



CTT – Correios de Portugal, S.A.

1Q16 Results Presentation

11 May 2016

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This presentation 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.

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01. Key highlights

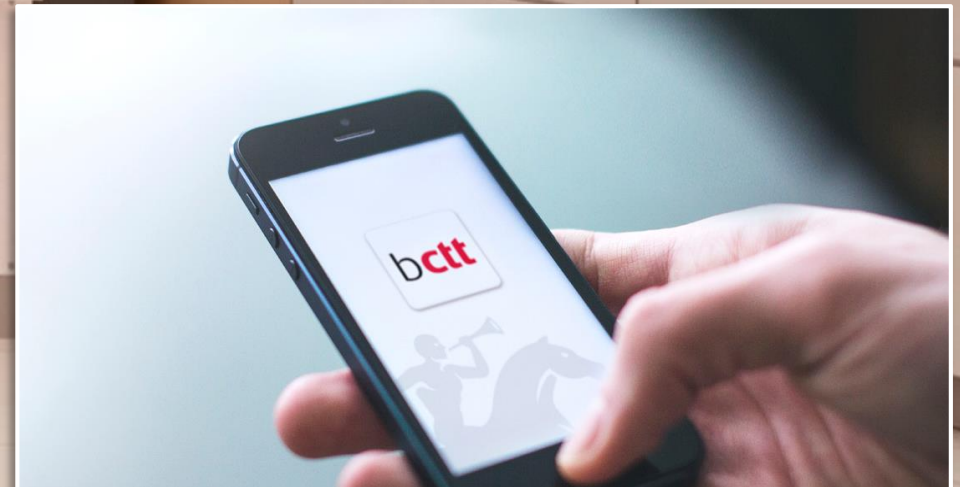
02. Other financials

03. Business units performance

Banco CTT



- €0 Maintenance fee
- €0 Annual debit card fee
- €0 Fee for national transfers via homebanking

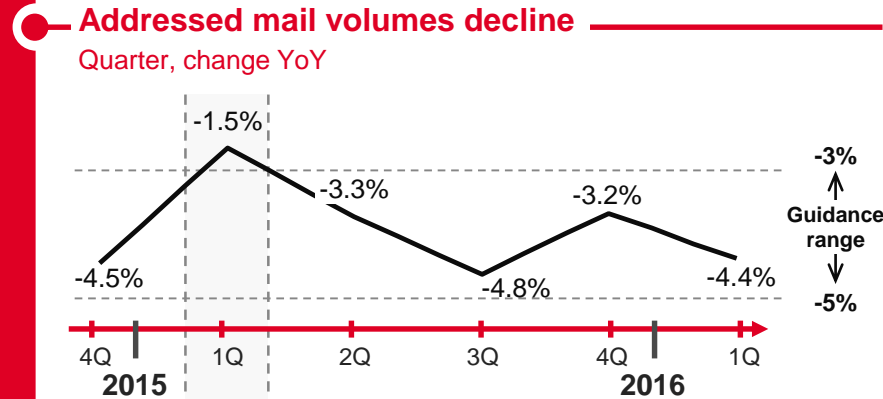


KEY HIGHLIGHTS: ANOTHER YEAR WITH OVER-PRONOUNCED 1ST QUARTER EFFECTS; FULL YEAR GUIDANCE CONFIRMED



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%



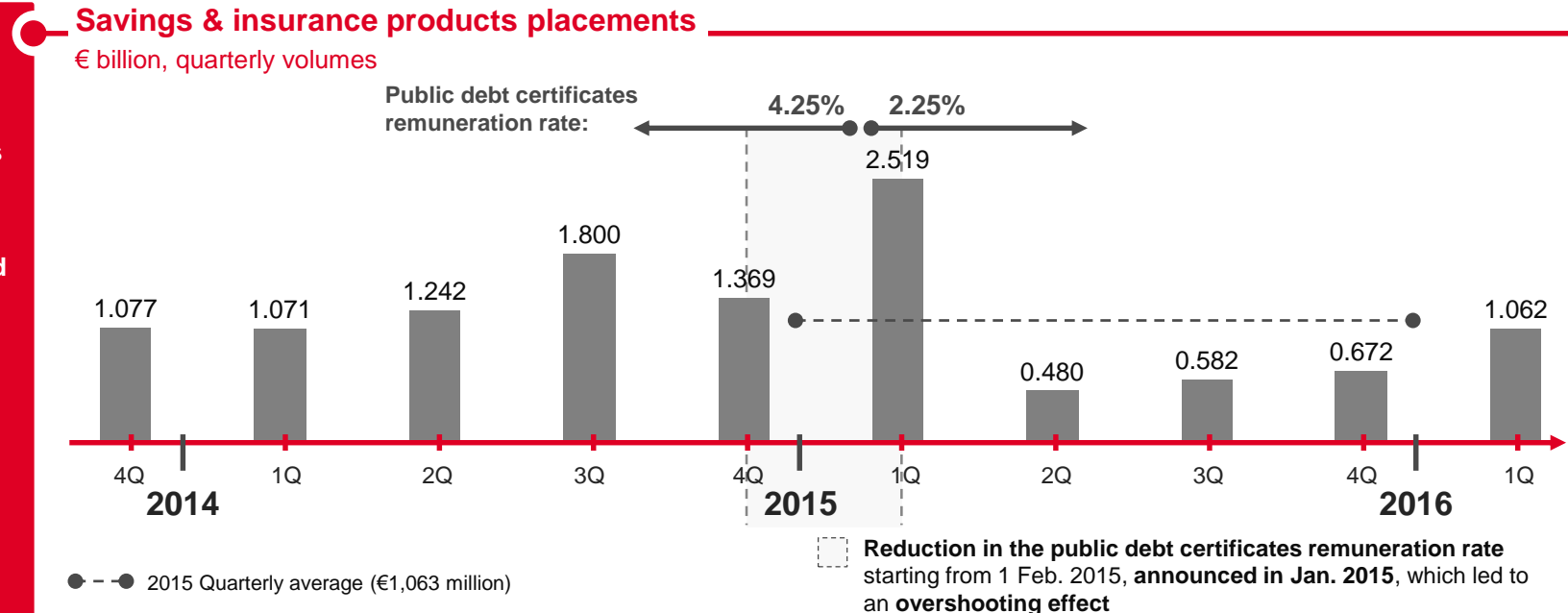
EXPRESS & PARCELS

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



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.

KEY HIGHLIGHTS: TWO RELEVANT EVENTS IN 1Q16 – BANCO CTT LAUNCH TO THE PUBLIC AND THE EARLY TERMINATION OF A LEASE CONTRACT



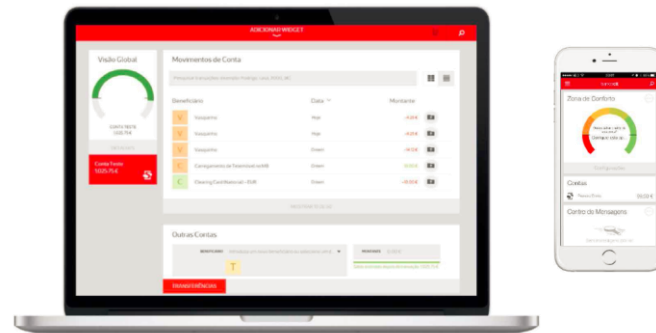
Banco CTT initiated its activity with a simple and competitive offer and state-of-the-art digital solutions

Competitive offer

€0 maintenance fee

€0 annual debit card fee

€0 fee for national transfers via homebanking



Balance Sheet optimisation measures

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.)**

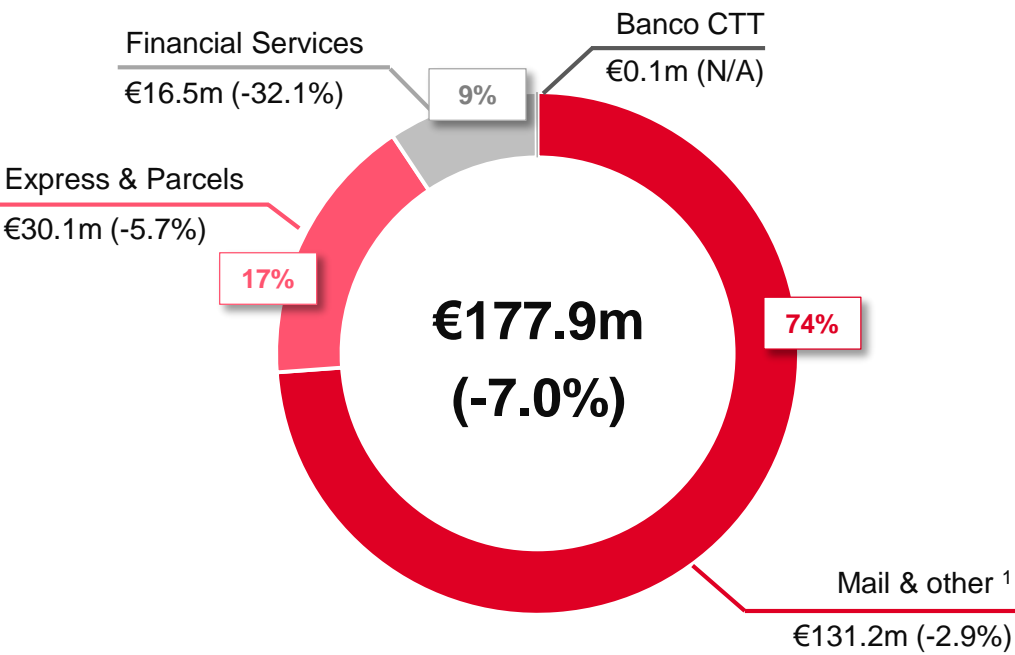


KEY HIGHLIGHTS: STRONG 1Q15 AND DECLINE IN E&P VOLUMES IMPACT THE REVENUES COMPARISON



1Q16 recurring revenues

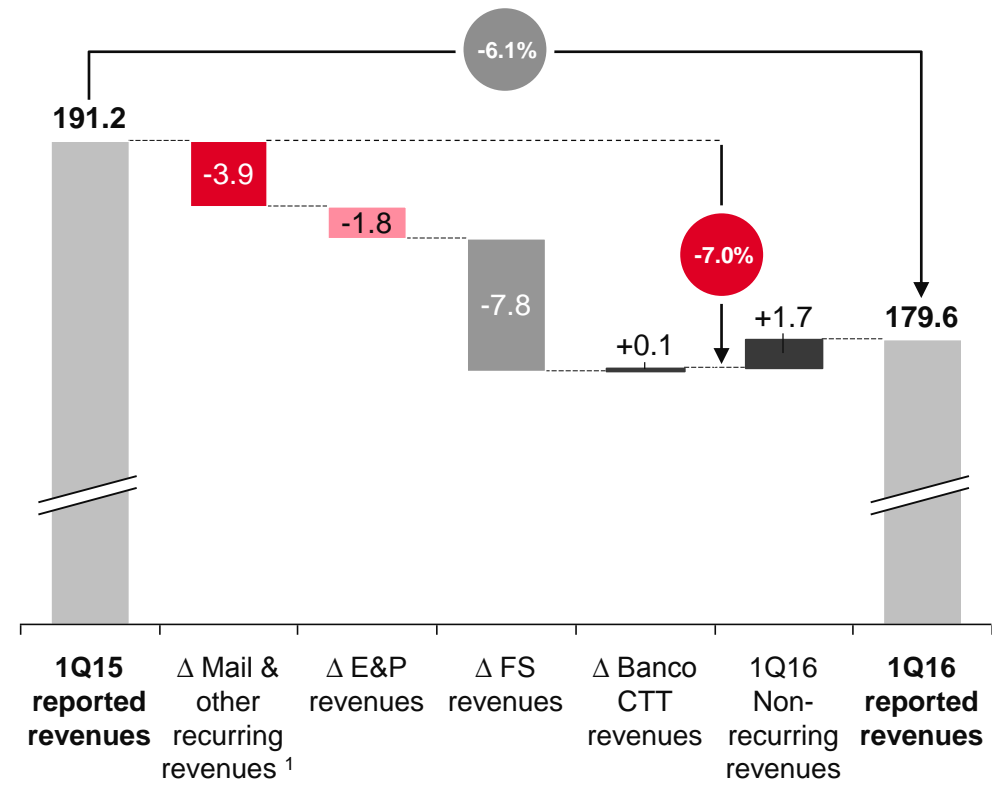
€ million; % change vs. prior year; % of total



X% % 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

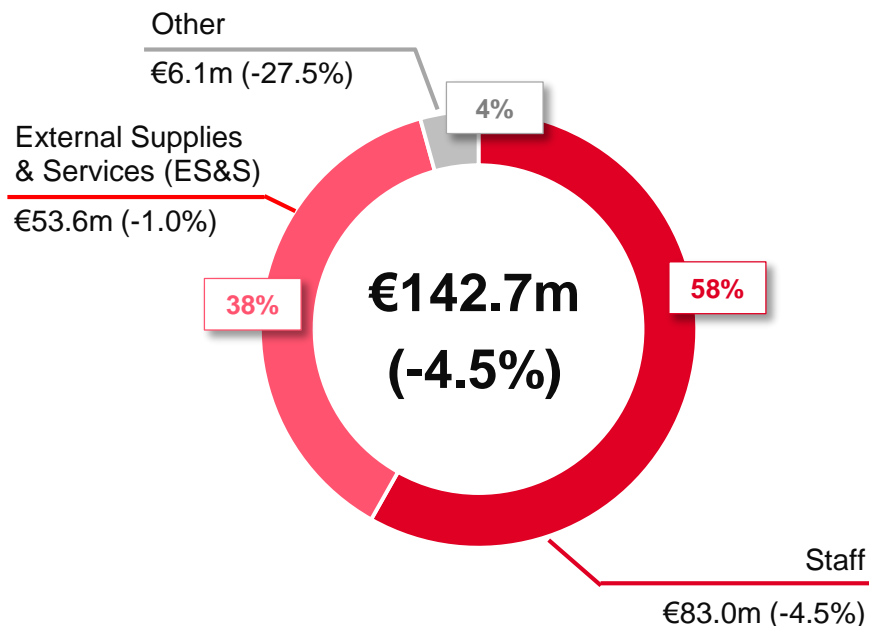
¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€8.7m in 1Q15 and -€7.8m in 1Q16.

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

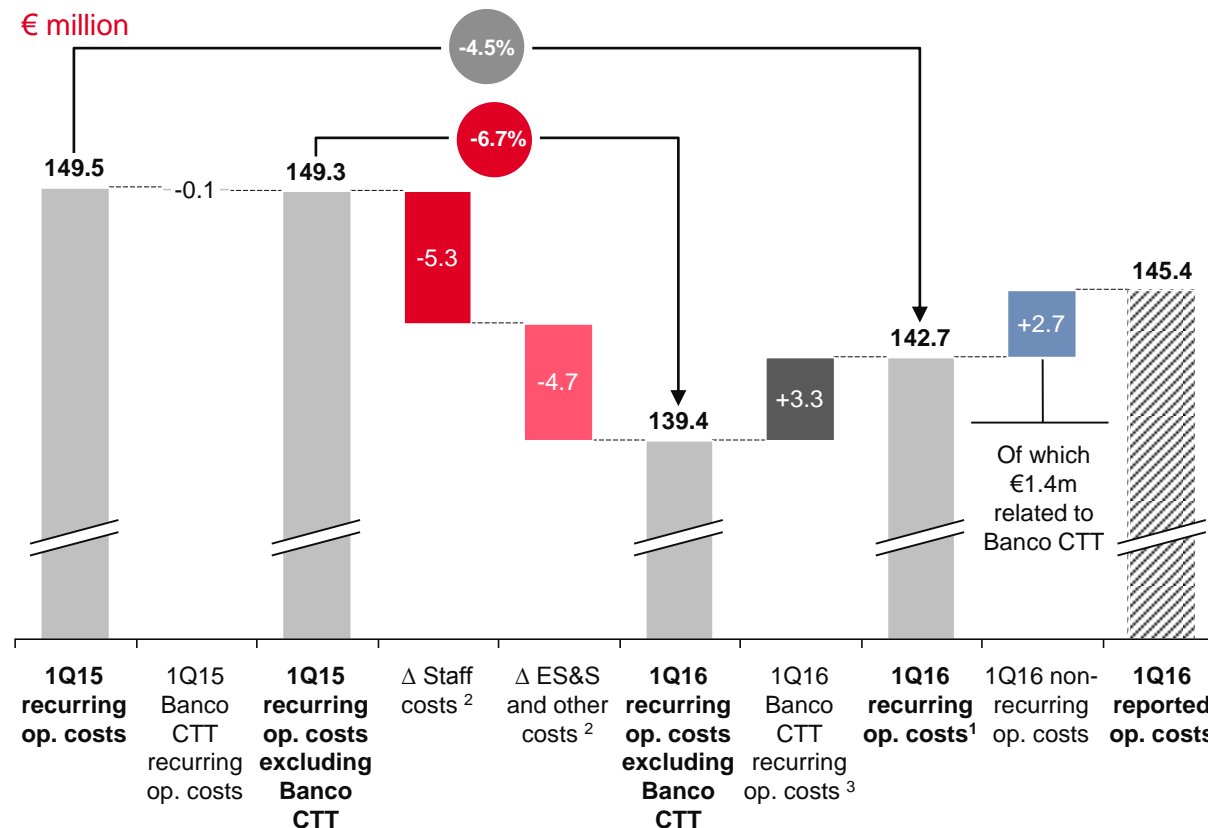
€ million; % change vs. prior year; % of total



X% % 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).

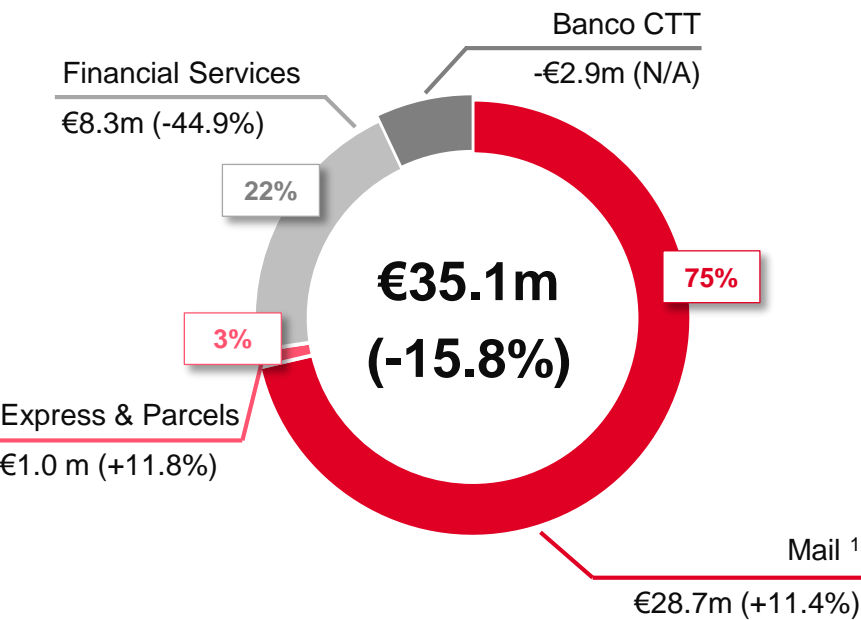
³ Booked in Banco CTT business unit (€3.0m, of which €1.5m Staff costs and €1.5m ES&S and other costs) and in Mail business unit (€0.3m of ES&S costs).

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



1Q16 recurring EBITDA

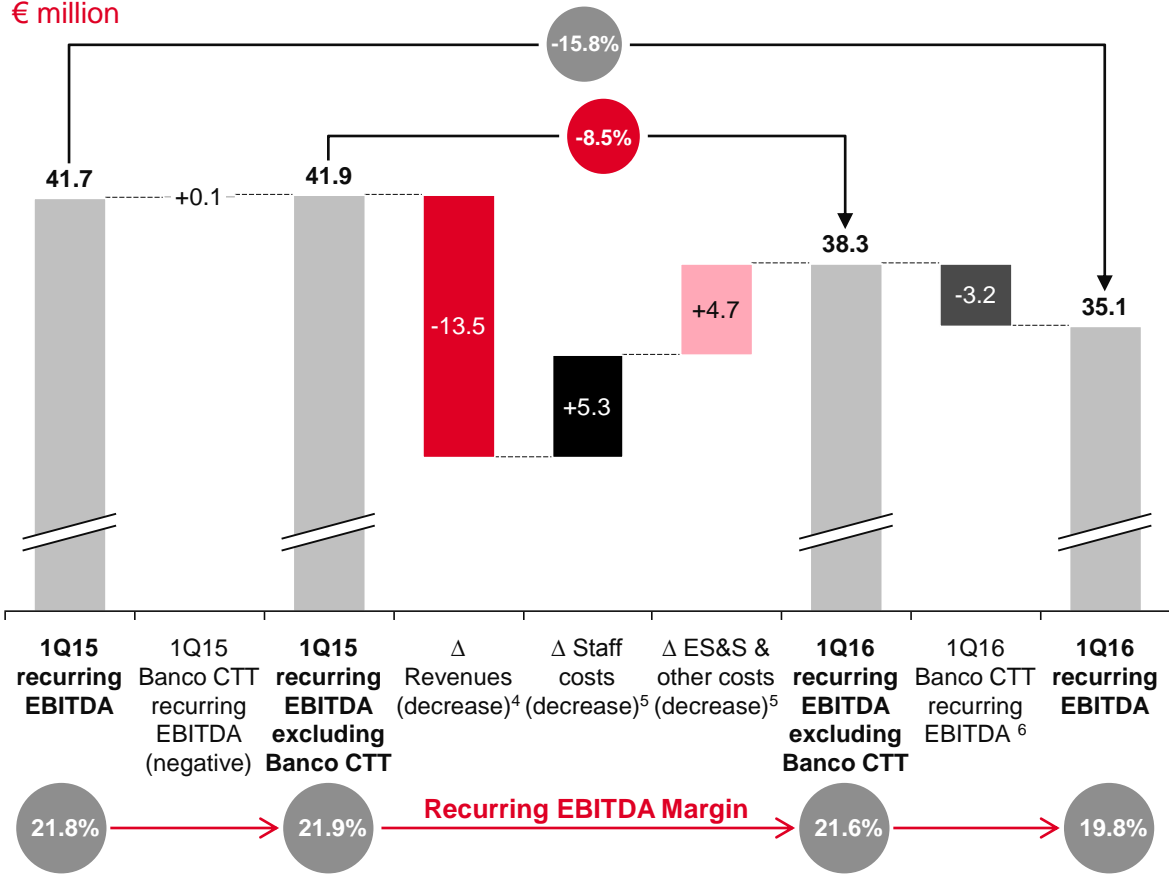
€ million; % change vs. prior year; % of total



X% % of total ²

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).

01. Key highlights

02. Other financials

03. Business units performance

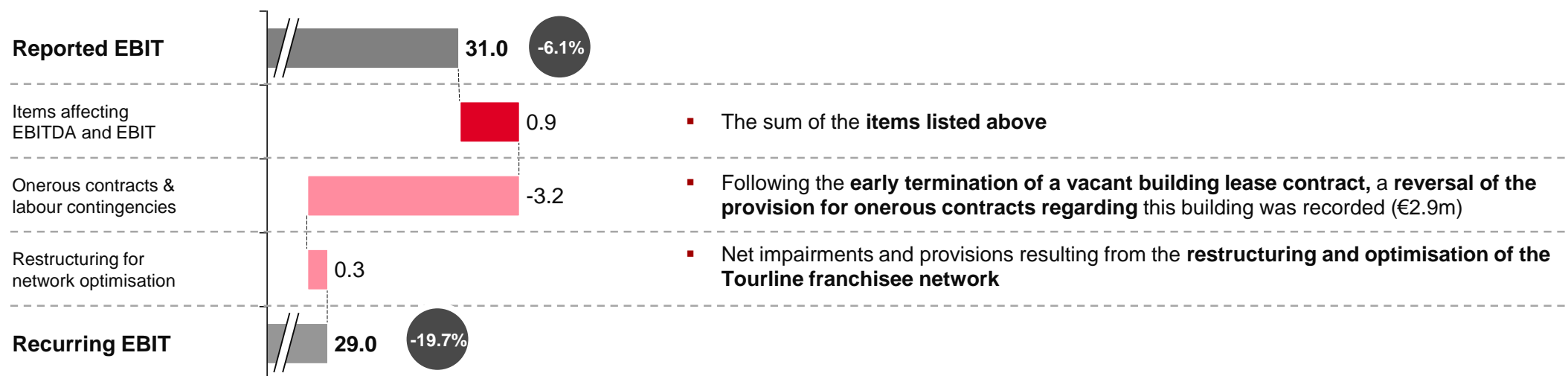
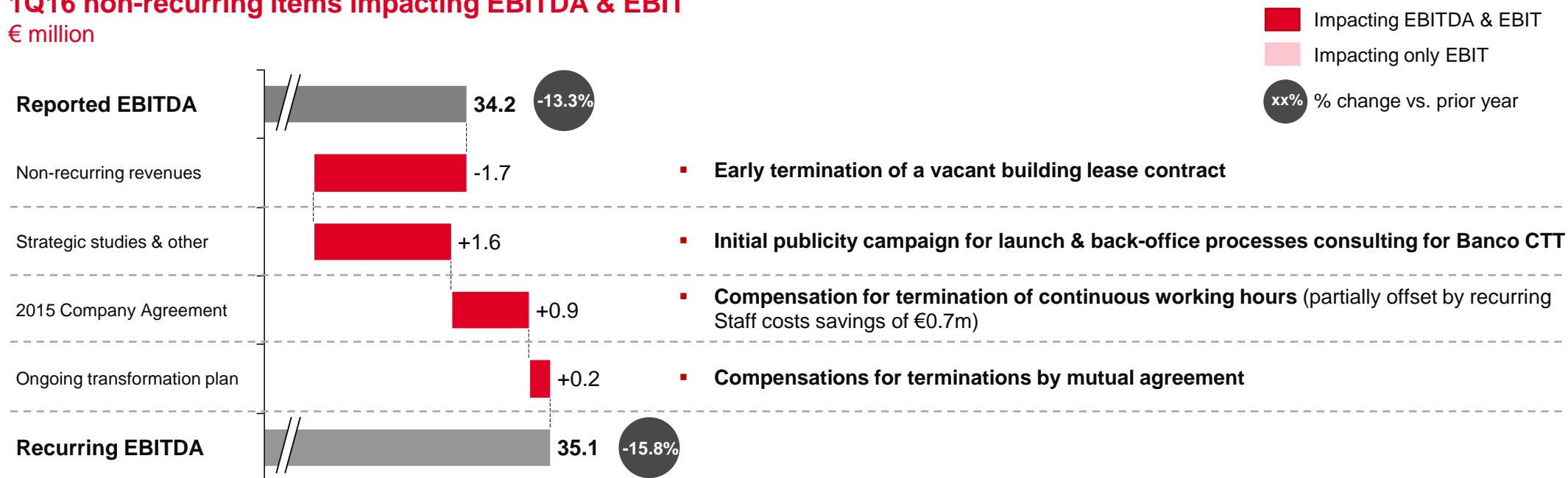


OTHER FINANCIALS: NON-RECURRING ITEMS WITH €2.0M POSITIVE IMPACT ON EBIT



1Q16 non-recurring items impacting EBITDA & EBIT

€ million



OTHER FINANCIALS: LAUNCH OF BANCO CTT SUPPORTED BY THE PARENT

COMPANY'S STRONG CASH POSITION



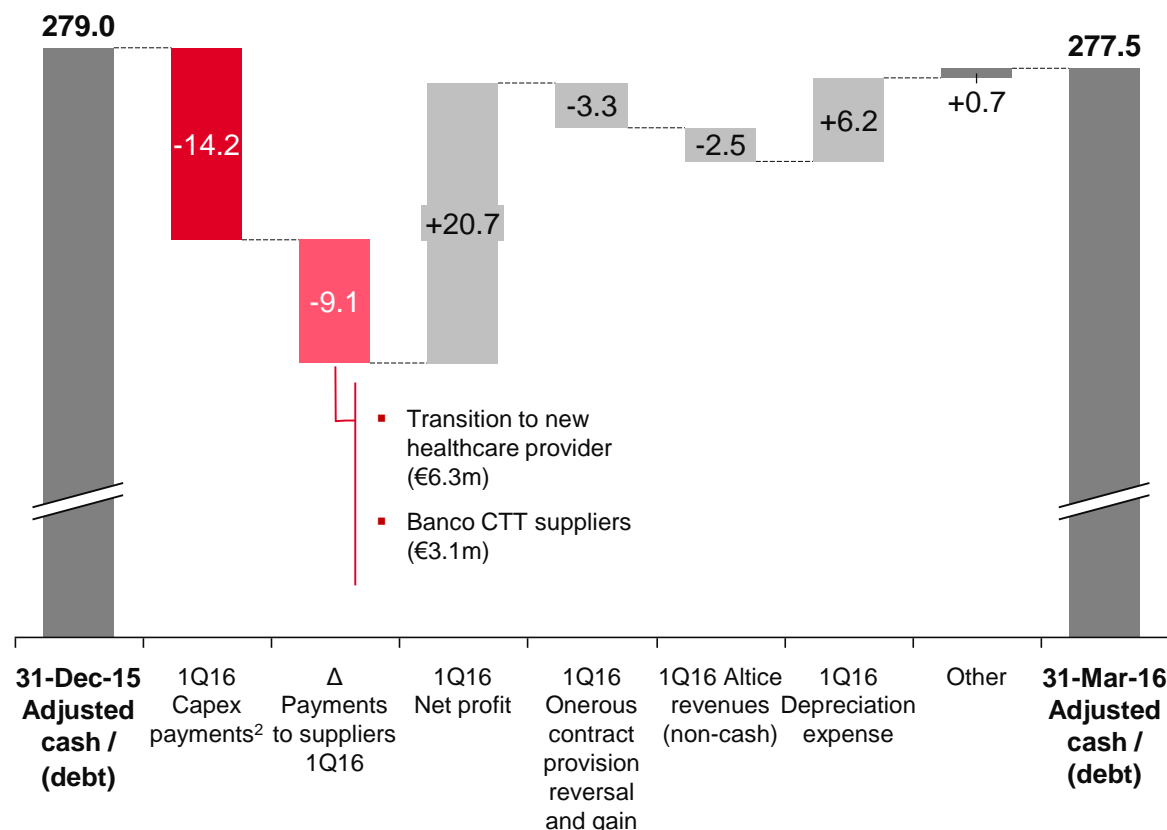
Cash flow

€ 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).

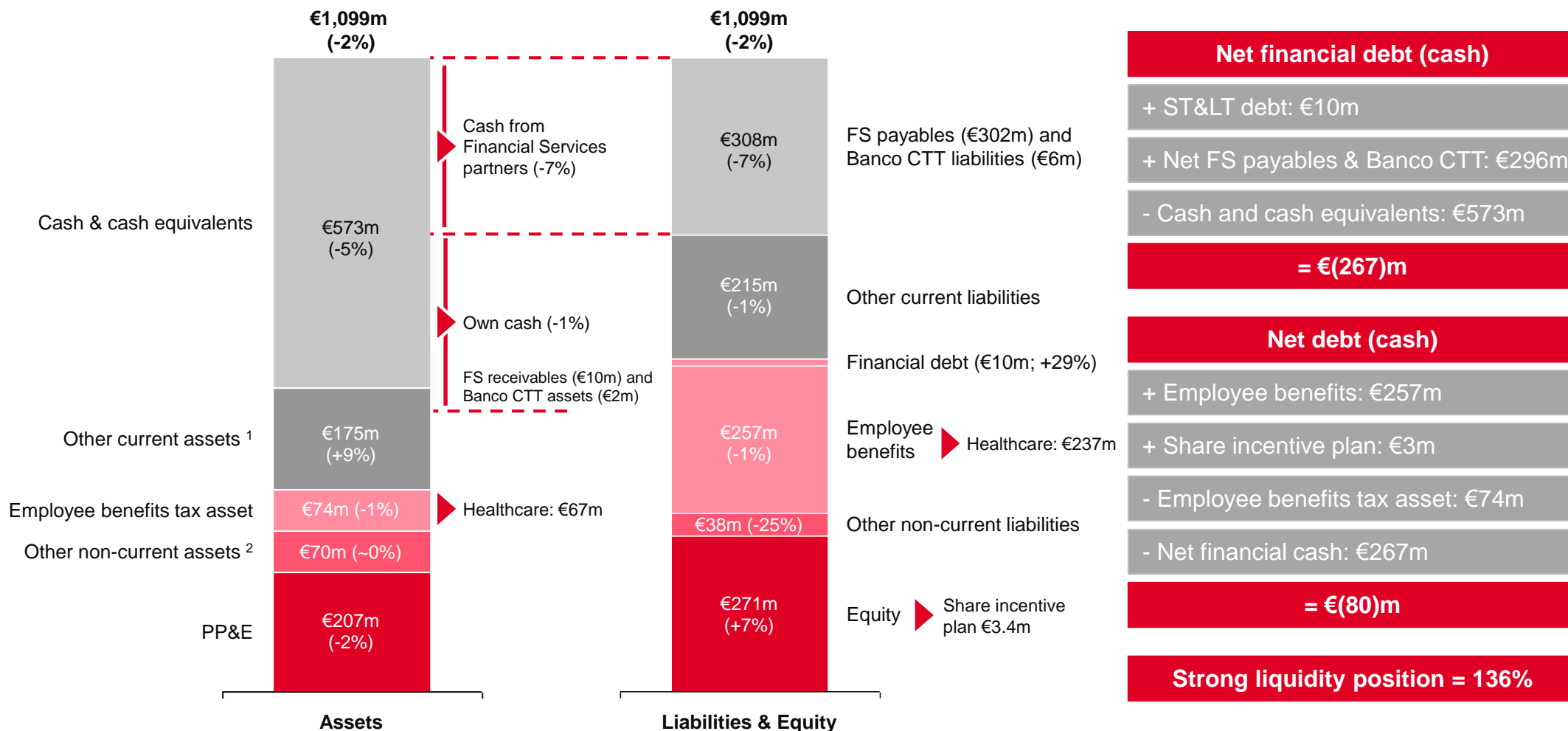
³ Cash capex presented in the table; capex was €4.7m in 1Q16 (€5.2m in 1Q15).

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.

01. Key highlights

02. Other financials

03. Business units performance

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



Não dispensa a consulta da ficha

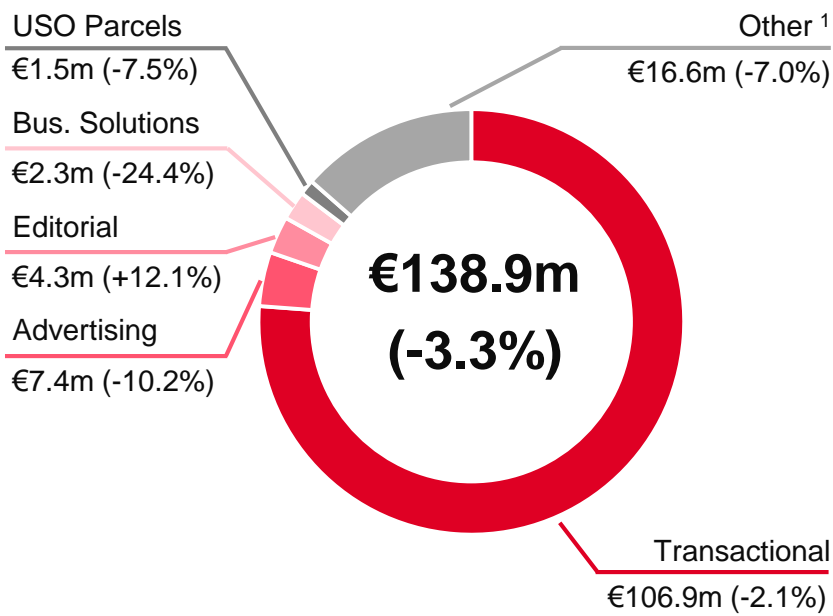


BUSINESS UNITS PERFORMANCE: MAIL MARGIN EXPANDS DUE TO COST OPTIMISATION AND HIGHER UTILISATION OF ITS ASSETS BY OTHER BUSINESS UNITS



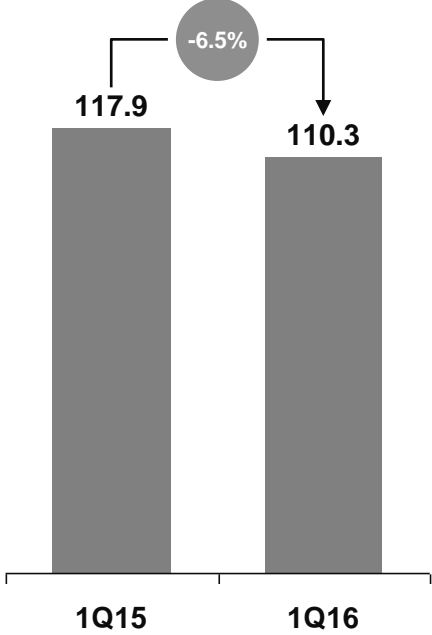
1Q16 Mail revenues by type

€ million, % change vs. prior year



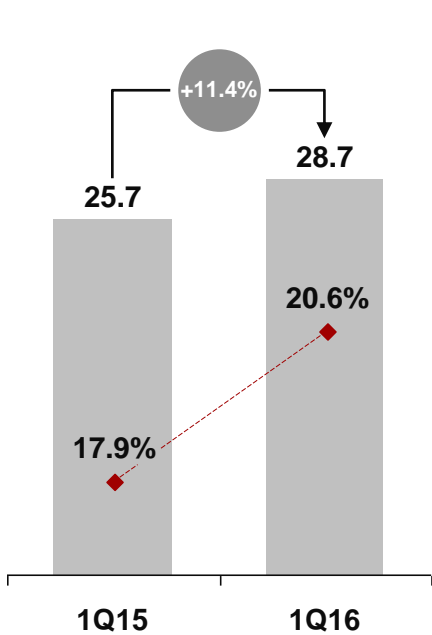
Recurring operating costs ²

€ million



Recurring EBITDA ²

€ 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.

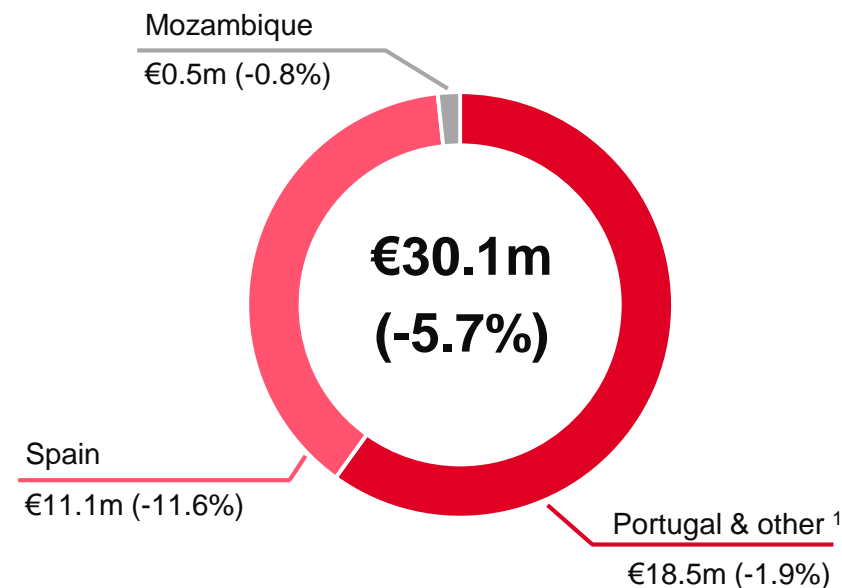
⁴ USO, excluding international inbound mail.

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



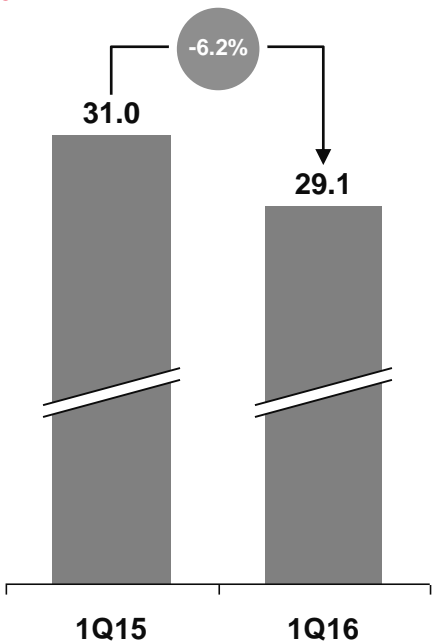
1Q16 E&P revenues by region

€ million, % change vs. prior year



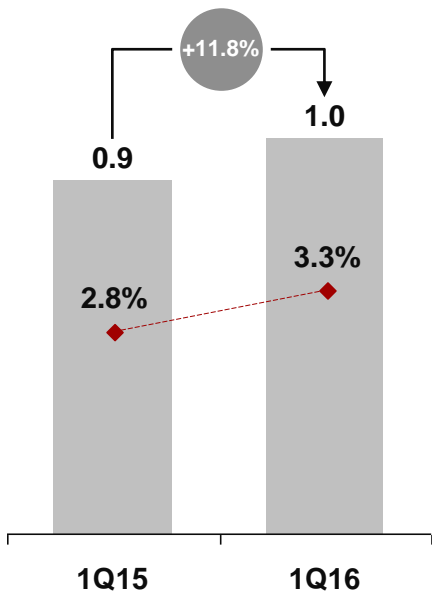
Recurring operating costs ²

€ million



Recurring EBITDA ²

€ million



Operating costs

EBITDA Margin EBITDA

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.

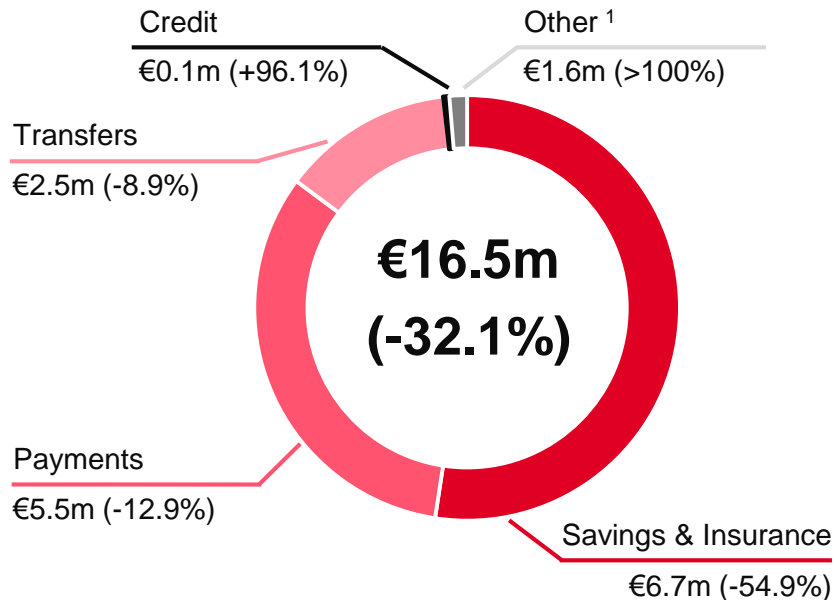
³ Million items.

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



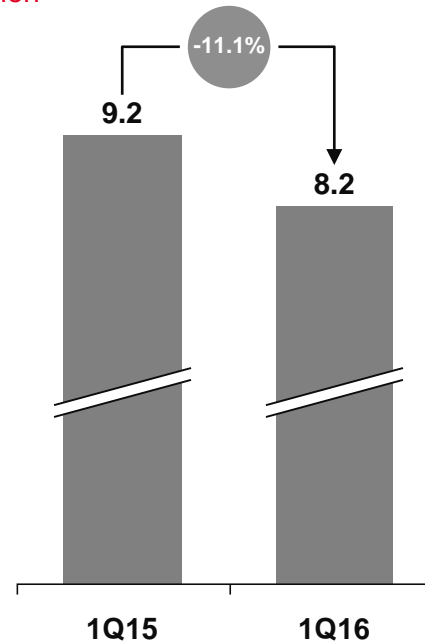
1Q16 FS revenues by type

€ million, % change vs. prior year



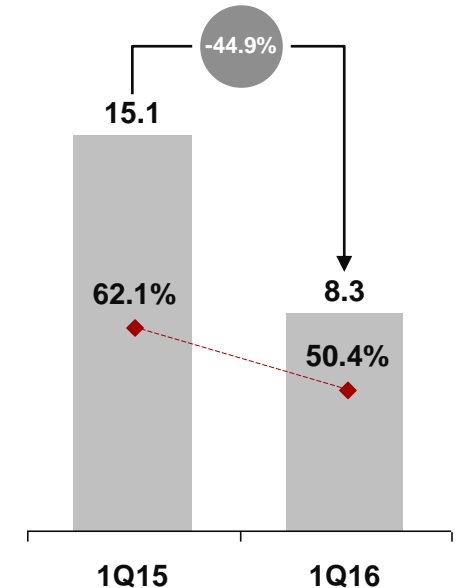
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



Operating costs

EBITDA Margin EBITDA

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).

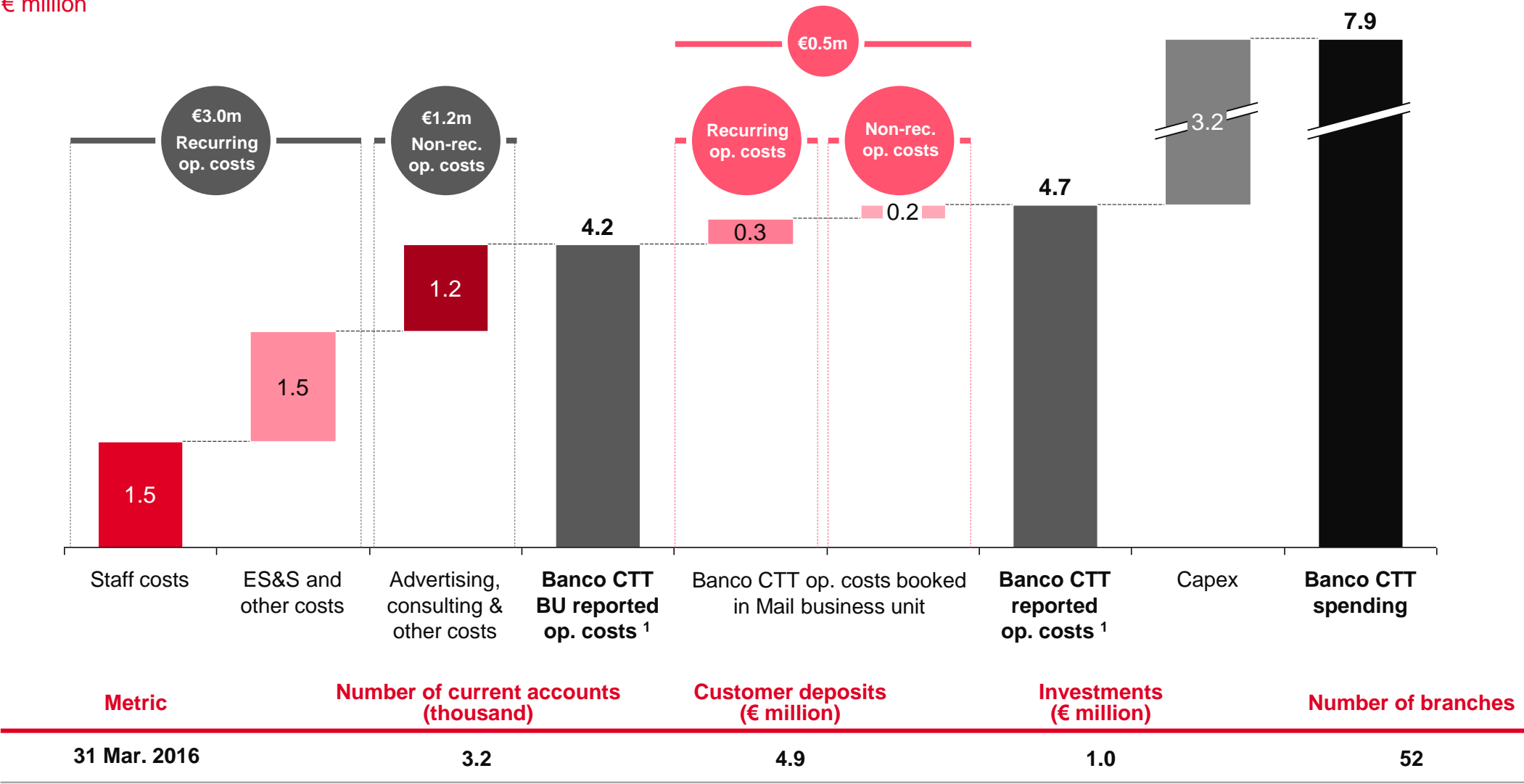
⁴ Million operations.

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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