

Consolidated Results

2017



ctt



CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY

2017 CONSOLIDATED RESULTS

- **Recurring revenues grow by 0.4%** as a result of the growth of the Express & Parcels and Banco CTT business units that offset the decrease of the revenues of the Mail and Financial Services business units. Excluding the revenues of the agreement with Altice registered in 2016 (€9.6m), recurring Revenues grew by 1.8%. The **2.5% increase of the reported Revenues** is driven by the capital gains and the interest from the sale of the real estate properties of Rua de S. José, in Lisbon (€16.3m).
- **Addressed mail volumes decline by 5.6% (-4.5% in the 4th quarter)**, mitigated in terms of revenues by the price increase and by the positive developments of the product mix (registered mail and international mail growth) that led to a 5.1% increase in average revenues per item.
- **Express & Parcels volumes grow by 21.5% in Portugal and 26.1% in Spain** with revenues growth of 7.7%¹ and 18.2%, respectively.
- **Banco CTT** reaches circa 285 thousand customers and 226 thousand current accounts. Bank deposits above €619m were captured and credit to customers reached €79m driven by the Mortgage Loans offer launched in 2017.
- **Reported Net Profit** stood at €27.3m, 56.1% below the previous year's. This is due to the decrease in EBITDA (-20.5%) and EBIT (-48.2%) originating mainly in (i) 2017 (decline of the mail volumes, provision for costs related to the optimisation of human resources, consolidation of Transporta within the CTT Group) and (ii) 2016 (agreement with Altice and significant reversal of provisions).
- **Recurring EBITDA and Net Profit** decrease by 24.8% (-€29.6m) and 37.5% (-€24.0m).

Consolidated Results

€ Million

	Reported			Recurring ^(*)		
	2017	2016	Δ	2017	2016	Δ
Revenues	714.3	696.8	2.5%	697.9	695.1	0.4%
Sales and services rendered	676.0	669.7	0.9%	676.0	669.7	0.9%
Net interest income	3.4	0.03	»	3.4	0.03	»
Other operating income	34.9	27.1	28.6%	18.5	25.4	-26.9%
Operating costs	633.1	594.8	6.5%	608.0	575.6	5.6%
EBITDA	81.1	102.1	-20.5%	89.9	119.5	-24.8%
Amortisation, depreciation, provisions and impairments	34.0	11.2	204.8%	29.7	24.8	19.7%
EBIT	47.1	90.9	-48.2%	60.2	94.7	-36.4%
Financial income, net	-5.0	-5.9	14.8%	-5.0	-5.9	14.8%
Gains / (losses) in associated companies	-	0.2	-	-	0.2	-
Earnings before taxes (EBT)	42.1	85.2	-50.6%	55.2	89.0	-38.0%
Income tax for the period	15.0	23.3	-35.9%	15.4	25.4	-39.3%
Gains / (losses) attributable to non-controlling interests	-0.1	-0.3	43.7%	-0.1	-0.3	43.7%
Net profit attributable to equity holders	27.3	62.2	-56.1%	40.0	63.9	-37.5%

(*) Recurring net profit excludes non-recurring revenues and costs and considers a nominal tax rate.

REVENUES

¹ Including revenues from intra-group transactions with companies of other business units and Other operating income of Portugal, Spain and Mozambique.



Recurring revenues totalled €697.9m, corresponding to a growth of €2.9m (+0.4%) vis-à-vis 2016.

Revenues								
€ Million								
	Reported			Recurring			Weight %	
	2017	2016	Δ	2017	2016	Δ	2017	2016
Revenues	714.3	696.8	2.5%	697.9	695.1	0.4%	100%	100%
Business units	731.5	726.1	0.7%	731.5	726.1	0.7%		
Mail	527.5	533.6	-1.1%	527.5	533.6	-1.1%	76%	77%
Express & Parcels	134.6	120.8	11.4%	134.6	120.8	11.4%	19%	17%
Financial Services	61.8	70.8	-12.7%	61.8	70.8	-12.7%	9%	10%
Banco CTT	7.6	1.0	691.8%	7.6	1.0	691.8%	1%	0.1%
CTT Central Structure	109.0	108.9	0.1%	102.4	100.1	2.3%	15%	14%
Intragroup eliminations	-126.2	-138.2	8.7%	-136.0	-131.1	-3.7%	-19%	-19%

MAIL

Recurring revenues² of the Mail business unit reached €527.5m in 2017, a 1.1% decrease vis-à-vis 2016.

Mail Volumes								
Million items								
	9M17	9M16	Δ	4Q17	4Q16	Δ	2017	2016
Transactional Mail	476.2	504.9	-5.7%	151.0	157.9	-4.3%	627.2	662.8
Editorial Mail	30.7	31.9	-3.8%	10.1	11.3	-10.9%	40.8	43.3
Advertising Mail	49.4	54.6	-9.5%	19.2	19.6	-2.2%	68.5	74.2
Addressed Mail	556.3	591.4	-5.9%	180.3	188.8	-4.5%	736.6	780.2
Unaddressed Mail	371.9	361.4	2.9%	120.2	136.3	-11.8%	492.1	497.8

The decrease in revenues is mainly a consequence of the **addressed mail** volumes decline of 5.6% in 2017, although the downward trend has slowed down in the 4th quarter (-4.5%) vis-à-vis the first nine months of the year (-5.9%).

The addressed mail volumes decline was mainly a result of the decline in **transactional mail** volumes (-5.4%); however, this downward trend slowed down in the 4th quarter (-4.3%). The year-on-year decrease in the last quarter was lower than those of the 2nd quarter (-7.6%) and the 3rd quarter (-6.9%).

The yearly decline of the transactional mail volumes (-5.4%) was due in large part to the decrease of **ordinary mail** (-7.2%) that has a significant impact as it represents 78% of the transactional mail volumes. The decline in the volumes of this service worsened in the banking and insurance sectors (-10.7%), and telecommunications and utilities (-8.5%), following recent years' trend of large customers to substitute physical mail with digital communication.

² Including internal services and intra-group transactions which are eliminated for consolidation purposes.



Registered mail volumes contributed a growth of 0.5% to the evolution of transactional mail volumes after an 8.8% decrease in 2016. In 2017, registered mail volumes grew due to mail originated in contractual customers of the industry and services sectors that offset the slight decrease in consumption from the Government and the central and local Public Administration.

In 2017, **editorial mail** volumes (-5.6%) were mainly influenced by the sharp volumes decline in the last quarter of the year (-10.9%) resulting from (i) a significant decrease of the number of items including publications benefiting from the reading-incentive scheme for the regional and local press, and (ii) a decrease of the items from customers that are associations (professional orders, unions and other associations).

The **price** update of the basket of letter mail, editorial mail and parcels services took effect from 4 April. The average change in Universal Service prices in 2017 was 1.9%, thus partly mitigating the effect of the volumes decline on revenues.

Addressed advertising mail volumes decreased by 7.6% in 2017 with a slight recovery in the 4th quarter (-2.2%) due mostly to the increased volumes of the campaigns of a major customer.

The poorer performance of the **unaddressed advertising mail** in the 4th quarter of 2017 vis-à-vis the same period of 2016 (-11.8%) led to a slight decline of the yearly volumes (-1.1%). The focus on the diversification of the customer portfolio, especially on occasional, small-size customers that grew 25% year-on-year, did not offset the decrease in large customers' volumes, particularly those of the large-scale and mid-scale retail sectors. In the 4th quarter, some major customers did not carry out end-of-the-year campaigns (which they have brought forward or deferred to 2018), others reduced campaign coverage (resulting in lower volumes), others developed "2-in-1" campaigns, thereby reducing their frequency, and others have opted to replace physical campaigns with digital ones.

The **CTT Ads** solution, launched in the 1st quarter of 2017, did not have visible effects in 2017 either on volumes or on revenues of advertising mail. In the 4th quarter, a strong campaign was carried out to attract new customers and a new portfolio offer was launched – consumer gifts – which was positively accepted by the market.

In 2017, the revenues from **Philately** reached €8.4m, corresponding to a year-on-year growth of 11.6%, due to the fact that several relevant national and international events were translated into philatelic products of great commercial attractiveness. The contributions to this evolution were: the "Centenário de Fátima" (Fátima Centenary) event commemorated with a set of two related stamp issues and the edition of a thematic book; the SLB products (football club Sport Lisboa e Benfica) issued in association with the club; as well as the range of products designed to celebrate the 40th anniversary of the "Star Wars" saga.

EXPRESS & PARCELS

This business unit posted recurring revenues³ of €134.6m in 2017, an 11.4% growth over the previous year.

Portugal

Revenues from this business in Portugal⁴ grew by 7.7% to €81.8m, which includes €8.9m from Transporta (€7.8m in cargo, €1.0m in logistics and €0.1m in other operating income). Revenues in Portugal excluding Transporta and Altice-practically stabilised compared to the previous year (+0.1%). This situation resulted, on the one hand, from the 3.3% growth in the CEP (Courier, Express & Parcels) business and, on the other, from a sharp decrease in the banking business (-20.7%), which currently has a small weight (around 6.3%) in the total

³ Including internal services and intra-group transactions which are eliminated for consolidation purposes.

⁴ Including revenues from intra-group transactions with companies of other business units and Other operating income of Portugal, Spain and Mozambique.



revenues of this business area in Portugal. It should be noted, however, that in the 4th quarter of 2017 there was a reduction in the decline of the banking business following the recovery of two of the largest customers.

Volumes in Portugal totalled 17.7 million items in 2017, a 21.5% growth over 2016 (7.4%, excluding approximately 2 million items contributed by Transporta). The good performance of CTT Expresso is mainly the result of both the B2C segment performance following the growth of the main e-commerce customers' activity, with emphasis on fashion and accessories, and the B2B segment performance due to new customers of the retail industry and the logistics operators sector.

E-commerce was a fundamental lever for the parcels growth. In terms of volumes delivered (last mile) in Portugal in 2017, the activity of this business grew above 30%.

Spain

In Spain, revenues stood at €51.2m, +18.2% compared to the previous year. Volumes grew by 26.1%, making 2017 the year with the highest number of items in Tourline's history. The average price decreased by 5.8% as a result of both the growth of customers with lower prices (particularly one large customer), and the change in the profile of the items with the growth of e-commerce.

The strategy outlined for Tourline's recovery is essentially based on two principles: (i) volumes growth in order to dilute the fixed cost structure, and (ii) the growth in the number of franchisees that allows, on the one hand, independence from large customers (typically aggressively priced) and, on the other hand, reduction in delivery costs by migrating from own delivery to delivery by the franchisees.

For Tourline, the year 2017 was marked by a strong and progressive growth of the number of items delivered with controlled costs, which allowed to benefit from economies of scale to achieve a positive EBITDA in the 4th quarter of 2017 for the first time since the 2nd quarter of 2013.

Mozambique

CORRE's revenues in local currency (Metical) grew by 7.0%, +7.3 million meticaïs when compared to 2016, mainly due to the evolution of the banking business (+5.1 million meticaïs; + 8.8%). Those revenues (excluding internal customers of the Group) in euros reached €1.6m and grew by 4.4% year-on-year (lower than in local currency, due to the unfavourable impact of the exchange rate).

FINANCIAL SERVICES

In 2017, this business unit covered all the CTT, S.A. retail-oriented financial services, as well as the payments business for the corporate segment. These services were provided by both the Retail Network and the vast Payshop agents' network. This business unit revenues⁵ reached €61.8m in 2017, -12.7% than in 2016. The €9.0m decrease is mainly due to the recognition of €3.2m in 2016 related to the memorandum of understanding entered into with Altice in 2015 and to the revenue decrease in the payments and insurance & retirement savings plans (PPR) lines amounting to €2.4m and €1.5m, respectively.

The last quarter of 2017 was marked by the change in Public Debt products under the management of the Portuguese Treasury and Debt Management Agency – IGCP, E.P.E. at the end of October, as the Treasury Certificates Poupança Mais (CTPM) were replaced by the new Treasury Certificates Poupança Crescimento (CTPC) with a lower remuneration, reflecting the improvement of the rating of the Portuguese Public Debt. The placements of the new CTPC were lower than those of the previous CTPM, although this did not prevent the combined placements growth in the year from increasing by €483m compared to the previous year, as the public

⁵ Including internal services and intra-group transactions which are eliminated for consolidation purposes.



debt products marketed by CTT maintained more attractive interest rates vis-à-vis most bank deposits (the average remuneration of which was at historical lows below 0.3%).

Money orders and transfers, which represent around 15% of the total revenues of this business unit, posted a decrease of 6.3% in revenues, mainly due to the decrease in domestic money orders (-7.4%), especially those for the payment of social benefits which have tended to be replaced by other forms of payment.

In 2017, 54 million transactions related to payment services were carried out, corresponding to revenues of €21.1m. Of note is the increase in the number of transactions of the following products compared to 2016: +29% in integrated solutions (in-person payments integrated with Multibanco payments or direct debit) and +6% in Internet-related services (Payshop online references and prepaid cards).

BANCO CTT

The revenues⁶ of this business unit reached €7.6m in 2017 (approximately €1.0m in 2016). At the end of 2017, Banco CTT reached a new landmark in its history: the first full year of activity, totalling more than 20 months from its opening to the public in March 2016. It is present countrywide in 208 branches and has the confidence of around 285 thousand customers, through the opening of more than 226 thousand current accounts.

Focus on the facilitation of the day-to-day of the Portuguese population and the diversification of the offer in 2017, particularly with the launch of the Mortgage Loans offer, has allowed Banco CTT to strengthen the trust and proximity relationship with its clients. This is proven by the continuous growth of the banking activity, with emphasis on the raising of above €619m in deposits, of which about €409m in current accounts, the success of the Banco CTT Credit Cards, with more than 49 thousand cards placed, and the placement of Consumer Credit and Car Loans in partnership with Cetelem BNP Paribas, available both in the post offices and on the Banco CTT website, with a credit volume of over €36m in 2017.

In the 4th quarter of 2017, Banco CTT continued its focus on Mortgage Loans by launching a new advertising campaign which ended on 26 November and was present on various media, namely television, radio, outdoor, online and in-store communication, under the motto "Crédito Habitação sem Ais nem Uis" ("Mortgage Loans as simple as it gets!"). The campaign highlighted the competitive spread, the simple access conditions, and the transparency of costs with no obligation to subscribe extra products. At the end of 2017, the volume of credit to customers amounted to approximately €79m, of which €66.1m refer to mortgage loans.

On 4 January 2018, the share capital of Banco CTT was increased from €125.0m to €131.4m, fully subscribed by the transfer of the shares representing the total share capital of Payshop, in the amount of €6.4m, from CTT to Banco CTT.

OPERATING COSTS⁷

Recurring operating costs totalled €608.0m, +€32.5m (+5.6%) over the previous year, including +€6.2m from Banco CTT and +€10.3m from Transporta. Excluding these effects, costs increased by around €17m with a relevant share related to the variable costs associated with the growth of the Express & Parcels volumes and, in the Mail business unit, with the salary increases negotiated with the unions, the fixed-term contracted staff necessary for the operational adjustment to integrate the distribution networks and Banco CTT into the Retail network, the increase in energy and fuel prices, the unfavourable exchange rate differences and the costs with foreign operators.

⁶ Including internal services and intra-group transactions which are eliminated for consolidation purposes.

⁷ Excluding depreciation / amortisation, impairments, provisions and non-recurring costs.



Operating costs

€ Million

	Reported			Recurring		
	2017	2016	Δ	2017	2016	Δ
Operating costs (*)	633.1	594.8	6.5%	608.0	575.6	5.6%
External supplies & services	251.5	232.0	8.4%	241.6	223.3	8.2%
Staff costs	354.7	338.4	4.8%	340.1	328.4	3.6%
Other operating costs	26.9	24.3	10.6%	26.4	23.9	10.3%

(*) Excluding depreciation / amortisation, impairments and provisions.

Recurring external supplies & services (ES&S) costs increased by 8.2% (+€18.3m) vis-à-vis 2016. The cost reductions resulting from the optimisation and rationalisation of the operations and the distribution networks integration initiatives, as well as from other efficiency measures, did not offset the increase in costs, the most relevant of which are: (i) +€7.8m from Transporta since May 2017; (ii) +€4.8m relating to Tourline transport and distribution costs resulting from volumes growth as well as the creation and reinforcement of new domestic routes; (iii) +€2.8m from Banco CTT; and (iv) +€1.8m from energy and fuel.

As far as staff costs are concerned, the €11.7m (+3.6%) growth in the recurring costs derives mainly from the following increased costs: (i) +€2.7m in fixed-term contracted staff; (ii) +€2.6m in Banco CTT staff costs; (iii) +€2.4m in Transporta staff costs; (iv) +€2.3m resulting from the salary review agreed with the workers' representative organisations with effect as of January 2017; and (v) +€1.9m related to the lower cost cut in the "telephone subscription fee" benefit (2017 vs 2016).

STAFF

As at 31 December 2017, the CTT headcount (permanent and fixed-term staff) consisted of 12,163 employees, 14 more (+0.1%) than as at 31 December 2016. This increase includes the integration of 139 employees of Transporta following its acquisition in May 2017. Excluding the employees of Transporta, the total staff decreased by 125 (-1.0%) compared to 2016.

Staff in the growing business units – Express & Parcels and Banco CTT – was reinforced, and reduced in the remaining ones, particularly in operations and central support services.

Headcount

	31.12.2017	31.12.2016	Δ 2017/2016	
Mail	9,756	9,774	-18	-0.2%
Express & Parcels	1,094	1,027	67	6.5%
Financial Services	87	96	-9	-9.4%
Banco CTT	184	162	22	13.6%
Other	1,042	1,090	-48	-4.4%
Total, of which:	12,163	12,149	14	0.1%
Permanent	11,122	11,247	-125	-1.1%
Fixed-term contracts	1,041	902	139	15.4%
Total in Portugal	11,715	11,702	13	0.1%



Together, the areas of Operations and Distribution (with 6,609 employees, including 4,600 delivery postmen) and Retail Network (with 2,755 employees) represent circa 77% of CTT headcount.

It should be noted that these figures take already into consideration 161 employees who left in December within the Human Resources Optimisation Programme related to the Operational Transformation Plan.

RECURRING EBITDA

The operating activity generated a recurring EBITDA (earnings before interest, tax, depreciation and amortisation, impairments, provisions and non-recurring results) of €89.9m, 24.8% (-€29.6m) below that of 2016, with an EBITDA margin of 12.9%.

The recurring EBITDA is mainly affected by the loss of the Altice revenues (€9.6m), by the acquisition of Transporta and its incorporation in CTT (€1.4m), and by the above-mentioned evolution of revenues and costs that led to the following EBITDA by business unit:

EBITDA by Business Unit						
€ Million						
	Reported			Recurring		
	2017	2016	Δ	2017	2016	Δ
EBITDA	81.1	102.1	-20.5%	89.9	119.5	-24.8%
Mail	75.4	85.2	-11.5%	78.4	97.8	-19.8%
Express & Parcels	-0.5	4.5	-111.1%	1.3	4.6	-71.2%
Financial Services	30.4	37.8	-19.6%	30.5	37.9	-19.4%
Banco CTT	-24.2	-25.4	5.0%	-20.4	-20.8	2.1%

RECURRING EBIT AND NET PROFIT

Recurring EBIT (earnings before interest, tax, and non-recurring results) stood at €60.2m, corresponding to -€34.5m (-36.4%) than in 2016. The recurring EBIT margin was 8.6%.

The consolidated net financial result totalled -€5.0m, which represents an improvement of €0.6m (+11.3%) versus 2016. Financial costs incurred amounted to €5.4m, mainly incorporating financial costs corresponding to the financial costs of €5.2m associated with the financial update of the employee benefits liability, as well as, but of little relevance, interest associated with financial leasing operations and bank loans (€0.2m).

Interest and other financial income decreased by 43.3% (-€0.3m) compared to the figures of 2016 due to the reduced rates of return on term deposits, the reduction in the liquidity levels, and CTT's continued conservative investment policy.

CTT obtained a consolidated net profit attributable to shareholders of €27.3m, which is 56.1% below that of 2016, corresponding to a result of €0.18 per share and to a 3.9% net profit margin. Excluding the non-recurring effects in both periods, the net profit would have been €40.0m (-37.5%).



NON-RECURRING REVENUES AND COSTS

In 2017, CTT recorded non-recurring results before taxes and non-controlling interests of -€13.1m.

Non-recurring revenues and costs

€ Million	2017	2016
Total	-13.1	-3.8
affecting EBITDA	-8.8	-17.4
. Other operating income	16.3	1.8
. External supplies & services and other costs	-10.5	-9.2
. Staff costs	-14.7	-10.0
affecting only EBIT	-4.3	13.6
. Provisions (reinforcements / reductions)	-1.3	15.1
. Impairments, depreciation and amortisation (losses / reversions)	-3.0	-1.5

Other operating income (€16.3m) includes essentially the capital gains from the sale of the real estate properties of Rua de S. José, in Lisbon and interest thereto.

Under ES&S are considered €9.3m of costs from studies and consultancy regarding strategic projects, especially those related to: (i) Banco CTT (€3.8m); (ii) the commercial excellence programme and other strategic projects (€2.7m); (iii) the Talent Management plan and miscellaneous consultancy (€1.9m); and (iv) the commission on the sale of the real estate properties of Rua de S. José, in Lisbon (€0.6m).

Staff costs include the negative impacts of the following overheads: (i) €11.9m regarding the Human Resources Optimisation Programme related to the Operational Transformation Plan; (ii) €1.1m related to the human resources optimisation process of integration of the activity of Transporta into CTT; and (iii) €0.6m resulting from the completion of the "Long-term variable remuneration – Share Plan" programme.

The depreciation/amortisation, impairments and provisions, net, stood at €4.3m, which is broken down as follows: (i) €1.7m increased costs regarding provisions for optimisation of the Retail Network; (ii) €1.1m impairment regarding the goodwill of Mailtec; and (iii) -€0.1m for other impairments and provisions.

INVESTMENT

Capex of the Group stood at €28.5m, which is 32.3% below (-€13.6m) that of 2016, when the first stage of the launch of Banco CTT took place with relevant investment in the opening of branches and capacity development of the IT system ("Core Banking System"). In 2017, the following investments are to be highlighted: (i) in Banco CTT, but to a lesser degree, particularly in IT systems, ATMs, refurbishment work, furniture and other equipment to adapt post offices, for a total amount of €6.6m; (ii) in the renewal and expansion of the fleet (€2.0m); (iii) in the change of the SAP platform (€3.2m) and other transformation initiatives in the field of IT (€3.5m); (iv) in the development of IT systems to support the Express & Parcels business (€2.3m); and (v) in the security and works in buildings and facilities (€2.3m).



CASH FLOW

The reported change in cash amounted to €8.0m, a negative variance of €7.1m versus 2016. The change in cash results mostly from: (i) +€281.3m from Banco CTT's operating cash flows; (ii) +€67.3m of cash flow from the operating activities (excluding the financial services and Banco CTT's cash flows); (iii) +€25.4m from other flows relative to investment activities of which €22.5m relate to the real estate properties located at Rua de S. José, in Lisbon; (iv) -€57.6m relative to the change in the financial services receivables/payables; (v) -€31.2m in payments regarding investment; (vi) -€234.6m in financial assets of Banco CTT; and (vii) -€72.0m related to the payment of dividends.

Cash flow

€ Million

	Reported			Adjusted (*)		
	2017	2016	Δ	2017	2016	Δ
Cash flow from operating activities	291.1	268.2	8.5%	44.3	23.7	86.6%
Cash flow without Fin. Services and Banco CTT	-	-	-	67.3	43.6	54.4%
Cash flow Banco CTT	-	-	-	-23.0	-19.8	15.9%
Cash flow from investment activities	-240.4	-185.6	-29.5%	-5.8	-20.8	72.1%
Capex	-31.2	-29.5	-5.8%	-31.2	-29.5	-5.8%
Of which cash flow Banco CTT	-	-	-	-5.4	-10.0	46.1%
Financial assets Banco CTT (**)	-234.6	-164.8	-42.4%	-	-	-
Other	25.4	8.7	192.8%	25.4	8.7	192.8%
Operating free cash flow	50.6	82.6	-38.7%	38.5	2.9	1221.5%
Cash flow from financing activities	-71.9	-72.4	0.7%	-71.9	-72.4	0.7%
Of which Dividends	-72.0	-70.3	-2.5%	-72.0	-70.3	-2.5%
Other (***)	29.3	5.0	490.4%	0.1	-	-
Net change in cash	8.0	15.2	-47.1%	-33.3	-69.5	52.1%

(*) Cash flow from operating activities excluding changes in Net Financial Services payables, Banking customer deposits and other loans, Credit to bank clients, third parties other receivables/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.

(**) Includes financial assets available for sale, investments held to maturity and other banking financial assets of Banco CTT.

(***) These figures were not considered under Cash and equivalents in the Cash-flow Statement. However, they are included in Cash and equivalents in the Balance Sheet.

In 2017, the adjusted change in cash was -€33.3m and the adjusted operating free cash flow totalled €38.5m, increasing vis-à-vis the €2.9m of 2016, as a result of the improvement of the operating cash flow and the sale of the real estate properties of Rua de S. José, in Lisbon.

CONSOLIDATED BALANCE SHEET

The key aspects of the comparison between the balance sheet as at 31.12.2017 and that at the end of the 2016 financial year are:

Total assets amounted to €1,608.8m, representing an increase of €292.1m (+22.2%), of which €449.9m relative to investments, financial assets and credit held by Banco CTT, broken down as follows: (i) €267.3m of investments held to maturity and available-for-sale financial assets; (ii) €103.2m of other banking financial assets, mostly investments in credit institutions and in the interbank market; and (iii) €79.3m of credit to banking clients, especially mortgage loans and other credit.

Within the total assets mention should also be made to the €8.0m increase (+1.3%) in cash and equivalents.



Equity decreased by €49.3m (-21.1%) as a result of the payment of dividends of the 2016 financial year (€72.0m) that occurred in May 2017 and was higher than the 2017 net profit (€26.6m). Additionally, on 31 January 2017, a total of 600,530 own shares were distributed to the Executive Directors of the Company as long-term variable remuneration, thus reducing the corresponding reserve by €5.1m and recognising a non-recurring cost of €0.6m.

Liabilities increased by €341.4m (+31.5%) of which the €365.3m increase of Banco CTT customer deposits and the €61.8m reduction in financial services payables stand out.

Consolidated Balance Sheet

€ Million	31.12.2017	31.12.2016	Δ
Non-current Assets	678.5	452.6	49.9%
Current Assets	930.3	864.1	7.7%
Total Assets	1,608.8	1,316.7	22.2%
Equity	184.0	233.3	-21.1%
Total Liabilities	1,424.8	1,083.4	31.5%
Non-current Liabilities	282.7	269.5	4.9%
Current Liabilities	1,142.0	813.8	40.3%
Total Equity and Liabilities	1,608.8	1,316.7	22.2%

As at 31 December 2017, the liabilities related to employee benefits (post-employment and long-term benefits) amounted to €270.0m, 0.8% less (-€2.3m) than in December 2016, as specified in the table below:

Liabilities related to long-term employee benefits

€ Million	31.12.2017	31.12.2016	Δ
Total liabilities	270.0	272.3	-0.8%
Healthcare	254.0	249.1	2.0%
Staff (suspension agreements)	3.3	5.5	-39.7%
Other long-term employee benefits	12.3	13.2	-6.7%
Variable remuneration of the Executive Committee (share plan)	0.0	4.5	-100.0%
Transporta pension plans	0.4	0.0	-

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

Financial position excluding Banco CTT from the consolidation perimeter

€ Million	31.12.2017	31.12.2016	Δ
Non-current Assets	408.3	393.2	3.8%
Current Assets	567.6	669.9	-15.3%
Total Assets	975.9	1,063.1	-8.2%
Equity	184.0	233.3	-21.1%
Total Liabilities	791.9	829.8	-4.6%
Non-current Liabilities	282.7	269.5	4.9%
Current Liabilities	509.2	560.3	-9.1%
Total Equity and Liabilities	975.9	1,063.1	-8.2%



FINAL NOTE

This press release is based on CTT – Correios de Portugal, S.A. statutory reported financial information for the year 2017, audited by an auditor registered with the Portuguese Securities Commission (CMVM).

Lisbon, 7 March 2018

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT's Investor Relations website at:

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Forward-looking statements

This document contains forward-looking statements. All the statements herein which are not historical facts, including, but not limited to, statements expressing our current opinion or, as applicable, those of our directors regarding the financial performance, the business strategy, the management plans and objectives concerning future operations and investments are forward-looking statements. Statements that include the words “expects”, “estimates”, “foresees”, “predicts”, “intends”, “plans”, “believes”, “anticipates”, “will”, “targets”, “may”, “would”, “could”, “continues” and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements included herein involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the results of our operations, growth strategy and liquidity, and the wider environment (specifically, market developments, investment opportunities and regulatory conditions).

Although CTT believes that the assumptions beyond such forward-looking statements are reasonable when made, any third parties are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of CTT, what could cause the models, objectives, plans, estimates and / or projections to be materially reviewed and / or actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

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