



FULL YEAR 2016

Results Presentation

CTT – Correios de Portugal, S.A.

9 March 2017

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01.

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01. Key highlights



KEY HIGHLIGHTS: THE LAUNCH OF BANCO CTT TO THE PUBLIC WAS THE LANDMARK EVENT OF 2016



BANCO CTT & FINANCIAL SERVICES

Banco CTT opened to the public in 51 CTT post offices, closing the year with 202 branches countrywide, 105 thousand clients, more than 74 thousand current accounts & more than €250m in customer deposits

Another strong year for savings placements (€3.8 billion of savings were captured), with revenues from the placement of public debt posting 6.3% growth vis-à-vis 2015

MAIL

The decline of addressed mail volumes stood at -4.2%, within the [-3% to -5%] guidance range; the average change of the prices of the Universal Service versus the previous year was +1.1%

Relevant decrease in registered mail usage by the Government and the Public Administration (the Tax Authority in particular) with c. €10m impact on revenues

EXPRESS & PARCELS

Revenues in Spain decreased due to a 12.3% drop in volumes as a result of the strategy implemented in 1Q16, namely the contract terminations of 2 unprofitable for Tourline large clients

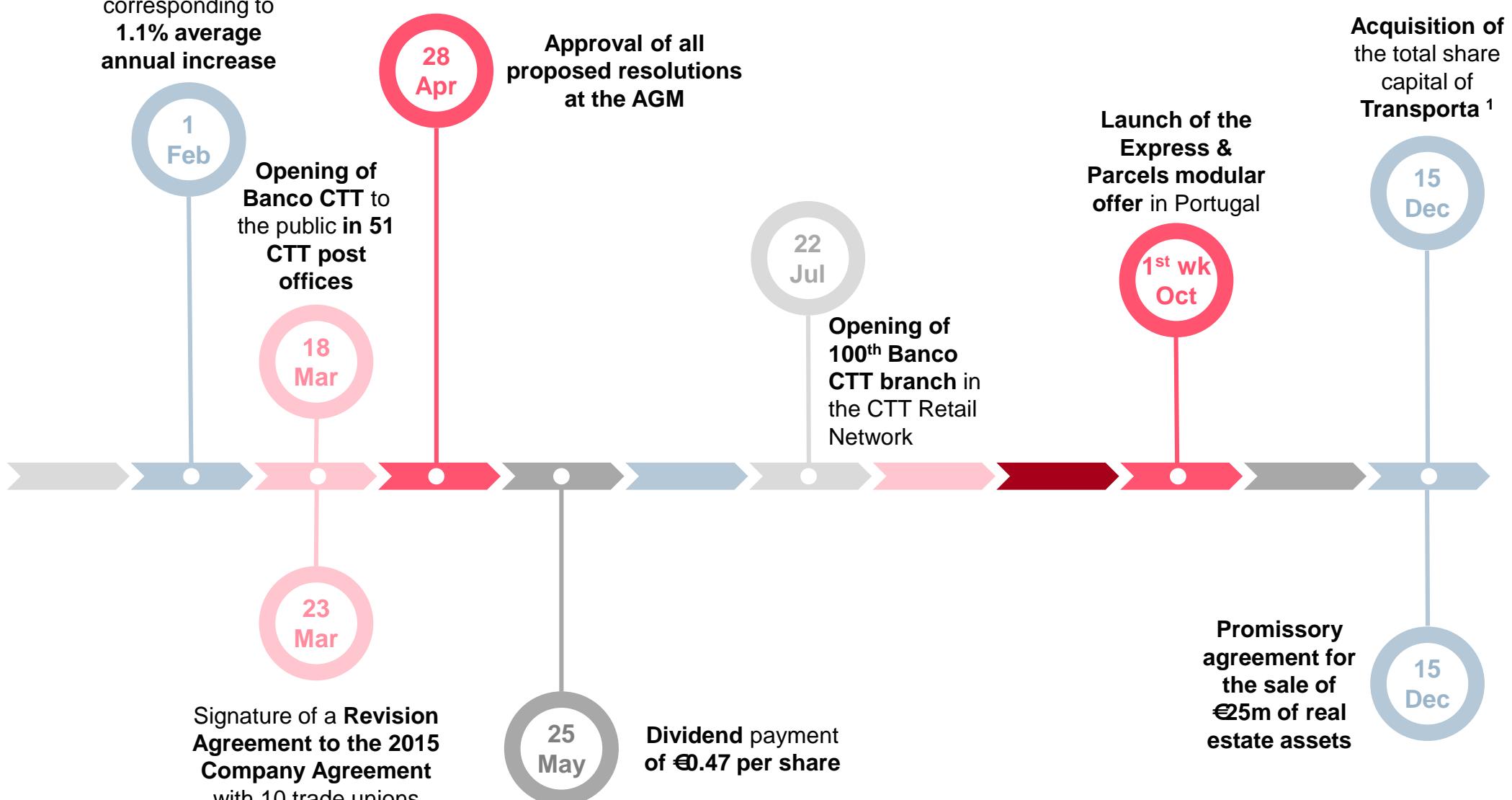
Various commercial and marketing initiatives carried out in Portugal with small impact on revenues in 2016, although with signs of recovery in the last 3 months of the year (volumes growth of 8.6%)

COSTS & EARNINGS

Focus on efficiency improvements was maintained, allowing for 4.1% reduction in the recurring operating costs excluding Banco CTT, compensating more than two-thirds of the revenues decline

As expected, the recurring EBITDA was impacted by the recurring costs with the Banco CTT project still at its launch stage and with no relevant revenues; excluding these costs it declined 6.3%

KEY HIGHLIGHTS: IMPORTANT 2016 MILESTONES



¹ It was subject to Competition Authority approval in 2017, therefore, not consolidated in the 2016 accounts.

KEY HIGHLIGHTS: WEAKER THAN EXPECTED REVENUES PERFORMANCE AND THE LAUNCH OF BANCO CTT IMPACTED THE 2016 RESULTS



FY16 financial and operational performance

€ million, except when otherwise indicated

Financial indicators:	Including Banco CTT			Excluding Banco CTT ¹		
	2015	2016	Δ%	2015	2016	Δ%
Recurring revenues	727.2	695.1	-4.4%	727.2	693.8	-4.6%
Recurring operating costs	583.2	575.6	-1.3%	578.2	554.2	-4.1%
Recurring EBITDA	144.0	119.5	-17.0%	149.0	139.6	-6.3%
Reported net profit	72.1	62.2	-13.7%	80.9	85.5	+5.6%

	Addressed mail (million items)	Unaddressed mail (million items)	Parcels (million items)	€ FS savings flows (€billion)	Banco CTT current accounts (thousand)
2016 volumes	780.2	497.8	26.9	4.7	74.1
2016 vs. 2015	-4.2%	+5.1%	-5.5%	-11.0%	N/A

¹ Excluding Banco CTT revenues and costs booked in Banco CTT, FS and Mail and other business units.

KEY HIGHLIGHTS: UNEXPECTED REVENUES DECLINE IN WHAT IS TRADITIONALLY A STRONG 4th QUARTER WITH RELEVANT IMPACT ON EBITDA



4Q16 financial and operational performance

€ million, except when otherwise indicated

Financial indicators:	Including Banco CTT			Excluding Banco CTT ¹		
	4Q15	4Q16	Δ%	4Q15	4Q16	Δ%
Recurring revenues	189.1	178.0	-5.9%	189.1	177.2	-6.3%
Recurring operating costs	149.9	149.4	-0.3%	147.7	142.7	-3.4%
Recurring EBITDA	39.2	28.5	-27.2%	41.4	34.5	-16.8%
Reported net profit	21.4	16.1	-24.8%	24.6	23.0	-6.8%

- **The decline of addressed mail volumes stood at -7.2% in 4Q16, causing Mail revenues to decrease 5.6%** as a result of higher than anticipated impact of the 3 less working days in the same period (reinstatement of national holidays) and reduced consumption of large and medium business customers, due to both the normal effect of e-substitution and changes in the consumption profile
- **E&P revenues decline of -7.1% (mainly influenced by the delayed launches of both the new modular offer in Portugal and the Amazon contract in Spain) offset the solid FS revenues performance.** Notable was the **56.1% Savings & Insurance revenues increase in 4Q16**, resulting in close to flat revenues in this product line for the full year, as expected
- **Revenues generation initiatives** in Mail (e.g. new advertising mail offer), Financial Services (e.g. payments), Banco CTT (e.g. consumer credit & mortgage offers), and Express & Parcels (e.g. modular offer) **now all underway, but with no real impact in 4Q16**

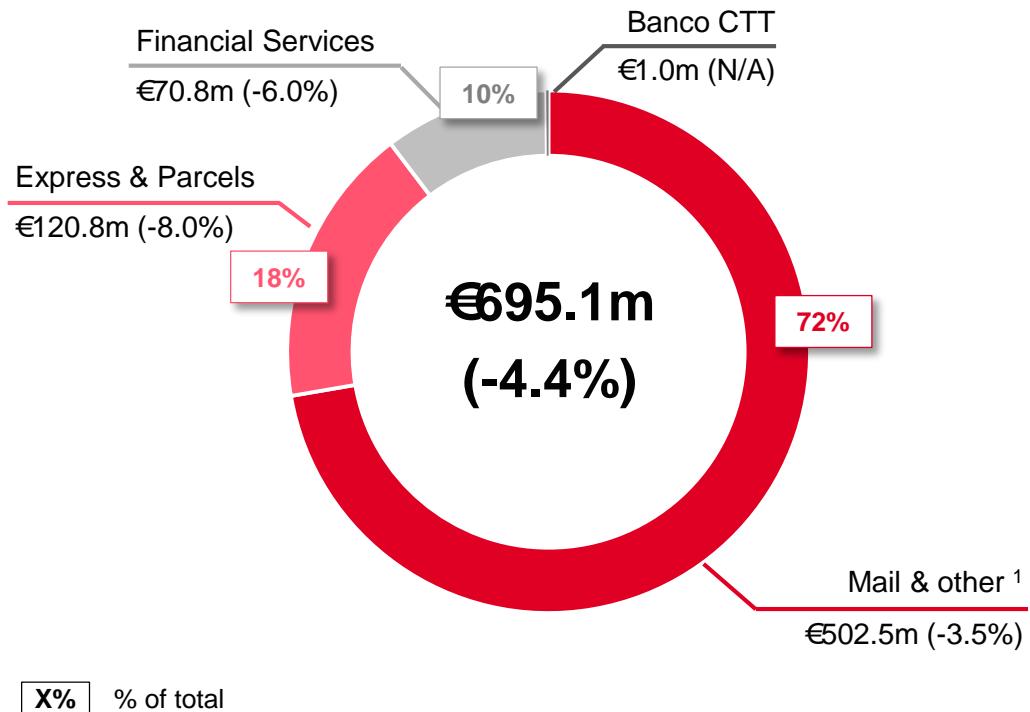
¹ Excluding Banco CTT revenues and costs booked in Banco CTT, FS and Mail and other business units.

KEY HIGHLIGHTS: THE PLANNED REVENUES GENERATION INITIATIVES (NOW ALL UNDERWAY) HAD NO REAL IMPACT IN 2016 DUE TO LAUNCH DELAYS



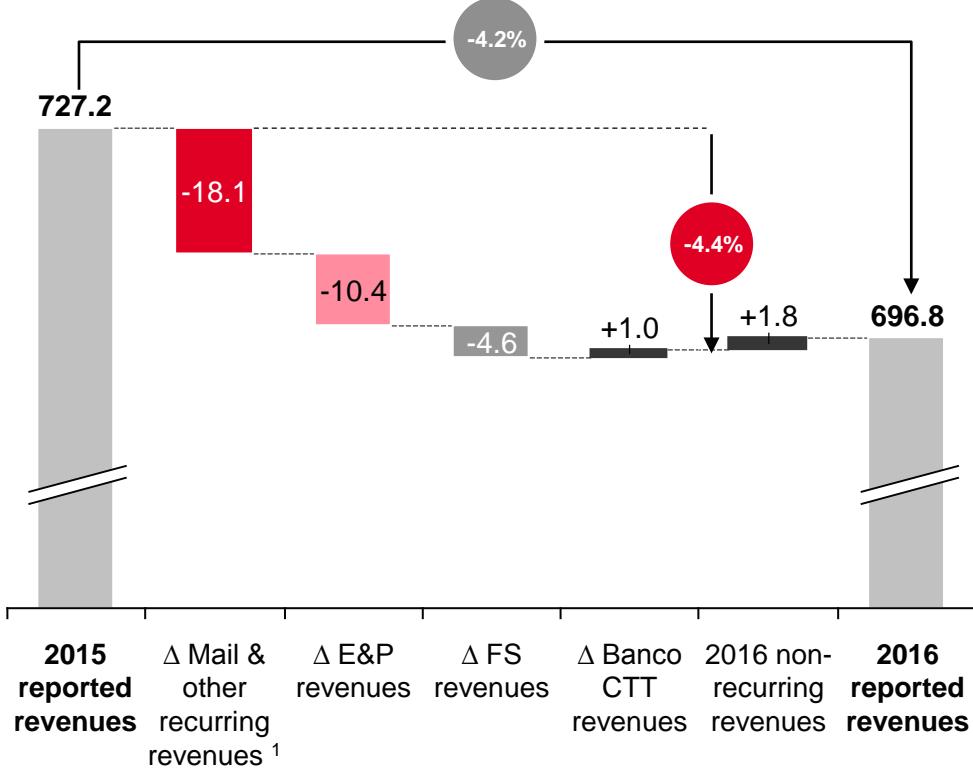
2016 recurring revenues

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



Revenues breakdown

€ million



- **Mail revenues declined due to strong mix effect** (registered mail decline impact of circa €10m, primarily centred in 9M16) and **4.2% decline in addressed mail volumes**, partially offset by 1.1% average price increase in the year
- **E&P revenues were affected primarily by the restructuring process in Spain**, resulting in volumes (-12.3%) and revenues (-12.6%) decline in the region
- **FS revenues were impacted by structural trends in payments & transfers, while savings & insurance revenues recovered along the year to close almost flat, as expected**

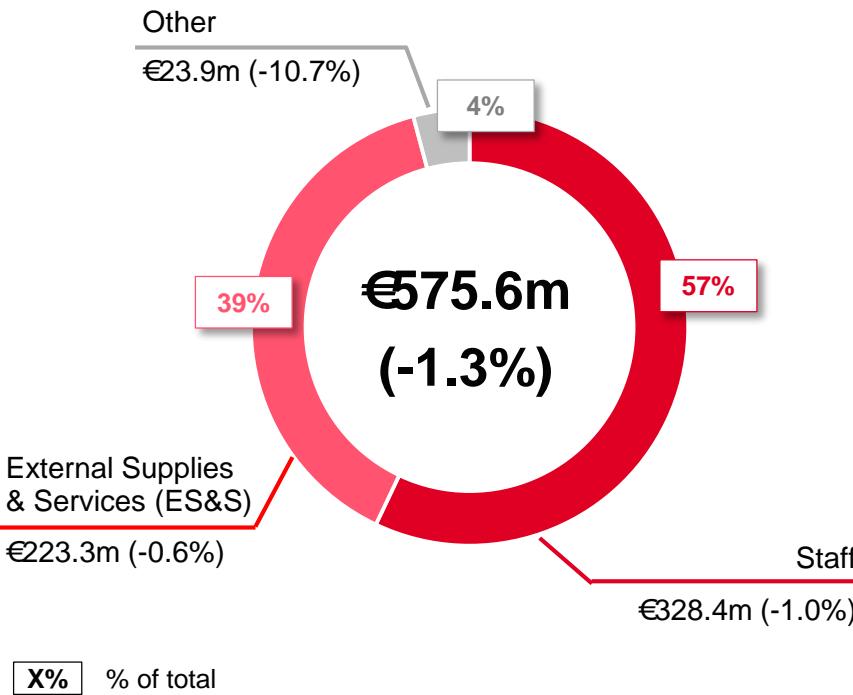
¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€34.0m in 2015 and -€31.0m in 2016.

KEY HIGHLIGHTS: CONTINUOUS FOCUS ON EFFICIENCY MANAGEMENT DROVE A DECLINE IN FY16 RECURRING OPERATING COSTS, ABSORBING BANCO CTT COSTS



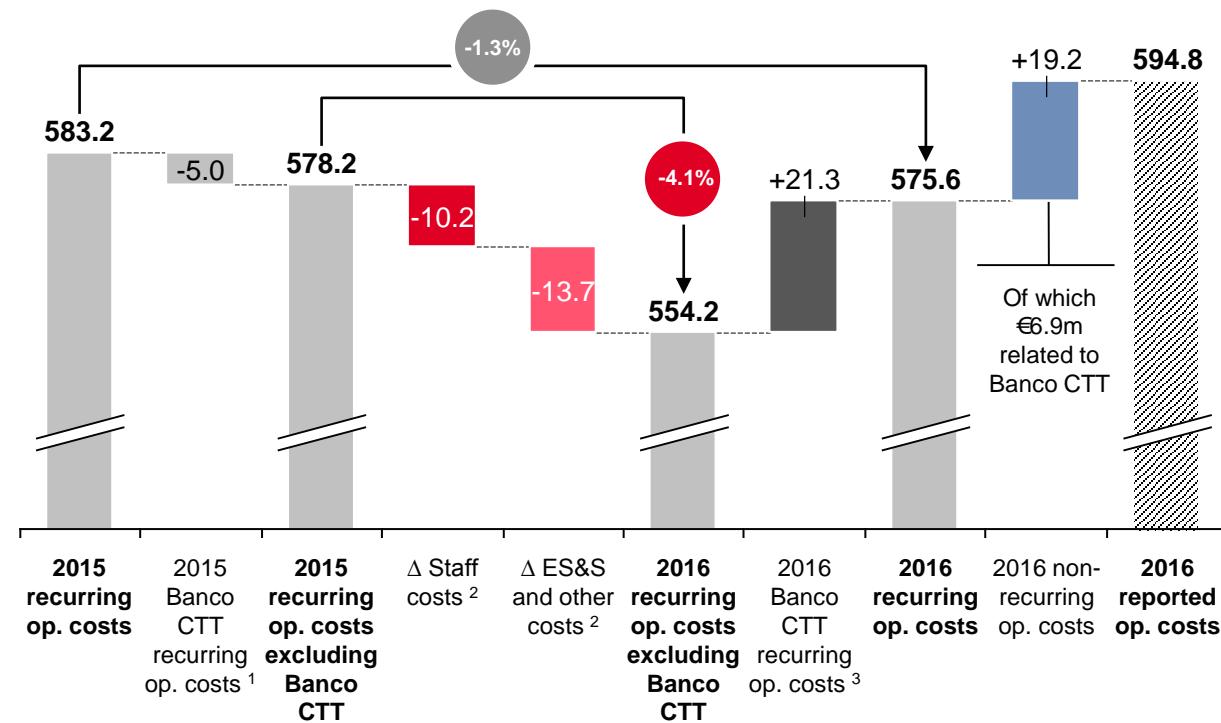
2016 recurring operating costs

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



Operating costs breakdown

€ million



- Staff costs declined primarily due to the remuneration policy with an emphasis on variable component (-€8.6m impact), decline in Tourline staff costs (-€2.9m), and reduction in the telephone subscription fee benefit (-€2.4m), partially offset by the increase in Banco CTT recurring staff costs (+€7.4m) and by the extension of the coverage of work accidents insurance to the “Caixa Geral de Aposentações” workers (+€1.3m)
- ES&S costs reduced by €1.4m, as efficiency measures fully absorbed the impact on those costs from the Banco CTT launch (+€9.5m vs. 2015); COGS decreased by €2.4m due to lower activity, namely in lottery and merchandising

¹ Booked in Banco CTT business unit (€2.3m Staff costs and €2.4m ES&S and other costs) and in Mail business unit (€0.4m ES&S and other costs).

² Excluding Banco CTT recurring op. costs: €5.0m in 2015 (€4.7m booked in Banco CTT, €0.4m in Mail business unit) and €21.3m in 2016 (€21.8m booked in Banco CTT business unit, -€0.5m in Mail business unit).

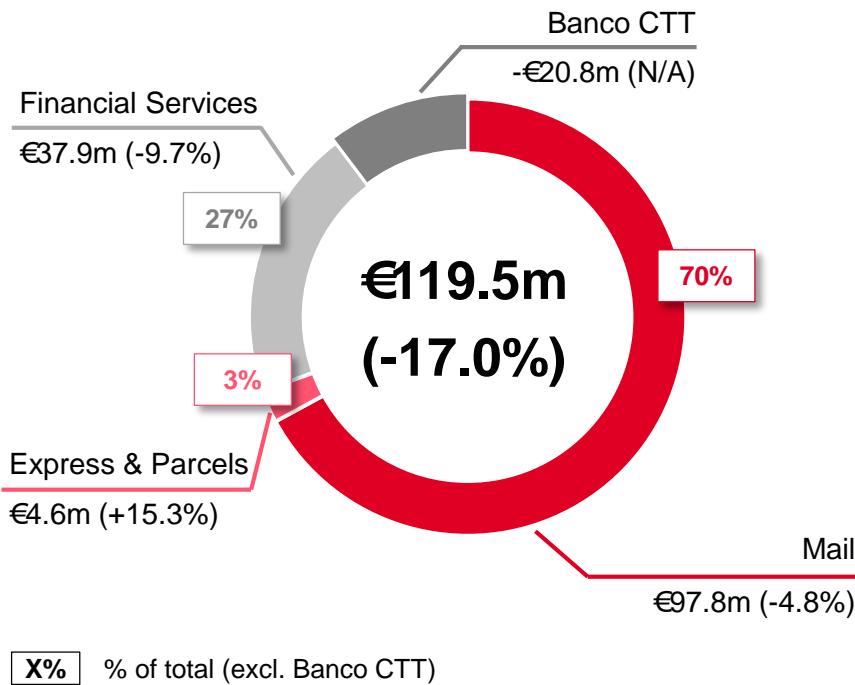
³ Booked in Banco CTT business unit (€9.6m Staff costs and €12.2m ES&S and other costs) and in Mail business unit (-€0.5m Staff costs and €0.1m ES&S costs).

KEY HIGHLIGHTS: RECURRING EBITDA DROPPED 6.3% AS A RESULT OF LOWER THAN EXPECTED REVENUES, ONLY PARTIALLY OFFSET BY DECLINE IN OPERATING COSTS



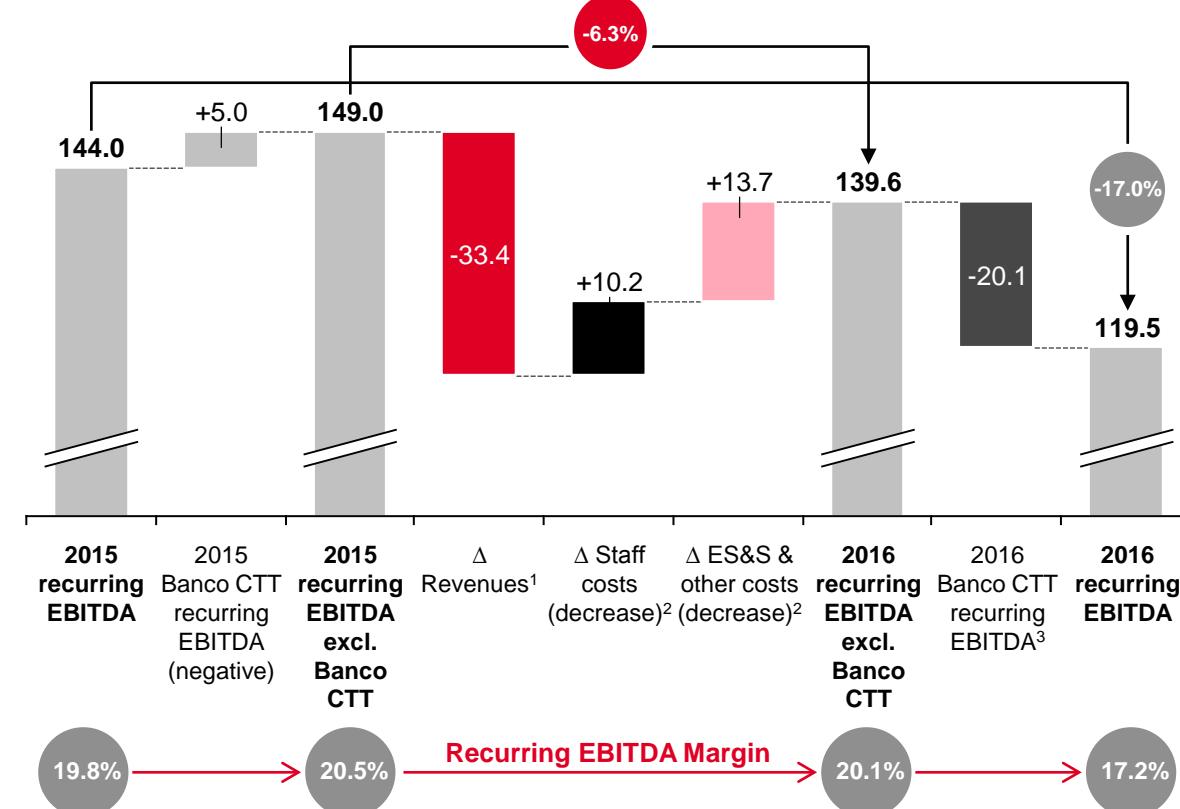
2016 recurring EBITDA

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



Recurring EBITDA breakdown

€ million



Recurring EBITDA strongly influenced by the lower than expected revenues, notwithstanding the positive impact of efficiency management efforts

¹ Excluding Banco CTT recurring revenues: €1.3m in 2016 (€1.0m booked in Banco CTT business unit, €0.2m in Mail & other business unit and €0.1m in FS business unit).

² Excluding Banco CTT recurring op. costs: €5.0m in 2015 (€4.7m booked in in Banco CTT, €0.4m in Mail business unit) and €21.3m in 2016 (€21.8m booked in Banco CTT business unit, -€0.5m in Mail business unit).

³ Booked in Banco CTT business unit (-€20.8m), Mail and other (€0.7m) and in FS business unit (€0.1m).

KEY HIGHLIGHTS: THE BOARD REAFFIRMS THE COMMITMENT TO GROWING THE DIVIDEND, IN A YEAR OF STRONG INVESTMENT IN BANCO CTT



Cash flow

€ million

	Reported		Adjusted ¹	
	2016	Δ %	2016	Δ%
From operating activities	268.2	>>	269.4	187.0
Cash flow excl. Banco CTT	42.5	17.8	43.6	-55.1
Banco CTT cash flow	225.8	>>	225.8	>>
From investing activities	-185.6	<<	-185.6	<<
Capex payments ²	-29.5	-4.1	-29.5	-4.1
of which Banco CTT	-10.0	-0.7	-10.0	-0.7
Banco CTT financial assets	-164.8	N/A	-164.8	N/A
Operating free cash flow	82.6	>>	83.8	22.6
From financing activities	-72.4	-6.1	-72.4	-6.1
of which Dividends	-70.3	-0.7	-70.3	-0.7
Other	5.0	>>	5.0	>>
Net change in cash	15.2	124.9	16.3	>>
Cash at end of period	618.8	2.5	295.3	5.8

Dividend

€ million

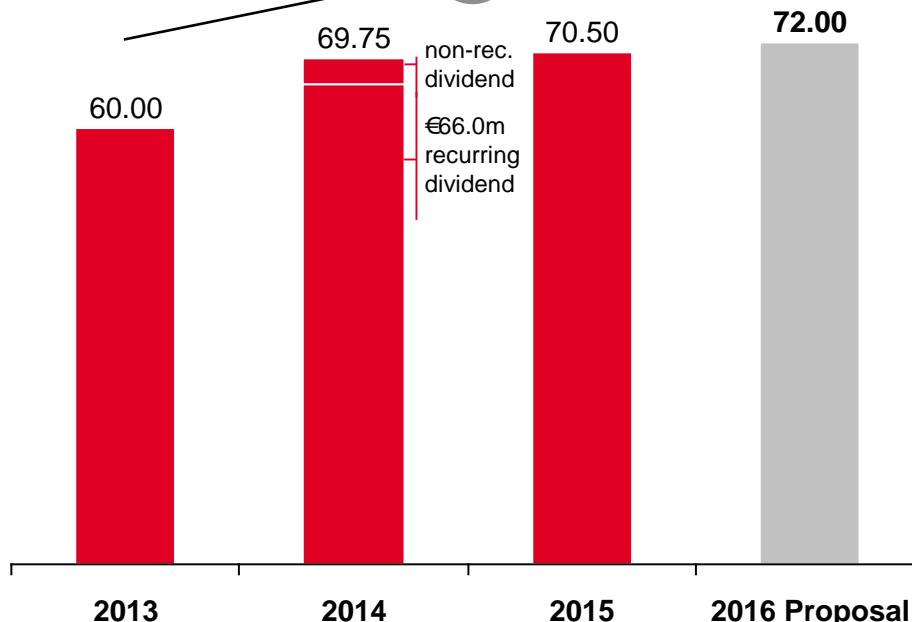
Payout

98%

90%

98%

118%



Working capital registered a visible improvement in 4Q16

Dividend policy goal achieved with the utilisation of a small amount (c.€10m) of distributable reserves

¹ Cash flow from operating activities excluding changes in net Financial Services payables of -€61.0m (2015) and -€1.1m (2016), respectively. Cash at the end of the period excluding net Financial Services payables of €324.7m (Dec-15) and €323.5m (Dec-16).

² Capex payments presented in the table; Capex expense was €42.2m in 2016 (€32.3m in 2015).

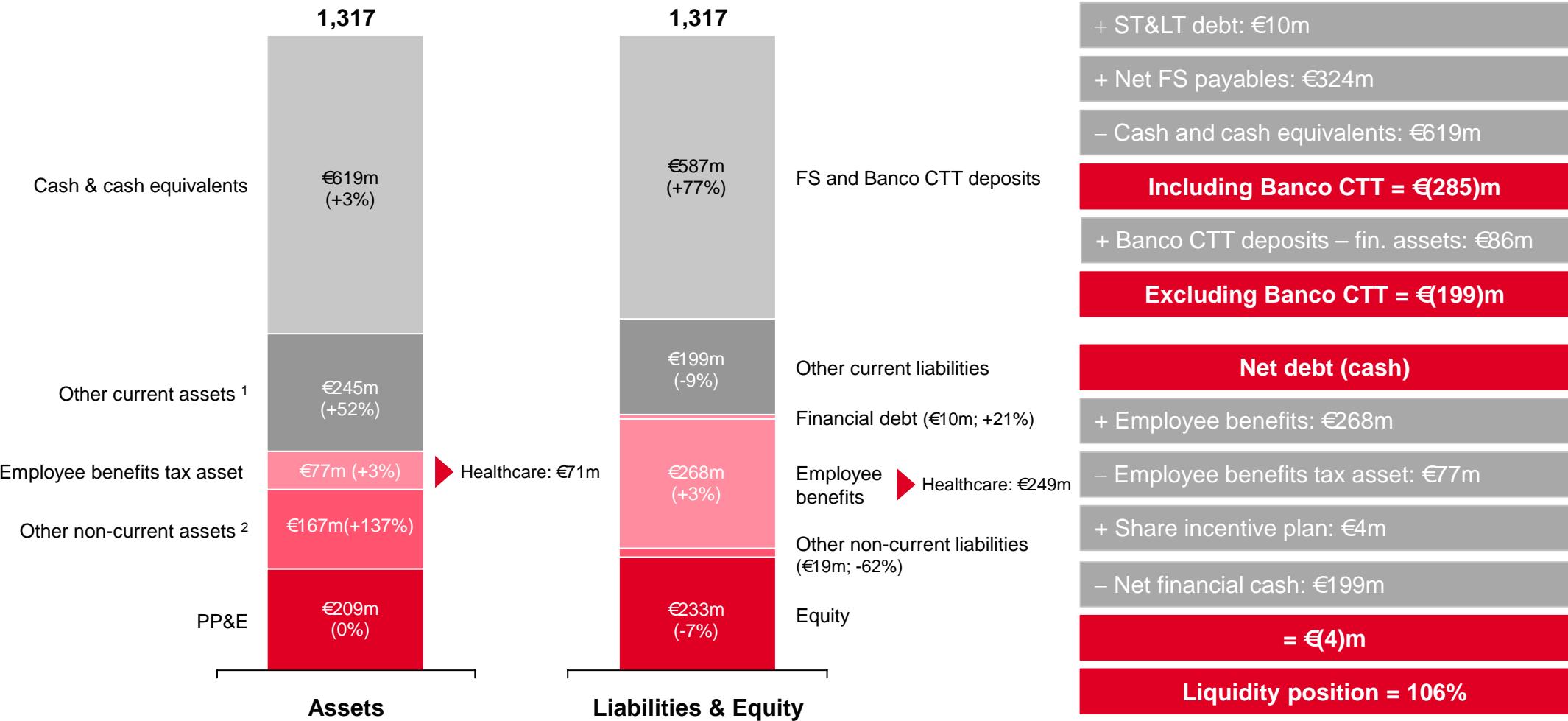
KEY HIGHLIGHTS: THE BALANCE SHEET GREW AS BANCO CTT CUSTOMER

ACQUISITIONS AND DEPOSITS PICKED UP ALONG THE YEAR



Balance Sheet – 31 December 2016

€ million; % change vs. 31 December 2015



Strong liquidity (106%) and own cash position (€199m) was maintained, supporting the investment in Banco CTT

¹ Including Financial Services receivables of €6.4m and €8.6m as at Dec-15 and Dec-16, respectively, and €69.2m in Banco CTT current financial assets (Dec-16).

² Including €98.5m in Banco CTT non-current financial assets (Dec-16).

02.

Business units



BUSINESS UNITS: REGISTERED MAIL REVENUES DECLINE (CIRCA €10M IMPACT)

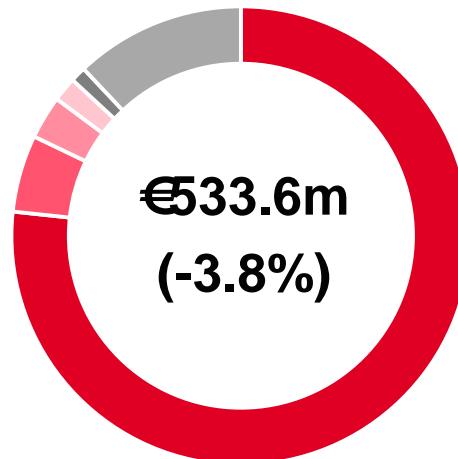


WEIGHED ON MAIL PERFORMANCE IN 2016

2016 Mail revenues by type

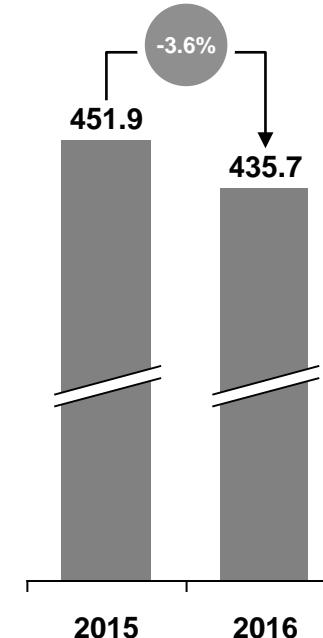
€ million, % change vs. prior year

- Transactional	€403.7m (-3.1%)
- Advertising	€29.6m (-6.7%)
- Editorial	€16.0m (+1.4%)
- Business Solutions	€10.0m (-13.6%)
- USO Parcels	€6.6m (-4.1%)
- Other	€67.8m (-5.9%)



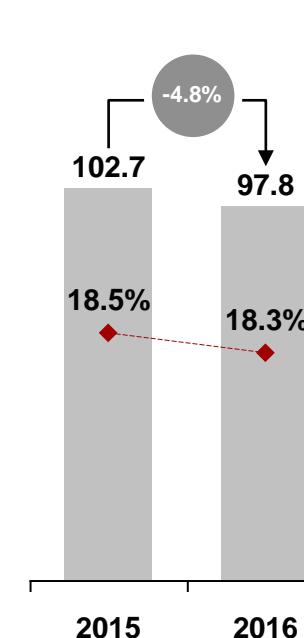
Recurring operating costs

€ million



Recurring EBITDA

€ million



Mail volumes by type

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
2016 volumes (m)	N/A	780.2	662.8	74.2	43.3	497.8
2016 vs. 2015	+1.1%	-4.2%	-3.7%	-7.5%	-6.4%	+5.1%

Operating costs

♦ EBITDA Margin █ EBITDA

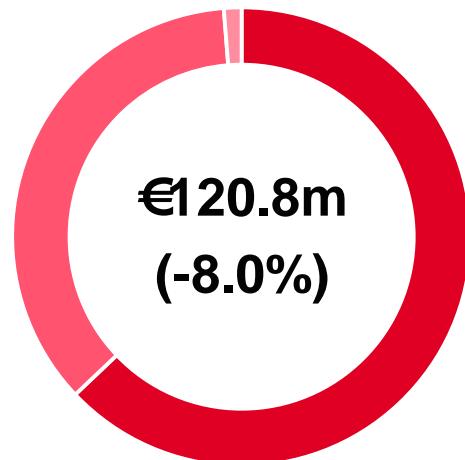
BUSINESS UNITS: RESTRUCTURING IN SPAIN AND THE DELAY IN THE LAUNCH OF THE MODULAR OFFER IN PORTUGAL IMPACTED THE 2016 E&P REVENUES



2016 E&P revenues by region

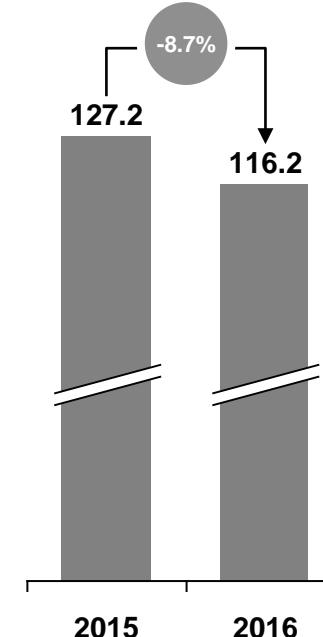
€ million, % change vs. prior year

– Portugal & other ¹	€76.0m (-4.5%)
– Spain	€43.3m (-12.5%)
– Mozambique	€1.5m (-29.6%)



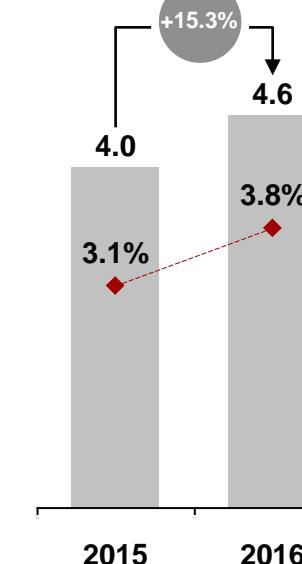
Recurring operating costs

€ million



Recurring EBITDA

€ million



E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
2016 volumes (m)	26.9	14.6	12.3	0.1
2016 vs. 2015	-5.5%	+1.1%	-12.3%	-2.4%

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique.

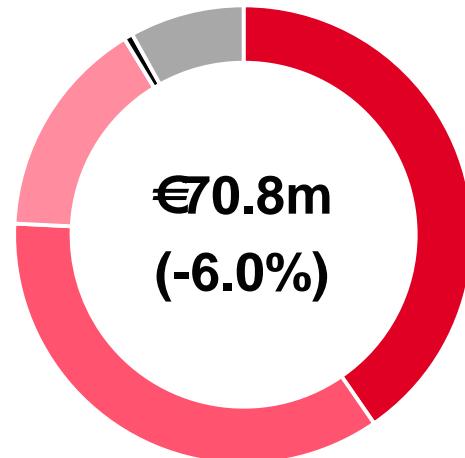
BUSINESS UNITS: SAVINGS REVENUES RECOVERED ALONG THE YEAR, AS EXPECTED; CREDIT PRODUCTS WERE TRANSFERRED TO BANCO CTT



2016 FS revenues by type

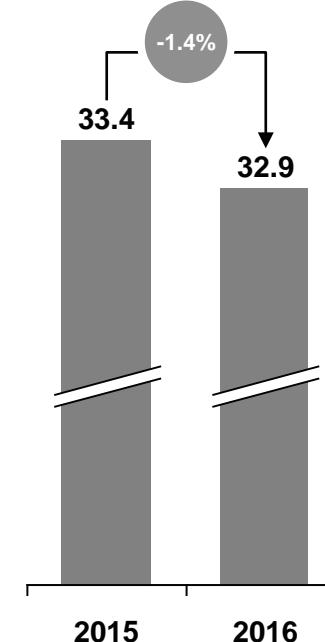
€million, % change vs. prior year

- Savings & Insurance	€32.2m (-1.9%)
- Payments	€23.5m (-12.3%)
- Transfers	€9.9m (-7.3%)
- Credit	€0.4m (-9.0%)
- Other	€4.8m (+3.8%)



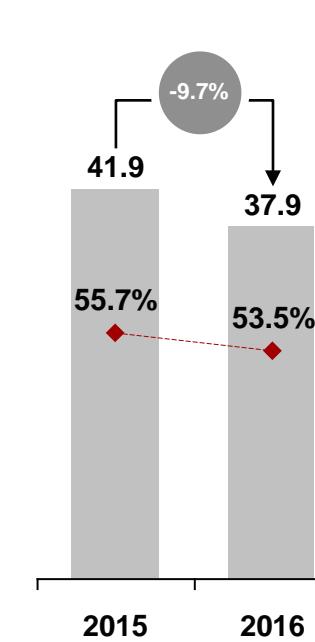
Recurring operating costs

€million



Recurring EBITDA

€million



FS volumes by type

Metric	Savings placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (€m)
2016 volumes	3.8	57.6	18.6	10.4
2016 vs. 2015	-10.8%	-6.2%	-4.4%	+24.4%

Operating costs

EBITDA Margin

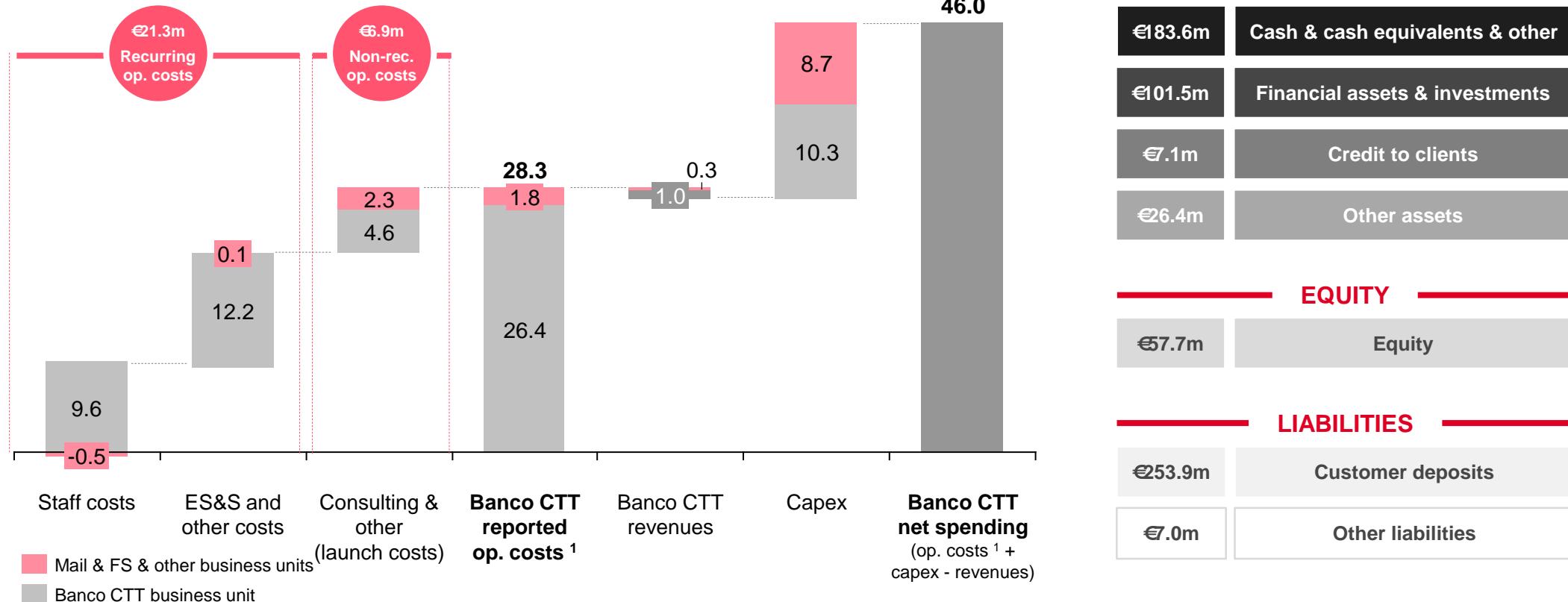
EBITDA

BUSINESS UNITS: THE FOCUS OF BANCO CTT IN 2016 WAS ON CUSTOMER ACQUISITIONS AND MAINTAINING PROJECT SPENDING WITHIN TARGET



2016 Banco CTT key indicators

€ million



202

Branches



74.1

Current accounts (thousand)



253.9

Customer deposits (€ million)



43.7%

Common Equity Tier 1 (fully implemented)

¹ Excluding depreciation / amortisation, impairments and provisions.

03. 2017 outlook



2017 OUTLOOK: GOAL OF SMALL GROWTH IN REVENUES AND FLAT RECURRING EBITDA (EX-ALTICE); DIVIDEND POLICY REAFFIRMED



REVENUES & VOLUMES

Small growth in revenues, supported by the Express & Parcels business (new modular offer in Portugal & the strategy underway in Spain), Banco CTT and payments, and the new advertising offer in Mail

Decline in addressed mail volumes expected to be in the [-4% to -5%] range

Transporta acquisition is expected to contribute c.€12m of revenues to Express & Parcels

High single-digit million Banco CTT revenues, driven by net interest margin expansion and commissions
To reduce time to market, small-size complementary acquisitions are in consideration for Banco CTT

Turnaround of Tourline underway and inorganic options also under review in order to increase scale

OPERATING COSTS & EBITDA

Efficiency and scale to continue to drive cost savings in Mail; Tourline break-even in 4Q17
Banco CTT with c.€35m operating costs (recurring & non-recurring)

Stable recurring EBITDA (excluding the Altice impact on the 2016 results), provided that the Mail volumes decline finishes the year in the aforementioned range

EARNINGS & DIVIDEND

€30m Capex, €10m of which in Banco CTT (half of the €20m indicative guidance at the 2015 CMD)
BS optimisation measures (sale of non-core real estate) with positive contribution to earnings & cash-flow

Dividend policy reaffirmed, supported by the disposal of non-core real estate assets (expected cash inflow of €22.5m and accounting gain of c.€16m) and distributable reserves



04. Appendix



APPENDIX: CONSOLIDATED RESULTS

€million	Including Banco CTT				Excluding Banco CTT ¹			
	Reported		Recurring ²		Reported		Recurring ²	
	2015	2016	2015	2016	2015	2016	2015	2016
Revenues	727.2	696.8	727.2	695.1	727.2	695.5	727.2	693.8
Operating costs	592.6	594.8	583.2	575.6	581.2	566.5	578.2	554.2
EBITDA	134.6	102.1	144.0	119.5	146.0	129.0	149.0	139.6
EBITDA margin	18.5%	14.6%	19.8%	17.2%	20.1%	18.5%	20.5%	20.1%
Depreciation, amortisation, provisions and impairments	24.6	11.2	24.2	24.8	24.5	8.6	24.0	23.0
EBIT	109.9	90.9	119.8	94.7	121.6	120.5	125.0	116.5
Financial income, net	-5.4	-5.9	-5.4	-5.9	-5.4	-5.9	-5.4	-5.9
Gains / (losses) in associated companies	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2
Earnings before taxes (EBT)	104.6	85.2	114.4	89.0	116.2	114.8	119.6	110.9
Income tax for the period	32.5	23.3	32.9	25.4	35.3	29.6	34.4	31.8
Non-controlling interests	0.01	-0.26	0.01	-0.26	0.01	-0.26	0.01	-0.26
Net profit attributable to equity holders	72.1	62.2	81.6	63.9	80.9 ³	85.5 ³	85.2	79.3

¹ Excluding revenues / costs of Banco CTT and Banco CTT project reported in CTT S.A.

² Recurring net profit excludes non-recurring revenues and costs and considers the theoretical (nominal) tax rate of CTT.

³ Considers the effective tax rate of the period of CTT S.A. and Banco CTT.

APPENDIX: NON-RECURRING ITEMS AFFECTING THE RESULTS



€million	2015	2016	Δ
Reported EBITDA	134.6	102.1	-32.5
Non-recurring items affecting EBITDA	9.4	17.4	8.0
Revenues	0.0	-1.8	-1.8
Staff costs	0.0	10.0	10.0
ES&S & other op. costs	9.4	9.2	-0.2
Recurring EBITDA	144.0	119.5	-24.5
Reported EBIT	109.9	90.9	-19.0
Non-recurring costs affecting only EBIT	0.4	-13.6	-14.1
Provisions (reinforcements / reductions)	0.0	-15.1	-15.1
Impairments (losses / reductions)	0.4	1.5	1.1
Non-recurring items affecting EBITDA & EBIT	9.8	3.8	-6.0
Recurring EBIT	119.8	94.7	-25.1

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Investor Relations

Upcoming Events:

10 Mar. – **Lisbon**

- Roadshow with Caixa BI

13 Mar. – **Edinburgh**

- Roadshow with JP Morgan

14 Mar. – **London**

- Roadshow with Barclays

15 Mar. – **Frankfurt**

- Roadshow with Morgan Stanley

16 Mar. – **Madrid**

- Roadshow with BPI

30 Mar. – **Paris**

- 30th ESN European Conference



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