



EVOLUTION

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.

António Gomes Mota
Chairman of the Board
of Directors

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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

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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.



António Gomes Mota
Chairman of the Board of Directors