of Directors of Safeshare - Consultoria, S.A.
- ✓ **2005-....:** Founder and Chairman of the Board of Directors of FundBox Holdings, S.A.
- ✓ **2005-2018:** Manager at Tram 28, Lda.
- ✓ **2011-2016:** CEO of FundBox - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
- ✓ **2007 - 2015:** Member of the Board of Directors of Sintra Retail Park - Parques Comerciais, S.A.
- ✓ **2007-2015:** Member of the Board of Directors of Lansdowne, SGPS, S.A.
- ✓ **2007-2015:** Member of the Board of Directors of Lima Retail Park, S.A.
- ✓ **2007-2013:** CEO of FundBox - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

### Other external positions (last 5 years)

- ✓ Member of the PSI20 Index Committee at Euronext Lisbon

## Manuel Fernando Macedo Alves Monteiro

Member of the Remuneration Committee of CTT - Correios de Portugal, S.A. (CTT)  
(Independent)

|  |                                  |
|--|----------------------------------|
| <b>Date of birth and nationality</b>             | 12 April 1957, born in Portugal) |
| <b>Date of 1<sup>st</sup> appointment at CTT</b> | 28 April 2016                    |
| <b>Proposed term of office</b>                   | 2017-2019                        |

### Academic qualifications

- ✓ **2006:** Advanced Management Program (Wharton University of Penn) and Director's Consortium (Corporate Governance Program, Wharton University of Penn, with Stanford Law School and Chicago School of Business)
- ✓ **1981:** Licentiate degree in Law, Faculty of Law of Coimbra

### Internal positions

- ✓ **2016-....:** Member of the Remuneration Committee of CTT (re-elected for the term of office 2017-2019)

### Professional experience

- ✓ Currently, his main professional activity is that of non-executive member of the Board of Directors of various Portuguese companies.
- ✓ With extensive experience in the capital market he was successively Chairman of the Porto Stock Exchange, Chief Executive Officer (CEO) of the Porto Derivatives Exchange, CEO of the Stock Exchange of Lisbon and Porto, Chairman of Interbolsa, CEO of Euronext Lisbon and member of the Boards of Directors of the Stock Exchanges of Paris, Amsterdam, Brussels and Clearnet (France). He has held positions in various executive corporate bodies of international organisations linked to the capital market, namely the FIABV (Ibero-American Federation of Stock Exchanges), ECOFEX (European Committee of Options and Futures Exchanges), IFCI (International Finance and Commodities Institute, founding committee), ECMI (European Capital Markets Institute) and EFFAS (European Federation of Financial Analysts Societies).
- ✓ He was also a non-executive member of management bodies and member of supervision in Portuguese companies listed on the stock exchange, such as Jerónimo Martins, EDP and Novabase.
- ✓ He has also held important positions in organisations connected to the financial market and Portuguese business world, including the positions of Chairman of the Board of APDMC (Portuguese Association for Development of the Capital Market, member of the Advisory Board of the Capital Market (chaired by the Minister of Finance) and the Advisory Council of the CMVM (Securities Market Commission). He was Chairman of IPCG (Portuguese Institute of Corporate Governance) and APAF (Portuguese Association of Financial Analysts).

### Management and supervisory positions in other companies (last 5 years)

- ✓ **2018-....:** Member of the Board of Directors of Munich Partners, AG.
- ✓ **2018-....:** Member of the Board of Directors of Big Tree Asset Management, Ld.
- ✓ **2015-....:** Non-executive member of the Board of Directors and Chairman of the Remunerations Committee of Mystic Invest, SGPS, S.A.
- ✓ **2006-....:** Non-executive member of the Board of Directors of CIN-Corporação Industrial do Norte, S.A.
- ✓ **2016-2018:** Chairman of the Board of Directors of SDC - Investimentos SGPS, S.A.
- ✓ **2006-2015:** Member of the General and Supervisory Board and of the Audit Committee, and Chairman of the Corporate Governance and Sustainability Committee of EDP - Energias de Portugal, S.A.
- ✓ **2006-2015:** Non-executive member of the Board of Directors, Audit Committee and Corporate Governance Committee of Novabase, SGPS, S.A.

### Other external positions (last 5 years)

---

## ANNEX II – MANAGEMENT TRANSACTIONS OF CTT SHARES

Transactions of CTT shares carried out in 2018 by members of the Board of Directors of CTT and closely related persons.

Detail of the transactions of Gestmin SGPS, S.A., entity closely related to the Non-Executive Member of the Board of Directors of CTT, João Afonso Sopas Ramalho Pereira Bento, during the 2018 financial year, according to the communications sent to the Company<sup>37</sup>:

| Type of transaction | Venue | Price (€) | Volume | Date of the transaction | Type of transaction | Venue | Price (€) | Volume | Date of the transaction |
|---------------------|-------|-----------|--------|-------------------------|---------------------|-------|-----------|--------|-------------------------|
| Purchase            | XLIS  | 3.570     | 5,000  | 02-01-2018              | Purchase            | XLIS  | 3.696     | 66,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.590     | 12,500 | 02-01-2018              | Purchase            | XLIS  | 3.698     | 7,030  | 05-01-2018              |
| Purchase            | XLIS  | 3.594     | 7,500  | 02-01-2018              | Purchase            | XLIS  | 3.700     | 15,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.600     | 7,500  | 02-01-2018              | Purchase            | XLIS  | 3.702     | 5,000  | 05-01-2018              |
| Purchase            | XLIS  | 3.610     | 7,500  | 02-01-2018              | Purchase            | XLIS  | 3.708     | 5,000  | 05-01-2018              |
| Purchase            | XLIS  | 3.614     | 1,250  | 02-01-2018              | Purchase            | XLIS  | 3.710     | 17,970 | 05-01-2018              |
| Purchase            | XLIS  | 3.618     | 5,000  | 02-01-2018              | Purchase            | XLIS  | 3.720     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.620     | 10,000 | 02-01-2018              | Purchase            | XLIS  | 3.730     | 5,000  | 05-01-2018              |
| Purchase            | XLIS  | 3.626     | 5,000  | 02-01-2018              | Purchase            | XLIS  | 3.732     | 5,000  | 05-01-2018              |
| Purchase            | XLIS  | 3.630     | 5,000  | 02-01-2018              | Purchase            | XLIS  | 3.742     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.636     | 8,500  | 02-01-2018              | Purchase            | XLIS  | 3.744     | 5,000  | 05-01-2018              |
|                     |       |           |        |                         | Purchase            | XLIS  | 3.748     | 15,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.650     | 2,700  | 03-01-2018              | Purchase            | XLIS  | 3.750     | 24,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.672     | 1,400  | 03-01-2018              | Purchase            | XLIS  | 3.752     | 26,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.678     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.756     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.680     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.760     | 5,000  | 05-01-2018              |
| Purchase            | XLIS  | 3.684     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.762     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.690     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.770     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.694     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.790     | 10,000 | 05-01-2018              |
| Purchase            | XLIS  | 3.698     | 5,300  | 03-01-2018              |                     |       |           |        |                         |
| Purchase            | XLIS  | 3.700     | 20,000 | 03-01-2018              | Purchase            | XLIS  | 3.730     | 5,000  | 08-01-2018              |
| Purchase            | XLIS  | 3.702     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.734     | 5,133  | 08-01-2018              |
| Purchase            | XLIS  | 3.704     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.738     | 5,000  | 08-01-2018              |
| Purchase            | XLIS  | 3.712     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.748     | 14,867 | 08-01-2018              |
| Purchase            | XLIS  | 3.714     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.750     | 25,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.718     | 15,000 | 03-01-2018              | Purchase            | XLIS  | 3.752     | 21,891 | 08-01-2018              |
| Purchase            | XLIS  | 3.720     | 3,600  | 03-01-2018              | Purchase            | XLIS  | 3.754     | 23,109 | 08-01-2018              |
| Purchase            | XLIS  | 3.722     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.756     | 10,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.726     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.758     | 5,000  | 08-01-2018              |
| Purchase            | XLIS  | 3.730     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.760     | 15,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.732     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.762     | 16,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.740     | 12,000 | 03-01-2018              | Purchase            | XLIS  | 3.764     | 10,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.744     | 5,000  | 03-01-2018              | Purchase            | XLIS  | 3.766     | 5,000  | 08-01-2018              |
| Purchase            | XLIS  | 3.750     | 10,000 | 03-01-2018              | Purchase            | XLIS  | 3.770     | 5,000  | 08-01-2018              |
|                     |       |           |        |                         | Purchase            | XLIS  | 3.778     | 10,000 | 08-01-2018              |
| Purchase            | XLIS  | 3.668     | 5,000  | 04-01-2018              |                     |       |           |        |                         |
| Purchase            | XLIS  | 3.670     | 12,000 | 04-01-2018              | Purchase            | XLIS  | 3.784     | 7,500  | 09-01-2018              |
| Purchase            | XLIS  | 3.680     | 5,000  | 04-01-2018              | Purchase            | XLIS  | 3.786     | 6,607  | 09-01-2018              |
| Purchase            | XLIS  | 3.682     | 5,000  | 04-01-2018              | Purchase            | XLIS  | 3.788     | 3,958  | 09-01-2018              |
| Purchase            | XLIS  | 3.684     | 1,000  | 04-01-2018              | Purchase            | XLIS  | 3.790     | 9,435  | 09-01-2018              |
| Purchase            | XLIS  | 3.686     | 10,000 | 04-01-2018              | Purchase            | XLIS  | 3.792     | 6,567  | 09-01-2018              |
| Purchase            | XLIS  | 3.690     | 32,500 | 04-01-2018              | Purchase            | XLIS  | 3.798     | 6,572  | 09-01-2018              |
| Purchase            | XLIS  | 3.694     | 10,000 | 04-01-2018              | Purchase            | XLIS  | 3.800     | 20,000 | 09-01-2018              |
| Purchase            | XLIS  | 3.698     | 4,601  | 04-01-2018              | Purchase            | XLIS  | 3.802     | 3,777  | 09-01-2018              |
| Purchase            | XLIS  | 3.700     | 10,399 | 04-01-2018              | Purchase            | XLIS  | 3.808     | 5,000  | 09-01-2018              |
| Purchase            | XLIS  | 3.706     | 5,000  | 04-01-2018              | Purchase            | XLIS  | 3.810     | 20,000 | 09-01-2018              |
| Purchase            | XLIS  | 3.710     | 5,837  | 04-01-2018              | Purchase            | XLIS  | 3.814     | 7,403  | 09-01-2018              |
| Purchase            | XLIS  | 3.716     | 9,163  | 04-01-2018              | Purchase            | XLIS  | 3.816     | 7,143  | 09-01-2018              |
| Purchase            | XLIS  | 3.720     | 10,000 | 04-01-2018              | Purchase            | XLIS  | 3.818     | 750    | 09-01-2018              |
| Purchase            | XLIS  | 3.730     | 18,000 | 04-01-2018              | Purchase            | XLIS  | 3.820     | 53,578 | 09-01-2018              |
| Purchase            | XLIS  | 3.750     | 10,000 | 04-01-2018              | Purchase            | MSSI  | 3.820     | 1,781  | 09-01-2018              |

<sup>37</sup> Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.

|          |      |       |       |            |
|----------|------|-------|-------|------------|
| Purchase | XLIS | 3.760 | 5,000 | 04-01-2018 |
|          |      |       |       |            |

|          |      |       |       |            |
|----------|------|-------|-------|------------|
| Purchase | TRQX | 3.820 | 1,707 | 09-01-2018 |
| Purchase | MSSI | 3.821 | 1,829 | 09-01-2018 |

| Type of transaction | Venue | Price (€) | Volume | Date of the transaction |
|---------------------|-------|-----------|--------|-------------------------|
| Purchase            | XLIS  | 3.822     | 8,500  | 09-01-2018              |
| Purchase            | CHIX  | 3.822     | 1,238  | 09-01-2018              |
| Purchase            | MSSI  | 3.822     | 2,648  | 09-01-2018              |
| Purchase            | XLIS  | 3.824     | 1,669  | 09-01-2018              |
| Purchase            | BATE  | 3.824     | 1,697  | 09-01-2018              |
| Purchase            | CHIX  | 3.824     | 1,659  | 09-01-2018              |
| Purchase            | MSSI  | 3.824     | 1,332  | 09-01-2018              |
| Purchase            | CHID  | 3.825     | 4,105  | 09-01-2018              |
| Purchase            | XLIS  | 3.826     | 3,292  | 09-01-2018              |
| Purchase            | CHIX  | 3.826     | 1,657  | 09-01-2018              |
| Purchase            | MSSI  | 3.826     | 2,064  | 09-01-2018              |
| Purchase            | MSSI  | 3.828     | 875    | 09-01-2018              |
| Purchase            | MSSI  | 3.829     | 763    | 09-01-2018              |
| Purchase            | XLIS  | 3.832     | 6,222  | 09-01-2018              |
| Purchase            | CHIX  | 3.832     | 1,623  | 09-01-2018              |
| Purchase            | MSSI  | 3.832     | 4,922  | 09-01-2018              |
| Purchase            | TRQX  | 3.832     | 1,670  | 09-01-2018              |
| Purchase            | MSSI  | 3.833     | 1,039  | 09-01-2018              |
| Purchase            | MSSI  | 3.834     | 891    | 09-01-2018              |
| Purchase            | XLIS  | 3.834     | 1,756  | 09-01-2018              |
| Purchase            | MSSI  | 3.834     | 1,485  | 09-01-2018              |
| Purchase            | MSSI  | 3.836     | 366    | 09-01-2018              |
| Purchase            | BATD  | 3.837     | 2,100  | 09-01-2018              |
| Purchase            | XLIS  | 3.840     | 1,693  | 09-01-2018              |
| Purchase            | MSSI  | 3.840     | 3,720  | 09-01-2018              |
| Purchase            | MSSI  | 3.841     | 823    | 09-01-2018              |
| Purchase            | XLIS  | 3.842     | 1,562  | 09-01-2018              |
| Purchase            | MSSI  | 3.842     | 2,195  | 09-01-2018              |
| Purchase            | TRQX  | 3.842     | 1,713  | 09-01-2018              |
| Purchase            | XLIS  | 3.844     | 1,530  | 09-01-2018              |
| Purchase            | MSSI  | 3.845     | 193    | 09-01-2018              |
| Purchase            | XLIS  | 3.846     | 1,352  | 09-01-2018              |
| Purchase            | MSSI  | 3.846     | 850    | 09-01-2018              |
| Purchase            | XLIS  | 3.848     | 1,324  | 09-01-2018              |
| Purchase            | XLIS  | 3.850     | 8,277  | 09-01-2018              |
| Purchase            | XLIS  | 3.856     | 1,595  | 09-01-2018              |
| Purchase            | XLIS  | 3.864     | 1,728  | 09-01-2018              |
| Purchase            | MSSI  | 3.865     | 243    | 09-01-2018              |
| Purchase            | CHIX  | 3.866     | 2,440  | 09-01-2018              |
| Purchase            | XLIS  | 3.870     | 1,582  | 09-01-2018              |
|                     |       |           |        |                         |
| Purchase            | XLIS  | 3.774     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.780     | 15,000 | 10-01-2018              |
| Purchase            | XLIS  | 3.784     | 2,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.786     | 15,000 | 10-01-2018              |
| Purchase            | XLIS  | 3.788     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.790     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.792     | 12,500 | 10-01-2018              |
| Purchase            | XLIS  | 3.800     | 6,715  | 10-01-2018              |
| Purchase            | XLIS  | 3.802     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.806     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.808     | 709    | 10-01-2018              |
| Purchase            | XLIS  | 3.810     | 14,291 | 10-01-2018              |
| Purchase            | XLIS  | 3.818     | 5,000  | 10-01-2018              |
| Purchase            | XLIS  | 3.820     | 7,747  | 10-01-2018              |
| Purchase            | XLIS  | 3.822     | 10,533 | 10-01-2018              |
| Purchase            | XLIS  | 3.826     | 6,752  | 10-01-2018              |
| Purchase            | XLIS  | 3.830     | 23,753 | 10-01-2018              |
|                     |       |           |        |                         |

| Type of transaction | Venue | Price (€) | Volume | Date of the transaction |
|---------------------|-------|-----------|--------|-------------------------|
| Purchase            | XLIS  | 3.810     | 3,896  | 11-01-2018              |
| Purchase            | XLIS  | 3.816     | 2,500  | 11-01-2018              |
| Purchase            | XLIS  | 3.818     | 1,489  | 11-01-2018              |
| Purchase            | XLIS  | 3.822     | 3,000  | 11-01-2018              |
| Purchase            | XLIS  | 3.824     | 1,905  | 11-01-2018              |
| Purchase            | XLIS  | 3.828     | 10,000 | 11-01-2018              |
| Purchase            | XLIS  | 3.830     | 7,500  | 11-01-2018              |
| Purchase            | XLIS  | 3.832     | 2,956  | 11-01-2018              |
| Purchase            | XLIS  | 3.840     | 5,000  | 11-01-2018              |
| Purchase            | XLIS  | 3.844     | 1,200  | 11-01-2018              |
| Purchase            | XLIS  | 3.850     | 45,519 | 11-01-2018              |
| Purchase            | XLIS  | 3.852     | 31,552 | 11-01-2018              |
| Purchase            | XLIS  | 3.854     | 10,000 | 11-01-2018              |
| Purchase            | XLIS  | 3.856     | 12,496 | 11-01-2018              |
| Purchase            | XLIS  | 3.860     | 36,095 | 11-01-2018              |
| Purchase            | XLIS  | 3.864     | 15,000 | 11-01-2018              |
| Purchase            | XLIS  | 3.866     | 6,552  | 11-01-2018              |
| Purchase            | XLIS  | 3.874     | 5,000  | 11-01-2018              |
| Purchase            | XLIS  | 3.878     | 500    | 11-01-2018              |
| Purchase            | XLIS  | 3.880     | 4,500  | 11-01-2018              |
| Purchase            | XLIS  | 3.882     | 6,015  | 11-01-2018              |
|                     |       |           |        |                         |
| Purchase            | XLIS  | 3.474     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.482     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.490     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.500     | 10,000 | 12-01-2018              |
| Purchase            | XLIS  | 3.510     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.520     | 15,000 | 12-01-2018              |
| Purchase            | XLIS  | 3.550     | 10,000 | 12-01-2018              |
| Purchase            | XLIS  | 3.580     | 10,000 | 12-01-2018              |
| Purchase            | XLIS  | 3.590     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.620     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.630     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.658     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.672     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.680     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.740     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.760     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.770     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.780     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.790     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.794     | 1,400  | 12-01-2018              |
| Purchase            | XLIS  | 3.796     | 1,447  | 12-01-2018              |
| Purchase            | XLIS  | 3.798     | 4,123  | 12-01-2018              |
| Purchase            | XLIS  | 3.800     | 8,030  | 12-01-2018              |
| Purchase            | XLIS  | 3.812     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.820     | 10,000 | 12-01-2018              |
| Purchase            | XLIS  | 3.822     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.832     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.842     | 5,000  | 12-01-2018              |
| Purchase            | XLIS  | 3.850     | 3,500  | 12-01-2018              |
| Purchase            | XLIS  | 3.868     | 1,500  | 12-01-2018              |
|                     |       |           |        |                         |



| Type of transaction | Venue | Price (€) | Volume | Date of the transaction |
|---------------------|-------|-----------|--------|-------------------------|
| Purchase            | XLIS  | 3.120     | 1,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.126     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.130     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.136     | 4,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.140     | 27,500 | 13-03-2018              |
| Purchase            | XLIS  | 3.142     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.150     | 15,000 | 13-03-2018              |
| Purchase            | XLIS  | 3.154     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.160     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.170     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.174     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.176     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.180     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.184     | 10,000 | 13-03-2018              |
| Purchase            | XLIS  | 3.190     | 10,000 | 13-03-2018              |
| Purchase            | XLIS  | 3.194     | 5,000  | 13-03-2018              |
| Purchase            | XLIS  | 3.196     | 1,037  | 13-03-2018              |
| Purchase            | XLIS  | 3.198     | 3,963  | 13-03-2018              |
|                     |       |           |        |                         |

| Type of transaction | Venue | Price (€) | Volume | Date of the transaction |
|---------------------|-------|-----------|--------|-------------------------|
| Purchase            | XLIS  | 3.090     | 5,000  | 14-03-2018              |
| Purchase            | XLIS  | 3.094     | 5,000  | 14-03-2018              |
| Purchase            | XLIS  | 3.098     | 5,000  | 14-03-2018              |
| Purchase            | XLIS  | 3.100     | 21,928 | 14-03-2018              |
| Purchase            | XLIS  | 3.104     | 2,500  | 14-03-2018              |
| Purchase            | XLIS  | 3.110     | 12,500 | 14-03-2018              |
| Purchase            | XLIS  | 3.120     | 17,500 | 14-03-2018              |
| Purchase            | XLIS  | 3.130     | 12,500 | 14-03-2018              |
|                     |       |           |        |                         |



**ANNEX III – SUSTAINABILITY COMMITMENTS**
**COMMITMENTS**

Accomplished (≥ 95%) ● Not accomplished ● In progress/partially achieved ● New →

| TOPIC   | GOAL   | 2018   |       | CTT GOALS for 2019 and following  |
|---|--|--|-------|---|
|   |  | ACCOMPLISHMENT   | PROG. |   |
| <b>Policy and Strategy</b>  |  |  |       |   |
| Dow Jones Sustainability Index                                    | Await launch   | RobecoSAM has not yet launched Iberian Index               | ●     | Wait for launch and prepare submission  |
| Reporting Standard  | GRI4 - Comprehensive   | Re-programmed  | ●     | GRI4 Comprehensive  |
| Sustainability Committee  | Regular activity   | Regular activity   | ●     | Regular activity  |
| UN Sustainable Development Goals                                  | Integration  | Accomplished   | ●     | Implementation (continuous)   |
| <b>Relations with Stakeholders</b>                                |  |  |       |   |
| Engagement with Stakeholders strategy                             | Segmented communication  | Annual Sustainability Report, communication with investors | ●     | Integrated Annual Sustainability Report   |
| Website content structure   | Completion   | In progress  | ●     | Completion in 2019  |
| <b>Ethics</b>   |  |  |       |   |
| Code of Conduct (e-learning)                                      | Total internal training  | 1,265 employees  | ●     | Continuation (1000 employees)   |
| Code of conduct against harassment                                | Total internal training  | 1,093 employees  | ●     | Continuation (3000 employees)   |
| <b>Environmental management</b>                                   |  |  |       |   |
| Energy Management System ISO 50001                                | Identification of processes and preparation of procedures      | In progress  | ●     | Completion in 2020  |
| Computer application for Management Commitments                   | Completion   | Re-programmed  | ●     | Completion in 2019  |
| <b>Energy efficiency</b>  |  |  |       |   |
| Energy audits of buildings  | Completion   | In progress  | ●     | Completion in 2020  |
| Electricity consumption   | -1%  | -0.9%  | ●     | -1%   |
| Energy certification of buildings                                 | Buildings (SCE) <sup>38</sup>                                  | Maintained   | ●     | To be continued in 2019   |
| Energy audit of the fleet   | Completion   | Accomplished   | ●     | Implementation of PRCE  |
| PRCE of the CTT fleet – specific consumption                      | Improve efficiency   | PRCE underway  | ●     | Improve efficiency (by 5% by 2020)  |
| Fuel consumption  | 0%   | 2.4%   | ●     | 0%  |
| Efficiency gains in fuel consumption                              | Review metrics   | In progress  | ●     | Review calculation metrics  |
| 100% LED lighting   | Expansion  | 8 CDP  | ●     | Continuation of the expansion   |
| <b>Sustainable Mobility</b>                                       |  |  |       |   |
| Fleet of electric and less pollutant vehicles                     | Acquisition of 30 VEDUR vehicles                               | Acquisition of 12 VEDUR underway                           | ●     | Strengthening (with the acquisition of 85 vehicles and natural gas heavy test).                 |
| Investment in the operational fleet                               | 8 light goods vehicles and 2 heavy vehicles                    | 3 light goods vehicles and 2 heavy vehicles                | ●     | Strengthening (11 light goods vehicles and 4 heavy vehicles for 2019) <sup>1</sup>              |
| Car Pooling Platform  | Award system   | Continuous   | ●     | Expansion in 2019   |
| Drivers' Challenge  | Participation and organisation of the International event 2018 | Accomplished   | ●     | Organisation of the national Drivers' Challenge and participation in the international, in 2019 |
| <b>Climate Change</b>   |  |  |       |   |
| Direct and indirect CO <sub>2</sub> emissions (2008–20)           | -33%   | -64.2% (accumulated red.)                                  | ●     | 2020 goal achieved. Maintain  |
| Idem (annual)   | 0,0%   | 0,8%   | ●     | 0.9%  |
| Scope 1, 2 and 3 CO <sub>2</sub> emissions (2013–25)              | -30%   | -34.4% (accumulated red.)                                  | ●     | 2025 goal achieved. Maintain  |
| Scope 1, 2 and 3 CO <sub>2</sub> emissions (2005–30)              | -30%   | -37.6% (accumulated red.)                                  | ●     | 2030 goal achieved. Maintain  |
| Idem (annual)   | 0,8%   | -6,0%  | ●     | 0,9%  |
| CO <sub>2</sub> intensity/postal item scopes 1, 2 and 3 (2013–25) | -20%   | -17.4% (accumulated red.)                                  | ●     | Goal 2025. Maintain   |
| Idem (annual)   | 0,2%   | 2,8%   | ●     | 0,2%  |
| Acquisition of electricity of renewable origin                    | Maintain full coverage   | 100% Green Energy  | ●     | Maintain full coverage  |
| <b>Consumption management</b>                                     |  |  |       |   |
| Water consumption   | - 2%   | -8.1%  | ●     | 0%  |
| Paper consumption (except Mailtec)                                | 3% (excl. Mailtec)   | 15.0%, excl. Mailtec                                       | ●     | 0% (excluding Mailtec)  |
| <b>Waste management</b>   |  |  |       |   |
| Waste production  | Reduction of waste production                                  | 31.8%  | ●     | -   |
| Recovery rate   | Increased recovery rate  | Rate of 87.6% (+5.8%)                                      | ●     | Increased recovery rate   |
| <b>Biodiversity</b>   |  |  |       |   |
| Press releases, advertisements and mailings                       | Continuous activity  | Print Power initiatives                                    | ●     | Continuous activity   |
| Initiatives to promote biodiversity                               | Sponsorship  | 5 <sup>th</sup> edition of "A Tree for the Forest"         | ●     | 6 <sup>th</sup> edition of "A Tree for the Forest"  |
| <b>Training and awareness-raising</b>                             |  |  |       |   |
| Environmental training  | Holding of the course  | Re-programmed  | ●     | Launch of the course  |
| Thematic philatelic issues and publications                       | 4 philatelic issues  | 9 philatelic issues and 3 labels                           | ●     | 5 philatelic issues   |
| Thematic lectures   | Dissemination actions  | 13 actions carried out                                     | ●     | Continues in 2019   |

<sup>38</sup> SCE - System of certification of buildings.

| TOPIC   | GOAL   | 2018   |       | CTT GOALS for 2019 and following                                      |
|---|--|--|-------|---|
|   |  | ACCOMPLISHMENT   | PROG. |   |
| <b>Quality of service</b>   |  |  |       |   |
| Full certification of post offices and postal delivery offices        | Maintain the certification (post offices, postal delivery offices)       | Not renewed  | ●     | -   |
| Certification of postal agencies                                      | Maintain the certification of the postal agencies and management systems | Accomplished   | ●     | Extend  |
| Certification of the subsidiaries                                     | Include Transporta   | Accomplished   | ●     | Keep the subsidiaries covered   |
| Corporate certification   | Extend to 2 more transversal processes                                   | Maintained   | ●     | Maintain  |
| Average treatment times of claims <sup>2</sup>                        | 10 days national and 38 days international                               | 10 days national and 38 days international   | ●     | Maintenance of the target (10 nat. and 38 int'l)                      |
| International QS  | Improve the positioning in the IRA-E, K+1 ranking                        | We did not improve - 13 <sup>th</sup> position   | ●     | Improve/maintain the position in the IRA-E, K+1 ranking               |
|   | Maintain the inbound GMS result above the target                         | 92.2%, above the target of 88%   | ●     | Maintain the inbound GMS result above the target                      |
| ANACOM quality target   | Surpass the ANACOM targets   | We have surpassed the target of 100 points, with 150.2 points                            | ●     | Not applicable  |
| <b>Procurement</b>  |  |  |       |   |
| Pre-contractual procedures with environmental criteria                | 60%  | 78.2%  | ●     | Maintenance of the target   |
| Contracts concluded with environmental criteria                       | 60%  | 95.8%  | ●     | Maintenance of the target   |
| Qualification and assessment of suppliers                             | 3 modules in the Recording System  | In progress  | ●     | Completion by 2020  |
| <b>Hygiene and Safety</b>   |  |  |       |   |
| Level of satisfaction with working conditions                         | Increased satisfaction level   | 35% satisfied employees  | ●     | Increased satisfaction level  |
| Work-related fatalities (own liability)                               | 0 deaths   | 0 fatal accidents  | ●     | Maintenance of the target   |
| Number of work accidents  | -5%  | -6%  | ●     | 5% reduction  |
| Days lost   | -5%  | -8%  | ●     | 5% reduction  |
| Interior Air Quality (QAI)  | Launch   | In progress  | ●     | Conduct of Interior Air Quality (QAI) audits                          |
| <b>Qualification</b>  |  |  |       |   |
| Training effort rate  | 1.20%  | 1.10%  | ●     | Effort rate of 1.2%   |
| Volume of training  | 255,000 hours  | 240,879 hours  | ●     | 255,000 hours <sup>3</sup>  |
| Training in eco-efficient driving                                     | 38 drivers   | 25 drivers   | ●     | Training of 29 drivers  |
| <b>Absenteeism</b>  |  |  |       |   |
| Total rate of absenteeism   | 6.5%   | 6.7%   | ●     | 6.5%  |
| <b>Sustainable Marketing</b>  |  |  |       |   |
| Participatory carbon offset model                                     | Voting process for "Green" Mail  | Accomplished   | ●     | Process of voting for 100% of the Express offer                       |
| Implementation of social business services/inverse logistics services | Implementation of businesses   | Preparation of new business underway   | ●     | Appraise extension to new business and implementation                 |
| <b>Community</b>  |  |  |       |   |
| Social and environmental voluntary work actions                       | 12 actions   | 15 actions carried out   | ●     | 12 actions  |
| Long duration voluntary work  | Maintain and reinforce   | Launch of the 2 <sup>nd</sup> edition of CTT/EPIS Mentoring and other continuous actions | ●     | Maintain EPIS partnership and strengthen continuous voluntary actions |
| <b>Diversity</b>  |  |  |       |   |
| Professional occupation for disabled persons                          | 17 people  | 12 people  | ●     | 12 people   |
| Equal opportunities   | Training via e-learning 915 employees                                    | 859 employees  | ●     | 1000 employees  |
| Gender Equality Plan  | Phased implementation  | In progress  | ●     | Continuation  |
| Wage gap analysis   | Completion   | Absence of finalised external tool   | ●     | Completion after launch of the tool                                   |

<sup>1</sup> Associated to the investment plan currently underway for CTT's operational activities, this indicator may undergo changes.

<sup>2</sup> Average time of treatment of requests for information and complaints of CTT, minus the time elapsed between the date of entry into the company and date of entry into the service (calendar days) - Source: SIAC.

<sup>3</sup> Provisional figure, subject to change.

## ANNEX IV – GRI INDEX AND INDICATORS

Table 1 – Employees

| Human Resources                              | 2017          |               |              | 2018          |               |              | CTT          |
|--|---------------|---------------|--------------|---------------|---------------|--------------|--------------|
| Indicators                                   | CTT           | CTT SA        | Subsidiaries | CTT           | CTT SA        | Subsidiaries | Annual Δ (%) |
| <b>Labour Indicators (no. of people)</b>     |               |               |              |               |               |              |              |
| <b>Employees</b>                             | <b>12 163</b> | <b>10 650</b> | <b>1 513</b> | <b>12 097</b> | <b>10 663</b> | <b>1 434</b> | <b>-0.5</b>  |
| Female                                       | 3 989         | 3 572         | 417          | 4 018         | 3 613         | 405          | 0.7          |
| Male   | 8 174         | 7 078         | 1 096        | 8 079         | 7 050         | 1 029        | -1.2         |
| <b>Type of Contract (no. of people)</b>      |               |               |              |               |               |              |              |
| <b>Permanent</b>                             | <b>11 122</b> | <b>9 980</b>  | <b>1 142</b> | <b>10 884</b> | <b>9 825</b>  | <b>1 059</b> | <b>-2.1</b>  |
| Female                                       | 3 660         | 3 317         | 343          | 3 599         | 3 279         | 320          | -1.7         |
| Male   | 7 462         | 6 663         | 799          | 7 285         | 6 546         | 739          | -2.4         |
| <b>Fixed-term</b>                            | <b>1 041</b>  | <b>670</b>    | <b>371</b>   | <b>1 213</b>  | <b>838</b>    | <b>375</b>   | <b>16.5</b>  |
| Female                                       | 329           | 255           | 74           | 419           | 334           | 85           | 27.4         |
| Male   | 712           | 415           | 297          | 794           | 504           | 290          | 11.5         |
| <b>Full time</b>                             | <b>11 850</b> | <b>10 463</b> | <b>1 387</b> | <b>11 788</b> | <b>10 490</b> | <b>1 298</b> | <b>-0.5</b>  |
| Female                                       | <b>3 887</b>  | <b>3 497</b>  | <b>390</b>   | <b>3 902</b>  | <b>3 533</b>  | <b>369</b>   | <b>0.4</b>   |
| Permanent                                    | 3 605         | 3 280         | 325          | 3 544         | 3 248         | 296          | -1.7         |
| Fixed-term                                   | 282           | 217           | 65           | 358           | 285           | 73           | 27.0         |
| Male   | <b>7 963</b>  | <b>6 966</b>  | <b>997</b>   | <b>7 886</b>  | <b>6 957</b>  | <b>929</b>   | <b>-1.0</b>  |
| Permanent                                    | 7 429         | 6 653         | 776          | 7 256         | 6 534         | 722          | -2.3         |
| Fixed-term                                   | 534           | 313           | 221          | 630           | 423           | 207          | 18.0         |
| <b>Part-time</b>                             | <b>313</b>    | <b>187</b>    | <b>126</b>   | <b>309</b>    | <b>173</b>    | <b>136</b>   | <b>-1.3</b>  |
| Female                                       | <b>102</b>    | <b>75</b>     | <b>27</b>    | <b>116</b>    | <b>80</b>     | <b>36</b>    | <b>13.7</b>  |
| Permanent                                    | 55            | 37            | 18           | 55            | 31            | 24           | 0.0          |
| Fixed-term                                   | 47            | 38            | 9            | 61            | 49            | 12           | 29.8         |
| Male   | <b>211</b>    | <b>112</b>    | <b>99</b>    | <b>193</b>    | <b>93</b>     | <b>100</b>   | <b>-8.5</b>  |
| Permanent                                    | 33            | 10            | 23           | 29            | 12            | 17           | -12.1        |
| Fixed-term                                   | 178           | 102           | 76           | 164           | 81            | 83           | -7.9         |
| <b>Age group (no. of people)</b>             |               |               |              |               |               |              |              |
| <b>&lt;30</b>                                | <b>858</b>    | <b>577</b>    | <b>281</b>   | <b>950</b>    | <b>651</b>    | <b>299</b>   | <b>10.7</b>  |
| Female                                       | 271           | 218           | 53           | 317           | 255           | 62           | 17.0         |
| Male   | 587           | 359           | 228          | 633           | 396           | 237          | 7.8          |
| <b>30 to 50</b>                              | <b>7 087</b>  | <b>6 032</b>  | <b>1 055</b> | <b>6 912</b>  | <b>5 957</b>  | <b>955</b>   | <b>-2.5</b>  |
| Female                                       | 2 415         | 2 079         | 336          | 2 411         | 2 097         | 314          | -0.2         |
| Male   | 4 672         | 3 953         | 719          | 4 501         | 3 860         | 641          | -3.7         |
| <b>&gt;50</b>                                | <b>4 218</b>  | <b>4 041</b>  | <b>177</b>   | <b>4 235</b>  | <b>4 055</b>  | <b>180</b>   | <b>0.4</b>   |
| Female                                       | 1 303         | 1 275         | 28           | 1 290         | 1 261         | 29           | -1.0         |
| Male   | 2 915         | 2 766         | 149          | 2 945         | 2 794         | 151          | 1.0          |
| <b>Professional category (no. of people)</b> |               |               |              |               |               |              |              |
| <b>Senior personnel</b>                      | <b>1 336</b>  | <b>1 065</b>  | <b>271</b>   | <b>1 282</b>  | <b>1 017</b>  | <b>265</b>   | <b>-4.0</b>  |
| Female                                       | <b>644</b>    | <b>522</b>    | <b>122</b>   | <b>628</b>    | <b>500</b>    | <b>128</b>   | <b>-2.5</b>  |
| <30  | 45            | 25            | 20           | 48            | 27            | 21           | 6.7          |
| 30 to 50                                     | 424           | 330           | 94           | 422           | 323           | 99           | -0.5         |
| >50  | 175           | 167           | 8            | 158           | 150           | 8            | -9.7         |
| Male   | <b>692</b>    | <b>543</b>    | <b>149</b>   | <b>654</b>    | <b>517</b>    | <b>137</b>   | <b>-5.5</b>  |
| <30  | 40            | 23            | 17           | 33            | 21            | 12           | -17.5        |
| 30 to 50                                     | 398           | 275           | 123          | 396           | 278           | 118          | -0.5         |
| >50  | 254           | 245           | 9            | 225           | 218           | 7            | -11.4        |
| <b>Middle management</b>                     | <b>477</b>    | <b>402</b>    | <b>75</b>    | <b>429</b>    | <b>383</b>    | <b>46</b>    | <b>-10.1</b> |
| Female                                       | <b>178</b>    | <b>163</b>    | <b>15</b>    | <b>159</b>    | <b>151</b>    | <b>8</b>     | <b>-10.7</b> |
| <30  | 0             | 0             | 0            | 0             | 0             | 0            | #DIV/0!      |
| 30 to 50                                     | 76            | 61            | 15           | 62            | 54            | 8            | -18.4        |
| >50  | 102           | 102           | 0            | 97            | 97            | 0            | -4.9         |
| Male   | <b>299</b>    | <b>239</b>    | <b>60</b>    | <b>270</b>    | <b>232</b>    | <b>38</b>    | <b>-9.7</b>  |
| <30  | 2             | 0             | 2            | 0             | 0             | 0            | -100.0       |
| 30 to 50                                     | 140           | 93            | 47           | 120           | 90            | 30           | -14.3        |
| >50  | 157           | 146           | 11           | 150           | 142           | 8            | -4.5         |
| <b>Counter service</b>                       | <b>2 430</b>  | <b>2 420</b>  | <b>10</b>    | <b>2 435</b>  | <b>2 435</b>  | <b>0</b>     | <b>0.2</b>   |
| Female                                       | <b>1 697</b>  | <b>1 689</b>  | <b>8</b>     | <b>1 679</b>  | <b>1 679</b>  | <b>0</b>     | <b>-1.1</b>  |
| <30  | 93            | 90            | 3            | 94            | 94            | 0            | 1.1          |
| 30 to 50                                     | 959           | 954           | 5            | 926           | 926           | 0            | -3.4         |
| >50  | 645           | 645           | 0            | 659           | 659           | 0            | 2.2          |
| Male   | <b>733</b>    | <b>731</b>    | <b>2</b>     | <b>756</b>    | <b>756</b>    | <b>0</b>     | <b>3.1</b>   |
| <30  | 28            | 26            | 2            | 30            | 30            | 0            | 7.1          |
| 30 to 50                                     | 292           | 292           | 0            | 296           | 296           | 0            | 1.4          |
| >50  | 413           | 413           | 0            | 430           | 430           | 0            | 4.1          |
| <b>Delivery</b>                              | <b>5 355</b>  | <b>4 949</b>  | <b>406</b>   | <b>5 317</b>  | <b>4 934</b>  | <b>383</b>   | <b>-0.7</b>  |
| Female                                       | <b>665</b>    | <b>632</b>    | <b>33</b>    | <b>725</b>    | <b>684</b>    | <b>41</b>    | <b>9.0</b>   |
| <30  | 67            | 54            | 13           | 86            | 69            | 17           | 28.4         |
| 30 to 50                                     | 476           | 456           | 20           | 500           | 477           | 23           | 5.0          |
| >50  | 122           | 122           | 0            | 139           | 138           | 1            | 13.9         |

G-10 G-11 EC5 LA1 LA3 LA6 LA7 LA9 LA12 LA13

| Human Resources   | 2017         |              |              | 2018         |              |              | CTT             |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| Indicators  | CTT          | CTT SA       | Subsidiaries | CTT          | CTT SA       | Subsidiaries | Annual Δ (%)    |
| <b>Male</b>   | <b>4 690</b> | <b>4 317</b> | <b>373</b>   | <b>4 592</b> | <b>4 250</b> | <b>342</b>   | <b>-2.1</b>     |
| <30   | 344          | 204          | 140          | 361          | 243          | 118          | 4.9             |
| 30 to 50  | 2 967        | 2 757        | 210          | 2 780        | 2 584        | 196          | -6.3            |
| >50   | 1 379        | 1 356        | 23           | 1 451        | 1 423        | 28           | 5.2             |
| <b>Other groups</b>   | <b>2 565</b> | <b>1 814</b> | <b>751</b>   | <b>2 634</b> | <b>1 894</b> | <b>740</b>   | <b>2.7</b>      |
| <b>Female</b>   | <b>805</b>   | <b>566</b>   | <b>239</b>   | <b>827</b>   | <b>599</b>   | <b>228</b>   | <b>2.7</b>      |
| <30   | 66           | 49           | 17           | 89           | 65           | 24           | 34.8            |
| 30 to 50  | 480          | 278          | 202          | 501          | 317          | 184          | 4.4             |
| >50   | 259          | 239          | 20           | 237          | 217          | 20           | -8.5            |
| <b>Male</b>   | <b>1 760</b> | <b>1 248</b> | <b>512</b>   | <b>1 807</b> | <b>1 295</b> | <b>512</b>   | <b>2.7</b>      |
| <30   | 173          | 106          | 67           | 209          | 102          | 107          | 20.8            |
| 30 to 50  | 875          | 536          | 339          | 909          | 612          | 297          | 3.9             |
| >50   | 712          | 606          | 106          | 689          | 581          | 108          | -3.2            |
| <b>Leadership by gender (no. of people)</b>                         | <b>214</b>   | <b>173</b>   | <b>41</b>    | <b>211</b>   | <b>175</b>   | <b>36</b>    | <b>-1.4</b>     |
| <b>Board of Directors</b>   | <b>5</b>     | <b>5</b>     | <b>-</b>     | <b>5</b>     | <b>5</b>     | <b>-</b>     | <b>0.0</b>      |
| Female  | 1            | 1            | -            | 1            | 1            | -            | 0.0             |
| Male  | 4            | 4            | -            | 4            | 4            | -            | 0.0             |
| <b>Leadership - 1<sup>st</sup> line</b>                             | <b>38</b>    | <b>30</b>    | <b>8</b>     | <b>43</b>    | <b>35</b>    | <b>8</b>     | <b>13.2</b>     |
| Female  | 12           | 12           | 0            | 10           | 10           | 0            | -16.7           |
| Male  | 26           | 18           | 8            | 33           | 25           | 8            | 26.9            |
| <b>Leadership - 2<sup>nd</sup> line</b> a)                          | <b>171</b>   | <b>138</b>   | <b>33</b>    | <b>163</b>   | <b>135</b>   | <b>28</b>    | <b>-4.7</b>     |
| Female  | 75           | 66           | 9            | 79           | 68           | 11           | 5.3             |
| Male  | 96           | 72           | 24           | 84           | 67           | 17           | -12.5           |
| <b>Diversity (no. of people)</b> a)                                 |              |              |              |              |              |              |                 |
| <b>Foreign employees</b>  | <b>35</b>    | <b>20</b>    | <b>15</b>    | <b>44</b>    | <b>31</b>    | <b>13</b>    | <b>25.7</b>     |
| Female  | 14           | 11           | 3            | 14           | 13           | 1            | 0.0             |
| Male  | 21           | 9            | 12           | 30           | 18           | 12           | 42.9            |
| <b>Employees with special needs</b>                                 | <b>254</b>   | <b>242</b>   | <b>12</b>    | <b>257</b>   | <b>247</b>   | <b>10</b>    | <b>1.2</b>      |
| Female  | 115          | 111          | 4            | 112          | 107          | 5            | -2.6            |
| Male  | 139          | 131          | 8            | 145          | 140          | 5            | 4.3             |
| <b>Schooling level (no. of people)</b>                              |              |              |              |              |              |              |                 |
| University education  | 1 777        | 1 485        | 292          | 1 809        | 1 490        | 319          | 1.8             |
| 12 <sup>th</sup> year   | 5 583        | 4 885        | 698          | 5 536        | 4 886        | 650          | -0.8            |
| 3 <sup>rd</sup> cycle elementary education                          | 3 238        | 2 863        | 375          | 3 334        | 2 983        | 351          | 3.0             |
| < 3 <sup>rd</sup> cycle elementary education                        | 1 565        | 1 417        | 148          | 1 418        | 1 304        | 114          | -9.4            |
| <b>Turnover rate</b> a)   | <b>17.5</b>  | <b>16.9</b>  | <b>21.6</b>  | <b>17.6</b>  | <b>17.0</b>  | <b>22.4</b>  | <b>0.2 p.p</b>  |
| Female  | <b>15.8</b>  | <b>16.0</b>  | <b>14.4</b>  | <b>15.8</b>  | <b>16.4</b>  | <b>10.6</b>  | <b>0 p.p</b>    |
| <30   | 6.4          | 6.6          | 5.0          | 6.2          | 6.3          | 4.7          | -0.3 p.p        |
| 30 to 50  | 6.5          | 6.4          | 7.0          | 6.3          | 6.5          | 4.7          | -0.2 p.p        |
| >50   | 2.9          | 2.9          | 2.4          | 3.3          | 3.5          | 1.2          | 0.4 p.p         |
| Male  | <b>17.7</b>  | <b>17.3</b>  | <b>20.0</b>  | <b>18.0</b>  | <b>17.3</b>  | <b>23.0</b>  | <b>0.3 p.p</b>  |
| <30   | 10.4         | 9.9          | 13.4         | 9.7          | 8.7          | 16.9         | -0.7 p.p        |
| 30 to 50  | 5.2          | 5.2          | 3.4          | 4.8          | 4.8          | 3.6          | -0.3 p.p        |
| >50   | 2.2          | 2.2          | 1.9          | 3.5          | 3.8          | 1.2          | 1.3 p.p         |
| <b>Contracting rate</b> a)  | <b>16.7</b>  | <b>15.8</b>  | <b>23.6</b>  | <b>18.9</b>  | <b>17.6</b>  | <b>30.7</b>  | <b>2.2 p.p</b>  |
| Female  | <b>15.8</b>  | <b>15.3</b>  | <b>19.9</b>  | <b>19.0</b>  | <b>19.0</b>  | <b>19.5</b>  | <b>3.2 p.p</b>  |
| <30   | 8.8          | 8.8          | 8.9          | 9.4          | 9.5          | 8.4          | 0.6 p.p         |
| 30 to 50  | 6.8          | 6.4          | 10.6         | 9.3          | 9.2          | 10.1         | 2.5 p.p         |
| >50   | 0.1          | 0.1          | 0.5          | 0.3          | 0.2          | 1.0          | 0.1 p.p         |
| Male  | <b>16.8</b>  | <b>16.0</b>  | <b>22.2</b>  | <b>18.5</b>  | <b>16.9</b>  | <b>29.6</b>  | <b>1.7 p.p</b>  |
| <30   | 11.8         | 11.1         | 16.2         | 11.8         | 10.5         | 21.2         | 0 p.p           |
| 30 to 50  | 4.7          | 4.6          | 5.7          | 6.1          | 5.9          | 7.8          | 1.4 p.p         |
| >50   | 0.3          | 0.3          | 0.3          | 0.6          | 0.6          | 0.7          | 0.3 p.p         |
| <b>Rate of Return</b>   | <b>100</b>   | <b>100</b>   |              | <b>100</b>   | <b>100</b>   |              | <b>0 p.p</b>    |
| Female  |              |              |              |              |              |              |                 |
| Male  |              |              |              |              |              |              |                 |
| <b>Rate of Retention</b>  | <b>100</b>   | <b>100</b>   |              | <b>100</b>   | <b>100</b>   |              | <b>0 p.p</b>    |
| Female  |              |              |              |              |              |              |                 |
| Male  |              |              |              |              |              |              |                 |
| <b>Prevention and Safety</b> a)                                     |              |              |              |              |              |              |                 |
| <b>Total number of work accidents</b>                               | <b>1 072</b> | <b>965</b>   | <b>107</b>   | <b>1 017</b> | <b>896</b>   | <b>121</b>   | <b>-5.1</b>     |
| Female  | 275          | 253          | 22           | 266          | 250          | 16           | -3.3            |
| Male  | 797          | 712          | 85           | 751          | 646          | 105          | -5.8            |
| <b>Injury rate due to work accidents</b> *10 <sup>^</sup> (5)       | <b>3.9</b>   | <b>3.9</b>   | <b>4.6</b>   | <b>3.9</b>   | <b>3.8</b>   | <b>5.1</b>   | <b>0 p.p</b>    |
| Female  | 2.8          | 2.7          | 4.3          | 3.1          | 3.1          | 2.9          | 0.3 p.p         |
| Male  | 4.5          | 4.5          | 4.7          | 4.3          | 4.1          | 5.8          | -0.2 p.p        |
| <b>Rate of occupational diseases</b> *10 <sup>^</sup> (5)           | <b>0.05</b>  | <b>0.05</b>  | <b>0.00</b>  | <b>0.03</b>  | <b>0.03</b>  | <b>0.00</b>  | <b>0 p.p</b>    |
| Female  | 0.08         | 0.08         | 0.00         | 0.05         | 0.05         | 0.00         | 0 p.p           |
| Male  | 0.03         | 0.03         | 0.00         | 0.02         | 0.03         | 0.00         | 0 p.p           |
| <b>Rate of days lost due to work accidents</b> *10 <sup>^</sup> (5) | <b>149.0</b> | <b>149.4</b> | <b>144.5</b> | <b>142.9</b> | <b>137.8</b> | <b>197.4</b> | <b>-6 p.p</b>   |
| Female  | 93.3         | 90.0         | 137.7        | 93.4         | 91.3         | 125.3        | 0.2 p.p         |
| Male  | 176.0        | 179.4        | 146.6        | 167.4        | 161.6        | 220.3        | -8.6 p.p        |
| <b>Deaths</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0 p.p</b>    |
| <b>Absenteeism %</b>  | <b>6.2</b>   | <b>6.7</b>   | <b>0.4</b>   | <b>5.1</b>   | <b>5.5</b>   | <b>2.6</b>   | <b>-1.1 p.p</b> |

| Human Resources                      | 2017           |                |               | 2018           |                |               | CTT              |
|--------------------------------------|----------------|----------------|---------------|----------------|----------------|---------------|------------------|
| Indicators                           | CTT            | CTT SA         | Subsidiaries  | CTT            | CTT SA         | Subsidiaries  | Annual Δ (%)     |
| <b>Training</b> a)                   |                |                |               |                |                |               |                  |
| <b>Number of training hours</b>      | <b>254 586</b> | <b>238 301</b> | <b>16 285</b> | <b>218 607</b> | <b>202 129</b> | <b>16 478</b> | <b>-14.1</b>     |
| <b>Average training hours</b>        | <b>22</b>      | <b>22</b>      | <b>18</b>     | <b>19</b>      | <b>19</b>      | <b>15</b>     | <b>-14.7</b>     |
| Female                               | 31             | 32             | 24            | 28             | 28             | 26            | -9.0             |
| Male                                 | 18             | 18             | 15            | 14             | 14             | 11            | -19.7            |
| <b>Average hours per category</b>    |                |                |               |                |                |               |                  |
| <b>Senior personnel</b>              | <b>44</b>      | <b>45</b>      | <b>38</b>     | <b>43</b>      | <b>44</b>      | <b>42</b>     | <b>-1.3</b>      |
| Female                               | 47             | 49             | 35            | 47             | 48             | 46            | 1.8              |
| Male                                 | 41             | 42             | 40            | 39             | 40             | 38            | -4.9             |
| <b>Middle management</b>             | <b>32</b>      | <b>34</b>      | <b>22</b>     | <b>28</b>      | <b>30</b>      | <b>21</b>     | <b>-12.4</b>     |
| Female                               | 37             | 38             | 26            | 30             | 30             | 42            | -17.6            |
| Male                                 | 30             | 32             | 20            | 27             | 29             | 17            | -8.3             |
| <b>Counter service</b>               | <b>38</b>      | <b>38</b>      | -             | <b>32</b>      | <b>32</b>      | <b>16</b>     | <b>-17.2</b>     |
| Female                               | 37             | 37             | -             | 33             | 33             | 16            | -11.8            |
| Male                                 | 41             | 41             | -             | 30             | 30             | -             | -27.4            |
| <b>Delivery</b>                      | <b>11</b>      | <b>11</b>      | <b>5</b>      | <b>8</b>       | <b>8</b>       | <b>4</b>      | <b>-26.0</b>     |
| Female                               | 14             | 14             | 5             | 9              | 9              | 4             | -34.5            |
| Male                                 | 11             | 11             | 4             | 8              | 8              | 4             | -24.6            |
| <b>Other</b>                         | <b>15</b>      | <b>15</b>      | <b>13</b>     | <b>8</b>       | <b>28</b>      | <b>5</b>      | <b>-44.6</b>     |
| Female                               | 17             | 17             | 13            | 12             | 22             | 7             | -27.2            |
| Male                                 | 14             | 15             | 13            | 7              | 39             | 5             | -51.4            |
| <b>Wage ratio by gender (F/M)</b> a) | <b>1.09</b>    | <b>1.08</b>    | <b>1.17</b>   | <b>1.07</b>    | <b>1.07</b>    | <b>1.19</b>   | <b>-0.01 p.p</b> |
| <b>Senior personnel</b>              | <b>0.82</b>    | <b>0.86</b>    | <b>0.67</b>   | <b>0.80</b>    | <b>0.84</b>    | <b>0.63</b>   | <b>0 p.p</b>     |
| Female (€)                           | 2 023.7        | 2 072.5        | 1 811.3       | 2 006.9        | 2 070.2        | 1 759.7       | -0.8             |
| Male (€)                             | 2 472.8        | 2 407.4        | 2 716.3       | 2 519.1        | 2 450.7        | 2 777.0       | 1.9              |
| <b>Middle management</b>             | <b>1.00</b>    | <b>0.97</b>    | <b>0.92</b>   | <b>1.00</b>    | <b>0.98</b>    | <b>0.95</b>   | <b>0 p.p</b>     |
| Female (€)                           | 1 364.5        | 1 395.2        | 948.2         | 1 379.2        | 1 399.0        | 1 005.0       | 1.1              |
| Male (€)                             | 1 361.9        | 1 432.0        | 1 027.2       | 1 378.1        | 1 430.9        | 1 056.2       | 1.2              |
| <b>Counter service</b>               | <b>0.92</b>    | <b>0.92</b>    | -             | <b>0.93</b>    | <b>0.93</b>    | -             | <b>0 p.p</b>     |
| Female (€)                           | 1 056.2        | 1 056.2        | -             | 1 073.9        | 1 073.9        | -             | 1.7              |
| Male (€)                             | 1 142.5        | 1 142.5        | -             | 1 157.0        | 1 157.0        | -             | 1.3              |
| <b>Delivery</b>                      | <b>0.93</b>    | <b>0.92</b>    | <b>1.01</b>   | <b>0.91</b>    | <b>0.90</b>    | <b>1.00</b>   | <b>-0.02 p.p</b> |
| Female (€)                           | 819.0          | 829.4          | 614.8         | 813.3          | 823.5          | 624.8         | -0.7             |
| Male (€)                             | 884.7          | 904.5          | 609.7         | 895.2          | 916.0          | 626.6         | 1.2              |
| <b>Other</b>                         | <b>1.00</b>    | <b>0.98</b>    | <b>1.02</b>   | <b>0.98</b>    | <b>0.96</b>    | <b>1.01</b>   | <b>0 p.p</b>     |
| Female (€)                           | 955.2          | 990.3          | 738.8         | 941.2          | 959.6          | 768.3         | -1.5             |
| Male (€)                             | 955.9          | 1 012.5        | 722.1         | 964.3          | 1 003.0        | 760.5         | 0.9              |
| <b>Labour Relations (%)</b> a)       |                |                |               |                |                |               |                  |
| Collective labour agreements         | 89.9           | 98             | 8.3           | 90.7           | 98.4           | 7.5           | 0.8 p.p          |
| Union membership                     | 77.5           | 80.5           | 47.3          | 76.0           | 79.3           | 40.8          | -1.5 p.p         |

a) Excludes CORRE and Tourline data.

**Table 2 – Environment**

| Environment   |                                      | 2017             |                           |                 | 2018             |                  |                 | Annual Variation (Group) |
|---|--------------------------------------|------------------|---------------------------|-----------------|------------------|------------------|-----------------|--------------------------|
| Environmental Indicators  | Unit                                 | CTT              | CTT, SA                   | Subsidiaries *  | CTT              | CTT, SA          | Subsidiaries *  | Unit or %                |
| <b>Energy consumption</b>   | <b>(GJ)</b>                          | <b>386,568.9</b> | <b>353,613.0</b>          | <b>32,955.9</b> | <b>390,353.4</b> | <b>351,854.5</b> | <b>38,498.8</b> | <b>1.0%</b>              |
| Total electricity consumption   | (GJ)                                 | 156,972.8        | 139,563.1                 | 17,409.7        | 155,576.8        | 135,430.7        | 20,146.1        | -0.9%                    |
| Conventional electricity consumption                                    | (GJ)                                 | 0.0              | 0.0                       | 0.0             | 0.0              | 0.0              | 0.0             | -                        |
| Green electricity consumption   | (GJ)                                 | 156,972.8        | 139,563.1                 | 17,409.7        | 155,576.8        | 135,430.7        | 20,146.1        | -0.9%                    |
| Solar panel power consumption   | (GJ)                                 | 127.2            | 127.2                     | 0.0             | 127.2            | 127.2            | 0.0             | 0.0%                     |
| Thermal power consumption   | (GJ)                                 | 6,507.3          | 6,507.3                   | 0.0             | 6,575.7          | 6,575.7          | 0.0             | 1.1%                     |
| Total fuel consumption  | (GJ)                                 | 221,020.4        | 205,474.2                 | 15,546.2        | 226,421.8        | 208,069.0        | 18,352.7        | 2.4%                     |
| Total gas consumption   | (GJ)                                 | 1,941.2          | 1,941.2                   | 0.0             | 1,651.8          | 1,651.8          | 0.0             | -14.9%                   |
| <b>Average fleet consumption</b>  | <b>(lt./100km)</b>                   | <b>9.1</b>       | <b>9.3</b>                | <b>7.1</b>      | <b>9.2</b>       | <b>9.5</b>       | <b>6.9</b>      | <b>0.9%</b>              |
| <b>Less pollutant vehicles</b>  | <b>(unit)</b>                        | <b>353.0</b>     | <b>353.0</b>              | <b>0.0</b>      | <b>311.0</b>     | <b>311.0</b>     | <b>0.0</b>      | <b>-11.9%</b>            |
| <b>Total direct atmospheric emissions of CO<sub>2</sub> (scope 1)</b>   | <b>(tonne CO<sub>2</sub>)</b>        | <b>16,047.0</b>  | <b>14,923.9</b>           | <b>1,123.1</b>  | <b>16,176.5</b>  | <b>14,870.4</b>  | <b>1,306.1</b>  | <b>0.8%</b>              |
| Fuel consumption  | (tonne CO <sub>2</sub> )             | 15,932.2         | 14,809.2                  | 1,123.1         | 16,078.0         | 14,771.9         | 1,306.1         | 0.9%                     |
| Gas consumption   | (tonne CO <sub>2</sub> )             | 114.7            | 114.7                     | 0.0             | 98.5             | 98.5             | 0.0             | -14.2%                   |
| <b>Total indirect atmospheric emissions of CO<sub>2</sub> (scope 2)</b> | <b>(tonne CO<sub>2</sub>)</b>        | <b>186.5</b>     | <b>186.5</b>              | <b>0.0</b>      | <b>188.5</b>     | <b>188.5</b>     | <b>0.0</b>      | <b>1.1%</b>              |
| Electricity consumption   | (tonne CO <sub>2</sub> )             | 0.0              | 0.0                       | 0.0             | 0.0              | 0.0              | 0.0             | -                        |
| Thermal power consumption   | (tonne CO <sub>2</sub> )             | 186.5            | 186.5                     | 0.0             | 188.5            | 188.5            | 0.0             | 1.1%                     |
| <b>Total other indirect atmospheric emissions (scope 3)</b>             | <b>(tonne CO<sub>2</sub>)</b>        | <b>41,641.2</b>  | <b>15,442.5</b>           | <b>26,198.6</b> | <b>38,017.2</b>  | <b>15,034.6</b>  | <b>22,982.6</b> | <b>-8.7%</b>             |
| Air transport   | (tonne CO <sub>2</sub> )             | 11,703.0         | 7,435.6                   | 4,267.4         | 11,272.8         | 7,249.6          | 4,023.2         | -3.7%                    |
| Sea transport   | (tonne CO <sub>2</sub> )             | 44.3             | 2.9                       | 41.4            | 56.3             | 4.4              | 51.9            | 27.1%                    |
| Road transport by outsourced fleet                                      | (tonne CO <sub>2</sub> )             | 23,100.6         | 1,823.0                   | 21,277.6        | 19,812.0         | 1,632.7          | 18,179.3        | -14.2%                   |
| Air and rail travel on company business                                 | (tonne CO <sub>2</sub> )             | 9.4              | 9.4                       | 0.0             | 7.7              | 7.7              | 0.0             | -18.3%                   |
| Commuting   | (tonne CO <sub>2</sub> )             | 6,783.8          | 6,171.6                   | 612.2           | 6,868.4          | 6,140.2          | 728.1           | 1.2%                     |
| <b>Offset CO<sub>2</sub> emissions</b>                                  | <b>(tonne CO<sub>2</sub>)</b>        | <b>1,001.3</b>   | <b>333.3</b>              | <b>668.1</b>    | <b>980.5</b>     | <b>320.2</b>     | <b>660.3</b>    | <b>-2.1%</b>             |
| <b>Scopes 1+2</b>   | <b>(tonne CO<sub>2</sub>)</b>        | <b>16,233.5</b>  | <b>15,110.4</b>           | <b>1,123.1</b>  | <b>16,365.0</b>  | <b>15,058.9</b>  | <b>1,306.1</b>  | <b>0.8%</b>              |
| <b>scopes1+2+3</b>  | <b>(tonne CO<sub>2</sub>)</b>        | <b>57,874.6</b>  | <b>30,553.0</b>           | <b>27,321.7</b> | <b>54,382.2</b>  | <b>30,093.6</b>  | <b>24,288.7</b> | <b>-6.0%</b>             |
| <b>Carbon incorporation by postal item (scopes 1 and 2)</b>             | <b>(g CO<sub>2</sub>/item)</b>       | <b>12.8</b>      | <b>20.4</b>               | <b>2.2</b>      | <b>14.2</b>      | <b>21.9</b>      | <b>2.8</b>      | <b>10.2%</b>             |
| <b>Carbon incorporation per postal item (scopes 1, 2 and 3)</b>         | <b>(g CO<sub>2</sub>/item)</b>       | <b>45.8</b>      | <b>41.2</b>               | <b>52.4</b>     | <b>47.1</b>      | <b>43.8</b>      | <b>51.8</b>     | <b>2.8%</b>              |
| <b>Carbon intensity per €1000 turnover (scopes 1+2)</b>                 | <b>(kgCO<sub>2</sub>/1000 euros)</b> | <b>22.7</b>      | <b>25.9</b>               | <b>6.8</b>      | <b>22.8</b>      | <b>26.3</b>      | <b>6.9</b>      | <b>0.4%</b>              |
| <b>Captured water by spring source b)</b>                               | <b>(M3)</b>                          | <b>55,580.0</b>  | <b>41,678.0</b>           | <b>13,902.0</b> | <b>51,059.3</b>  | <b>37,003.8</b>  | <b>14,055.6</b> | <b>-8.1%</b>             |
| Well  | (M3)                                 | 1,256.0          | 1,256.0                   | 0.0             | 1,843.0          | 1,843.0          | 0.0             | 46.7%                    |
| Public network  | (M3)                                 | 53,135.0         | 39,233.0                  | 13,902.0        | 47,854.1         | 33,798.6         | 14,055.6        | -9.9%                    |
| Rainwater   | (M3)                                 | 1,189.0          | 1,189.0                   | 0.0             | 1,362.2          | 1,362.2          | 0.0             | 14.6%                    |
| <b>Spillage b)</b>  | <b>(unit)</b>                        | <b>2.0</b>       | <b>2.0</b>                | <b>0.0</b>      | <b>8.0</b>       | <b>8.0</b>       | <b>0.0</b>      | <b>300.0%</b>            |
| <b>Consumption of materials b)</b>                                      | <b>(tonne)</b>                       | <b>3,228.8</b>   | <b>1,166.9</b>            | <b>2,061.9</b>  | <b>3,569.2</b>   | <b>1,304.0</b>   | <b>2,265.3</b>  | <b>10.5%</b>             |
| Paper   | (tonne)                              | 2,616.2          | 958.0                     | 1,658.2         | 2,860.1          | 1,032.0          | 1,828.1         | 9.3%                     |
| Plastic   | (tonne)                              | 582.2            | 190.4                     | 391.8           | 576.0            | 243.8            | 332.2           | -1.1%                    |
| Metal   | (tonne)                              | 5.8              | 5.1                       | 0.7             | 4.4              | 3.7              | 0.7             | -23.8%                   |
| Other materials   | (tonne)                              | 24.7             | 13.5                      | 11.2            | 128.8            | 24.5             | 104.2           | 422.1%                   |
| <b>Waste routed to final destination b)</b>                             | <b>-</b>                             | <b>-</b>         | <b>-</b>                  | <b>-</b>        | <b>-</b>         | <b>-</b>         | <b>-</b>        | <b>-</b>                 |
| Total waste   | (tonne)                              | 1,183.7          | 578.0                     | 605.7           | 1,560.6          | 738.7            | 821.9           | 31.8%                    |
| Recovery Rate   | %                                    | 0.8              | 0.9                       | 0.8             | 0.9              | 0.9              | 0.8             | 5.8%                     |
| <b>Environmental Certification b)</b>                                   | <b>-</b>                             | <b>-</b>         | <b>-</b>                  | <b>-</b>        | <b>-</b>         | <b>-</b>         | <b>-</b>        | <b>-</b>                 |
| ISO 14001 certified Units/Companies                                     | (number)                             | 5 + 4            | Corporate+ 3<br>CPL + EPA | 4 Companies     | Corporate + 4    | Corporate        | 4 companies     | -                        |
| FSC certified Units/Companies   | (number)                             | 1                | 0                         | 1 Company       | 1                | 0                | 1               | 0.0%                     |
| <b>Environment Investment and Costs b)</b>                              | <b>(1000 euros)</b>                  | <b>3,495.6</b>   | <b>3,195.2</b>            | <b>300.4</b>    | <b>2,065.9</b>   | <b>1,972.9</b>   | <b>93.0</b>     | <b>-40.9%</b>            |

GRIEN1 GRIEN2 GRIEN3 GRIEN4 GRIEN5 GRIEN6 GRIEN7 GRIEN8 GRIEN9 GRIEN10 GRIEN11 GRIEN12 GRIEN13 GRIEN14 GRIEN15 GRIEN16 GRIEN17 GRIEN18 GRIEN19 GRIEN20 GRIEN21 GRIEN22 GRIEN23 GRIEN24 GRIEN25 GRIEN26 GRIEN27 GRIEN28 GRIEN29 GRIEN30 GRIEN31

a) Excludes CORRE.

b) Excludes CORRE and Transporta.



**Table 3 – GRI content index**
**Table of Environmental, Social and Economic performance indicators organised according to GRI4**

GRI content index (excludes the indicators that are not applicable to the company).

| Indicator   | Description   | Page(s)               | ODS<br>(sustainable development goals) |
|---|---|-----------------------|--|
| <b>Strategy and Analysis</b>                      |   |                       |  |
| G-1   | Chairman's Statement  | 5                     |  |
| G-2   | Description of key impacts, risks, and opportunities.   | 26,39,64              |  |
| <b>Organizational Profile</b>                     |   |                       |  |
| G-3   | Report the name of the organization.  | 9                     |  |
| G-4   | Report the primary brands, products, and/or services.   | 26,39,42,4<br>6,47,59 |  |
| G-5   | Report the location of organization's headquarters.   | 9                     |  |
| G-6   | Report the number of countries where the organization operates, and names of countries with either the organization has significant operations or that are specifically relevant to the sustainability issues covered in the report.<br><i>Portugal, Spain and Mozambique</i>   | 46,319                |  |
| G-7   | Report the nature of ownership and legal form.  | 9,87,291              |  |
| G-8   | Report the markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).<br><i>The Organisation also operates abroad in locally established companies in Spain and Mozambique. Although in both countries the provision of services is at the level of Express Mail of items and merchandise, in Spain the customers are especially classified in the area of private customers and in Mozambique there is a large proportion of public sector customers</i>   | 27,42,43,4<br>6319    |  |
| G-9   | Report the scale of the reporting organization, including: Total number of employees; Total number of operations; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity; Quantity of products or services provided   | 54                    |  |
| G-10  | Total employees by employment type, contract and gender.  | 54,315                | ODS 8                                  |
| G-11  | Report the percentage of total employees covered by collective bargaining agreements.   | 33,57,315             | ODS 8                                  |
| G-12  | Describe the organization's supply chain.<br><i>The supply chain whose businesses were conducted by Procurement in 2018 is 87% composed of national suppliers or with representation in Portugal and 13% of foreign suppliers. The group of suppliers with the highest percentage of awarded value is that of Transport with 34% of the awarded value, followed by IT/Communications with 25% and Facilities and Buildings with 11.51%. These values were calculated based on the cases awarded in 2018, and do not take into account renewals.</i> | 319                   |  |
| G-13  | Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain  | 9                     |  |
| G-14  | Report whether and how the precautionary approach or principle is addressed by the organization.  | 39                    |  |
| G-15  | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses  | 34,58,61              |  |
| G-16  | Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic.  | 34,36                 |  |
| <b>Identified Material Aspects and Boundaries</b> |   |                       |  |
| G-17  | Entities included or not in the organisation's financial statements or equivalent documents.  | 9,26                  |  |

| Indicator                     | Description   | Page(s)                  | ODS<br>(sustainable development goals) |
|-------------------------------|---|--------------------------|--|
| G-18                          | Process for defining the report content and aspect boundaries.  | 9                        |  |
| G-19                          | List all the material aspects identified in the process for defining report content.  | 30                       |  |
| G-20                          | For each material aspect, report the aspect boundary within the organisation.   | 9,30                     |  |
| G-22                          | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.   | 9                        |  |
| G-23                          | Significant changes from previous reporting periods in the Scope and aspect boundaries.   | 9                        |  |
| <b>Stakeholder Engagement</b> |   |                          |  |
| G-24                          | List of stakeholder groups engaged by the organisation.   | 31                       |  |
| G-25                          | Basis for identification and selection of stakeholders with whom to engage  | 29                       |  |
| G-26                          | Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.   | 31,39,44,46,56,57,62,289 |  |
| G-27                          | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns   | 31,40,44,57,289,313      |  |
| <b>Report Profile</b>         |   |                          |  |
| G-28                          | Reporting period (such as fiscal or calendar year) for information provided.  | 9                        |  |
| G-29                          | Date of most recent previous report (if any).   | 9                        |  |
| G-30                          | Reporting cycle (such as annual, biennial).   | 9                        |  |
| G-31                          | Provide the contact point for questions regarding the report or its contents.   | 9,292                    |  |
| G-32                          | GRI content index   | 9                        |  |
| G-33                          | Policy and current practice with regard to seeking external assurance for the report. Involvement of the senior management  | 9                        |  |
| <b>Governance</b>             |   |                          |  |
| G-34                          | Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.   | 88,90,94                 |  |
| G-35                          | Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.   | 36,94                    |  |
| G-36                          | Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.  | 94                       |  |
| G-38                          | Composition of the highest governance body and its committees by executive or non-executive position, independence and gender. Governance tenure, responsibilities, commitments and competences of each individual relating to economic, environmental and social impacts | 87                       |  |
| G-39                          | Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)  | 88,99                    | ODS 16                                 |
| G-40                          | Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including considerations on diversity, independence, experience and other topics.   | 87,89                    | ODS 5 ODS 16                           |

| Indicator                                       | Description   | Page(s)                       | ODS<br>(sustainable development goals) |
|---|---|-------------------------------|--|
| G-41  | Processes for the highest governance body to ensure conflicts of interest and whether conflicts of interest are disclosed to the stakeholders   | 98                            | ODS 16                                 |
| G-43  | Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics   | 110                           | ODS 4                                  |
| G-44  | Processes for evaluation of the highest governance body's performance, especially with respect to economic, environmental and social performance. Indicate their frequency and measures taken   | 99                            |  |
| G-45  | Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities. | 38,110                        | ODS 16                                 |
| G-46  | Identified Material Aspects and Boundaries role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.   | 38,64                         |  |
| G-47  | Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.   | 38,64,110                     |  |
| G-49  | Process adopted for communicating critical concerns to the highest governance body  | 110                           |  |
| <b>Remuneration and Incentives</b>              |   |                               |  |
| G-51  | Remuneration policies for the highest governance body and senior executives   | 96,123                        |  |
| G-52  | Process adopted for determining remuneration  | 96,123                        |  |
| G-53  | How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable  | 117,123                       | ODS 16                                 |
| <b>Ethics and Integrity</b>                     |   |                               |  |
| G-56  | Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics   | 35,97                         | ODS 16                                 |
| G-57  | Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines)  | 35,97                         | ODS 16                                 |
| G-58  | Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines   | 35,97                         | ODS 16                                 |
| <b>Economic performance (consolidated data)</b> |   |                               |  |
|   | Management approach, targets, performance, policies and framework   | 26-30, 35-41, 57, 59, 313-314 |  |
| EC1   | Direct economic value generated and distributed   | 54                            | ODS 8                                  |
| EC2   | Financial implications and other risks and opportunities for the organization's activities due to climate change  | 41,64,74                      | ODS 13                                 |
| EC3   | Coverage of the organization's defined benefit plan obligations   | 57                            |  |

| Indicator                          | Description   | Page(s)                     | ODS<br>(sustainable development goals) |         |              |               |           |             |         |         |       |           |           |     |  |
|------------------------------------|---|-----------------------------|--|---------|--------------|---------------|-----------|-------------|---------|---------|-------|-----------|-----------|-----|--|
| EC4                                | Financial assistance received from Government <table border="1" data-bbox="274 434 831 611"> <thead> <tr> <th></th> <th>Group</th> <th>Company</th> </tr> </thead> <tbody> <tr> <td>Tax benefits</td> <td>1,960,760 (1)</td> <td>1,782,360</td> </tr> <tr> <td>Tax credits</td> <td>452,822</td> <td>444,943</td> </tr> <tr> <td>Total</td> <td>2,413,582</td> <td>2,227,303</td> </tr> </tbody> </table> (1) Includes €140,000 due to the tax benefit of Banco CTT related to the conventional remuneration of the share capital.  |                             | Group                                  | Company | Tax benefits | 1,960,760 (1) | 1,782,360 | Tax credits | 452,822 | 444,943 | Total | 2,413,582 | 2,227,303 | 322 |  |
|                                    | Group   | Company                     |  |         |              |               |           |             |         |         |       |           |           |     |  |
| Tax benefits                       | 1,960,760 (1)   | 1,782,360                   |  |         |              |               |           |             |         |         |       |           |           |     |  |
| Tax credits                        | 452,822   | 444,943                     |  |         |              |               |           |             |         |         |       |           |           |     |  |
| Total                              | 2,413,582   | 2,227,303                   |  |         |              |               |           |             |         |         |       |           |           |     |  |
| <b>Market Presence</b>             |   |                             |  |         |              |               |           |             |         |         |       |           |           |     |  |
| EC5                                | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation<br>At the end of 2018, the lowest salary paid by CTT was 612 euros for men and 612 euros for women, corresponding to ratios of 1.06 and 1.06 respectively in relation to the national minimum wage (580 euros).<br>Note: Excluding data of CORRE and Tourline.   | 315,322                     | ODS 1                                  |         |              |               |           |             |         |         |       |           |           |     |  |
| <b>Indirect Economic Impacts</b>   |   |                             |  |         |              |               |           |             |         |         |       |           |           |     |  |
| EC7                                | Development and impact of infrastructure investments and services provided  | 26,39,40,4<br>4,47,59       |  |         |              |               |           |             |         |         |       |           |           |     |  |
| EC8                                | Significant indirect economic impacts, including the extent of impacts  | 26,39,40,4<br>2,47,61       |  |         |              |               |           |             |         |         |       |           |           |     |  |
| <b>Procurement Practices</b>       |   |                             |  |         |              |               |           |             |         |         |       |           |           |     |  |
| EC9                                | Proportion of spending on local suppliers at significant locations of operation<br>87% of the purchases were awarded to national suppliers or with representation in Portugal and 13% to international suppliers. The concept of "local" should be understood as "national".<br>Negotiation and Procurement is managed in a centralised form, with all the company's procurement needs being consolidated regardless of the origin of the need and location of the provision of the service or supply. Location criteria are not used for purposes of selection of suppliers, unless this proves necessary from the operational point of view, which is justified by practices of equal opportunities arising not only from the company's own choice but in certain circumstances of the rules of public procurement. However, as CTT is a company with a presence throughout the entire Portuguese territory, many outsourced services have a relevant impact on the local economy due to being provided with local resources (e.g. cleaning services, fuel, maintenance). | 322                         | ODS 12                                 |         |              |               |           |             |         |         |       |           |           |     |  |
| <b>Labour</b>                      |   |                             |  |         |              |               |           |             |         |         |       |           |           |     |  |
|                                    | Management approach, targets, performance, policies and framework   | 35-41,<br>54-58,<br>313-317 |  |         |              |               |           |             |         |         |       |           |           |     |  |
| LA1                                | Total number and rates of new employee hires and employee turnover by age group, gender and region  | 54,315                      | ODS 5<br>ODS 8                         |         |              |               |           |             |         |         |       |           |           |     |  |
| LA2                                | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation   | 57                          | ODS 8                                  |         |              |               |           |             |         |         |       |           |           |     |  |
| LA3                                | Return to work and retention rates after parental leave, by gender  | 54,315                      | ODS 5<br>ODS 8                         |         |              |               |           |             |         |         |       |           |           |     |  |
| <b>Labour/Management Relations</b> |   |                             |  |         |              |               |           |             |         |         |       |           |           |     |  |
| LA4                                | Minimum number of prior notice in relation to operational changes, including if this procedure is specified in collective agreements.<br>Notice to enforce operational changes is given 30 days in advance. There are other notice periods according to the situation in question, all described in the Company Agreement.  | 322                         |  |         |              |               |           |             |         |         |       |           |           |     |  |

| Indicator                                   | Description  | Page(s)      | ODS<br>(sustainable development goals) |
|---|--|--------------|--|
| <b>Hygiene and Safety</b>                   |  |              |  |
| LA5   | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes<br><i>The prior requirements for the establishment of occupational health and safety committees have been fulfilled. However, these committees are not yet operational as there is no employee representatives have yet been elected. Elections are expected to be organized at the workplaces by the ERCT.</i><br><i>Every six months, the company asks its employees to complete a questionnaire about occupational health and safety at their workplaces</i>           | 323          |  |
| LA6   | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender  | 11,54,58,315 | ODS 3                                  |
| LA7   | Workers with high incidence or high risk of disease related to their occupation  | 58,315       | ODS 3                                  |
| LA8   | Health and safety topics covered in formal agreements with trade unions<br><i>No other is known apart from those foreseen in the regulation of social work - ROS and in the Company Agreement - AE2015. The new ROS of CTT maintains a high level of protection, with greater balance in the division of costs between the Company and the beneficiaries, and promoting a more rational use of the benefits. To this end, the contribution towards benefits in the system has increased, by higher monthly levies and co-payments payable in routine acts, keeping the encompassing nature of the system and strengthening some social support measures.</i> | 54,323       | ODS 8                                  |
| <b>Training</b>                             |  |              |  |
| LA9   | Average hours of training per year per employee by gender, and by employee category  | 11, 56, 315  | ODS 4<br>ODS 5                         |
| LA10  | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings<br><i>Proposed Outplacement Programme to Support Transition and Change</i>   | 55,56,57,323 | ODS 4<br>ODS 8                         |
| LA11  | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category   | 56,57        | ODS 5                                  |
| <b>Diversity and Equal Opportunities</b>    |  |              |  |
| LA12  | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of   | 58,86,88,315 | ODS 5<br>ODS 8                         |
| <b>Equal Remuneration for Women and Men</b> |  |              |  |
| LA13  | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation   | 55,315       | ODS 5<br>ODS 8<br>ODS 10               |
| <b>Supplier Labour Practices Assessment</b> |  |              |  |
| LA14  | Percentage of new suppliers that were screened based on labour practices criteria<br><i>In 2018, of the 166 new suppliers of CTT, SA, 106 (63.9%) were selected based on criteria associated to labour practices.</i><br><i>In the case of Mailtec, 80% of the 5 new suppliers were selected in accordance with these practices</i>  | 323          | ODS 8<br>ODS 16                        |
| <b>Labour Practices Grievance Mechanism</b> |  |              |  |
| LA16  | Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms  | 36,63        | ODS 16                                 |

| Indicator   | Description   | Page(s) | ODS (sustainable development goals) |
|---|---|---------|-------------------------------------|
| <b>Human Rights</b>                                     |   |         |                                     |
| HR1   | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening<br><i>The number of contracts considered significant stood at 337 (95,8%), in which all include clauses relative to compliance with legislation and good practices on matters of human rights.</i>  | 324     | ODS 10<br>ODS 12                    |
| HR2   | Total hours of training on human rights policies and procedures relative to aspects of human rights that are relevant to operations, including the percentage of employees trained<br><i>6,936 workers received 14,326 hours of training on human rights policies, representing 54.4% of the national total number of workers</i>   | 324     | ODS 4                               |
| <b>Non-discrimination</b>                               |   |         |                                     |
| HR3   | Total number of incidents of discrimination and corrective actions taken<br><i>No cases of discrimination occurred</i>  | 58      |                                     |
| <b>Freedom of Association and Collective Bargaining</b> |   |         |                                     |
| HR4   | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights<br><i>There is no risk. This is consigned in the Portuguese Constitution and in the Company Agreement</i>  | 324     | ODS 10                              |
| <b>Child Labour</b>                                     |   |         |                                     |
| HR5   | Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour<br><i>Based on the Company Agreement, there are no impediments to the free exercise of the right to freedom of association or to collective bargaining. Supply agreement negotiations include the signing of a declaration of principles by suppliers whereby they state their commitment towards social responsibility, as expressed in clause n) "Observes all principles and procedures concerning the right to freedom of association, forced labour, child labour and equality defined in ILO's (International Labour Organization) Fundamental Conventions"</i> | 58,324  | ODS 16                              |
| <b>Forced or Compulsory Labour</b>                      |   |         |                                     |
| HR6   | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour<br><i>All forms of child labour are prohibited by CTT. See HR5</i>   | 324     | ODS 16                              |
| <b>Supplier Human Rights Assessment</b>                 |   |         |                                     |
| HR10  | Percentage of new suppliers that were screened using human rights criteria<br><i>70% of new suppliers were screened using human rights criteria</i>   | 324     | ODS 16                              |
| HR11  | Significant actual and potential negative human rights impacts on the supply chain and actions taken in this respect<br><i>There is no plan of audits to suppliers in order to specifically assess compliance with this point. However, as noted above, the award of products and services is formally subordinated to compliance with the principles and procedures relative to human rights defined in the Universal Declaration of Human Rights. Any breach in this matter, whether due to indirect knowledge or observance during the monitoring visits made by the procurement team, shall be acted upon immediately and may constitute fair grounds for contractual rescission.</i>   | 324     | ODS 12                              |
| <b>SOCIETY</b>  |   |         |                                     |
| <b>Local Communities</b>                                |   |         |                                     |
| SO1   | Percentage of operations with implemented local community engagement, impact assessments, and development programmes  | 42,60   |                                     |

| Indicator   | Description  | Page(s)   | ODS (sustainable development goals) |
|---|--|-----------|-------------------------------------|
| S02   | Operations with significant actual and potential negative impacts on local communities   | 41,43,60  |                                     |
| <b>Anti-corruption</b>                            |  |           |                                     |
| S03   | Total number and percentage of operations assessed for risks related to corruption and the significant risks detected  | 35,36     |                                     |
| S04   | Communication and training on anti-corruption policies and procedures<br><i>Regarding the total and percentage number of business partners that were informed of anti-corruption policies and procedures adopted by the organisation, CTT informs the suppliers of the Code of Ethics and the Responsible Procurement Policy during the procurement process. We consider that the business partners that know it are those that sign the statement which includes mention of these two documents of CTT. Of the 669 suppliers to whom we awarded purchases, 654 signed the statement, i.e. 97.7%</i> | 35,36,325 | ODS 4<br>ODS 16                     |
| S05   | Confirmed cases of corruption and actions taken  | 35        | ODS 16                              |
| <b>Public Policy</b>                              |  |           |                                     |
| S06   | Total value of political contributions by country and recipient/beneficiary<br><i>No contributions were made</i>   | 325       |                                     |
| <b>Anti-competitive Behaviour</b>                 |  |           |                                     |
| S07   | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes  | 36        | ODS 16                              |
| <b>Compliance</b>                                 |  |           |                                     |
| S08   | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations  | 36,63     |                                     |
| <b>Supplier Assessment for Impacts on Society</b> |  |           |                                     |
| S09   | Percentage of new suppliers that were screened using criteria for impacts on society<br><i>70% of the new suppliers were selected in accordance with these criteria, with 277 having been submitted to assessments of impacts on society</i>   | 325       |                                     |
| S010  | Significant actual and potential negative impacts on society in the supply chain and actions taken<br><i>No significant, real or potential negative impacts on society were detected in the supplier chain</i>   | 43,325    |                                     |
| <b>Impacts on Society Grievance Mechanism</b>     |  |           |                                     |
| S011  | Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms  | 63        |                                     |
| <b>PRODUCT RESPONSIBILITY</b>                     |  |           |                                     |
| <b>Customer Health and Safety</b>                 |  |           |                                     |
| PR1   | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement<br><br><i>The appraisal and selection of retail products for sale at CTT post offices is based on criteria such as the recognition of the partner, its environmental practices and product certification, in order to assure compliance with the legislated health and safety rules relative to merchandising products, especially those intended for use by children, as is the case of toys.</i>   | 325       |                                     |

| Indicator                            | Description  | Page(s)                         | ODS<br>(sustainable development goals) |
|--------------------------------------|--|---------------------------------|--|
| PR2                                  | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes<br><i>No cases were recorded of non-compliance relative to health and safety caused by products or services.</i>   | 326                             | ODS 16                                 |
| <b>Product and Service Labelling</b> |  |                                 |  |
| PR3                                  | Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements<br><i>This year, 18 buildings were recorded in the integrated registration system of the Portuguese Environment Agency (APA) and CTT now participates in the Sociedade Ponto Verde integrated system for management of the waste of the non-reusable packaging placed by CTT on the market.</i> | 61,62                           | ODS 12                                 |
| PR4                                  | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes   | 63                              |  |
| PR5                                  | Results of surveys measuring customer satisfaction   | 11,62                           |  |
| <b>Marketing Communications</b>      |  |                                 |  |
| PR6                                  | Sale of banned or disputed products<br><i>CTT does not sell this type of products</i>  | 326                             |  |
| PR7                                  | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes<br><i>A determination of Banco de Portugal relative to Banco CTT, without any fine or penalty, relative to a Mortgage Loan announcement in a press release, without the respective representative example</i>  | 326                             |  |
| <b>Customer Privacy</b>              |  |                                 |  |
| PR8                                  | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data<br><i>With respect to mail, items that have gone astray, delays and occasional anomalies in delivery figure as the main causes of customer claims, with no claims having been received which might be associated to breach of customer privacy, namely the unlawful interception of letter mail</i>  | 63                              | ODS 16                                 |
| <b>Compliance</b>                    |  |                                 |  |
| PR9                                  | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services   | 36,63                           |  |
| <b>ENVIRONMENTAL</b>                 |  |                                 |  |
| <b>Materials</b>                     |  |                                 |  |
|                                      | Management approach, targets, performance, policies and framework  | 37-41,64, 69-71,74, 313-314,319 |  |
| EN1                                  | Materials used by weight or volume   | 72,318                          |  |
| EN2                                  | Percentage of materials used that are recycled input materials   | 72                              | ODS 15                                 |
| <b>Energy</b>                        |  |                                 |  |
| EN3                                  | Energy consumption within the organization   | 11,64,65, 318                   | ODS7<br>ODS 12                         |
| EN4                                  | Energy consumption outside the organization<br><i>Value calculated through the emission factors derived from energy suppliers</i>  | 11,65,67, 70,318,326            |  |
| EN5                                  | Energy intensity   | 65,318                          | ODS7<br>ODS 12                         |



| Indicator                  | Description   | Page(s)         | ODS<br>(sustainable development goals) |
|----------------------------|---|-----------------|--|
| EN6                        | Reduction of energy consumption   | 65,66,67,70,318 | ODS7<br>ODS9<br>ODS12<br>ODS13         |
| EN7                        | Reductions in energy requirements of products and services  | 11,44,66,68     | ODS7<br>ODS9<br>ODS12<br>ODS13         |
| <b>Water</b>               |   |                 |  |
| EN8                        | Total water withdrawal by source  | 71,318          | ODS6                                   |
| EN9                        | Water sources significantly affected by withdrawal of water<br><i>In view of the nature of the company's productive processes, the consumption of water by CTT is fairly low, in relative terms. Water is essentially used for human consumption, cleaning and irrigation of green areas</i>  | 327             | ODS6                                   |
| EN10                       | Percentage and total volume of water recycled and reused<br><i>Rainwater is collected and consumed at the North production and logistics centre (around 1,189 m3 in 2018) during its activity</i>   | 327             | ODS6                                   |
| EN11                       | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas<br><i>All CTT premises are located in urban and/or industrial areas Regarding land use, the impact on biodiversity is associated to the size and location of the real estate properties, situated in urban and industrial areas, where there is no knowledge to suggest that CTT develops activity or operates facilities inside protected zones or areas with a high biodiversity index.</i> | 327             | ODS15                                  |
| EN12                       | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas<br><i>CTT is involved in partnerships/projects with public and private entities acting in favour of biodiversity and promotes in-house and public awareness-raising actions on the topic</i>   | 73, 327         | ODS15                                  |
| EN13                       | Habitats protected or restored  | 73              | ODS13<br>ODS15                         |
| EN15                       | Direct greenhouse gas (GHG) emissions (scope 1)   | 11,69,318       | ODS12<br>ODS13                         |
| EN16                       | Energy indirect greenhouse gas (GHG) emissions (scope 2)  | 11,69,70,318    | ODS12<br>ODS13                         |
| EN17                       | Energy indirect greenhouse gas (GHG) emissions (scope 3)  | 69,70,318       |  |
| EN18                       | Greenhouse gas (GHG) emissions intensity  | 70,318          |  |
| EN19                       | Reduction of greenhouse gas (GHG) emissions   | 44,67,68,69,318 | ODS11<br>ODS13                         |
| EN20                       | Emissions of ozone-depleting substances (ODS)<br><i>There were no emissions of this type</i>  | 327             | ODS13                                  |
| EN21                       | NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions   | 69              |  |
| <b>Effluents and Waste</b> |   |                 |  |
| EN22                       | Total water discharge by quality and destination<br><i>Discharged into a municipal collector only at one facility of the Centre region</i>  | 327             | ODS6                                   |
| EN23                       | Total weight of waste by type and disposal method   | 72,318          | ODS12                                  |
| EN24                       | Total number and volume of significant spills<br><i>Eight spills occurred at the South production and logistics centres, which can be placed in this context. However, they had no significant impact</i>   | 327             |  |

| Indicator                                | Description   | Page(s)                   | ODS<br>(sustainable development goals)                          |
|--|---|---------------------------|---|
| <b>Products and Services</b>             |   |                           |   |
| EN27                                     | Extent of impact mitigation of environmental impacts of products and services<br><i>The focus on ecologically friendly consumption has concentrated not only on reducing the environmental impact associated to the use of resources but also on the selection of suppliers through the inclusion of environmental criteria in tender procedures.</i>   | 11,44,59,7<br>1,<br>72,73 | ODS 11<br>ODS 12<br>ODS 17                                      |
| EN28                                     | Percentage of products sold and their packaging materials that are reclaimed by category  | 73                        |   |
| <b>Compliance</b>                        |   |                           |   |
| EN29                                     | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations<br><i>CTT was not the object of any lawsuits in the context of unfair competition and anti-trust conduct with application of significant fines or non-monetary penalties, derived from non-compliance with environmental or corporate laws and regulations.</i>  | 36,328                    | ODS 16  |
| <b>Transport</b>                         |   |                           |   |
| EN30                                     | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce<br><i>In relation to external noise, although considered an area of low relevance to the business, noise emissions are monitored periodically in accordance with the regulations in force on this matter, with the obtained results being within the applicable legal parameters.</i>  | 41,64,328                 |   |
| <b>Overall</b>                           |   |                           |   |
| EN31                                     | Total environmental protection expenditures and investments by type   | 65,74,318                 | ODS 7<br>ODS 9<br>ODS 11<br>ODS 12<br>ODS 13                    |
| <b>Supplier Environmental Assessment</b> |   |                           |   |
| EN32                                     | Percentage of new suppliers that were screened using environmental criteria<br><i>In 2018, environmental criteria were used in 96.7% of pre-contractual procedures, and contracts concluded with environmental criteria represented 98.3% of the total.</i>   | 11,328                    | ODS 8<br>ODS 12<br>ODS 13<br>ODS 17                             |
| EN33                                     | Significant actual and potential negative environmental impacts in the supply chain and actions taken<br><i>CTT has a Policy of Responsible Procurement, aimed at promoting the improvement of the environmental and social aspects of the value chain, through the involvement and accountability of its suppliers. This Policy includes the following features: the Policy is publicly available at <a href="http://www.ctt.pt">www.ctt.pt</a>; it covers the fields of Health, Safety, Environment, Working Conditions, Ethics and Business Continuity; it is integrated in the tender documents; includes a rescission clause due to non-compliance; it is applicable to all suppliers.</i> | 328                       | ODS 6<br>ODS 8<br>ODS 9<br>ODS 11<br>ODS 13<br>ODS 15<br>ODS 17 |
| <b>Environmental Grievance Mechanism</b> |   |                           |   |
| EN34                                     | Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms<br><i>No complaints were detected in this context</i>  | 328                       |   |

(Source: GRI 4 (2013) "Sustainability Reporting Guidelines")