

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

Full Year 2019 Consolidated Results

- **Revenues**¹ with strong growth in the 4th quarter of 2019 (+9.6% year-on-year) in all business units, particularly in Banco CTT² after the integration of 321 Crédito. In 2019, revenues reached €740.3m (+€32.3m, +4.6%), with special emphasis on **Banco CTT**² (+€29.3m, of which €21.0m from 321 Crédito), **Financial Services**² (+€7.3m) and **Express & Parcels** (+€3.5m) which offset the decrease in **Mail & other** (-€7.8m).
- **EBITDA**³ grows to €101.5m, +€11.0m (+12.2%) vis-à-vis 2018. This evolution is due to the organic and inorganic growth of **Banco CTT** (+€16.6m) and **Financial Services** (+€8.3m) which offset the decrease in **Mail & other** (-€8.2m) and in **Express & Parcels** (-€5.6m).
- **Free cash flow** grows to €32.3m in 2019, +€17.3m compared to 2018.
- **Net profit**⁴ grows to €29.2m in 2019 (+€7.7m, +35.8%).

Consolidated Results

	4Q18		4Q19 Δ % 19/18		2018		2019 Δ % 19/18	
	Restated				Restated			
Revenues ¹	183.2	200.7	9.6%		708.0	740.3	4.6%	
Mail & other	126.3	128.9	2.1%		498.7	490.9	-1.6%	
Mail	126.0	125.7	-0.2%		495.1	484.6	-2.1%	
Central Structure	0.3	3.2	»		3.7	6.3	72.2%	
Express & Parcels	40.2	42.3	5.3%		148.9	152.4	2.4%	
Banco CTT ²	8.8	20.0	126.5%		33.6	62.9	87.2%	
Financial Services ²	7.9	9.5	19.9%		26.8	34.1	27.2%	
Operating Costs ³	157.8	172.5	9.3%		617.6	638.8	3.4%	
EBITDA ³	25.4	28.2	11.0%		90.4	101.5	12.2%	
Leases (IFRS16)	7.4	6.4	-13.2%		32.3	26.9	-16.8%	
EBITDA including IFRS 16	32.8	34.6	5.6%		122.7	128.3	4.6%	
Impairments & provisions	2.0	4.6	129.8%		2.5	8.6	246.1%	
Depreciation & amortisation	13.9	14.8	6.3%		56.3	54.2	-3.6%	
Specific items	-2.1	2.2	207.5%		18.4	18.2	-0.9%	
EBIT	19.0	13.0	-31.3%		45.6	47.3	3.7%	
Financial results (+/-)	-3.3	-3.8	-17.5%		-10.5	-11.8	-12.5%	
Income tax for the period	5.7	2.8	-50.7%		13.6	6.2	-54.2%	
Non-controlling interests	-0.01	0.06	»		0.02	0.09	318.1%	
Net profit for the period ⁴	10.1	6.3	-36.9%		21.5	29.2	35.8%	

€ million

¹ Excluding specific items.

² In 2019 and in the same period of the previous year (proforma), part of the payments segment of the Financial Services business unit is considered within Banco CTT business unit, to which it migrated, and excluded from Financial Services. 321 Crédito was merged into Banco CTT business unit in 2019.

³ Excluding depreciation / amortisation, impairments and provisions, as well as the impact of IFRS 16 and specific items.

⁴ Attributable to equity holders.

1. Operational and Financial Performance

Mail

Mail revenues of the 4th quarter of 2019 were almost in line with those of the same period of 2018 (-0.2%), totalling €125.7m. In 2019, they stood at €484.6m which corresponds to a decrease of €10.5m (-2.1%) vis-à-vis 2018.

This decrease is mainly the result of the combined effect of the €9.5m decline (-2.1%) in the revenues of **addressed mail** and €1.4m (-17.3%) decline in those of **philately**, mitigated by the strong revenue growth in **international inbound mail** of €7.6m (+20.4%) and in **international outbound mail** of €3.9m (+9.3%), the latter positively influenced by items associated to the legislative election process in the 3rd quarter of 2019 (+€5.3m).

The revenues of **unaddressed advertising mail** increased by €1.1m (+15.7%) as a result of market share gains, and those of the **business solutions** grew by €0.7m (+7.4%) due to the more diversified offer, especially in geographical services.

	Mail volumes			million items		
	4Q18	4Q19	Δ%	2018	2019	Δ%
Transactional mail	140.6	130.1	-7.5%	585.8	536.0	-8.5%
Advertising mail	14.7	12.6	-14.0%	57.8	48.2	-16.5%
Editorial mail	9.7	9.3	-3.6%	37.2	34.8	-6.5%
Addressed mail	165.0	152.1	-7.8%	680.7	619.0	-9.1%
Unaddressed mail	110.5	144.9	31.1%	427.3	521.4	22.0%

The evolution of **transactional mail** volumes (-8.5%) continued to be negatively affected by the **domestic ordinary mail** volumes decline of 42.6 million items (-9.5%), particularly in the banking and insurance, telecommunications and government sectors, as well as by the **priority mail** volumes decline of 8.2 million items (-31.2%). **Green mail** grew by 1.5 million items (+39.8%) which corresponds to some substitution, as the prepaid registered items and priority items product line was discontinued.

The decline trend of **addressed advertising mail** volumes slowed down in the 2nd half of 2019 (-12.1%) compared to the 1st half of the year (-20.4%) and reached a -16.5% decrease (-14.9% in revenues) in 2019. The implementation of the new General Data Protection Regulation (GDPR) together with the digitalisation of processes and the new business, communication and marketing models focusing on other types of advertising solutions impacted the performance of this product throughout the year.

Unaddressed advertising mail volumes continued its high growth dynamics in the 4th quarter of 2019 (+31.1%), which compares with 5.9%, 18.5% and 31.4% in the 1st, 2nd and 3rd quarters, respectively, thus consolidating growth in 2019 (+22.0%) and leading to a revenue increase of €1.1m (+15.7%). New customer acquisitions and the European and legislative elections (infomail) were the main reasons for the growth of this business line.

The **retail** business grew €0.1m (+1.0%), excluding the effect of Phone-Ix revenues in 2018 (€0.6m) that ceased activity on 31 December 2018. The growth in lottery sales, new partnerships that made it possible to expand the telecommunications offer, and new business models involving the sharing of space and advertising at the CTT Retail Network were the reasons for this growth.

Despite the decline in the revenues of **philately** in 2019, a recovery is expected in 2020 with the celebration of the 500 Years of the Post Office in Portugal and the various associated initiatives.

Express & Parcels

The **Express & Parcels revenues** amounted to €152.4m in 2019, +€3.5m (+2.4%) vis-à-vis 2018.

Revenues in Portugal totalled €98.2m, +7.4% compared to the previous year. The development of this business in Portugal resulted mostly from the **CEP** business, which reached €75.0m (+10.7%), the banking activity that totalled €6.7m (+5.3%) and logistics that amounted to €3.1m (+1.5%). The cargo business totalled €12.4m (-2.8%).

Volumes in Portugal totalled 22.0 million items, +11.2% vs. 2018. The **CEP** business performance posted sustained improvement throughout the year, as its volumes grew +1.4%, +3.7%, +13.3% and +22.0% from the 1st to the 4th quarter. **Cargo** volumes also showed a positive evolution during 2019, reaching a growth of 15.8% in the 4th quarter, which translated into a growth of 14.9% in 2019. This performance was driven by relevant customer additions, both in the B2B and in the B2C segment (e-commerce), and a good performance in the international area.

CTT continued its strategy of developing the B2C market in Portugal and promoting Portuguese e-sellers by launching the **Dott** marketplace and the e-fulfilment platform “CTT Logística”.

The **Dott** marketplace was launched in May through a partnership between CTT and Sonae. At the end of 2019, 663 sellers were present on this platform (an increase of 103 in the 4th quarter) and more than 1.5 million products were available. At the end of 2019, there were around 50 thousand registered users (an increase of 29 thousand in the 4th quarter).

At the end of 2019, CTT launched “CTT Logística”, another solution to promote the development of e-commerce in Portugal, particularly for Portuguese SMEs that aim to start or develop their digital presence. This solution provides a complete fulfilment platform, from the creation of the product catalogue, storage, order preparation and distribution to the final consumer, allowing customers to focus on the development and sale of their products.

Revenues in Spain stood at €51.8m, -€3.7m (-6.8%) vis-à-vis the previous year mainly due to the 9.8% decline in volumes, greatly influenced by the loss of one of the largest customers. Excluding the impact of this large customer, the evolution of revenues and volumes in 2019 would have been +8.8% and +7.0%, respectively.

On 20 December 2019, Tourline was merged into the company CTT Expresso as a branch in Spain. The company has a new management team in Spain that is focused on improving its operating model, to ensure more efficiency and better quality of service in a market where e-commerce is increasingly representative, and to resume growth in order to ensure scale and profitability, positioning itself as an Iberian reference operator, especially in cross-border flows.

Revenues in Mozambique accelerated in the 4th quarter of 2019 (+40.4%), confirming the 3rd quarter trend (+40.8%), which compares to a previous performance of 4.2% in the 1st half of 2019. Due to this acceleration the operation in Mozambique managed to close 2019 with 23.0% growth vs. 2018. CEP and banking businesses contributed positively to this growth underpinned by the capture of new businesses in the health area (collection of biological samples).

Banco CTT

The **revenues of Banco CTT** reached €62.9m in 2019, representing year-on-year growth of €29.3m (+87.2%). These revenues were achieved with a €21.0m contribution from 321 Crédito, acquired in May 2019. Excluding the inorganic effect of the acquisition of 321 Crédito, the revenues amounted to €41.9m, +€8.3m (+24.5%) vis-à-vis 2018.

The revenues growth of this business unit, excluding 321 Crédito, counted on the good performance achieved with the net interest income growth (+€4.9m; +61.8%), registering a year-on-year increase of 53.6% in the 4th quarter of 2019. The commissions received from the banking activity grew by 79.3% in 2019, due to the growth in the placement of the PPR product (Retirement Savings Plan) in partnership with the insurance company Zurich (+€331.0m placed), as well as in customer transactionality and consumer credit.

Noteworthy was the operating performance of Banco CTT, which led to a significant growth of accounts opened to 461 thousand accounts (+113 thousand more than at the end of 2018) which shows the great capacity of Banco CTT to open more than 450 accounts/day, together with the continued growth of customer deposits to €1,283.6m (+45.2%) and the growth of the mortgage loan portfolio net of impairments to €405.1m (+69.9%). With the acquisition of 321 Crédito, Banco CTT structurally boosted the loan-to-deposit ratio of its credit portfolio from 28.1% as at December 2018 to 69.0% as at December 2019, through the integration of an amount of €479.6m in its portfolio of credit to customers, and the sustained growth of mortgage credit.

In the specialised credit area, the operational performance is to be highlighted with an auto loan production of more than €200m in the 12 months of 2019, representing a market share of around 11.8% in the used car loans segment.

The payments business recorded a year-on-year decrease of €0.6m (-2.9%) in commissions received, and total revenues of €20.1m. Despite the decrease in payment products revenues, it is worth noting the 85.8% growth in ticketing due to new contracts signed in 2019, and also due to the launch of a new service in early December 2019 that allows payment of products with references through MBSPOT in the Payshop network, expanding the offer to B2B customers and creating greater convenience and options for users of the network.

Financial Services

Financial Services revenues reached €34.1m in 2019, a growth of €7.3m (+27.2%) compared to 2018.

Savings & Insurance products contributed €26.9m to the revenues, corresponding to a 42.1% increase vs. the previous year. Of these, the **Public Debt Certificates** (Savings Certificates and Treasury Certificates Poupança Crescimento) represented €25.3m (+47.0% vs. 2018) and reached €3,912.1m in subscriptions, +51.9% compared to the volume recorded in 2018. The remuneration paid by IGCP, the Treasury and Public Credit Management Institution, to the Company will decrease in 2020 as it will vary according to the sales volume.

The robust performance of the **Savings & Insurance** products more than offset the evolution of **Payments** (+1.7%) and **Money Orders** (-8.6%) revenues.

Operating Costs

Operating costs⁵ totalled €638.8m, a year-on-year growth of €21.2m (+3.4%), with a €7.8m impact from 321 Crédito⁶. Excluding 321 Crédito, operating costs totalled €631.0m (+2.2%).

⁵ Excluding depreciation / amortisation, impairments and provisions, the impact of IFRS 16 and specific items.

⁶ Amount regarding the full consolidation. In terms of the business unit, the amount is +€8.0m as a result of transactions that are not eliminated in the consolidation between business units.

Operating costs

	€ million			
	2018	2019	Δ	Δ%
Operating costs	617.6	638.8	21.2	3.4%
Staff costs	332.9	344.1	11.2	3.4%
ES&S	257.6	264.7	7.0	2.7%
Other operating costs	27.1	30.0	3.0	11.0%

Staff costs increased by €11.2m (+3.4%) in 2019. Excluding the effect of 321 Crédito, the growth amounted to €7.6m (+2.3%). In 2018, the Company recognised gains related to the cancellation of the liability associated with the monthly life annuity (+€3.5m) and the updated labour accidents pensions liability (+€1.1m). Excluding these effects, costs growth was €3.0m (+0.9%) due to salary updates (+€2.3m) and also to cost increases as a result of the evolution of Banco CTT (+€1.0m) and CTT Expresso in Spain (+€0.8m), which were not fully offset by the cost reduction initiatives.

External supplies & services costs increased by €7.0m (+2.7%), of which €3.0m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €4.0m (+1.6%) which includes the increased costs from international mail volumes related to the elections (€3.4m) and the €4.2m cost increase in the Express & Parcels business, reflecting the volumes growth in Portugal. The cost growth was partially offset by savings in the facilities area (buildings and fleet) with €5.3m lower costs (-8.1%). The optimisation of the real estate properties allowed for a €4.4m reduction of the building rents.

Other operating costs grew by €3.0m (+11.0%) mostly due to: (i) the increase in interbank fees paid (+€0.7m), (ii) stamp duty (+€0.6m) related to the loans obtained, and (iii) the inorganic effect of 321 Crédito (+€1.3m).

Staff

As at 31 December 2019, the CTT headcount (permanent and fixed-term staff) consisted of 12,355 employees, 258 more (+2.1%) than in 2018. There was an increase of 95 in the number of permanent staff and 163 in the number of staff with fixed-term contracts. The integration of 321 Crédito had a special impact on the evolution of the number of permanent staff. Otherwise, it would be in line with the previous year.

Headcount

	31.12.2018	31.12.2019	Δ	Δ%
Mail & other	10,689	10,719	30	0.3%
Express & Parcels	1,117	1,201	84	7.5%
Banco CTT ^(*)	260	406	146	56.2%
Financial Services ^(*)	31	29	-2	-6.5%
Total, of which:	12,097	12,355	258	2.1%
Permanent	10,884	10,979	95	0.9%
Fixed-term contracts	1,213	1,376	163	13.4%
Portugal	11,650	11,874	224	1.9%
Other geographies	447	481	34	7.6%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

This increase in headcount is explained by the increase in Banco CTT (+146, of whom 122 result from the integration of 321 Crédito) and in the Express & Parcels staff (+84, of whom 50 in Portugal, 30 in Spain and 4 in Mozambique). Excluding the effect of the integration of 321 Crédito, the number of employees increased by 136 (+1.1%).

In terms of permanent staff, together, the areas of operations and distribution within the basic network (5,971 employees, of whom 4,402 delivery postmen and women) and the retail network (2,497 employees) represent circa 77% of CTT headcount.

It should be noted that these figures already include 102 exits in 2019, on top of 429 other exits, split into 161 in 2017 and 268 in 2018, which occurred in the context of the Human Resources Optimisation Programme within the Operational Transformation Plan in progress.

EBITDA

In 2019, the Company generated an EBITDA⁷ of €101.5m, +€11.0m (+12.2%) compared to 2018, with an EBITDA margin of 13.7% (12.8% in 2018).

The evolution of EBITDA was due to the inorganic effect of the acquisition of 321 Crédito (+€13.2m) and the increase in the operating margins of the Financial Services (+€8.3m) and Banco CTT⁸ (+€3.5m) which offset the decreases in Mail & other (-€8.2m) and Express & Parcels (-€5.6m).

EBITDA by business unit

	2018	2019	Δ	Δ%
EBITDA	90.4	101.5	11.0	12.2%
Mail & other	86.7	78.5	-8.2	-9.5%
Mail	130.9	121.1	-9.8	-7.5%
Central Structure	-44.2	-42.6	1.6	3.6%
Express & Parcels	3.3	-2.3	-5.6	-170.8%
Banco CTT (*)	-12.9	3.7	16.6	128.8%
Financial Services (*)	13.3	21.6	8.3	62.1%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

Specific Items

In 2019, CTT recorded specific items for an amount of €18.2m, broken down as shown below:

	2018	2019	Δ	Δ%
Specific items	18.4	18.2	-0.2	-0.9%
Corporate restructuring costs and strategic projects	26.3	16.9	-9.5	-36.0%
Other non-recurring revenues and costs	-7.9	1.4	9.3	117.3%

Specific items are in line with those of 2018 (-€0.2m) mostly as a result of the €8.6m reduction in other revenues from capital gains related to the sale of real estate which was offset by the €9.6m cost reduction associated with restructuring within the Human Resources Optimisation Programme.

EBIT and Net Profit

⁷ Excluding depreciation / amortisation, impairments and provisions, the impact of IFRS 16 and specific items.

⁸ Excluding the inorganic effect of 321 Crédito.

EBIT stood at €47.3m in 2019, +€1.7m (+3.7%) vs. 2018, with a margin of 6.4% (same as in 2018).

The consolidated financial results totalled –€11.8m, corresponding to a decrease of €1.3m (-12.5%) compared to the previous year.

Financial Results

	€ million			
	2018	2019	Δ	Δ%
Financial results	-10.5	-11.8	-1.3	-12.5%
Financial income, net	-9.7	-10.4	-0.7	-7.3%
Financial costs and losses	-9.7	-10.4	-0.7	-7.4%
Financial income	0.0	0.1	0.0	30.6%
Gains / losses in subsidiaries, associated companies and joint ventures	-0.8	-1.4	-0.6	-76.0%

Financial costs and losses incurred amounted to €10.4m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €5.4m and interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €3.7m.

In 2019, CTT obtained a consolidated net profit attributable to equity holders of the CTT group of €29.2m, corresponding to an increase of €7.7m (+35.8%) vs. 2018. This increase is positively impacted by the integration of 321 Crédito with a net contribution of +€7.6m to the consolidated accounts and by a corporate tax refund of €6.8m as a result of a favourable Tax Authority decision on the deduction of the tax loss on CTT Expresso's sale of Tourline to CTT, S.A. in the 2016 financial year.

Investment

Capex stood at €45.4m, +48.2% (+€14.8m) compared to 2018, reflecting the implementation of the Modernisation & Investment Plan that foresees the installation of new and more efficient sorting machines and the growing start-up of multi-product platforms that will allow CTT to realise operating synergies as an integrated operator.

Cash flow

In 2019 CTT generated an operating cash flow of €44.5m, an improvement of €10.8m vs. 2018.

Cash flow			
	2018	2019	€ million Δ
EBITDA	90.4	101.5	11.0
Specific items*	16.1	16.8	0.8
CAPEX	30.7	45.4	14.8
Δ Working capital	-10.0	5.3	15.3
Operating cash flow	33.7	44.5	10.8
Employee benefits	-11.6	-14.4	-2.8
Tax	-7.1	2.2	9.3
Free cash flow	15.0	32.3	17.3
Debt (principal + interest)	20.9	59.3	38.4
Dividends	-57.0	-15.0	42.0
Financial investments	-1.4	-114.4	-113.0
Net change in organic own cash	-22.4	-37.7	-15.3
Changes to consolidation perimeter – 321 Crédito	0.0	6.8	6.8
Change in own cash	-22.4	-30.9	-8.5
Δ Liabilities related to Financial Services & other & Banco CTT ⁹	-155.4	30.9	186.3
Δ Other ¹⁰	-26.3	20.3	46.5
Net change in cash (balance sheet)	-204.1	20.3	224.4

*Specific items affecting EBITDA.

The positive evolution of the change in working capital vs. 2018 resulted mainly from: (i) the lower amount of payments related to company restructuring in the context of the HR Optimisation Programme which impacted positively the third-party liabilities (+€11.7m), and (ii) a positive evolution in accounts payable (+€3.4m).

The change in working capital in 2019 (+€5.3m) includes the positive impact of the change in items related to capex (+€8.4m) and the negative impact of accounts receivable from foreign postal operators (-€3.3m).

The €38.4m increase in debt is related to financing operations aimed at carrying out the forecast investment plan and optimise the capital structure.

Financial investments (-€114.4m) correspond to the amount of the acquisition of 321 Crédito (€110.8m) and the capital increases made in the company Mktplace – Comércio Eletrónico, S.A. (€3.6m), better known as the Dott brand.

⁹ The change in net liabilities of Financial Services & other and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities / banking financial assets, of entities of the CTT group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

¹⁰ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques / clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

Consolidated Balance Sheet

Consolidated Balance Sheet

	31.12.2018 restated	31.12.2019	Δ	Δ%
Non-current assets	1,108.1	1,734.7	626.5	56.5%
Current assets	746.3	778.8	32.4	4.3%
Assets	1,854.5	2,513.4	659.0	35.5%
Equity	135.9	131.4	-4.5	-3.3%
Liabilities	1,718.6	2,382.0	663.4	38.6%
Non-current liabilities	364.3	512.8	148.6	40.8%
Current liabilities	1,354.3	1,869.2	514.9	38.0%
Equity and Liabilities	1,854.5	2,513.4	659.0	35.5%

€ million

The key aspects of the comparison between the balance sheet as at 31.12.2019 and that at the end of the 2018 financial year (restated) are:

- **Assets** increased by €659.0m, mostly due to the increase of credit to banking clients (+€637.8m), particularly consumer credit, as a result of the acquisition of 321 Crédito (+€479.5m) and the organic increase in Banco CTT (+€158.3m).
- **Equity** decreased by €4.5m negatively impacted by: (i) the payment of dividends concerning the 2018 financial year in May 2019 for an amount of €15.0m, which represented a gross dividend per share of €0.10, and (ii) the recognition of actuarial losses related to post-employment benefits (-€18.8m), following the review of the assumptions underlying the calculation of liabilities. It was positively impacted by the generation of net income attributable to equity holders of the CTT Group in 2019 for an amount of €29.2m.
- **Liabilities** increased by €663.4m, with emphasis on the increase of banking clients' deposits and other loans (+€437.5m), the increase of debt (+€48.0m) following the funding operations occurred in 2019, the increase of other banking financial liabilities (+€79.1m) related to loan securitisation, the €51.5m growth of accounts payable, and the €25.0m increase in employee benefits.

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

Consolidated Balance Sheet excluding Banco CTT

	31.12.2018 restated	31.12.2019	Δ	Δ%
Non-current assets	486.6	615.8	129.3	26.6%
Current assets	456.9	456.9	0.0	0.0%
Assets	943.5	1,072.8	129.3	13.7%
Equity	135.9	131.4	-4.5	-3.3%
Liabilities	807.6	941.3	133.8	16.6%
Non-current liabilities	363.5	432.0	68.5	18.8%
Current liabilities	444.1	509.3	65.2	14.7%
Equity and Liabilities	943.5	1,072.8	129.3	13.7%

€ million

As at 31 December 2019, the **liabilities related to employee benefits** (post-employment and long-term benefits) increased to €286.7m, +€25.0m compared to December 2018, as specified in the table below:

Liabilities related to employee benefits

	31.12.2018	31.12.2019	Δ	Δ%
Total liabilities	261.7	286.7	25.0	9.6%
Healthcare	251.8	274.4	22.6	9.0%
Healthcare (321 Crédito)	-	1.3	1.3	100.0%
Suspension agreements	1.6	3.1	1.5	97.0%
Other long-term employee benefits	7.9	7.1	-0.7	-9.5%
Other post-employment benefits	-	0.2	0.2	100.0%
Pension plan	0.3	0.4	0.1	17.1%
Other benefits	0.1	0.1	0.1	55.9%

The recorded increase, especially in the CTT, S.A. healthcare liabilities, relates mostly to the reduction of the discount rate from 2.1% to 1.6%, as well as to the combined effect of a higher-than-expected growth rate of healthcare costs per capita in 2019, and to the update of the medical costs growth rate from 3.75% to 3.3% in 2019.

Consolidated net debt

Consolidated net debt

	31.12.2018 restated	31.12.2019	Δ
Net debt	-18.9	60.0	78.9
ST & LT debt	127.4	175.4	48.0
Of which finance leases (IFRS16)	96.5	84.0	-12.6
Own cash (I+II)	146.3	115.4	-30.9
Cash & cash equivalents	422.7	443.0	20.3
Cash & cash equivalents at the end of the period (I)	414.8	414.9	0.0
Other cash items	7.9	28.1	20.3
Other Financial Services liabilities, net (II)	-268.6	-299.5	-30.9

The key aspects of the comparison between the financial cash as at 31.12.2019 and that at the end of the 2018 financial year (restated) are as follows:

- **Own cash** decreased by €30.9m due to investments in companies (-€114.4m) and payment of dividends (-€15.0m) partly offset by the generation of free cash flow (+€32.3m) and financing activities, net (+€59.9m).
- **Short-term & long-term debt** increased by €48.0m mainly due to long-term loans obtained amounting to €57.5m which were partly offset by the reduction of the liabilities from financial leases in the scope of IFRS 16.

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

Consolidated net debt excluding Banco CTT

	31.12.2018 restated	31.12.2019	€ million Δ
Net debt with Banco CTT under equity method	50.8	144.1	93.3
ST & LT debt	126.5	173.2	46.8
Of which finance leases (IFRS 16)	95.6	81.8	-13.9
Own cash (I+II)	75.6	29.1	-46.5
Cash & cash equivalents	277.4	268.2	-9.2
Cash & cash equivalents at the end of the period (I)	277.4	268.2	-9.2
Other cash items	0.0	0.0	0.0
Other Financial Services liabilities, net (II)	-201.8	-239.1	-37.4

2. Future Perspectives

Save the impacts resulting from the crisis associated with the ongoing pandemic, which are still difficult to estimate, CTT, supported by organic developments in the growth levers and the contribution of 321 Crédito, should post a 4% to 6% revenue growth which, together with the implementation of efficiency measures, should translate into a high single-digit growth of EBIT and an EBITDA equal to or higher than €110m in 2020.

Addressed mail volumes are expected to decline 6% to 8%, while double-digit growth is projected for the Express & Parcels business in Portugal. To cope with the latter and support the operation in general, CTT estimates that it would need a €40m investment, aimed at increasing automation and eliminating capacity bottlenecks in the Express & Parcels business unit.

With regard to the dividend for the 2019 financial year, the Board of Directors will propose a shareholder remuneration of €0.11 per share, a 10% increase vs. the previous year, payable in May 2020.

CTT has formally announced its intent to be the new universal service concessionaire, of a more sustainable concession contract.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. statutory reported financial information for the year 2019, audited by an auditor registered with Portuguese Securities Commission (CMVM).

Lisbon, 16 March 2020

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:

https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1

CTT – Correios de Portugal, S.A.

Guy Pacheco

Market Relations Representative of CTT

Peter Tsvetkov

Director of Investor Relations of CTT

Contacts:

Email: investors@ctt.pt

Fax: + 351 210 471 996

Telephone: + 351 210 471 087

Disclaimer

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for communication of the financial results of 2019 and has a mere informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

Distribution of this document in certain jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. In particular, this press release and the information contained herein is not for publication, distribution or release in, or into, directly or indirectly, the United States of America (including its territories and possessions), Canada, Japan or Australia or to any other jurisdiction where such an announcement would be unlawful.

Hence, neither this press release nor any part of it, nor its distribution, constitute the basis of, or may be invoked in any context as, a contract, or compromise or decision of investment, in any jurisdiction. Thus being, the Company does not assume liability for this document if it is used with a purpose other than the above.

This document (i) may contain summarised information and be subject to amendments and supplements and (ii) the information contained herein has neither been independently verified, nor audited or reviewed by any of the Company’s advisors or auditors. Thus being, given the nature and purpose of the information herein and, except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any of the information contained in this document. This document does not contain all the information disclosed to the market about CTT, thus its recipients are invited and advised to consult the public information disclosed by CTT in www.ctt.pt and in www.cmvm.pt. In particular, the contents of this press release shall be read and understood in light of the financial information disclosed by CTT, through such means. By reading this document, you agree to be bound by the foregoing restrictions.

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.

Forward-looking statements (in particular, the objectives, estimates and projections as well as the corresponding assumptions) do neither represent a commitment regarding the models and plans to be implemented, nor are they guarantees of future performance, nor have they been reviewed by the auditors of CTT. You are cautioned not to place undue reliance on the forward-looking statements herein.

All forward-looking statements included herein speak only as at the date of this document. Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.