



CTT – Correios de Portugal, S.A.

1Q16 Results Presentation

11 May 2016

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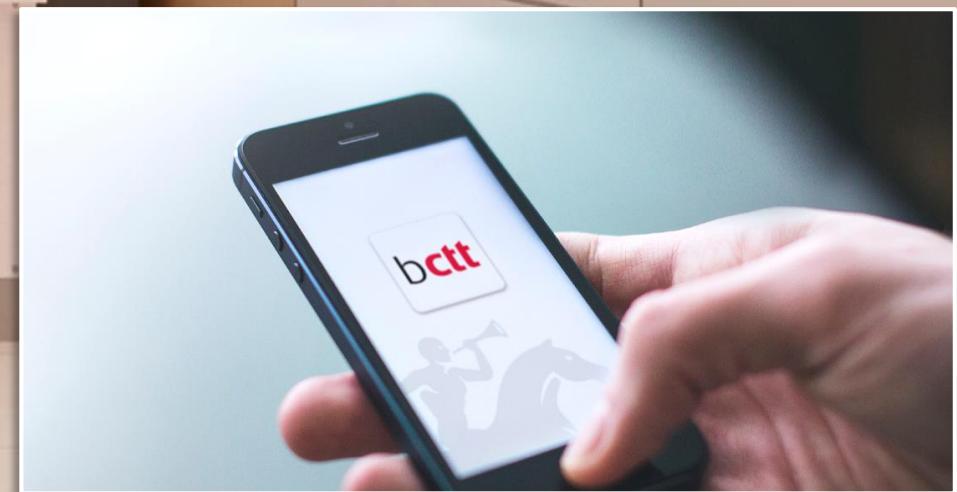
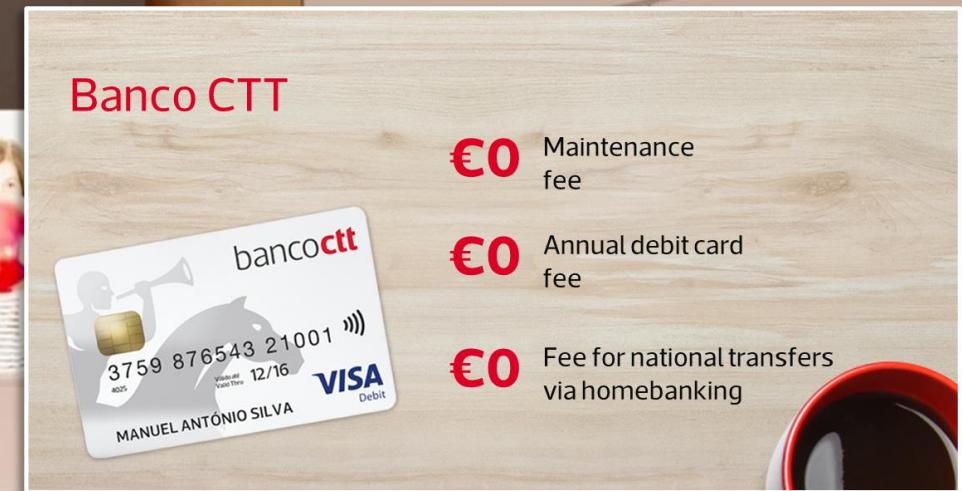
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01. Key highlights

02. Other financials

03. Business units performance



KEY HIGHLIGHTS: ANOTHER YEAR WITH OVER-PRONOUNCED 1ST QUARTER EFFECTS; FULL YEAR GUIDANCE CONFIRMED

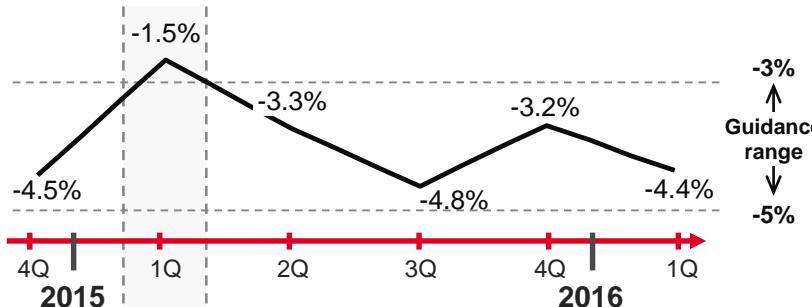


MAIL

Addressed mail volumes decline (-4.4%) normalises in 1Q16 within the guidance range (-3% / -5%), contrary to the much better than normal level in 1Q15 (-1.5%); FY15 decline was -3.2%

Addressed mail volumes decline

Quarter, change YoY



EXPRESS & PARCELS

Volumes and revenues impacted by:

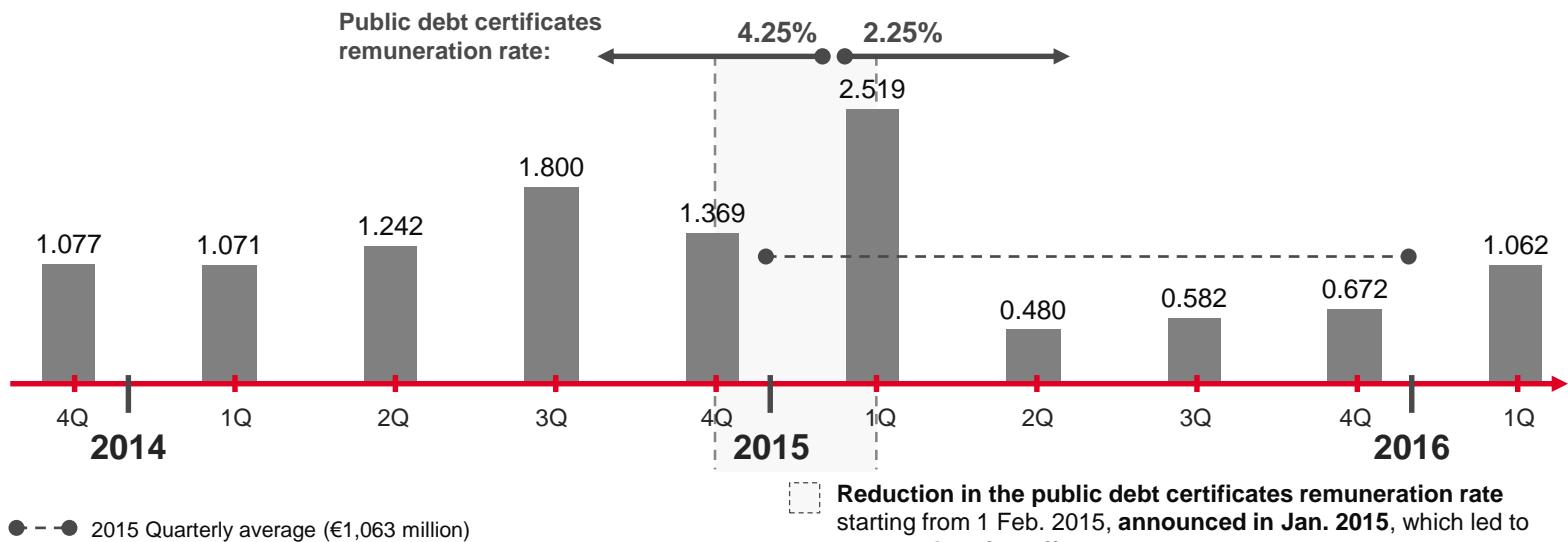
- In Portugal, continuous negative pressure on the “Banking documents delivery network” ¹ and termination of service to a large low-margin client in 4Q15 whose volumes are being replaced by smaller but higher-margin clients
- In Spain, initial effects of the termination of service to large loss-making clients in recent turnaround initiative with positive impact on EBITDA

FINANCIAL SERVICES

- Extraordinarily strong level of placements of savings products in 1Q15 drives a negative comparison with 1Q16
- 1Q16 performance in fact a solid one: >€1bn of savings & insurance products inflows, exactly in line with the 2015 average quarterly placements
- Comparison effect in both revenues and EBITDA expected to normalise along the year

Savings & insurance products placements

€ billion, quarterly volumes



Several effects put downward pressure on the results when looking at just one quarter, normalisation expected to occur along the year

¹ Service that CTT provides for banks – delivery of documents between branches and central offices.

KEY HIGHLIGHTS: DESCRIBED OVER-PRONOUNCED 1ST QUARTER EFFECTS & BANCO CTT



COSTS IN 1Q16 IMPACT THE QUARTERLY COMPARISON

Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	1Q15	Including Banco CTT		Excluding Banco CTT ⁴	
		1Q16	Δ%	1Q16	Δ%
Recurring revenues ¹	191.2	177.9	-7.0%	177.7	-7.1%
Recurring operating costs ²	149.5	142.7	-4.5%	139.4	-6.7%
Recurring EBITDA ^{1, 2}	41.7	35.1	-15.8%	38.3	-8.5%
Recurring net profit ³	25.5	20.4	-19.9%	22.9	-10.7%
Reported net profit	22.3	20.7	-7.3%	24.4 ⁵	+3.9%

Metric	Addressed mail (million items)	Unaddressed mail (million items)	Parcels (million items)	FS savings flows ⁶ (€ billion)	Banco CTT current accounts (thousand)
1Q16 volumes	211.2	103.4	6.6	1.3	3.2
1Q16 vs. 1Q15	-4.4%	-6.3%	-4.0%	-54.4%	N/A

¹ Excluding non-recurring other revenues of €1.7m recognised in 1Q16 as a result of an early termination of a vacant building lease contract.

² Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of €2.3m in 1Q15 (€1.4m related to Banco CTT) and €2.7m in 1Q16 (€1.4m related to Banco CTT – €1.2m booked in Banco CTT business unit and €0.2m booked in Mail business unit).

³ Considers the nominal tax rate of CTT.

⁴ Excluding Banco CTT business unit revenues and costs booked in Banco CTT and Mail business units.

⁵ Considers the effective tax rate of the period of CTT and Banco CTT.

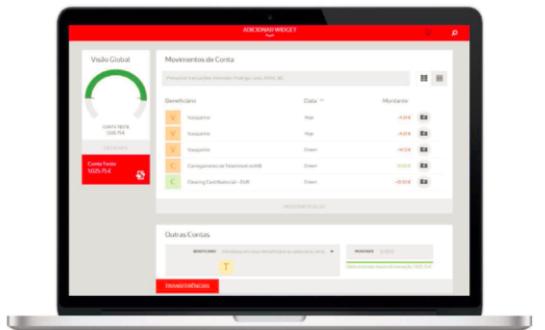
⁶ Includes savings & insurance products placements and redemptions.

Banco CTT initiated its activity with a simple and competitive offer and state-of-the-art digital solutions

Balance Sheet optimisation measures

Competitive offer

€0 maintenance fee



€0 annual debit card fee

€0 fee for national transfers via homebanking



Early termination of vacant building lease contract as real estate market recovers

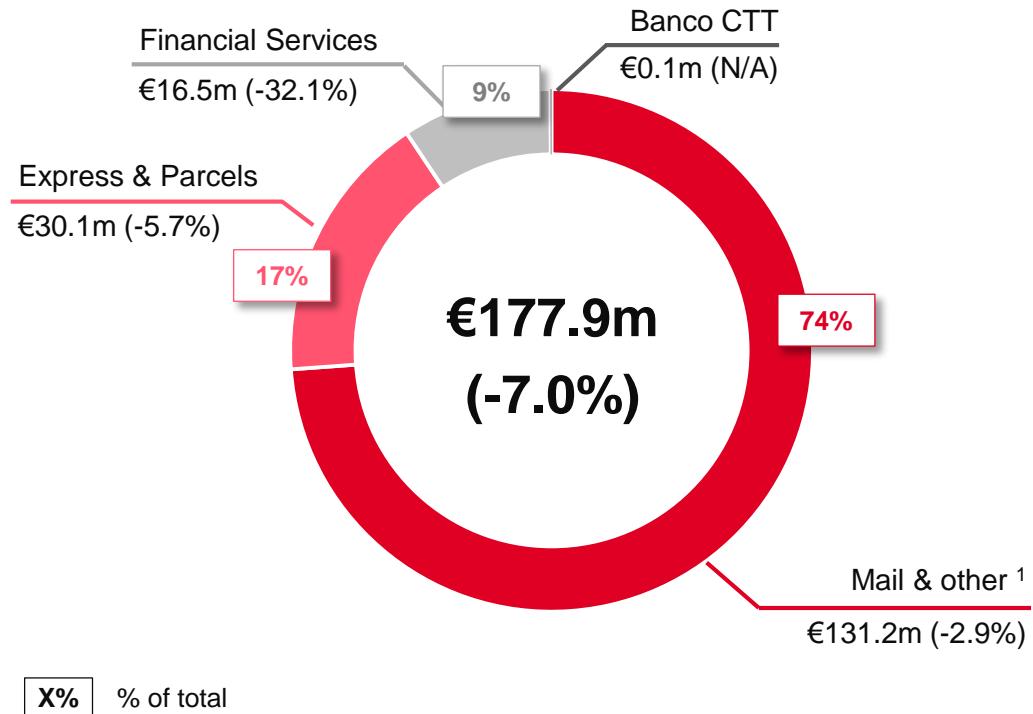
- EBITDA impact: +€1.7m from recognised deferred gain (non-recurring)
- EBIT impact: +€2.9m from reversal of provision for onerous contracts (non-recurring)
- Future cash impacts:
 - Early termination clause of €6.0m
 - Future cash flow to benefit from lower rents payable (€1.5m p.a.)

KEY HIGHLIGHTS: STRONG 1Q15 AND DECLINE IN E&P VOLUMES IMPACT THE REVENUES COMPARISON



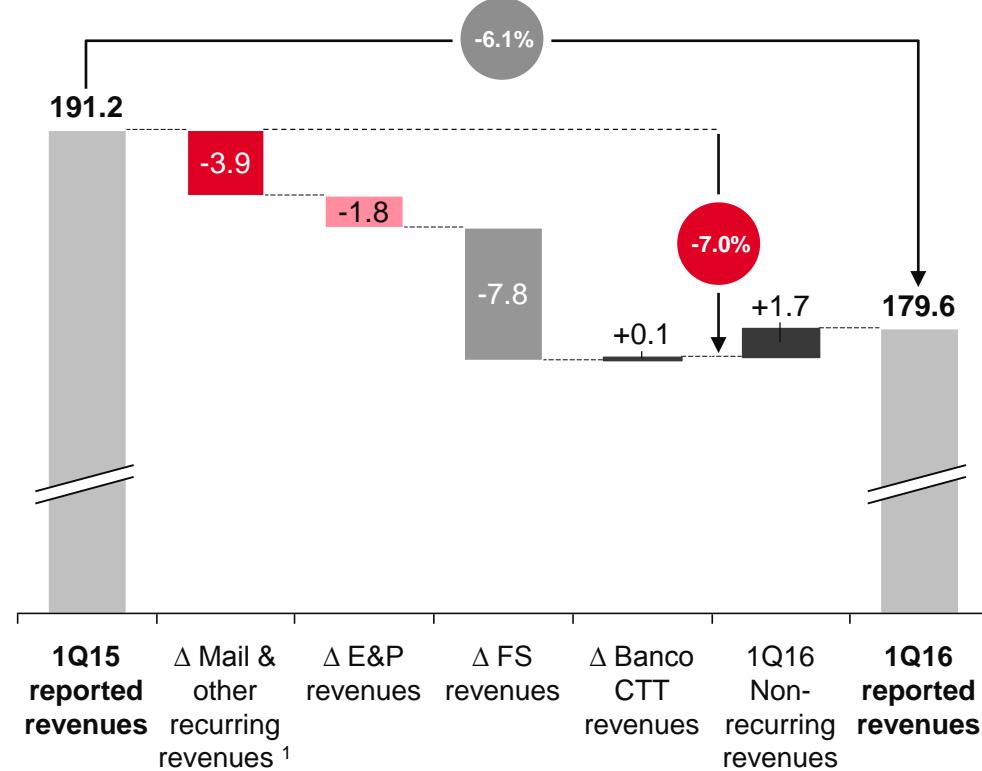
1Q16 recurring revenues

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



Revenues breakdown

€ million



- **Financial Services revenues impacted by a challenging quarterly comparison in public debt certificates placements** (subscriptions down -57.8%, revenues down -€8.1m due to an exceptional January 2015, as a result of the downward revision of the remuneration rate on treasury & savings certificates)
- **Express & Parcels revenues affected by volumes decline in Portugal (-5.0%, due to the termination of service to a large low-margin client in 4Q15) and Spain (-3.9%, due to the termination of service to large loss-making clients in a recent turnaround initiative)**
- **Addressed mail volumes decline -4.4% (within -3% / -5% guidance)**, partially offset by 3.1% average price increase for the period

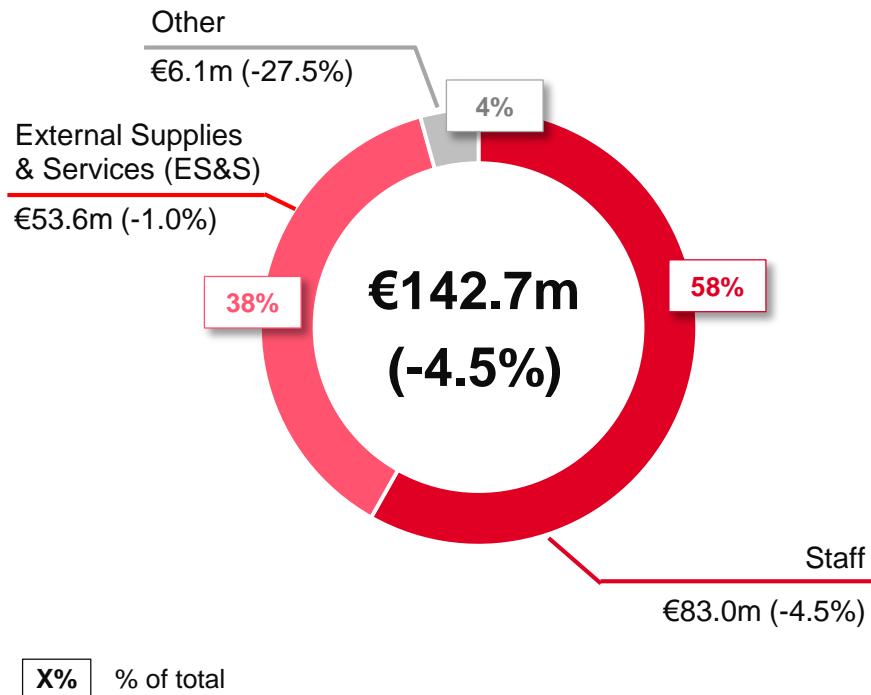
¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€8.7m in 1Q15 and -€7.8m in 1Q16.

KEY HIGHLIGHTS: RECURRING COSTS DECLINE BY 4.5%, OR 6.7% ON A LIKE-FOR-LIKE BASIS, EXCLUDING BANCO CTT



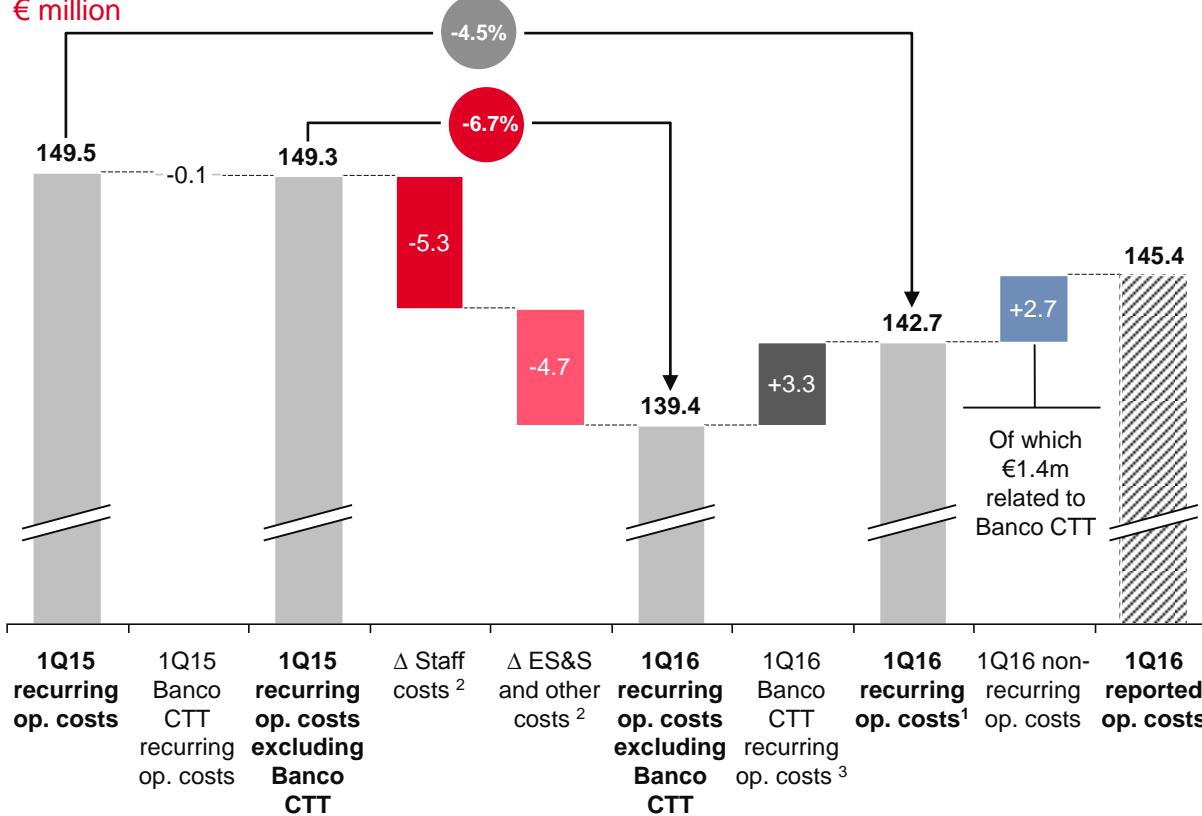
1Q16 recurring operating costs ¹

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



Operating costs breakdown

€ million



- **Staff costs decrease** as a result of: **€2.3m reduction in remuneration**, partly due to the Company Agreement and partly to the implemented remuneration policy that connects the variable component to the company results; and **€1.5m reduction from the more balanced use of the Healthcare Plan and the telephone subscription fee employee benefit**
- **ES&S and other costs decline** mainly due to the impact of reduced distribution outsourcing due to **Mail and E&P networks integration (-€1.1m)** and **-€2.4m reduction resulting from international mail exchange rate differences**, the latter impacting mainly 1Q15

¹ Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of €2.3m in 1Q15 (€1.4m related to Banco CTT) and €2.7m in 1Q16 (€1.4m related to Banco CTT).

² Excluding Banco CTT recurring op. costs: €0.1m in 1Q15 (booked in FS business unit) and €3.3m in 1Q16 (€3.0m booked in Banco CTT business unit, €0.3m in Mail business unit).

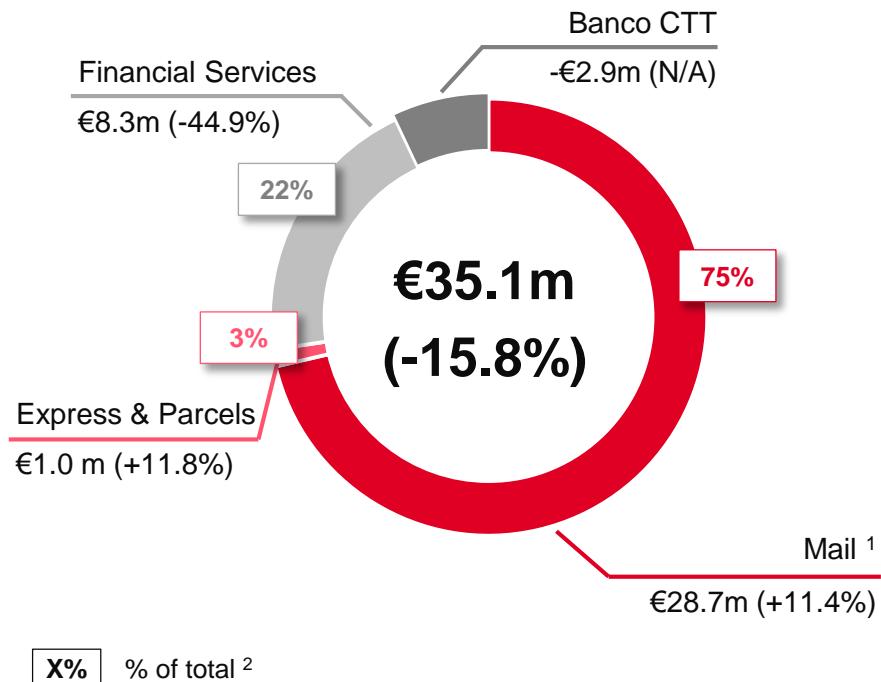
³ Booked in Banco CTT business unit (€3.0m, of which €1.5m Staff costs and €1.5m ES&S and other costs) and in Mail business unit (€0.3m of ES&S costs).

KEY HIGHLIGHTS: RECURRING EBITDA PERFORMANCE IN 1Q16 SERVES TO CONFIRM THE FULL YEAR GUIDANCE



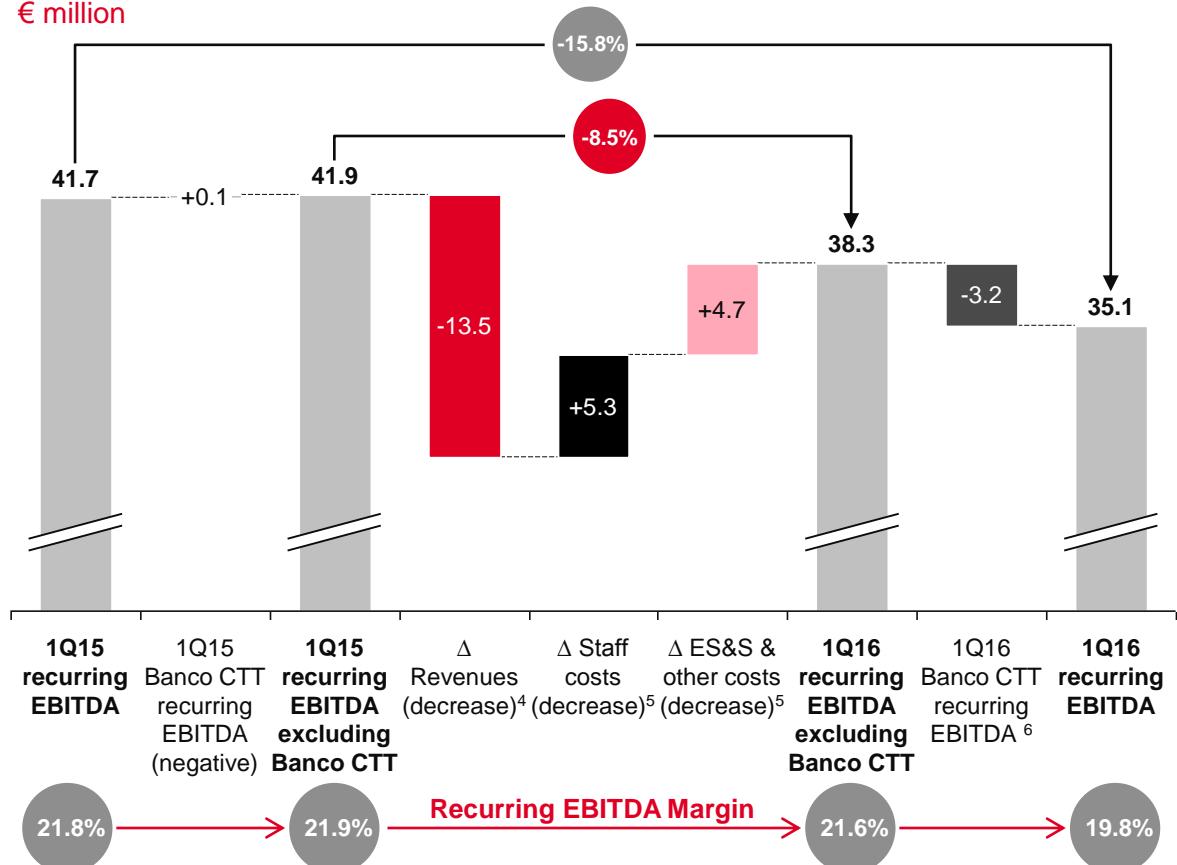
1Q16 recurring EBITDA

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



Recurring EBITDA ³ breakdown

€ million



Recurring EBITDA declines by 8.5% (-€3.5m) on a like-for-like basis, as €3.3m increase in Mail EBITDA partially offsets the €6.9m decline in FS EBITDA

¹ Including €0.3m Banco CTT recurring operating costs booked in Mail business unit.

² Excluding -€2.9m Banco CTT business unit recurring EBITDA.

³ Excluding total non-recurring revenues of €1.7m in 1Q16 and non-recurring operating costs affecting EBITDA of €2.3m in 1Q15 (€1.4m related to Banco CTT) and €2.7m in 1Q16 (€1.4m related to Banco CTT).

⁴ Excluding Banco CTT recurring revenues: €0.1m in 1Q16.

⁵ Excluding Banco CTT recurring op. costs: €0.1m in 1Q15 (booked in FS business unit) and €3.3m in 1Q16 (€3.0m booked in Banco CTT business unit and €0.3m in Mail business unit).

⁶ Booked in Banco CTT business unit (€2.9m) and in Mail business unit (€0.3m).

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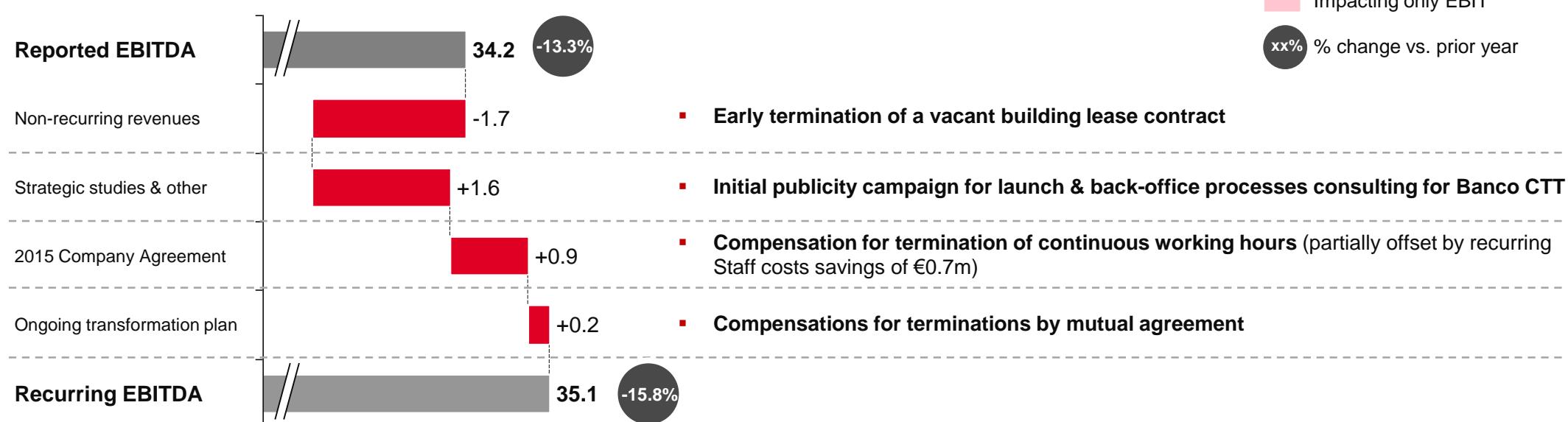


OTHER FINANCIALS: NON-RECURRING ITEMS WITH €2.0M POSITIVE IMPACT ON EBIT



1Q16 non-recurring items impacting EBITDA & EBIT

€ million



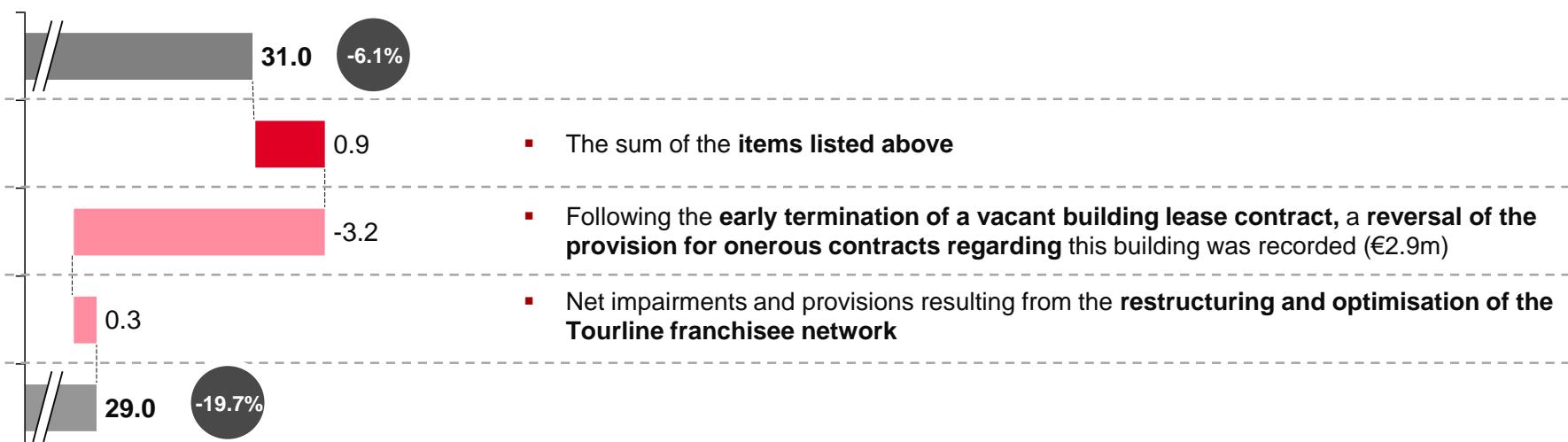
Reported EBIT

Items affecting EBITDA and EBIT

Onerous contracts & labour contingencies

Restructuring for network optimisation

Recurring EBIT



OTHER FINANCIALS: LAUNCH OF BANCO CTT SUPPORTED BY THE PARENT

COMPANY'S STRONG CASH POSITION



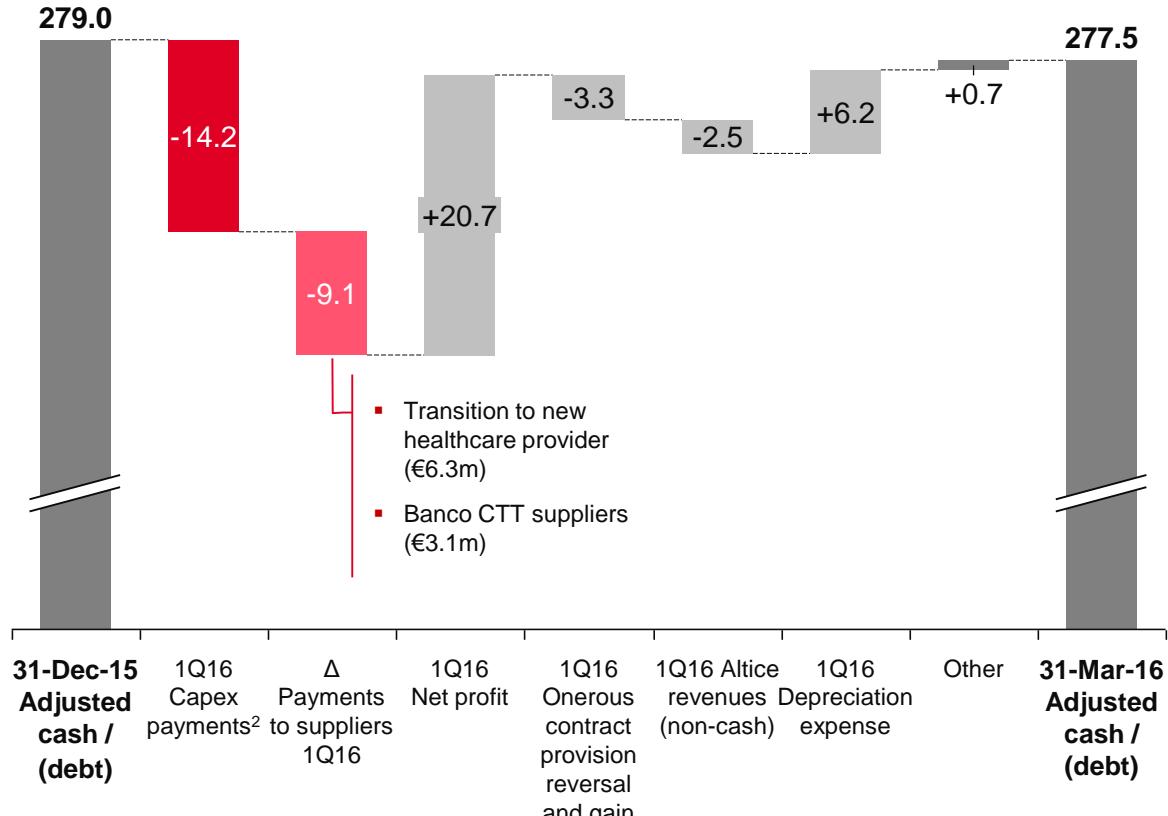
Cash flow

€ million, % change vs. 1Q15 ¹

	Reported		Adjusted ²	
	1Q16	Δ %	1Q16	Δ %
From operating activities	-15.4	+88.3%	12.1	-48.2%
From investing activities	-14.8	-37.9%	-13.3	-23.4%
Of which: Capex payments ³	-15.7	-35.9%	-14.2	-22.4%
Operating free cash flow	-30.3	+78.8%	-1.2	-109.4%
From financing activities	-0.3	-128.1%	-0.3	-128.1%
Net change in cash	-30.6	+78.4%	-1.5	-111.0%
Cash at end of period	573.0	-5.1%	277.5	-0.5%

Adjusted cash at the end of the period

€ million



Solid cash position preserved in a quarter of relevant investment in Banco CTT

¹ Except Cash at the end of the period (% change vs. Dec-15);

² Cash at the end of the period excluding net Financial Services payables of €324.7m (Dec-15) and €291.6m (Mar-16) and €4.0m net Banco CTT liabilities (Mar-16). Cash flow from operating and investing activities excluding changes in net Financial Services payables of -€155.6m (1Q15) and -€33.1m (1Q16), respectively, and change in net Banco CTT liabilities of €4.0m (1Q16).

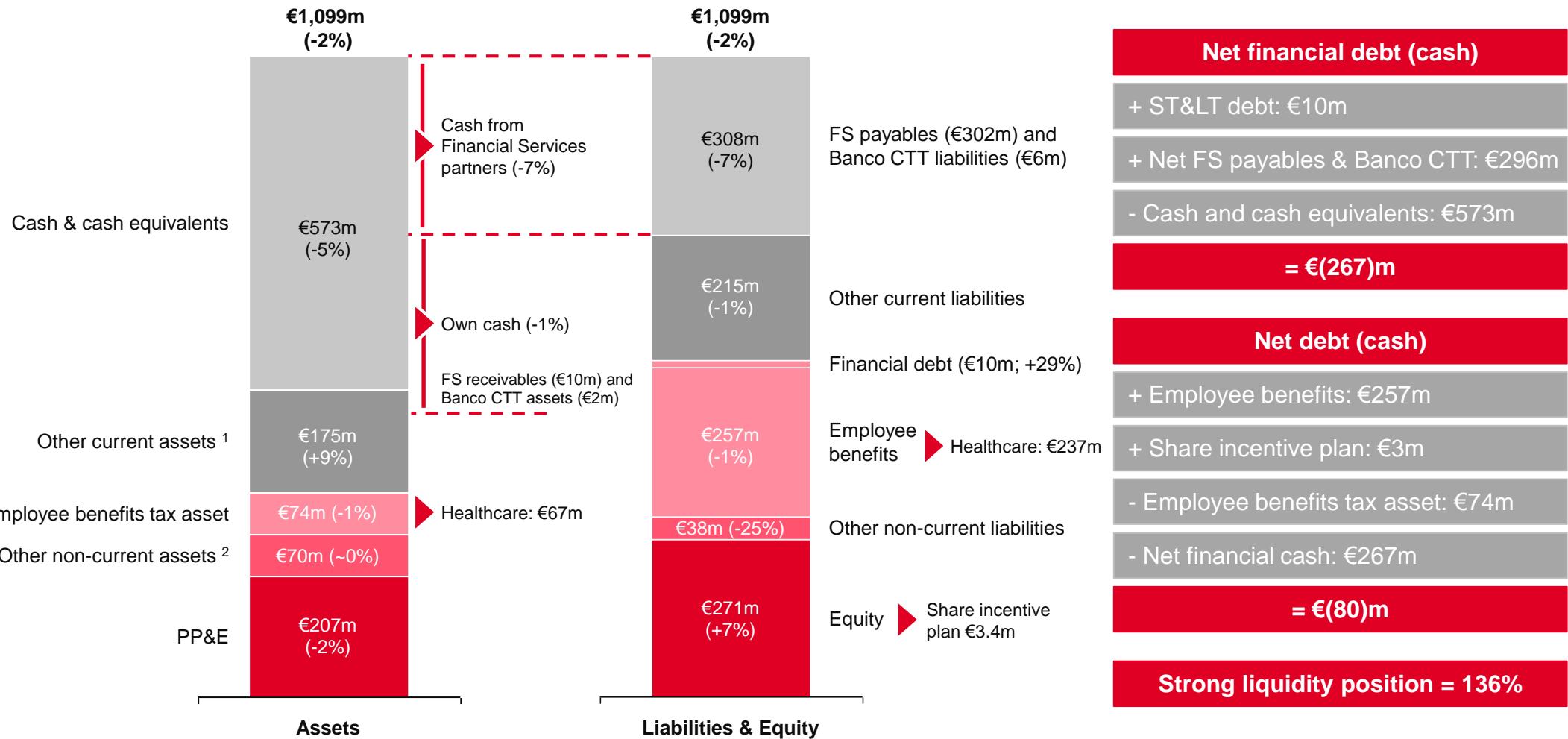
³ Cash capex presented in the table; capex was €4.7m in 1Q16 (€5.2m in 1Q15).

OTHER FINANCIALS: NET CASH STANDS AT €80M POST-EMPLOYMENT BENEFITS, NET



Balance Sheet – 31 March 2016

€ million; % change vs. 31 December 2015



Balance sheet optimisation initiatives to continue

¹ Including Financial Services receivables of €6.4m and €10.3m as at Dec-15 and Mar-16, respectively.

² Including Banco CTT assets of €2.0m as at Mar-16.

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Total liquidez a partir do 1º ano
e juros com pagamentos anuais

2,25%
TNB média
em 5 anos +

80% do crescimento médio real
do PIB, se positivo

TAXAS ANUAIS BRUTAS

Ano	Taxa Anual Bruta
1º ano	1,25%
2º ano	1,75%
3º ano	2,25%
4º ano	2,75%+

Não dispensa a consulta da ficha



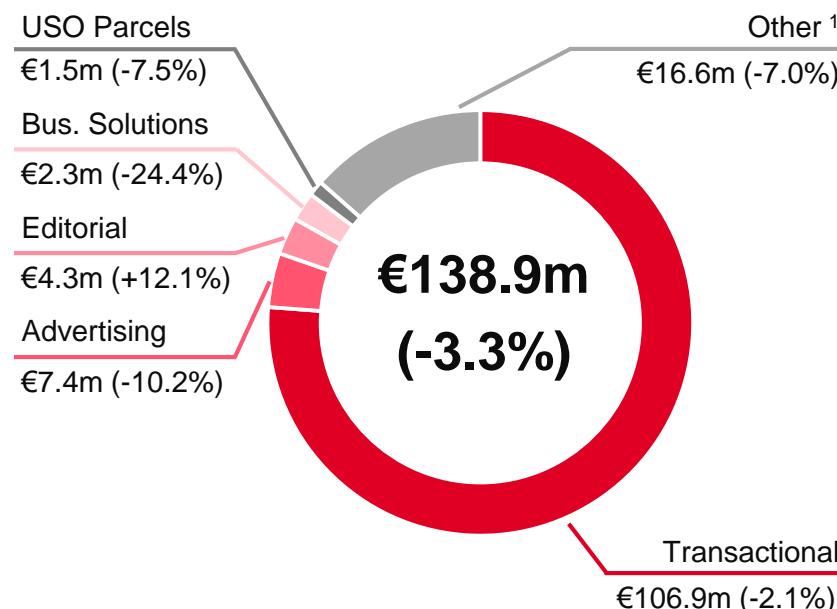
BUSINESS UNITS PERFORMANCE: MAIL MARGIN EXPANDS DUE TO COST



OPTIMISATION AND HIGHER UTILISATION OF ITS ASSETS BY OTHER BUSINESS UNITS

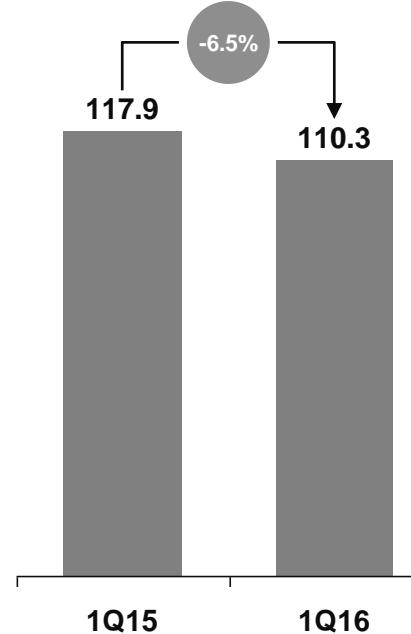
1Q16 Mail revenues by type

€ million, % change vs. prior year



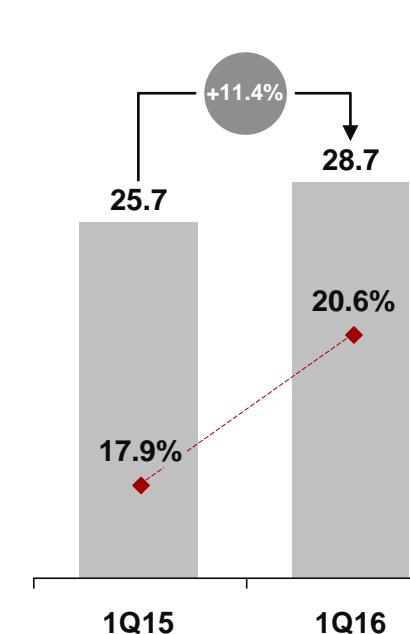
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



Mail volumes by type

Metric	Avg. mail prices ⁴	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q16 volumes ³	N/A	211.2	180.5	19.3	11.4	103.4
1Q16 vs. 1Q15	+3.1%	-4.4%	-4.4%	-7.4%	+0.4%	-6.3%

¹ Including +€0.6m of revenues that result from the network integration with CTT Expresso, +€0.8m from the MoU with Altice terminating in Dec-16, +€1.3m from the improvements made in the VAT deduction methodology procedures and -€2.2m decline in revenues from international mail exchange rate differences.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including Banco CTT recurring operating costs booked in Mail business unit of €0.3m in 1Q16.

³ Million items.

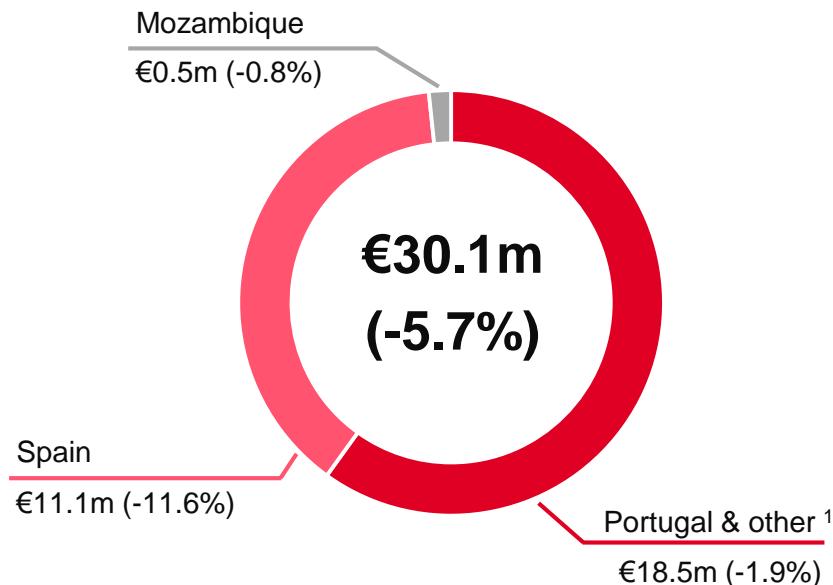
⁴ USO, excluding international inbound mail.

BUSINESS UNITS PERFORMANCE: NETWORK INTEGRATION SAVINGS HELP OFFSET THE IMPACT OF VOLUMES DECLINE IN E&P



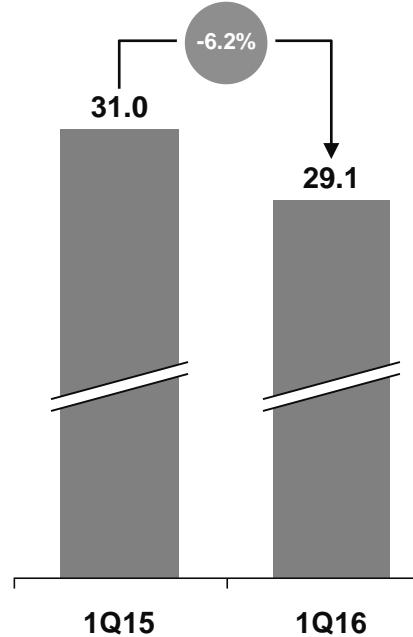
1Q16 E&P revenues by region

€ million, % change vs. prior year



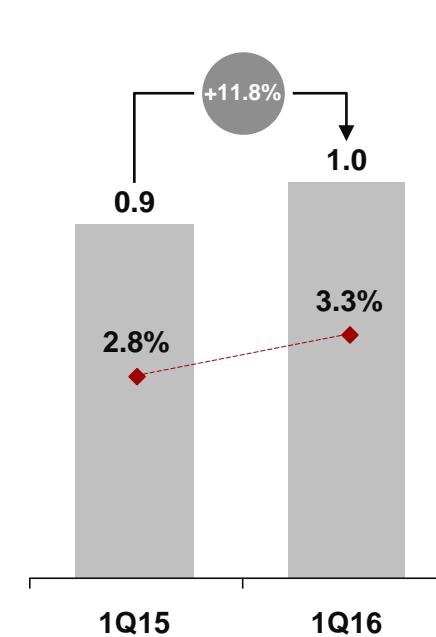
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
1Q16 volumes ³	6.6	3.2	3.3	0.05
1Q16 vs. 1Q15	-4.0%	-5.0%	-3.9%	>100%

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique. Including +€0.8m from the MoU with Altice terminating in Dec-16.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.

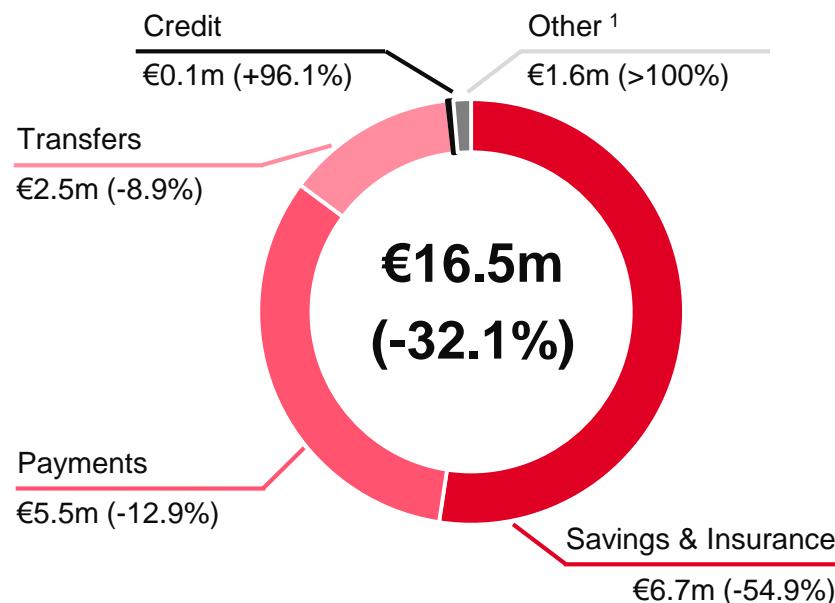
³ Million items.

BUSINESS UNITS PERFORMANCE: FINANCIAL SERVICES COMPARISON IMPACTED BY EXTRAORDINARY PLACEMENT OF PUBLIC DEBT CERTIFICATES IN JANUARY 2015



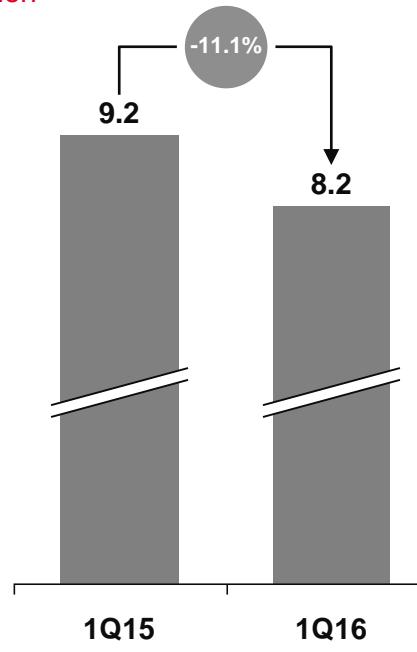
1Q16 FS revenues by type

€ million, % change vs. prior year



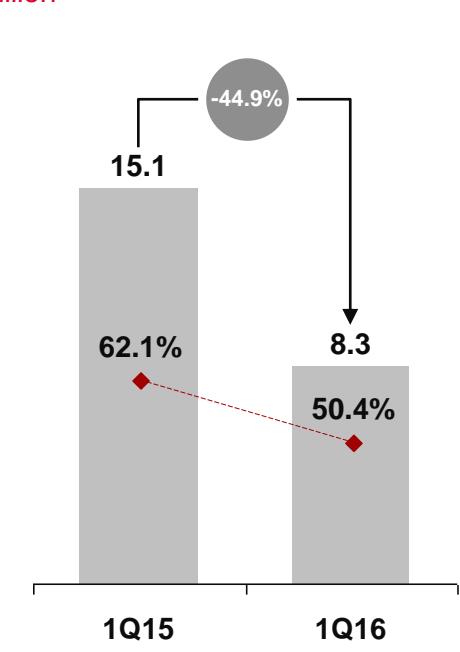
Recurring operating costs ²

€ million



Recurring EBITDA ²

€ million



FS volumes by type

Metric	Savings inflows ³	Payments ⁴	Money orders & transfers ⁴	Credit ⁵
1Q16 volumes	1.1	14.2	4.7	2.1
1Q16 vs. 1Q15	-57.8%	-5.5%	-5.2%	+19.1%

¹ Including +€0.8m from the MoU with Altice terminating in Dec-16 and +€0.7m from the improvements made in the VAT deduction methodology procedures.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including Banco CTT recurring operating costs booked in FS business unit of €0.1m in 1Q15.

³ Amount of savings & insurance products placements (€ billion).

⁴ Million operations.

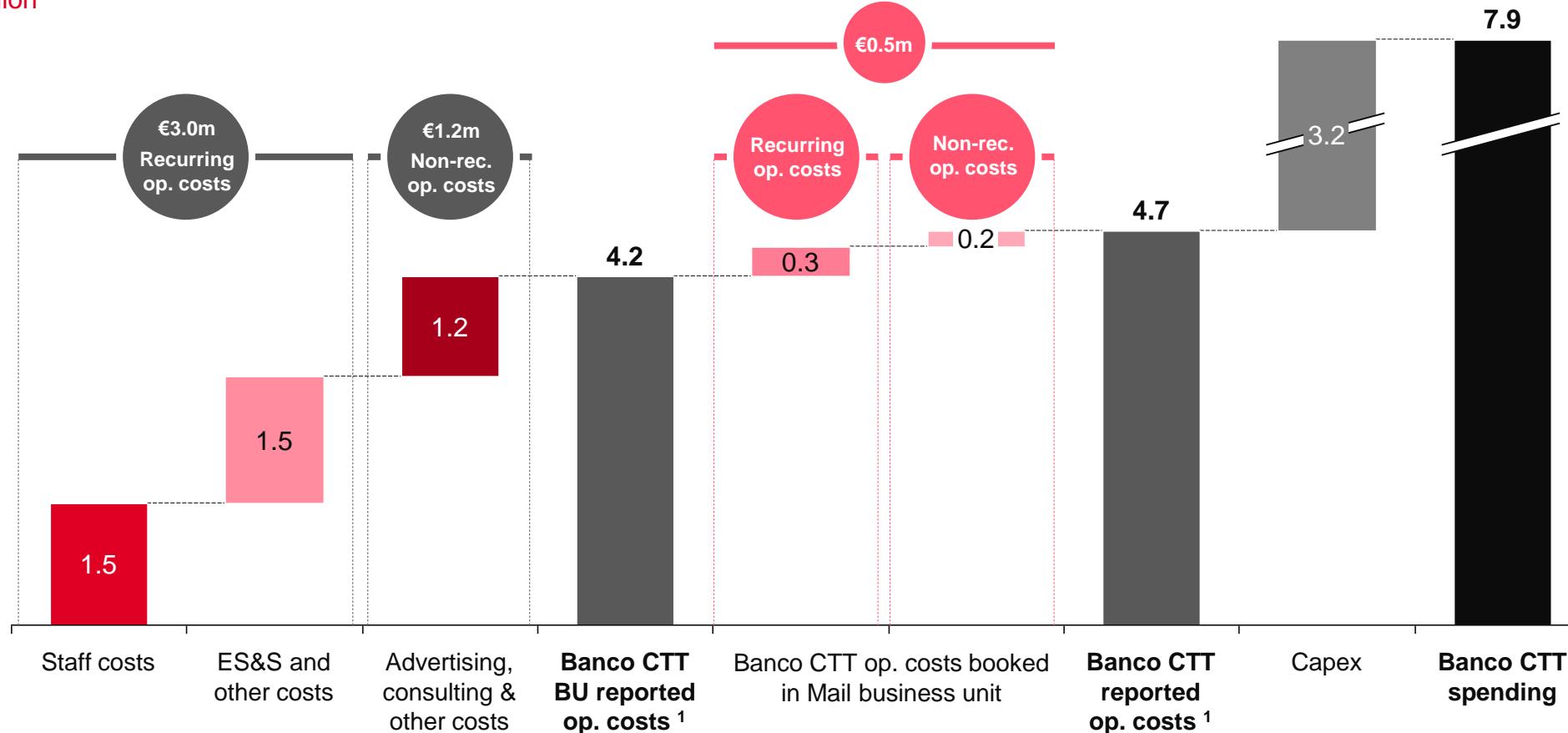
⁵ € million, new credit production, including consumer credit & credit cards.

BUSINESS UNITS PERFORMANCE: IN 1Q16 THE TOTAL BANCO CTT SPENDING REACHED €7.9M; IT WILL RAMP-UP ALONG THE YEAR



1Q16 Banco CTT project operating costs ¹ and capex

€ million



¹ Excluding amortisation, depreciation, provisions and impairment losses.

CTT Investor Relations

Upcoming Events:

- 13 May – **Frankfurt** – Roadshow with Barclays
- 16 May – **London** – IR dinner with Jefferies
- 17 May – **London** – UBS Pan European Small & Midcap Conference
- 18 May – **London** – BAML Business Services, Leisure & Transport Conference
- 6 Jun. – **Boston** – Roadshow with Investec
- 7 Jun. – **New York** – Roadshow with J.P. Morgan
- 8 Jun. – **New York** – Euronext Pan European Days Conference with Haitong
- 16 Jun. – **Milan** – Roadshow with Caixa BI
- 27 Jun. – **Switzerland** – Roadshow with Haitong
- 28 Jun. – **London** – Goldman Sachs 12th Annual European Business Services Conference

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