



CTT – Correios de Portugal

1Q17

Results Presentation

DISCLAIMER

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for use during the presentation of the 1st quarter 2017 results. As a consequence thereof, this document may not be disclosed or published, nor used by any other person or entity, for any other reason or purpose without the express and prior written consent of CTT. This document (i) may contain summarised information and be subject to amendments and supplements, and (ii) the information contained herein has not been verified, reviewed nor audited by any of the Company's advisors or auditors. 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. Consequently, the Company does not assume liability for this document if it is used for a purpose other than the above. No express or implied representation, warranty or undertaking is made as to, and no reliance shall be placed on, the accuracy, completeness or correctness of the information or the opinions or statements expressed herein. Neither the Company nor its subsidiaries, affiliates, directors, employees or advisors assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents. Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or agreement.

This document has an informative nature and 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 a solicitation of any kind 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. Moreover, the recipients of this document are invited and advised to consult the public information disclosed by CTT on its website (www.ctt.pt) as well as on the Portuguese Securities Exchange Commission's website (www.cmvm.pt). In particular, the contents of this presentation shall be read and understood in light of the financial information disclosed by CTT, through such means, which prevail in regard to any data presented in this document. By attending the meeting where this presentation is made and reading this document, you agree to be bound by the foregoing restrictions.

FORWARD-LOOKING STATEMENTS

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.

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 presentation. 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.

01.

Key highlights

02.

Business units

03.

Appendix



01.
Key highlights






KEY HIGHLIGHTS: 1Q17 saw stabilisation of the top line; excluding the Altice impact on the 1Q16 figures, the recurring revenues grew 0.9% (after declining throughout 2016)



Financial and operational performance

€ million, except when otherwise indicated

	Financial indicators			
	1Q16	1Q17	Δ €	Δ%
Recurring revenues	177.9	177.0	-0.9	-0.5%
Recurring revenues excl. Altice	175.4	177.0	+1.6	+0.9%
Recurring operating costs	142.7	148.9	+6.2	+4.3%
Recurring EBITDA	35.1	28.0	-7.1	-20.2%
Recurring EBITDA excl. Altice	32.6	28.0	-4.6	-14.1%
Reported net profit	20.7	10.3	-10.3	-50.0%

	 Addressed mail (million items)	 Unaddressed mail (million items)	 Parcels (million items)	 FS savings flows ¹ (€ billion)	 Banco CTT current accounts (thousand)
1Q17	203.6	107.4	7.3	2.0	114.1
1Q17 vs. 1Q16	-3.7%	-1.0%	+10.7%	+51.4%	N/A

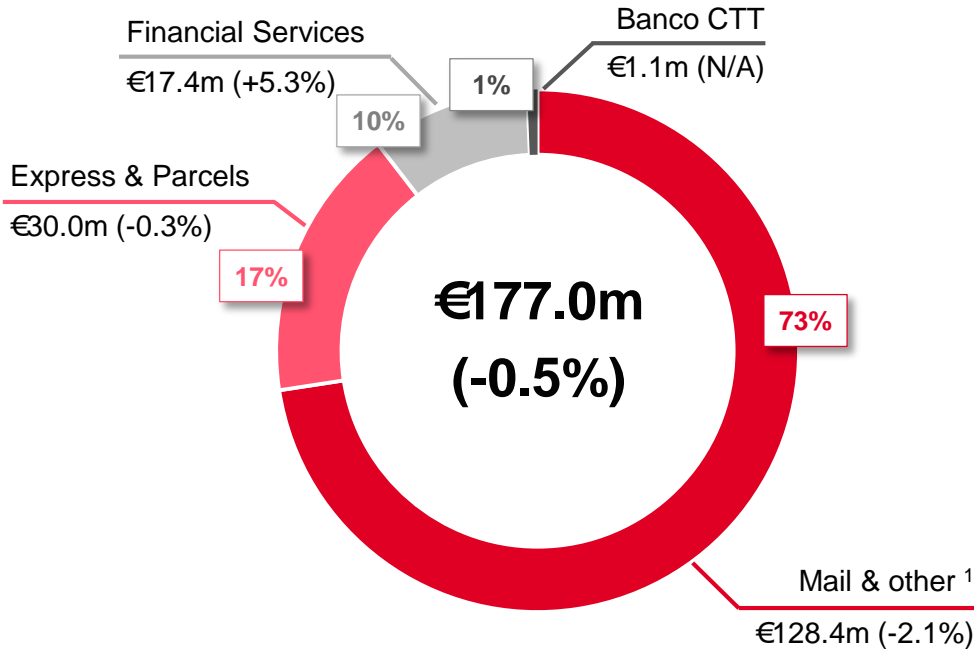
¹ Amount of savings & insurance placements (€1.3bn) and redemptions (€0.7bn).

KEY HIGHLIGHTS: Strong Financial Services performance and growth in Banco CTT and Tourline drove revenues increase, excluding the Altice 1Q16 impact



1Q17 recurring revenues

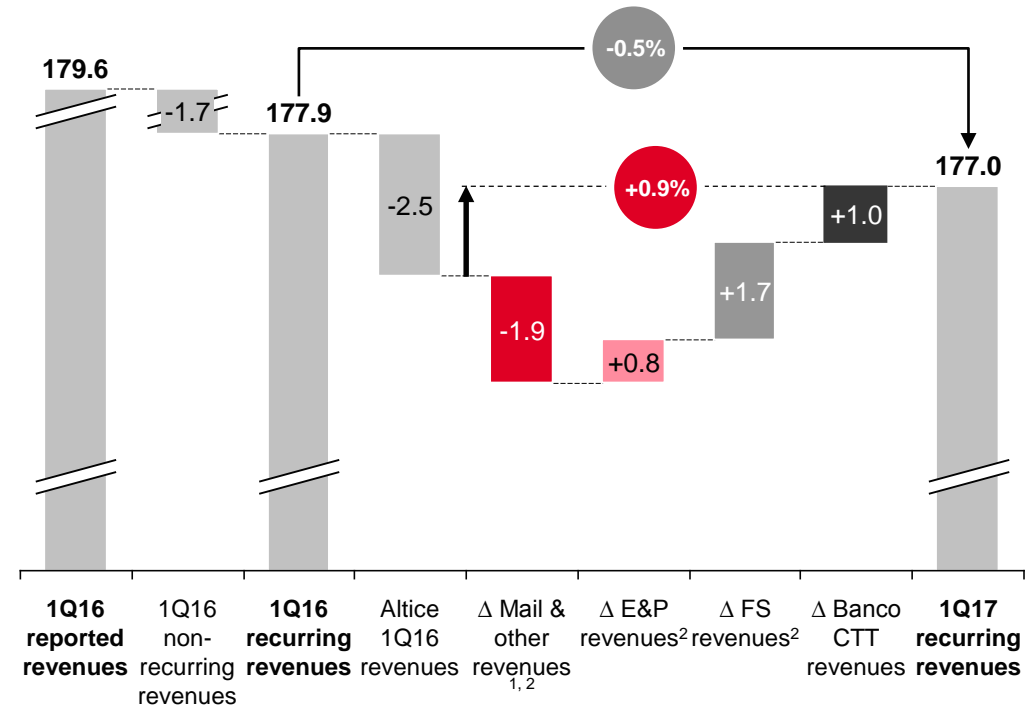
€ million; % change vs. prior year; % of total



X% % of total

Revenues breakdown

€ million



- **Mail revenues declined slightly**, primarily due to a **temporary suspension of lottery sales** in the Retail network (-€1.5m impact); the **impact of the 3.7% addressed mail volumes decline was mostly offset by a strong mix effect resulting from registered mail growth** since the **1.9% annual price increase was only implemented in April 2017** with no impact on 1Q17 results (an estimated €2.3m of price increase related to 1Q17 is expected to be recovered in the following 3 quarters)
- **Financial Services and Banco CTT were the main drivers of growth**, as a result of the **swap by the public from savings to treasury certificates and the strong placement of consumer credit**. The **renewed contract for treasury certificates with IGCP guarantees a more stable flow of revenues**³
- **Strong parcels volumes growth in Portugal & Spain offset declining revenues from the legacy banking network business**. **Tourline returned to revenues growth**

¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€7.8m in 1Q16 and -€8.6m in 1Q17.

² Excluding Altice 1Q16 revenues.

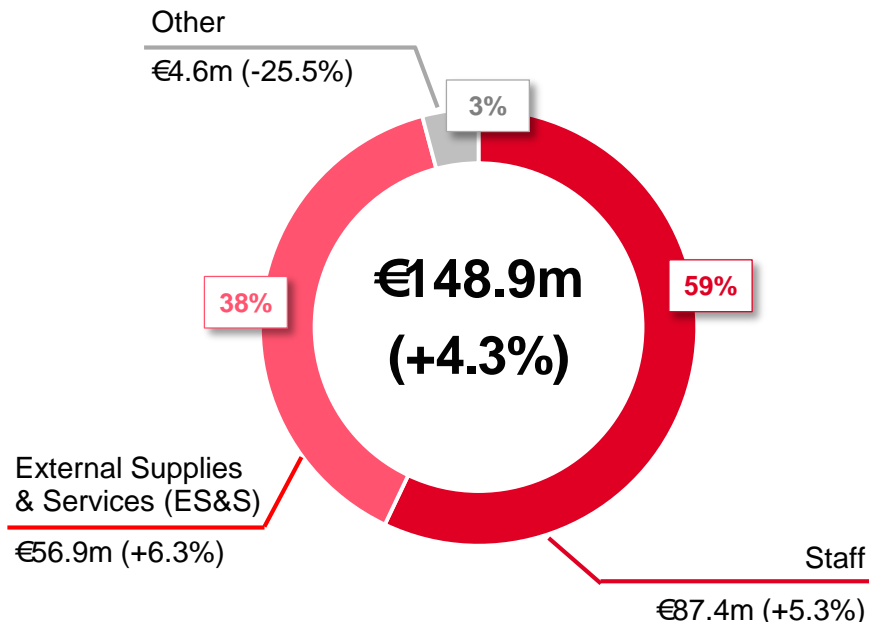
³ No stock fees; with better sales commissions, in line with expectations.

KEY HIGHLIGHTS: Excluding the increase in Banco CTT costs, expected due to its current development stage, operating costs increased moderately (+1.6%)



1Q17 recurring operating costs

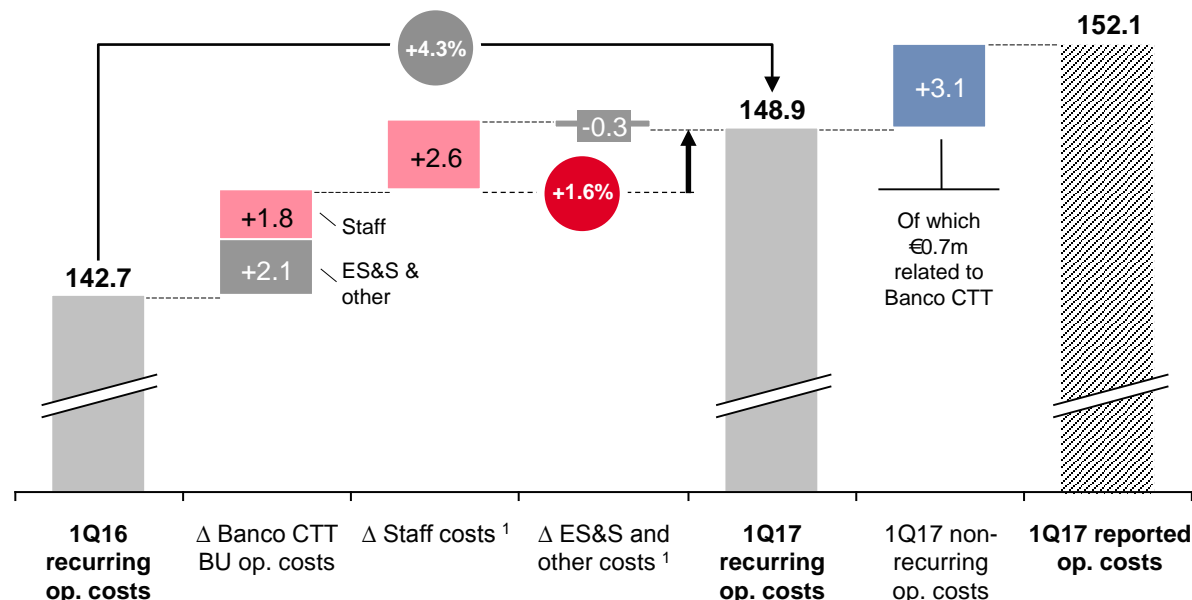
€ million; % change vs. prior year; % of total



X% % of total

Operating costs breakdown

€ million



- **Banco CTT operating costs comparison not very meaningful** – it was in a start-up phase in 1Q16 while now it is a fully fledged operation
- **Staff costs** (excluding Banco CTT) increased primarily due to a reduction in the **telephone subscription fee benefit in 1Q16 (€1.3m impact)** and the increased usage of **temporary work in 1Q17 (€0.6m impact)** in the Retail and Distribution networks (due to the high number of account openings in Banco CTT and higher networks integration)
- **Non-recurring costs of €3.1m** include: €1.6m of costs related to strategic studies (of which €0.7m for Banco CTT), €0.5m due to staff contract terminations by mutual agreement, €0.3m related to new Banco CTT branch openings in the CTT Retail network

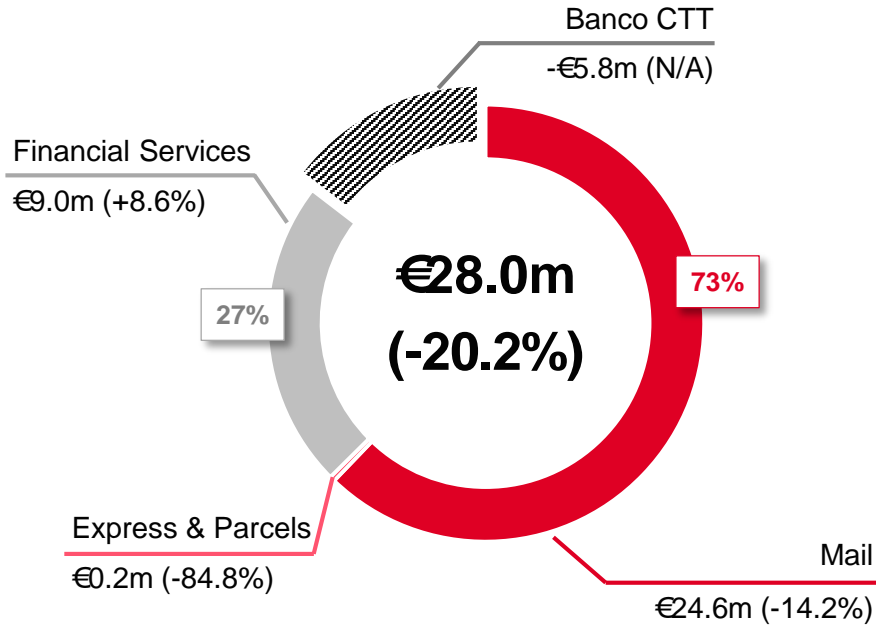
¹ Excluding Banco CTT business unit recurring op. costs.

KEY HIGHLIGHTS: A gradual improvement in EBITDA is projected as the comparables in Mail, E&P, and Banco CTT are expected to ease in the following quarters



1Q17 recurring EBITDA

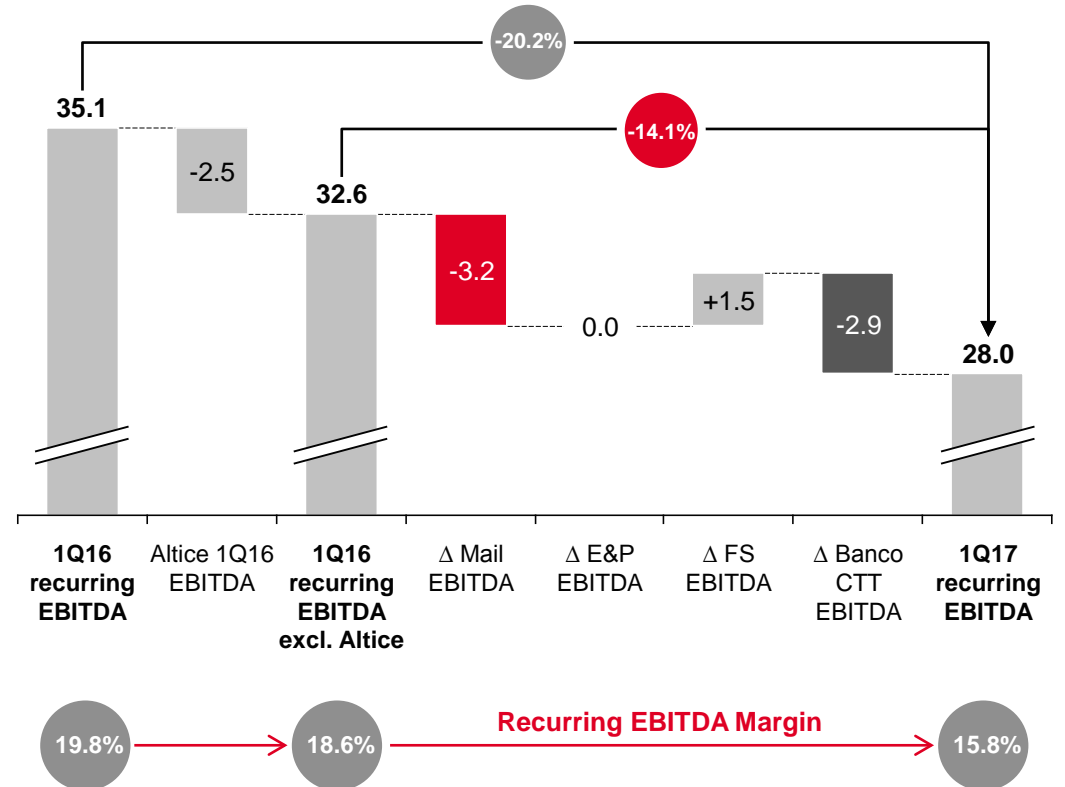
€ million; % change vs. prior year; % of total



X% % of total (excl. Banco CTT)

Recurring EBITDA breakdown

€ million



While the loss of Altice revenues will be felt throughout 2017, some of the negative impacts on recurring EBITDA are expected to diminish – 1.9% of price increase in Mail pertaining to 1Q17 is projected to be recovered in the following three quarters (+€2.3m in revenues), the Tourline turnaround is expected to bear fruit, and Banco CTT EBITDA comparison will become easier vs. the homologous quarters of 2016

KEY HIGHLIGHTS: The solid adjusted cash position was maintained



Cash Flow

€ million; % change vs 1Q16

	Reported		Adjusted ¹	
	1Q17	Δ %	1Q17	Δ%
From operating activities	27.1	>>	70.6	>>
Cash flow excl. Banco CTT	-26.9	-57.6%	16.6	3.5%
Banco CTT cash flow	54.0	>>	54.0	>>
From investing activities	-53.4	<<	-53.4	<<
Capex payments	-14.2	3.8%	-14.2	3.8%
of which Banco CTT	-0.8	66.8%	-0.8	66.8%
Banco CTT financial assets	-39.8	<<	-39.8	<<
Operating free cash flow	-26.3	13.1%	17.2	>>
From financing activities	-0.6	-86.8%	-0.6	-86.8%
Other ²	-2.5	-	-2.5	-
Net change in cash	-29.5	3.8%	14.0	>>
Cash at end of period	589.4	2.8%	309.3	11.5%

The majority of €14.2m of capex payments were related to 2016 investments tied to revenue initiatives and IT platforms; 1Q17 capex was €1.9m and the renewal of the treasury certificates contract delayed the cash payment of fees (€12.4m)

¹ Cash flow from operating activities excluding changes in net Financial Services payables of -€33.1m (1Q16) and -€43.5m (1Q17), respectively. Cash at the end of the period excluding net Financial Services payables of €291.6m (Mar-16) and €280.0m (Mar-17).

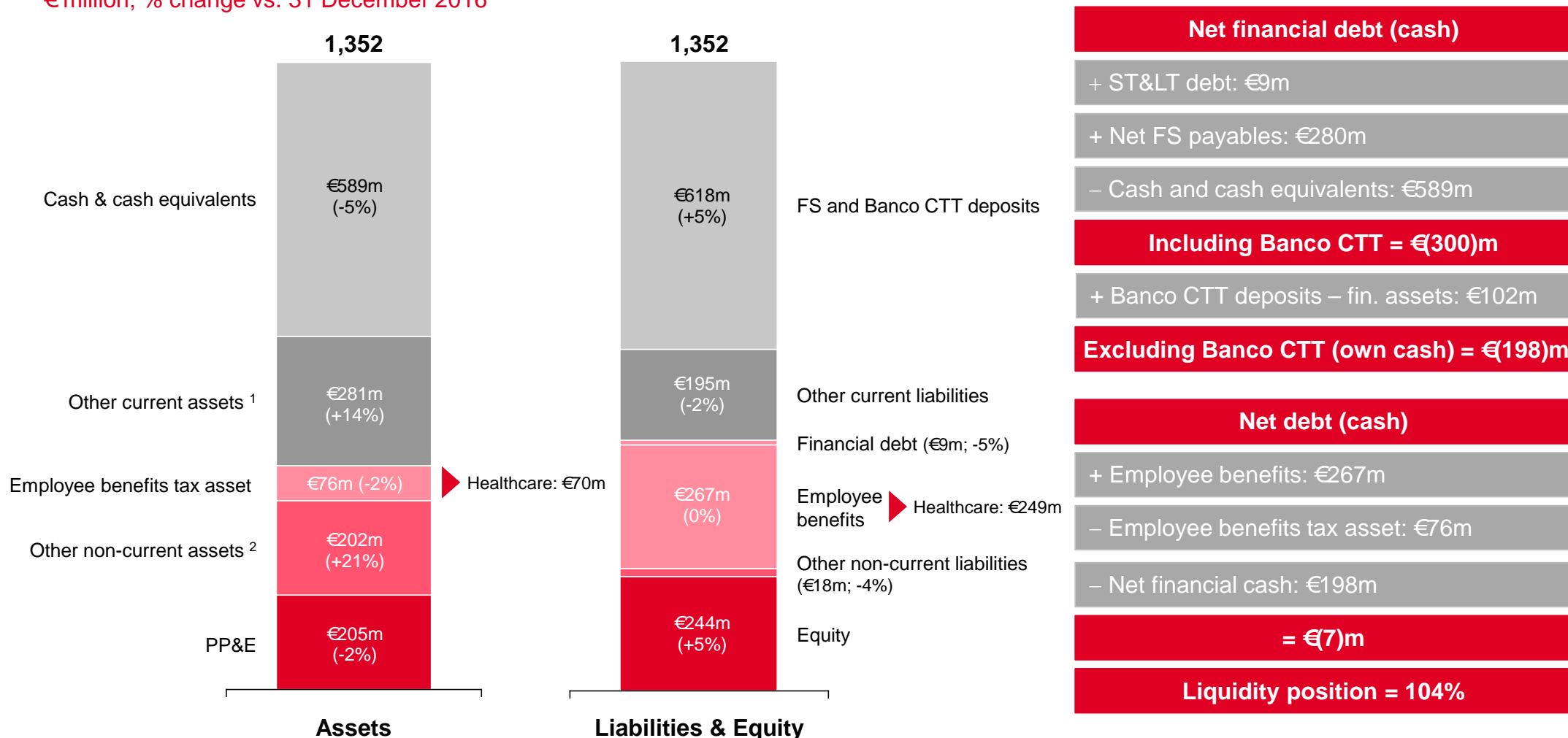
² These figures were not considered under Cash and equivalents in the Cash-flow statement. However, they are included in Cash and equivalents in the Balance Sheet.

KEY HIGHLIGHTS: The continued expansion of the consolidated Balance Sheet reflects the growth of Banco CTT deposits; own cash remained stable, close to €200m



Balance Sheet – 31 March 2017

€ million; % change vs. 31 December 2016



Strong liquidity (104%) and own cash position (€198m) was maintained, as investments in Banco CTT progress well

¹ Including Financial Services receivables of €5.4m at Mar-17, and €94.4m in Banco CTT current financial assets (Mar-17).

² Including €134.8m in Banco CTT non-current financial assets (Mar-17).

02.

Business units



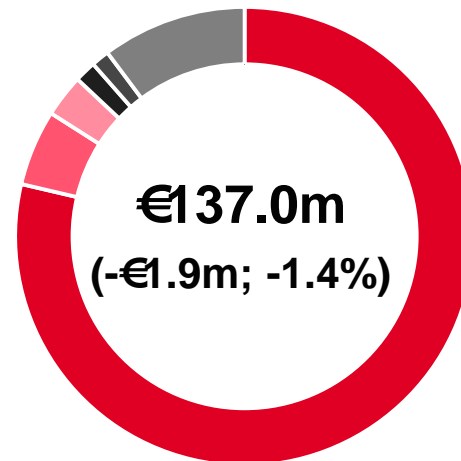
BUSINESS UNITS: The impact of the 3.7% addressed mail volumes decline not felt in revenues, mainly due to a strong mix effect resulting from registered mail volumes growth (+12.5%)



1Q17 Mail revenues by type

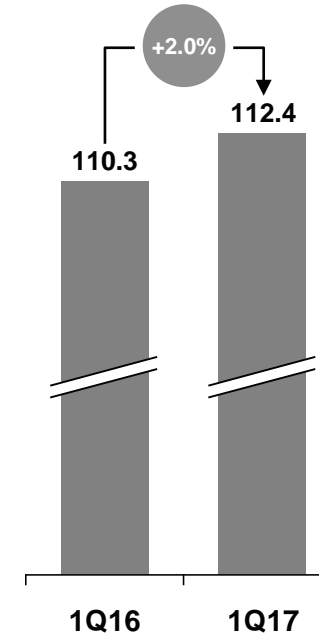
€ million, change vs. prior year (€ %)

- Transactional	€107.8m (+€0.8m; +0.7%)
- Advertising	€7.3m (-€0.1m; -0.9%)
- Editorial	€4.1m (-€0.2m; -5.0%)
- Business Solutions	€2.1m (-€0.3m; -11.1%)
- USO Parcels	€1.7m (+€0.2m; +16.5%)
- Other	€14.0m (-€2.4m; -14.6%)
Total excl. Altice	€137.0m (-€1.1m; -0.8%)



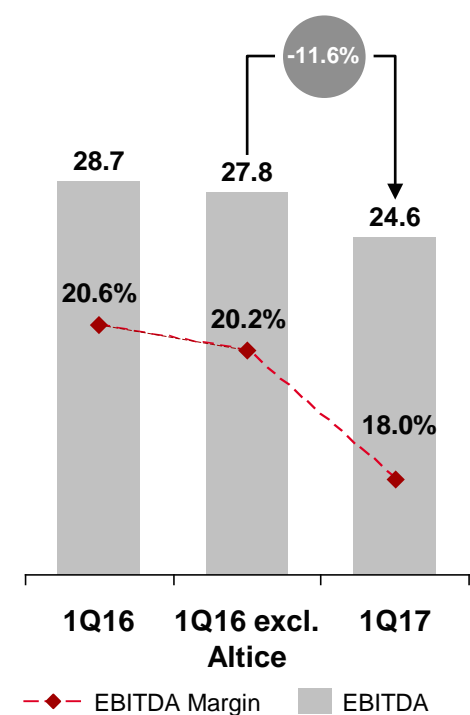
Recurring operating costs

€ million



Recurring EBITDA

€ million



Mail volumes ¹ by type

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q17	N/A	203.6	174.6	18.5	10.5	107.4
1Q17 vs. 1Q16	+0.1%	-3.7%	-3.3%	-4.6%	-8.9%	-1.0%

¹ Million items.

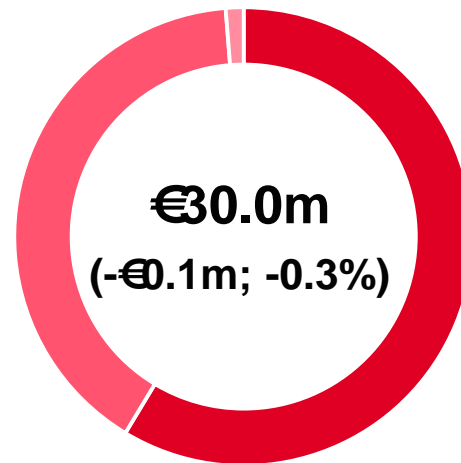
BUSINESS UNITS: Strong double-digit growth in parcels volumes offset the impact of the declining legacy banking network business and the loss of Altice revenues



1Q17 E&P revenues by region

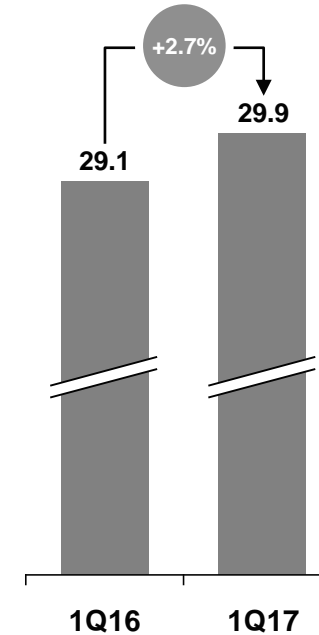
€ million, change vs. prior year (€; %)

– Portugal & other ¹	€17.6m (-€0.8m; -4.6%)
– Parcels	€15.1m (+€0.6m; +3.9%)
– Banking network	€1.3m (-€0.4m; -25.1%)
– Logistics & other	€1.1m (-€0.1m; -9.8%)
– Altice	€0.0m (-€0.8m; -100%)
– Spain	€12.0m (+€0.9m; +7.8%)
– Mozambique	€0.4m (-€0.1m; -22.1%)
Portugal & other ¹ excl. Altice	€17.6m (-€0.0m; -0.1%)



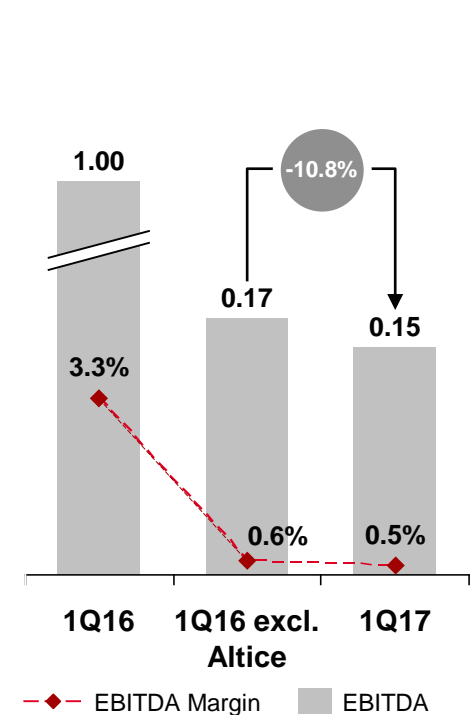
Recurring operating costs

€ million



Recurring EBITDA

€ million



E&P volumes ² by region

Metric	Total	Portugal	Spain	Mozambique
1Q17	7.3	3.6	3.7	0.02
1Q17 vs. 1Q16	+10.7%	+8.7%	+12.9%	-19.3%

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

² Million items.

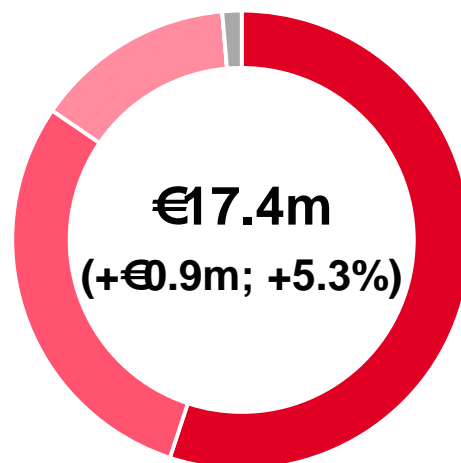
BUSINESS UNITS: Swap by the public from savings to treasury certificates was the primary driver of the 5.3% Financial Services revenues growth



1Q17 FS revenues by type

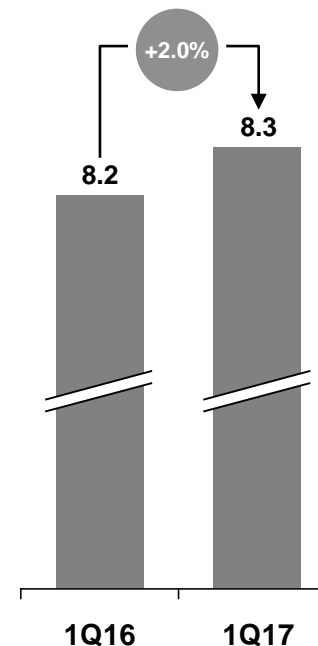
€ million, change vs. prior year (€; %)

- Savings & Insurance	€9.6m (+€2.9m; +42.7%)
- Payments	€5.1m (-€0.4m; -7.7%)
- Transfers	€2.5m (-€0.1m; -3.7%)
- Credit	€0.0m (-€0.1m; -100%)
- Other	€0.2m (-€1.4m; -85.3%)
Total excl. Altice	€17.4m (+€1.7m; +10.9%)



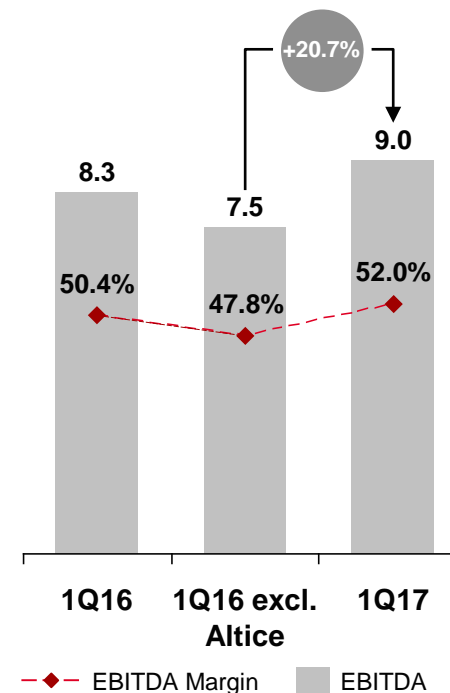
Recurring operating costs

€ million



Recurring EBITDA

€ million



€ FS volumes by type

Metric	Savings placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (€m)
1Q17	1.3	13.1	4.5	2.1
1Q17 vs. 1Q16	+24.6%	-8.2%	-3.7%	+1.0%

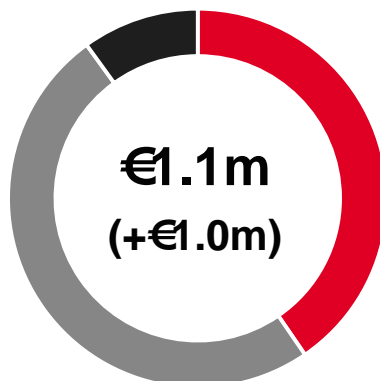
BUSINESS UNITS: Banco CTT quarterly revenues exceeded €1m driven by strong consumer credit placement; mortgage product in launching stage



Operating revenues

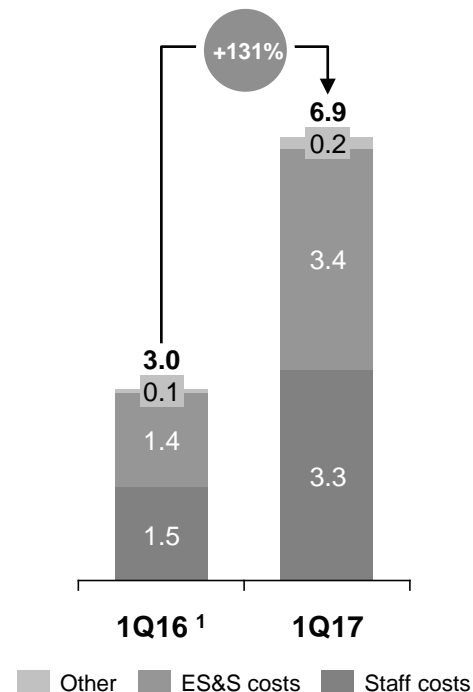
€ thousand

	1Q16	1Q17
- Net interest income	€8.1	€405.2
- Interest income	€8.2	€589.7
- Interest expense	€0.1	€184.5
- Commissions income	€8.8	€648.5
- Credit cards & consumer credit ²	€0.0	€327.9
- Own products	€8.8	€320.6
- Other	€107.4	€66.7



Recurring operating costs

€ million



ASSETS

€135.4m	Cash & cash equivalents
€204.6m	Financial assets & investments
€24.6m	Credit to clients
€6.8m	Other assets

EQUITY

€2.0m	Equity
-------	--------

LIABILITIES

€31.4m	Customer deposits
€8.1m	Other liabilities

As at 31 March 2017

Banco CTT indicators

Metric	Branches (#)	Current accounts (thousand)	Customer deposits (€m)	Consumer credit ² (€m)
31 Mar. 2017	203	114.1	331.4	7.4 (1Q17)
31 Dec. 2016	202	74.1	253.9	5.1 (4Q16)

¹ The bank was launched to the public on 18 March 2016.

² Partnership with BNP Paribas Personal Finance (Cetelem).



bancoctt

03.

Appendix

APPENDIX: Non-recurring items affecting the results



€million

	1Q16	1Q17	Δ
Reported EBITDA	34.2	24.9	-9.3
Non-recurring items affecting EBITDA	0.9	3.1	2.2
Revenues	-1.7	0.0	1.7
Staff costs	1.1	1.1	0.0
ES&S & other op. costs	1.6	2.0	0.4
Recurring EBITDA	35.1	28.0	-7.1
Reported EBIT	31.0	17.6	-13.4
Non-recurring costs affecting only EBIT	-2.9	0.7	3.6
Provisions (reinforcements / reductions)	-3.2	0.0	3.2
Impairments and D&A (losses / reductions)	0.3	0.7	0.4
Non-recurring items affecting EBITDA & EBIT	-2.0	3.8	5.8
Recurring EBIT	29.0	21.4	-7.6

€1.7m from recognised deferred gain due to early termination of vacant building lease contract

Non-recurring costs of €3.1m in 1Q17 include:

- €1.6m of costs related to strategic studies (of which €0.7m for Banco CTT)
- €0.5m due to staff contract terminations by mutual agreement
- €0.3m related to new Banco CTT branch openings

APPENDIX: Consolidated results



€million	Reported		Recurring ¹		Banco CTT under equity method ²	
	1Q16	1Q17	1Q16	1Q17	1Q16	1Q17
Revenues	179.6	177.0	177.9	177.0	179.5	176.2
Operating costs	145.4	152.1	142.7	148.9	141.3	144.8
EBITDA	34.2	24.9	35.1	28.0	38.3	31.4
EBITDA margin	19.0%	14.1%	19.8%	15.8%	21.3%	17.8%
EBIT	31.0	17.6	29.0	21.4	35.2	24.6
Gains / (losses) in subsidiaries, associates and joint ventures	0.2	-	0.2	-	-3.1	-5.6
Earnings before taxes (EBT)	29.8	16.5	27.9	20.3	30.7	17.9
Income tax for the period	9.2	6.2	7.5	5.4	-10.1	-7.6
Net profit attributable to equity holders	20.7	10.3	20.4	15.0	20.7	10.3

¹ Recurring net profit excludes non-recurring revenues and costs and considers the theoretical (nominal) tax rate of CTT.

² With Banco CTT consolidated under equity method.

APPENDIX: Balance Sheet



€million	CTT		Banco CTT under equity method ¹	
	31-Dec-16	31-Mar-17	31-Dec-16	31-Mar-17
Non-current assets	452.6	482.0	393.2	380.7
Current assets	864.1	870.1	669.9	639.3
Assets	1,316.7	1,352.1	1,063.1	1,019.9
Equity	233.3	244.3	233.3	244.3
Liabilities	1,083.4	1,107.8	829.8	775.7
Non-current liabilities	269.5	268.0	269.5	267.9
Current liabilities	813.8	839.8	560.3	507.7
Equity and liabilities	1,316.7	1,352.1	1,063.1	1,019.9

¹ With Banco CTT consolidated under equity method.

CTT

Investor Relations

Upcoming Events:

8 / 9 May – **Munich & Frankfurt**

- Roadshow with MainFirst

16 May – **Madrid**

- Roadshow with Santander

17 / 18 May – **Barcelona & Andorra**

- Roadshow with Haitong

19 May – **Paris**

- Roadshow with BBVA

27 June – **London**

- 13th Annual Goldman Sachs European Bus. Services, Transport & Leisure Conference

Contacts:

Phone: +351 210 471 857

E-mail: investors@ctt.pt

