

CTT – Correios de Portugal, S.A.

Investor presentation



Conferences & Roadshows, September 2016

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I. Postal sector overview

II. CTT overview

III. CTT strategy

IV. Banco CTT as an extension of CTT's strategy

V. 1H16 highlights



I. Postal sector overview



POSTAL SECTOR OVERVIEW: THE GLOBAL POSTAL SECTOR IS NOW WELL DIVERSIFIED AND DRIVES THE FULFILMENT OF THE “INTERNET OF THINGS”



€435.6bn postal industry revenues

+2.8% postal industry revenues growth

44.8% mail share of industry revenues

-3.9% decrease in mail volumes

+1.5% mail revenues growth

+6.3% growth in parcels volumes

+6.7% parcels revenues growth

POSTAL SECTOR OVERVIEW: GOING THROUGH A SIGNIFICANT TRANSFORMATION PHASE IN ORDER TO ADAPT TO NEW MARKET TRENDS



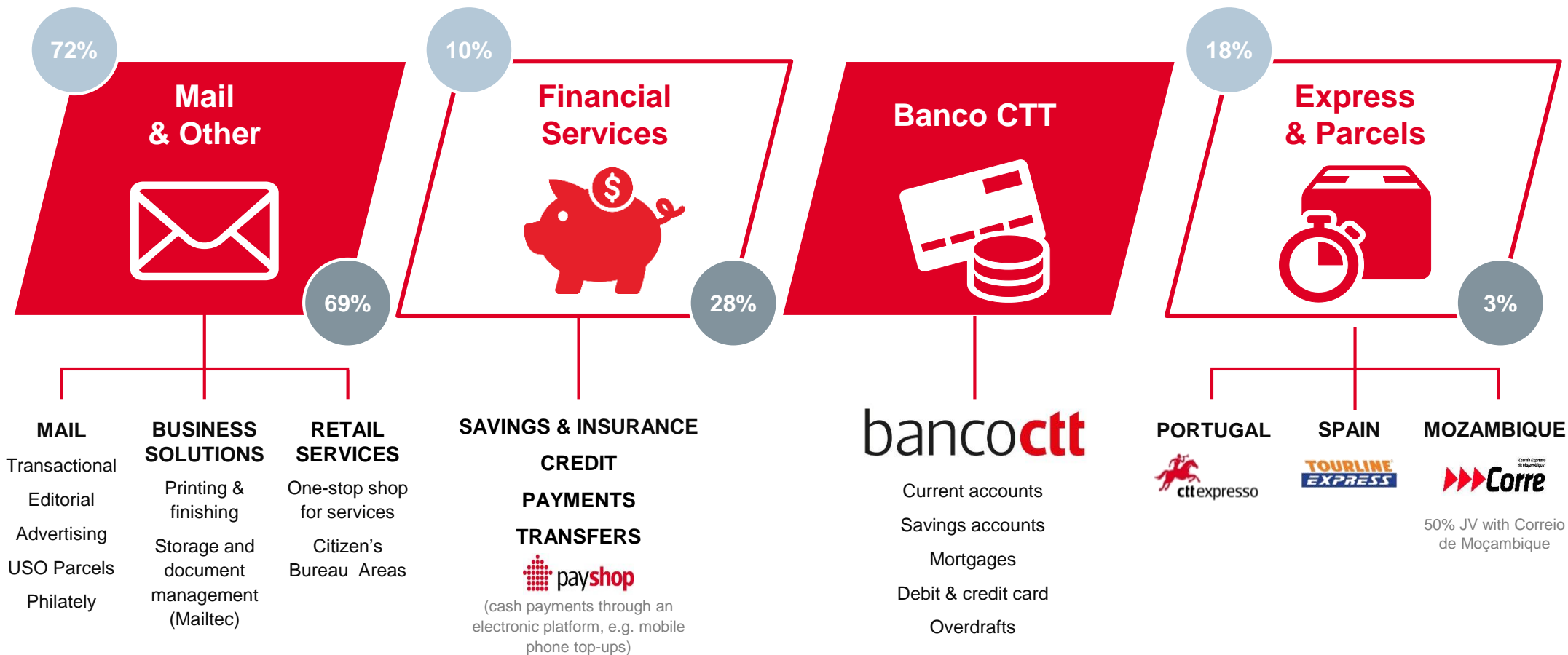
PEOPLE
AND THINGS
STILL NEED
TO BE
PHYSICALLY
CONNECTED



II. CTT overview



CTT OVERVIEW: A MODERN AND DYNAMIC POSTAL SERVICES OPERATOR WITH A DIVERSIFIED PORTFOLIO OF BUSINESSES



Indisputable market leader with industry-leading margins

Leveraging on a strong brand name, a historical track record and a Retail Network comparable in size to those of the major Portuguese banks

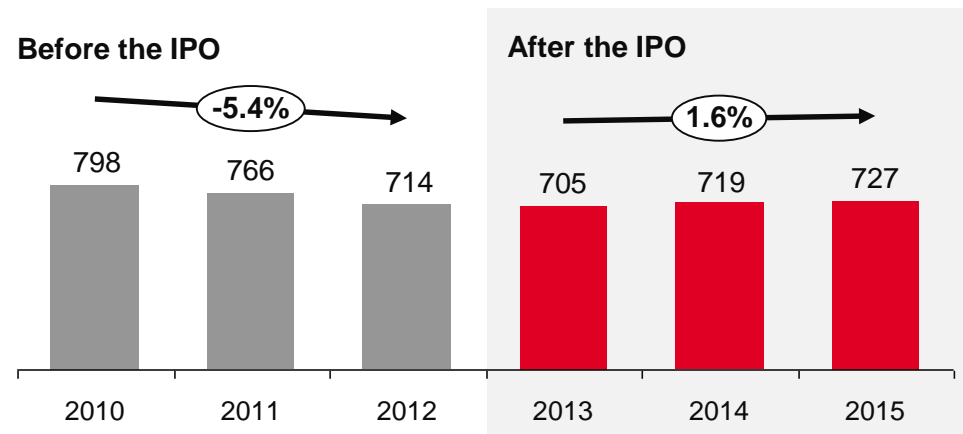
Economies of scale and market-leading position in Portugal; relevant operation in Spain based on a franchisee model

% of 2015 Recurring revenues¹ (€727m) % of 2015 Recurring EBITDA (€144m)

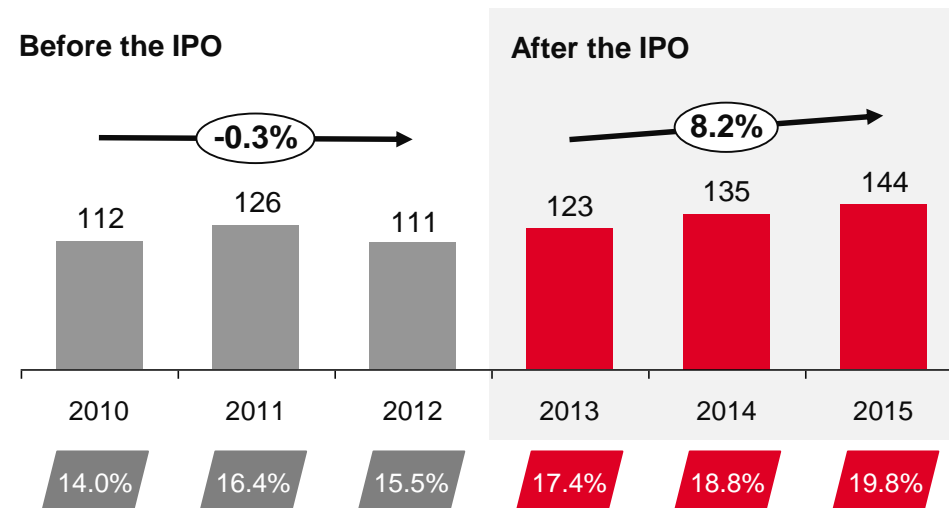
CTT OVERVIEW: DELIVERING ON THE PROMISE OF THE IPO AND REPORTING CONSISTENTLY STRONG RESULTS



Reversing the revenues ¹ declining trend (€ million)

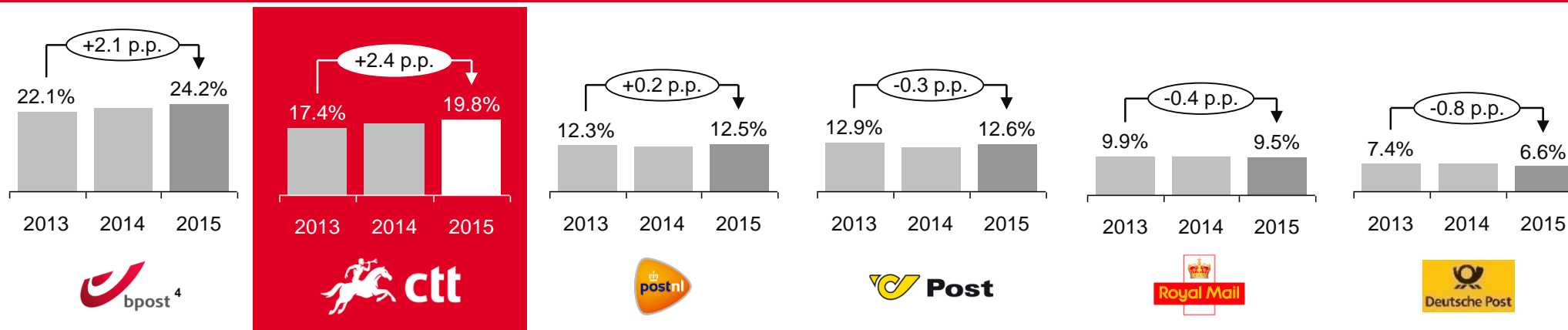


Strong recurring EBITDA ² growth (since 2012) (€ million)



○ CAGR ▭ Recurring EBITDA margin

Industry-leading EBITDA margins ³



¹ Reported revenues including income related to CTT Central Structure and Intragroup Eliminations; ² Excluding amortisation, depreciation, provisions, impairment losses, non-recurring revenues and non-recurring costs; ³ Source: Annual Reports – excluding non-recurring items. Royal Mail fiscal year ends in March (e.g. 2015 refers to the period between Apr-14 and Mar-15); ⁴ Receives government subsidies.

III. CTT strategy



CTT STRATEGY: CTT HAS A WELL-DEFINED STRATEGY LEVERAGING ON ITS COMPETITIVE SKILLS AND ADVANTAGES



PRESERVE THE VALUE OF THE MAIL BUSINESS



- I. Regulatory management (pricing & other)
- II. Develop specialised segments (e.g. Direct Mail)
- III. Physical / digital mail transition

CAPTURE THE GROWTH TREND IN PARCELS



- I. Offer upgrade
- II. E-commerce initiatives
- III. Monitor growth opportunities (e.g. logistics)
- IV. Spain: turnaround

GUARANTEE THE SUCCESS OF BANCO CTT TO EXPAND THE FINANCIAL SERVICES BUSINESS



- I. Success of Banco CTT
- II. Reinforce and widen the Financial Services offer (e.g. CTT payments & Payshop)



OPERATIONAL EFFICIENCY

Continuous improvement of processes and operations in order to promote CTT's profitability



COMMERCIAL EXCELLENCE

Integrated and customer-centric commercial approach in order to identify and meet customers' needs and preferences

Financial strength

Strong Balance Sheet and capacity to generate cash flow

Proximity (network & brand)

Leverage on the scalability of the CTT core assets and brand

Cultural transformation

Build an increasingly efficient and effective human capital structure

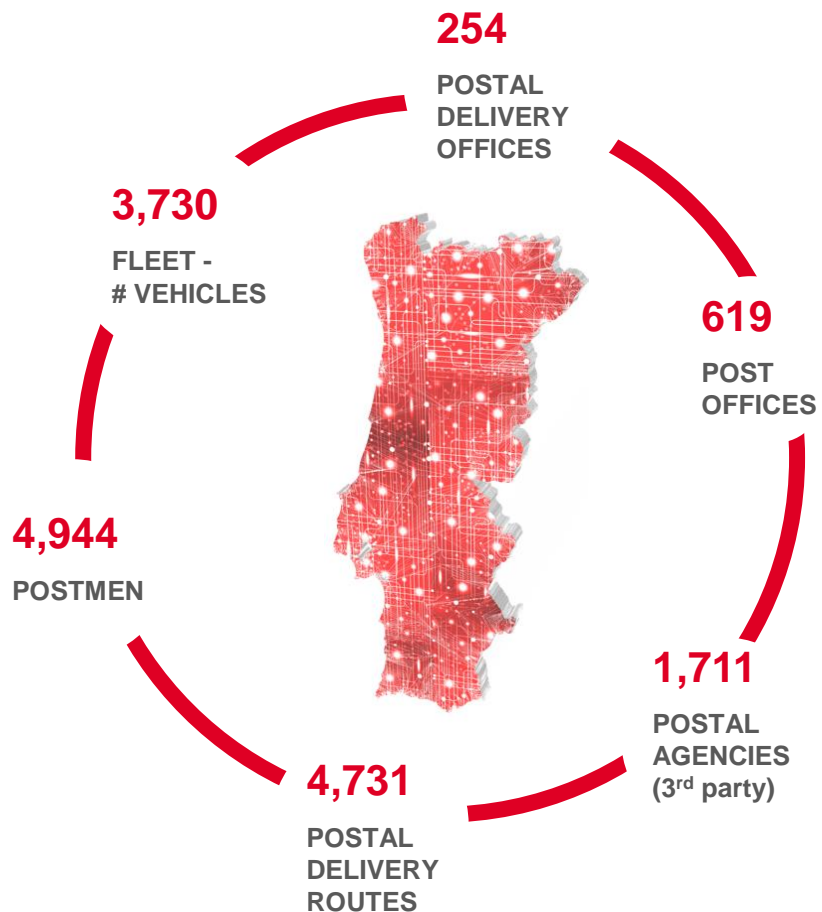
IT & Digital

Critical enabler of the business growth, modernisation and the decision-making process

Innovation

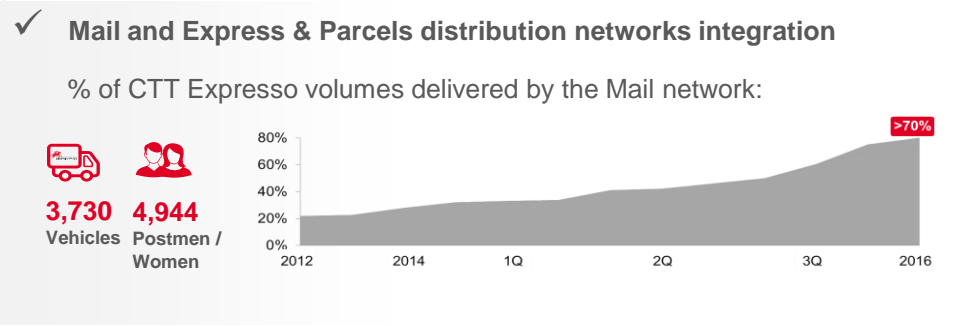
New approach to innovation based on the wisdom of the crowds allowing every employee to contribute

CTT STRATEGY: TWO INDEPENDENT GROWTH LEVERS SHARING COSTS WITH MAIL – EXPRESS & PARCELS AND FINANCIAL SERVICES / BANCO CTT



- Two unique networks with high capillarity (Distribution and Retail)
- Two independent growth levers sharing costs with Mail
- Strong profitability and cash generation
- Visible and trusted brand

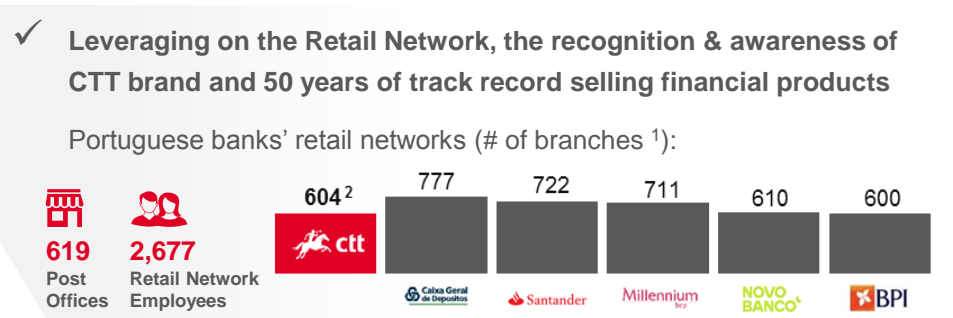
EXPRESS & PARCELS



FINANCIAL SERVICES



BANCO CTT



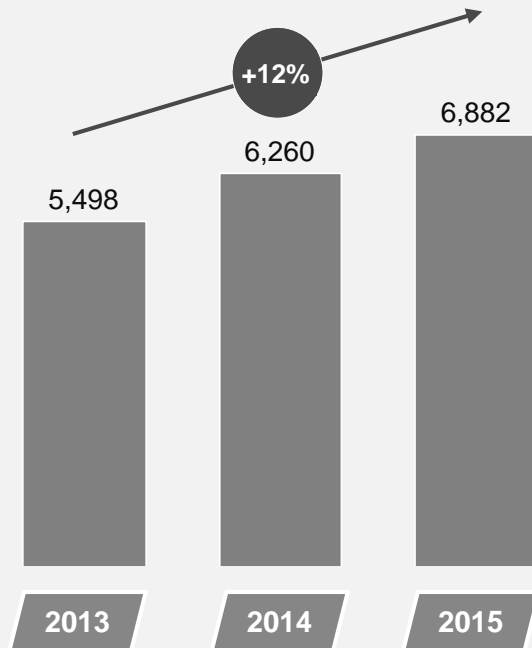
¹ Information of Bank of Portugal, extracted as at 6 April 2016 (Santander includes acquisition of Banif branches); ² Ramp-up of Banco CTT up to 603 CTT post offices in the first 3 years and 1 head branch. Note: CTT data as at 31 December 2015.

CTT STRATEGY: FOCUSING ON GROWTH SEGMENTS, SUCH AS DIRECT MAIL, TO DIVERSIFY AND CAPTURE THE FULL MARKET POTENTIAL



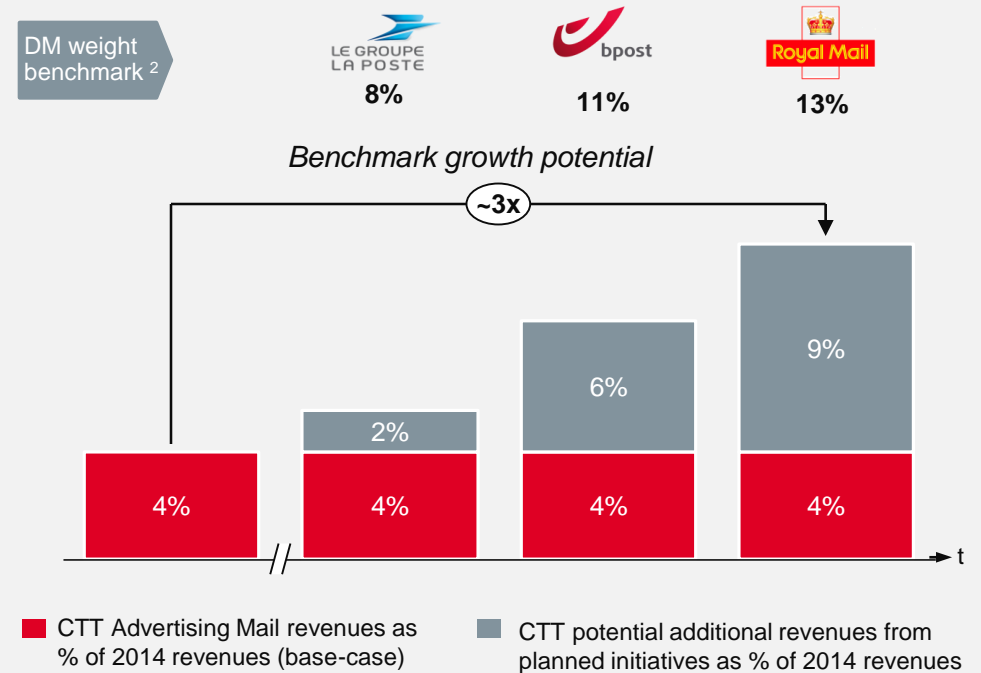
Advertising is a growing sector in Portugal

Domestic advertising spending (€ million)



● CAGR

Target weight of Direct (Advertising) Mail in CTT revenues ¹



Key initiatives to implement

CREATION OF AN ONLINE PLATFORM (allowing SMEs to create and manage Advertising Mail campaigns)

DIGITAL MARKETING INTEGRATED OFFER

REBRAND THE ADVERTISING MAIL PRODUCT OFFER

APPROACH TO CREATIVE AND MEDIA AGENCIES

¹ Calculated based on CTT 2014 reported revenues; ² Advertising Mail revenues as % of 2014 reported revenues (Annual Reports).

CTT STRATEGY: AUTOMATING AND MODERNISING CURRENT INFRASTRUCTURE TO ADAPT TO NEW MARKET TRENDS, NAMELY E-COMMERCE



E-commerce parcels – “Restmail” machine

Context: significant increase in parcels volumes



- E-commerce development both locally and internationally

Type of items: small and medium packages (up to 15kg)



- Current capacity: 6K items per hour
- Maximum capacity: 12K items per hour
- Total investment: ~€2m

Results: competitive advantage in e-commerce business



- Increase automation levels to 90% (vs. 80% previously)
- Better quality of service and lower processing times

12K/h
ITEMS

90%
AUTOMATION
LEVEL

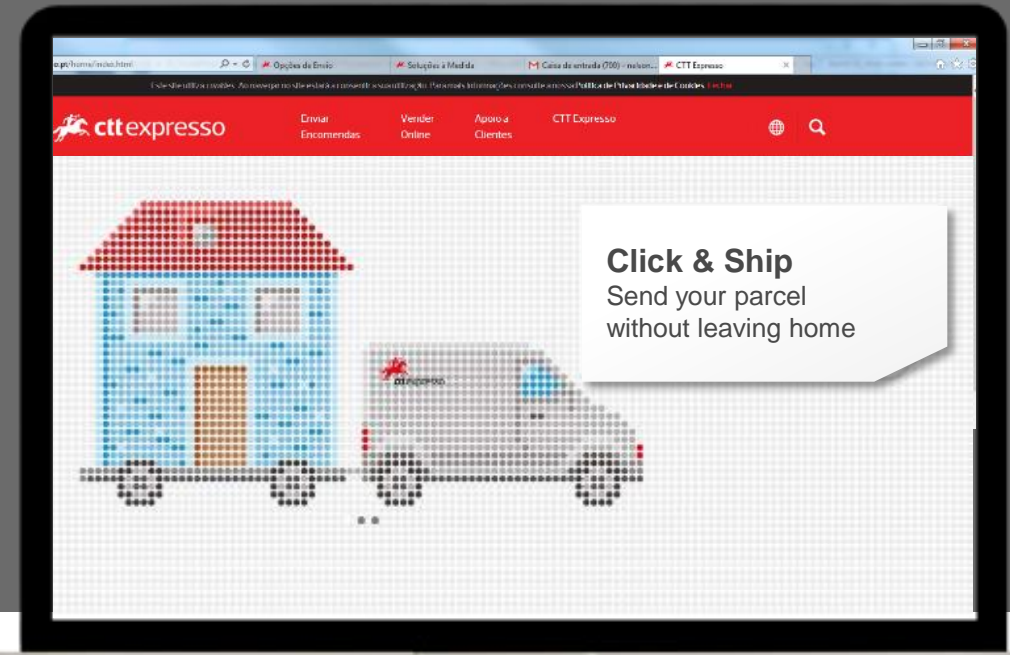
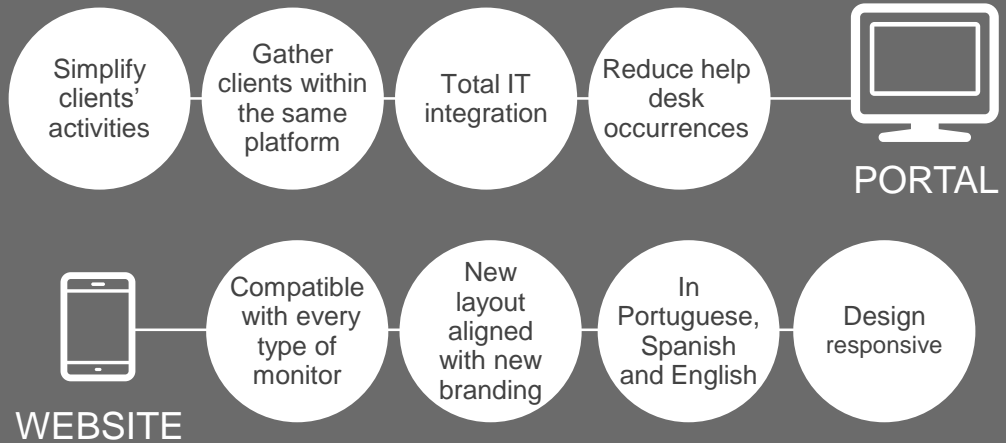


PIONEERING AND LEADING-EDGE TECHNOLOGY (by Siemens)

CTT STRATEGY: UPGRADING DIGITAL CHANNELS AND EXTENDING PU DO NETWORK IN PARCELS TO IMPROVE THE INTERACTION WITH CUSTOMERS



New CTT Expresso digital channels strategy



Extended PuDo network (>1,000 points)





Keep up with technological trends and improve customer experience



CTT STRATEGY: INCREASING VALUE ADDED SERVICES BY WIDENING THE DISTRIBUTION / RETAIL PARTNERSHIPS



EXAMPLES OF CTT PARTNERSHIPS

<p>Citizen's Bureau Areas</p> 	<ul style="list-style-type: none"> E-government services
<p>PT Portugal</p> 	<ul style="list-style-type: none"> Sale of PT Portugal products and services
<p>EDP</p> 	<ul style="list-style-type: none"> Integrated payment offer for utilities Client capture and contract signature
<p>BRISA</p> 	<ul style="list-style-type: none"> Toll payments

CITIZEN'S BUREAU AREAS – SERVICES PROVIDED



Examples:

- Driving license renewal
- Residence permit scheduling renewal
- Registering intellectual property
- Notarial or judiciary certificates requests
- Real Estate, Civil or Commercial certificates requests

IMPLEMENTATION TIMELINE

CTT RETAIL NETWORK

24

2014
Phase 1

Pilot

+200

2015
Phase 2

Opportunity: mainly cross-selling

+100

2016
Phase 3

DIGITAL ECONOMY MAKES RETAIL NETWORKS MORE OF A SERVICING CHANNEL THAN A SELLING ONE

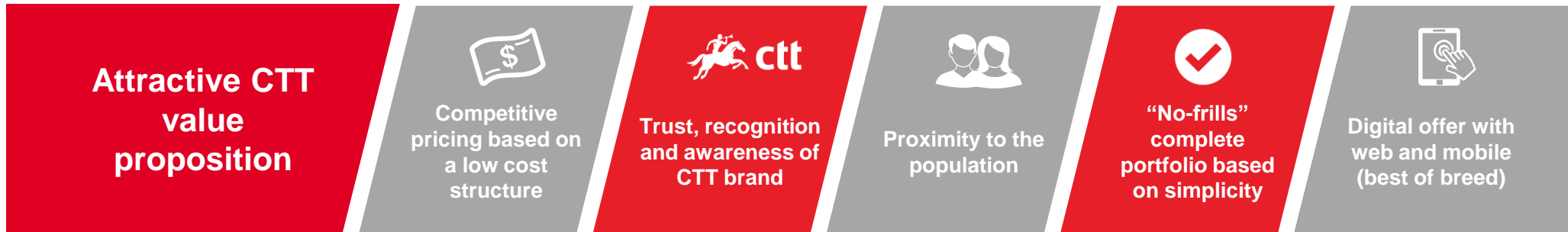
IV. Banco CTT as an extension of CTT's strategy



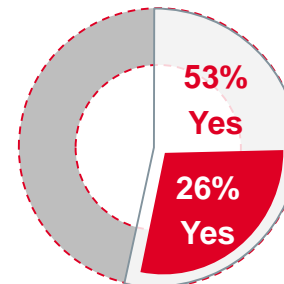
BANCO CTT: CTT HAS IDENTIFIED AN OPPORTUNITY TO LAUNCH A BANKING OPERATION BASED ON A NO-FRILLS CONCEPT AND STRONG DIGITAL PRESENCE



Why launch a banking operation in the current interest rate environment?



Market research – Banco CTT acceptance



"Do you consider Banco CTT proposal interesting?"

"Would you subscribe to the Banco CTT product offer?"

BANCO CTT: LEVERAGING ON A TRUSTED BRAND PRESENT IN PORTUGAL FOR CLOSE TO 500 YEARS



**POSTAL MONEY ORDERS:
1ST CHANNEL OF MONEY
TRANSFER IN PORTUGAL**



**CTT SUCCESSFULLY
BECOMES A PUBLICLY LISTED
COMPANY** on the Lisbon stock
exchange (70% privatised)



**BANCO CTT
LAUNCH**



1520

1912

1961

2013

2014

2015



**APPOINTMENT OF THE
1ST POSTMASTER**

King D. Manuel I creates the
first public mail service in
Portugal



**ONLY NETWORK IN
PORTUGAL DISTRIBUTING
PUBLIC DEBT
CERTIFICATES**



CTT 100% PRIVATISED

BANCO CTT: UTILISING THE EXISTING CTT RETAIL NETWORK WHICH COMPARES WELL WITH THE LARGEST BANKING NETWORKS IN PORTUGAL



Operational delivery model

83

Post offices with Banco CTT dedicated space



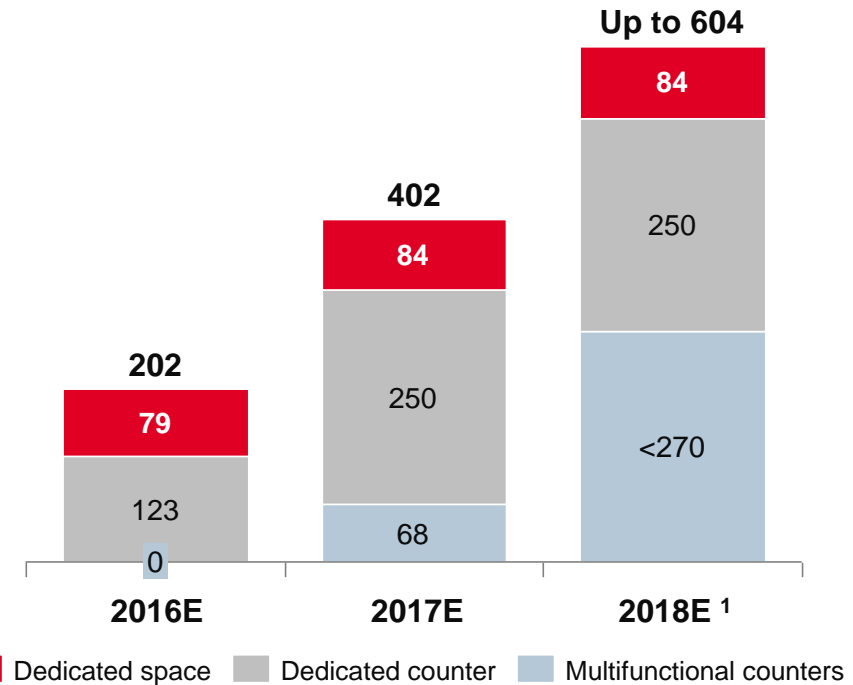
250

Post offices with Banco CTT dedicated counter



Up to 270

Post offices with multi-functional counters



Portuguese banks' retail networks | # of branches¹

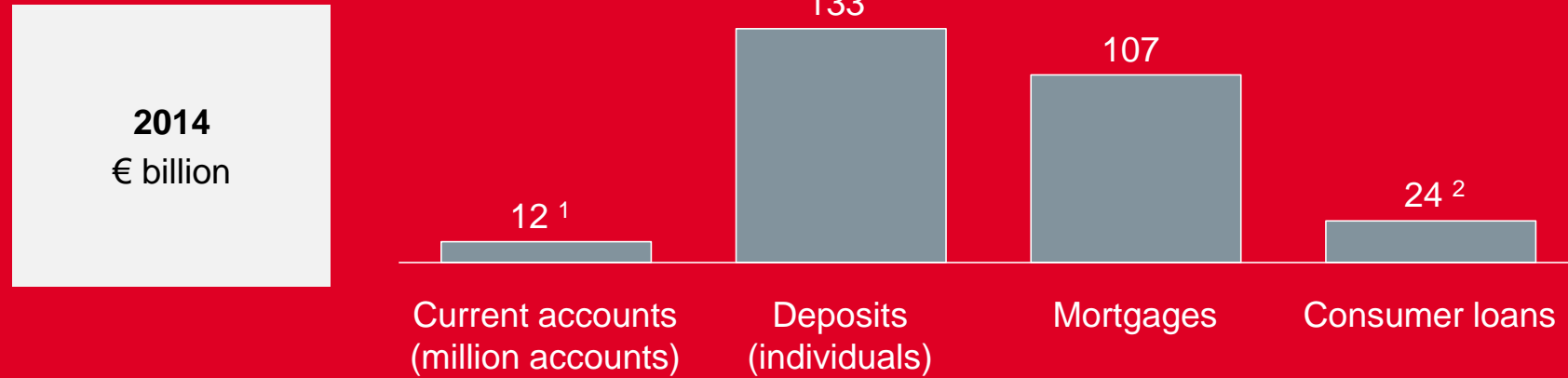


¹ Information of Bank of Portugal, extracted as at 6 April 2016 (Santander includes acquisition of Banif branches); ² Ramp-up of Banco CTT up to 603 CTT post offices in the first 3 years and 1 own branch; ³ USO obligation for density of network.

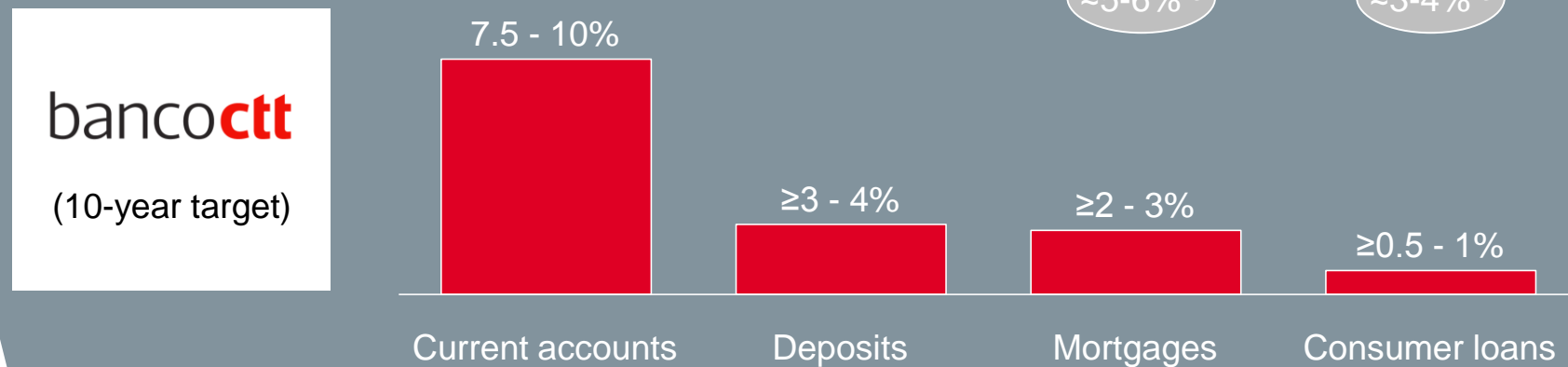
BANCO CTT: EXPECTED TO HAVE A HIGHER MARKET SHARE IN ACCOUNTS THAN IN DEPOSITS



OVERALL MARKET



MARKET SHARE TARGETS



● New production

¹ Excluding estimated 1 million enterprise accounts from "Associação Portuguesa de Bancos" (APB – Portuguese Banking Association) reported figure 12.6 million active accounts in 2014;

² Including consumer and other loans; ³ Market share estimates based on the assumption that in the long run the credit market will progressively recover to historical levels.

Source: Bank of Portugal; Associação Portuguesa de Bancos.

BANCO CTT: SUSTAINED IMPROVEMENT IN VALUE CREATION OVER TIME IS ANCHORED IN FOUR KEY SUCCESS FACTORS



Banco CTT's financials ambition

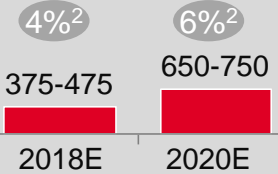
Key success factors

Remarks

Revenues¹
€ million

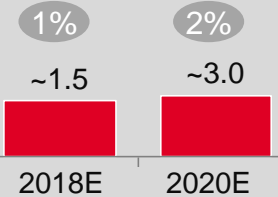


1 Number of accounts
Thousand



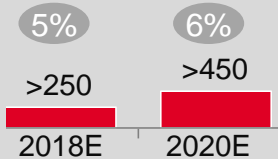
- Long-term aspiration of one million clients aligned with European postal banks' market share benchmark

3 Deposits
€ billion



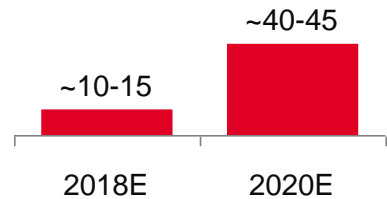
- Lower market share than in accounts, given bias towards mass market (but still capturing a significant volume by building primary banking relationships)

4 Mortgages (new production)
€ million

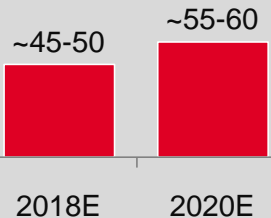


- Implied market share in new credit origination of 5-6% (assuming credit market recovers to pre-crisis levels)

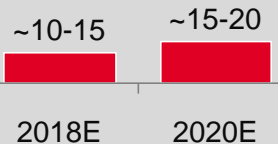
Operating result³
(before shared costs)
€ million



Operating costs³
(before shared costs)
€ million



2 Shared costs
€ million



- Value generation for CTT
- Low operating cost given:
 - Network cost advantage due to shared costs
 - Simple product offering
 - No legacy in IT and processes allowing for a lean operation

● Market share

¹ Including net interest income (both from credit operation and financial investments) and net commission income.

² Market share calculated as a percentage of active bank accounts in Portugal (12.6m according to Associação Portuguesa de Bancos).

³ Excluding shared costs with CTT, impairments, provisions and taxes.

BANCO CTT: STRONG INVESTMENT IN THE INITIAL YEARS NEEDED TO SUPPORT THE BANK'S LAUNCH

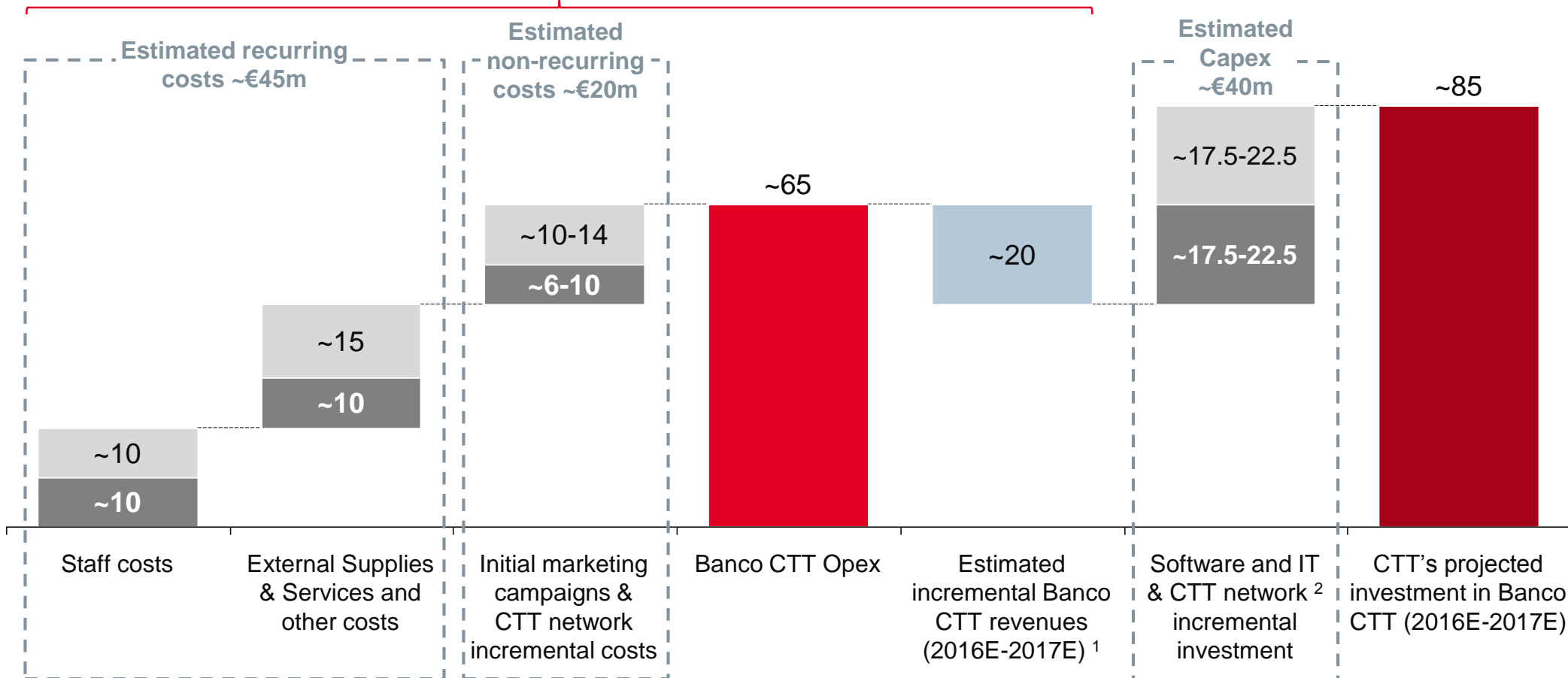


CTT's projected investment in Banco CTT (2016E-2017E)

€ million

■ 2016E ■ 2017E

Impacting reported EBITDA



Alignment between CTT and Banco CTT to successfully deliver the project

¹ Excluding revenues that migrate from CTT; ² Incremental spending related with the implementation of the bank in the CTT post offices.

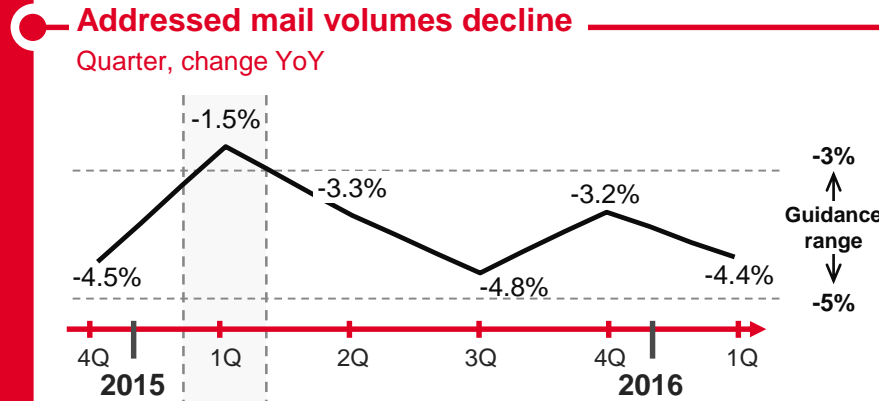
V. 1H16 highlights





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%



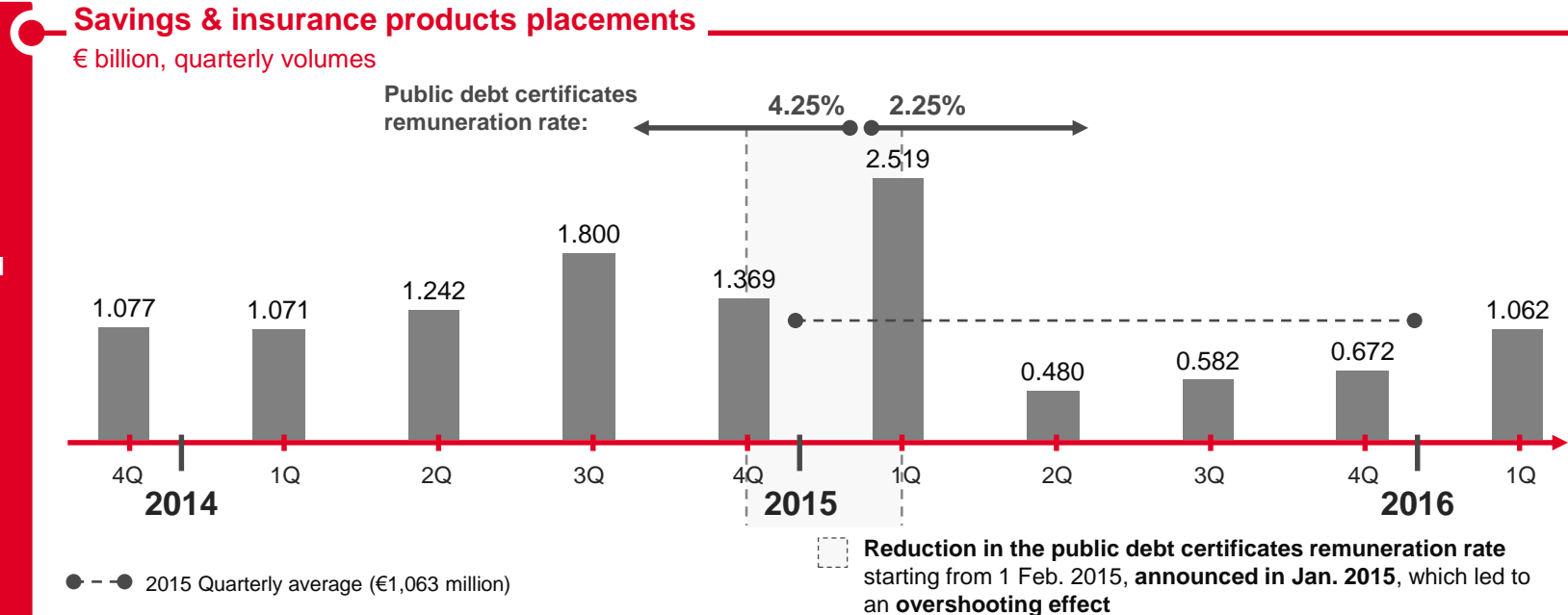
EXPRESS & PARCELS

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.

1H16 HIGHLIGHTS: BANCO CTT, A REVENUE DIVERSIFICATION LANDMARK AND A LONG-STANDING CTT AMBITION, BECOMES A REALITY

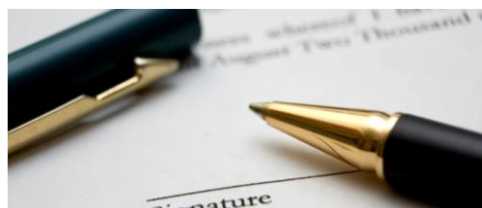


1 February

Implemented a price update, corresponding to an average annual 1.3% increase

18 March

Opening of Banco CTT to the public in 51 CTT post offices and a flagship branch



Signature of a Revision Agreement to the 2015 CTT Company Agreement with 10 trade unions

23 March

28 April

The AGM approves all proposed resolutions, including the dividend payment of €0.47 per share



Decision to launch the process to select the fund manager for the post-employment healthcare responsibilities

11 May

1H16 HIGHLIGHTS: 1H16 PROFITABILITY COMPARISON IMPACTED BY THE EXTRAORDINARILY HIGH PLACEMENT OF PUBLIC DEBT CERTIFICATES IN JAN.15 AND BY BANCO CTT COSTS



Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	Including Banco CTT			Excluding Banco CTT ⁴		
	1H15	1H16	Δ%	1H15	1H16	Δ%
Recurring revenues ¹	367.1	349.4	-4.8%	367.1	349.2	-4.9%
Recurring operating costs ²	291.5	286.9	-1.6%	290.4	278.7	-4.0%
Recurring EBITDA ^{1,2}	75.5	62.5	-17.3%	76.7	70.5	-8.1%
Recurring net profit ³	44.6	34.1	-23.6%	45.5	40.2	-11.7%
Reported net profit	39.2	31.7	-19.1%	41.7 ⁵	41.8 ⁵	+0.2%



Addressed mail
(million items)



Unaddressed mail
(million items)



Parcels ⁶
(million items)



FS savings flows ⁷
(€ billion)



Banco CTT current accounts
(thousand)

1H16 volumes	411.2	234.7	13.0	2.5	20.2
1H16 vs. 1H15	-2.3%	+4.3%	-5.2%	-31.1%	N/A

¹ Excluding non-recurring revenues of €1.7m recognised in 1H16 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 €5.1m in 1H15 (€2.3m related to Banco CTT) and €7.2m in 1H16 (€4.2m related to Banco CTT – €3.3m booked in Banco CTT business unit and €0.9m booked in Mail business unit).

³ Considers the theoretical (nominal) tax rate of CTT.

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

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

⁶ Including Portugal (6.9 million items; -1.8%) and Spain (6.1 million items; -8.9%).

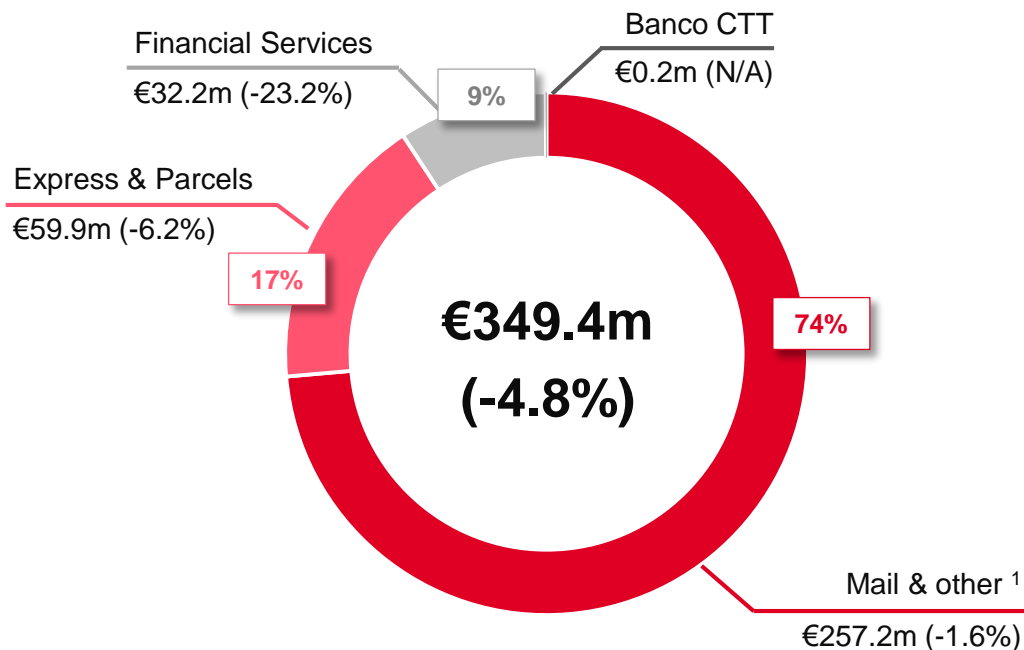
⁷ Including savings & insurance products placements and redemptions. €2.2bn placed in Jan.15, the current rate being >€300m of monthly placements so far in 2016.

1H16 HIGHLIGHTS: REVENUES COMPARISON INFLUENCED BY THE STRONG PLACEMENT OF PUBLIC DEBT CERTIFICATES IN JAN.15 & THE ACCELERATED RESTRUCTURING IN SPAIN IN 1H16



1H16 recurring revenues

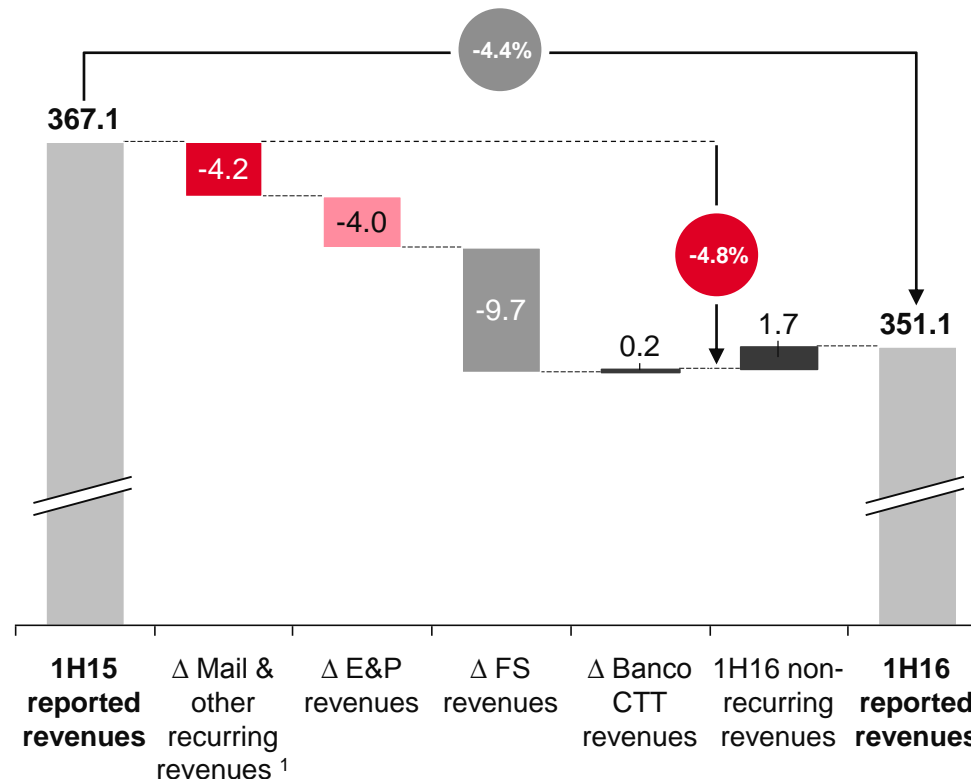
€ million; % change vs. prior year; % of total



X% % of total

Revenues breakdown

€ million



- Mail & other revenues decline due to a **negative mix effect** (decline in registered mail) and **decline of FS sales in the Retail Network**, despite **better than expected volumes evolution**
- E&P affected primarily by the **acceleration of the restructuring process in Spain**, resulting in volumes (-8.9%) and revenues (-€2.9m) decline in the region
- The extraordinary effect of the **placement of €2.2bn of public debt certificates in January 2015** continues to weigh on the FS revenues comparison

¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€17.2m in 1H15 and -€14.8m in 1H16.

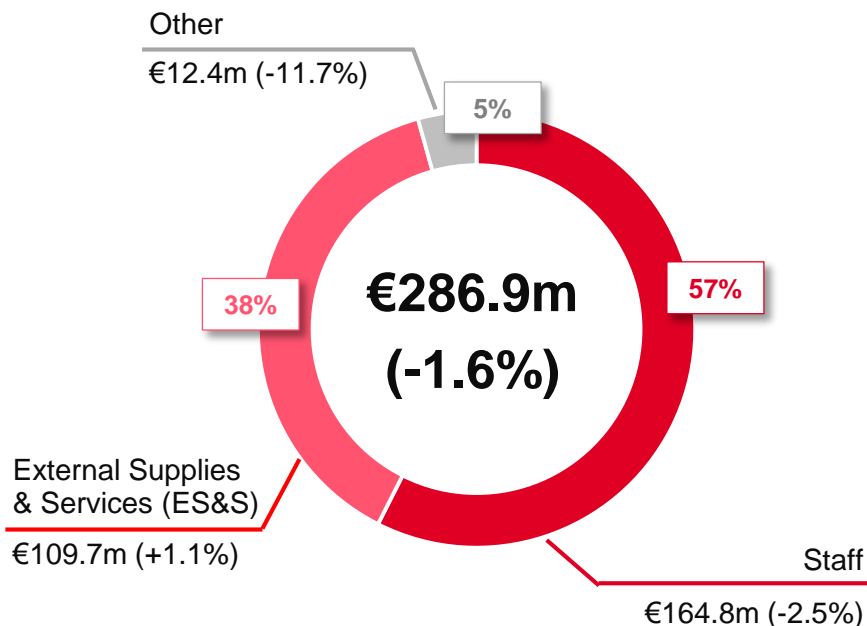
1H16 HIGHLIGHTS: CONTINUOUS EFFICIENCY MEASURES ALLOW THE COMPANY TO

INCORPORATE BANCO CTT AND STILL ACHIEVE 1.6% DECLINE IN RECURRING OPERATING COSTS



1H16 recurring operating costs ¹

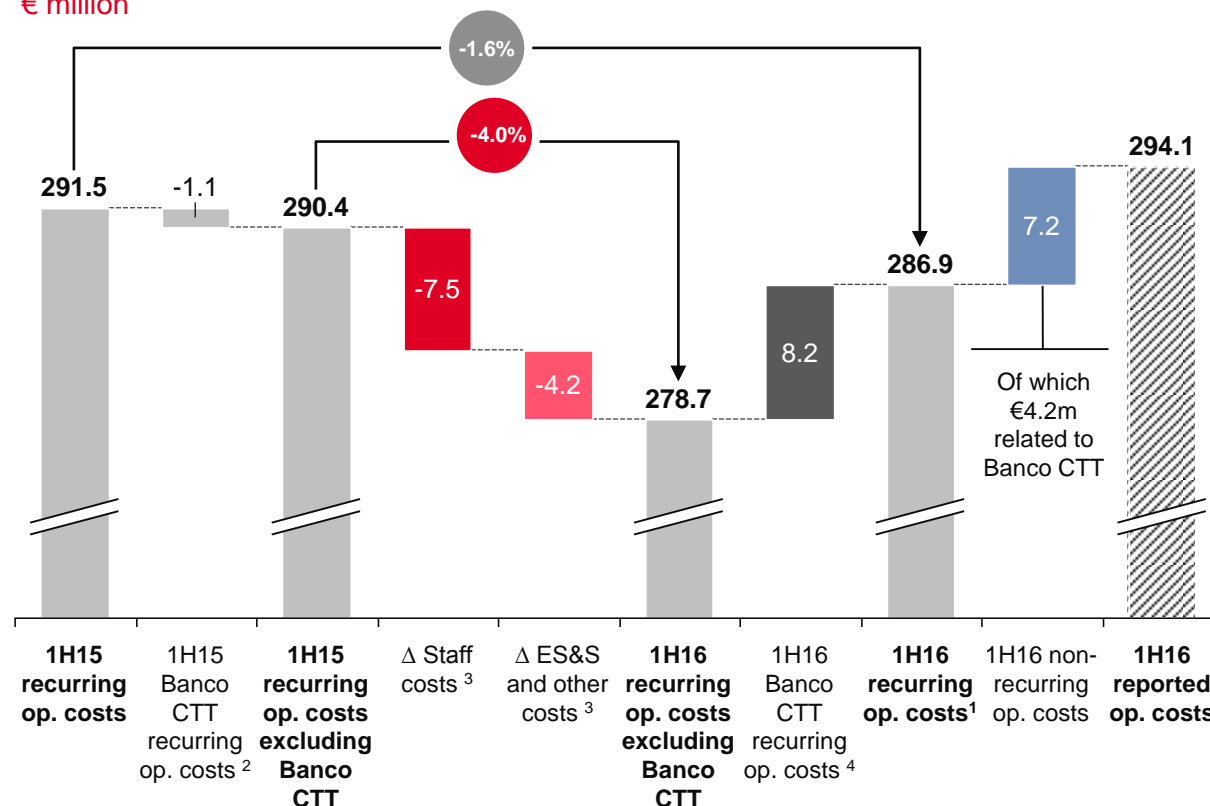
€ million; % change vs. prior year; % of total



X% % of total

Operating costs breakdown

€ million



- **Outsourcing savings from networks integration (-€1.9m) & other efficiency measures partly absorb the increase of Banco CTT recurring ES&S costs (+€4.4m)**
- **Staff costs decrease primarily as a result of €5.4m decline due to the implemented remuneration policy placing emphasis on the variable component, €1.9m reduction in Tourline staff costs, and €1.8m reduction in the telephone subscription fee benefit, partly offset by the increase in Banco CTT recurring staff costs (+€3.3m) and by the extension of the coverage of work accidents insurance to the “Caixa Geral de Aposentações” workers (+€0.6m)**

¹ Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of €5.1m in 1H15 (€2.3m related to Banco CTT) and €7.2m in 1H16 (€4.2m related to Banco CTT).

² Booked in FS business unit (€0.4m Staff costs and €0.7m ES&S costs).

³ Excluding Banco CTT recurring op. costs: €1.1m in 1H15 (booked in FS business unit) and €8.2m in 1H16 (€8.3m booked in Banco CTT business unit, -€0.1m in Mail business unit).

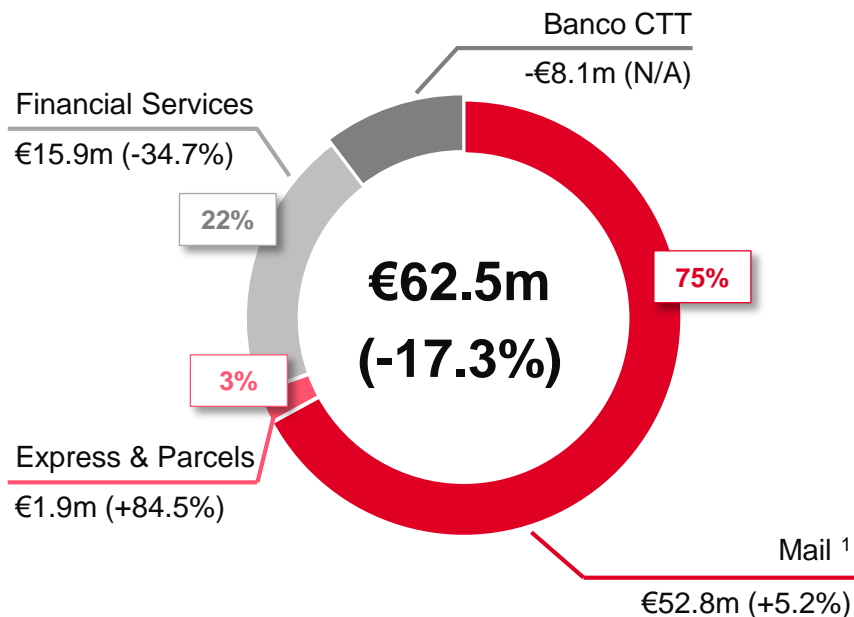
⁴ Booked in Banco CTT business unit (€8.3m, of which €3.9m Staff costs and €4.4m ES&S and other costs) and in Mail business unit (-€0.1m of which -€0.1m Staff costs and €0.1m ES&S and other costs).

1H16 HIGHLIGHTS: EBITDA COMPARISON IMPACTED BY BANCO CTT LAUNCH AND FINANCIAL SERVICES / REGISTERED MAIL (WITH HIGH EBITDA MARGINS) REVENUES DECLINE



1H16 recurring EBITDA

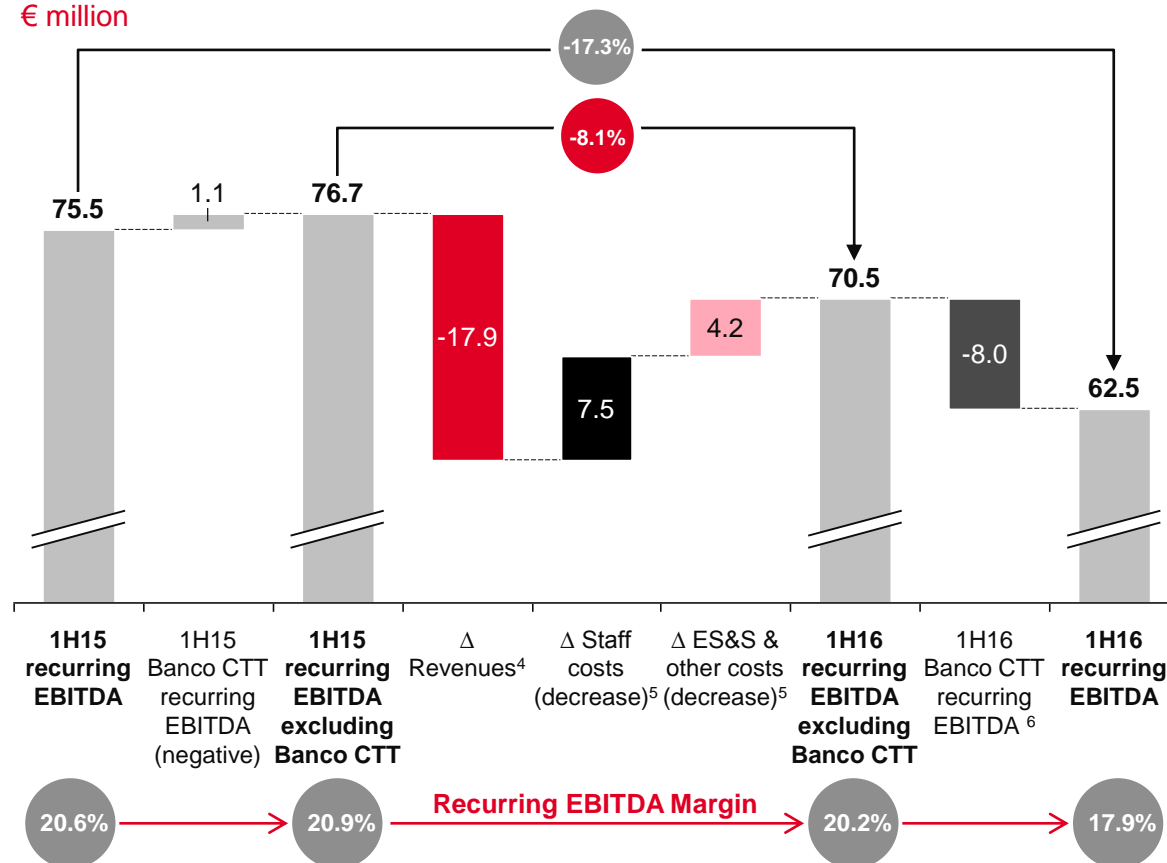
€ million; % change vs. prior year; % of total



X% % of total ²

Recurring EBITDA ³ breakdown

€ million



Recurring EBITDA declines by 8.1% (-€6.2m) on a like-for-like basis, excluding Banco CTT. The increase in Mail EBITDA (+€2.5m) and E&P EBITDA (+€0.9m) partially offsets the €9.6m decline in FS EBITDA (due to high placements of certificates in Jan.15)

¹ Including -€0.1m Banco CTT recurring operating costs booked in Mail business unit.

² Excluding -€8.1m Banco CTT business unit recurring EBITDA.

³ Excluding total non-recurring revenues of €1.7m in 1H16 and non-recurring operating costs affecting EBITDA of €5.1m in 1H15 (€2.3m related to Banco CTT) and €7.2m in 1H16 (€4.2m related to Banco CTT).

⁴ Excluding Banco CTT recurring revenues: €0.2m in 1H16.

⁵ Excluding Banco CTT recurring op. costs: €1.1m in 1H15 (booked in FS business unit) and €8.2m in 1H16 (€8.3m booked in Banco CTT business unit and -€0.1m in Mail business unit).

⁶ Booked in Banco CTT business unit (-€8.1m) and in Mail business unit (€0.1m).

OTHER FINANCIALS: THE CASH POSITION REMAINS STRONG, DESPITE THE IMPACTS OF BALANCE SHEET OPTIMISATION, DIVIDEND PAYMENT AND BANCO CTT LAUNCH



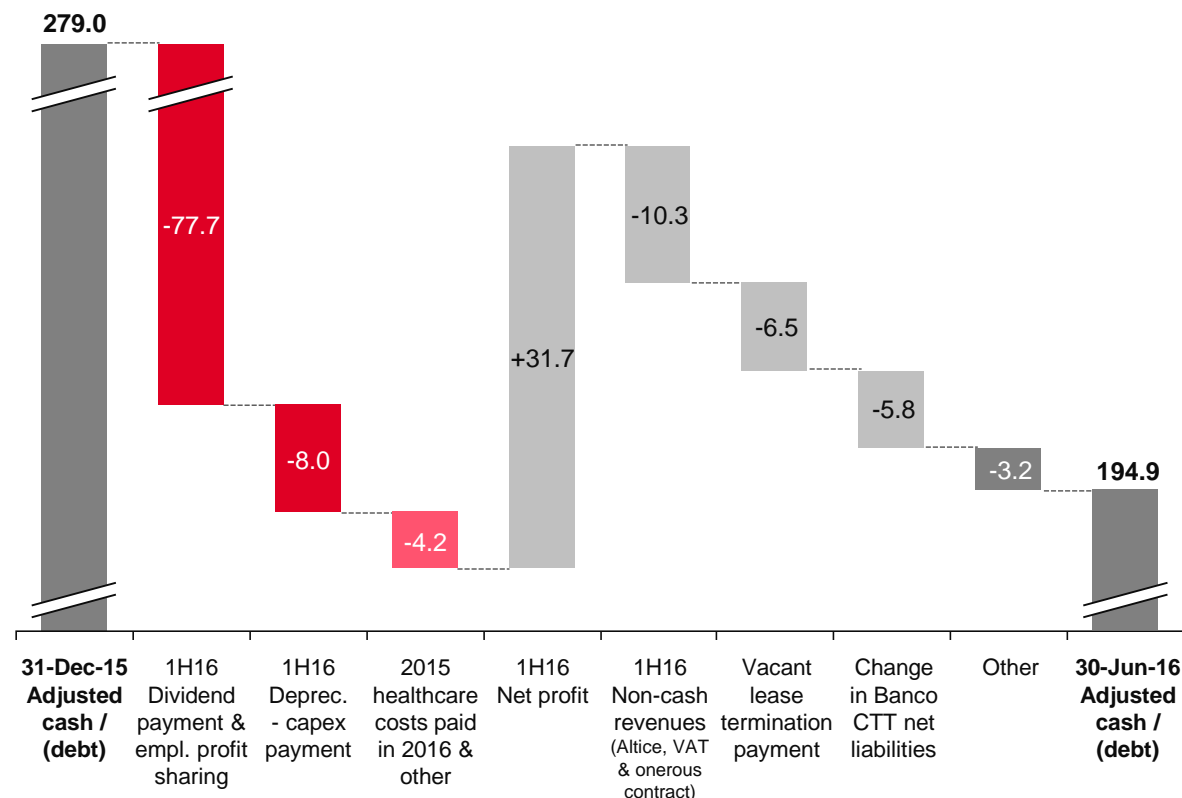
Cash flow

€ million, % change vs. 1H15

	Reported		Adjusted ¹	
	1H16	Δ %	1H16	Δ %
From operating activities ²	187.9	+96.1%	63.0	+66.6%
From investing activities ²	-76.5	<<	-76.5	<<
Of which: Capex payments ³	-21.0	-17.8%	-21.0	-17.8%
Operating free cash flow	111.4	+39.8%	-13.5	-162.4%
From financing activities	-70.6	-1.2%	-70.6	-1.2%
Of which: Dividends	-70.3	-0.7%	-70.3	-0.7%
Net change in cash	40.8	>>	-84.1	-74.7%
Cash at end of period ²	644.5	-4.4%	194.9	-15.5%

Adjusted cash at the end of the period

€ million



Operating free cash flow affected by payments related to 2015 and ones resulting from Balance Sheet optimisation measures (upfront payment for the termination of an onerous contract which should generate cash savings of €12.0m in the next 7 years)

¹ Cash flow from operating activities excluding changes in net Financial Services payables of +€58.0m (1H15) and +€124.9m (1H16), respectively. Cash at the end of the period excluding net Financial Services payables of €443.7m (Jun-15) and €449.6m (Jun-16). Banco CTT not excluded and financial assets & investments of €61.1m not considered as cash.

² Cash flow from operating activities includes net change in Banco CTT liabilities (+€56.4m). Cash flow from investing activities includes net change in Banco CTT financial assets (-€62.2m). Cash at the end of the period includes -€5.8m Banco CTT net liabilities (Jun-16). Change in methodology.

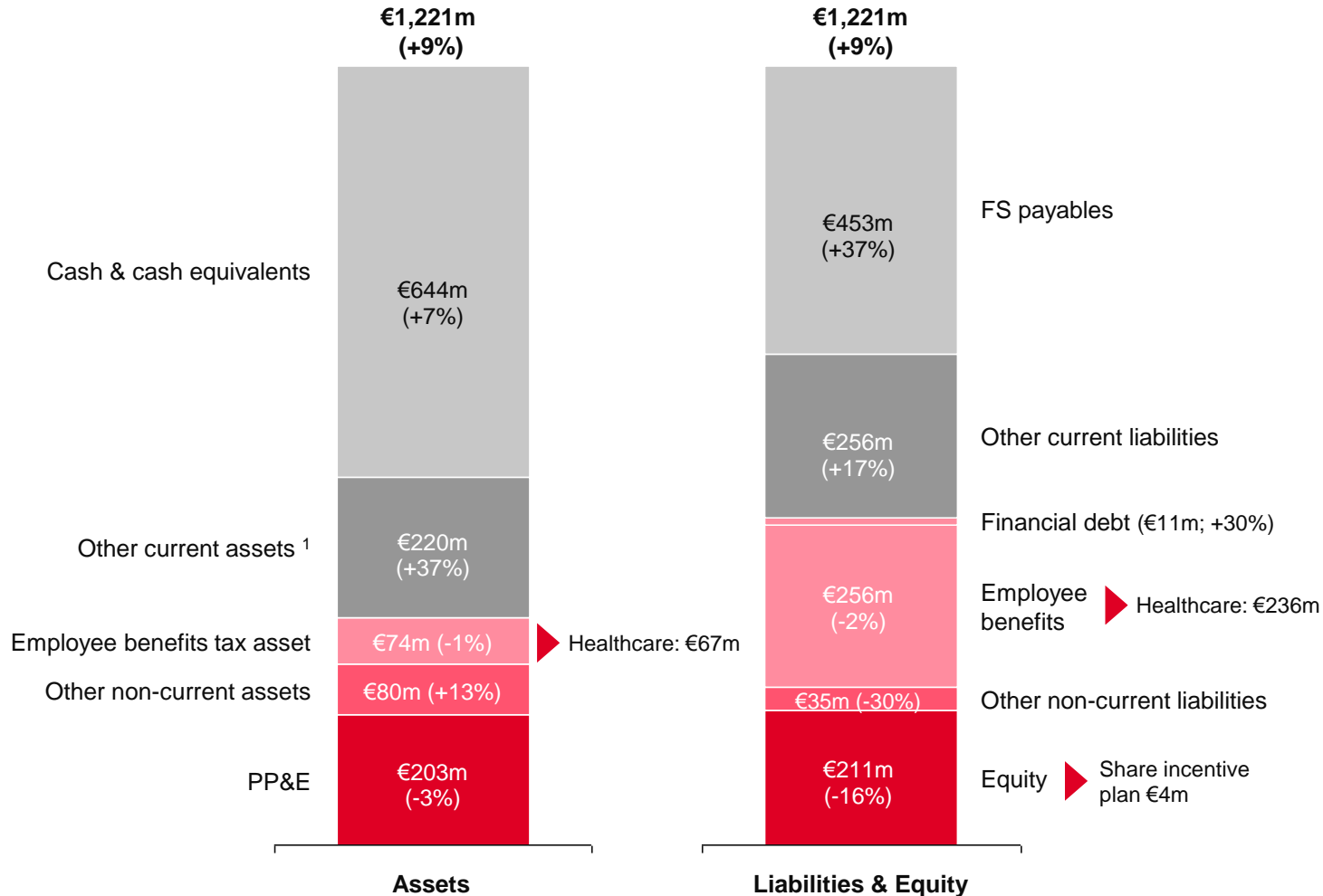
³ Capex payments presented in the table; capex was €12.5m in 1H16 (€10.9m in 1H15).

OTHER FINANCIALS: THE BALANCE SHEET REFLECTS A SEASONAL INCREASE IN FINANCIAL SERVICES PAYABLES



Balance Sheet – 30 June 2016

€ million; % change vs. 31 December 2015



Net financial debt (cash)
+ ST< debt: €11m
+ Net FS payables: €450m
- Cash and cash equivalents: €644m
= €(184)m ²

Net debt (cash)
+ Employee benefits: €256m
+ Share incentive plan: €4m
- Employee benefits tax asset: €74m
- Net financial cash: €184m
= €1m ²

Strong liquidity position = 117%

Balance sheet optimisation initiatives to continue in 2016

¹ Including Financial Services receivables of €6.4m and €3.0m as at Dec-15 and Jun-16, respectively.

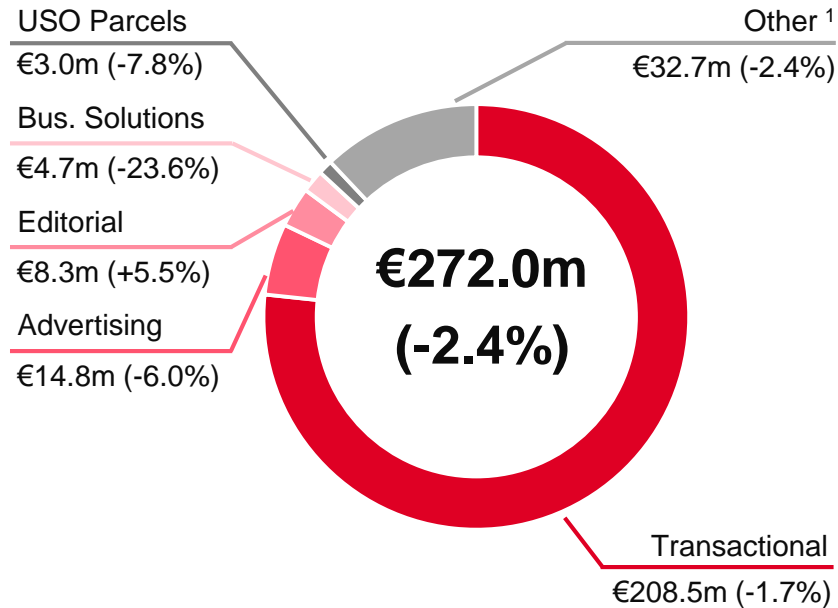
² Including Banco CTT net liabilities of -€5.8m as at Jun-16. Change in methodology.

BUSINESS UNITS PERFORMANCE: SCALABILITY & EFFICIENT USE OF NETWORKS BY OTHER BUSINESS UNITS DRIVES MAIL PROFITABILITY



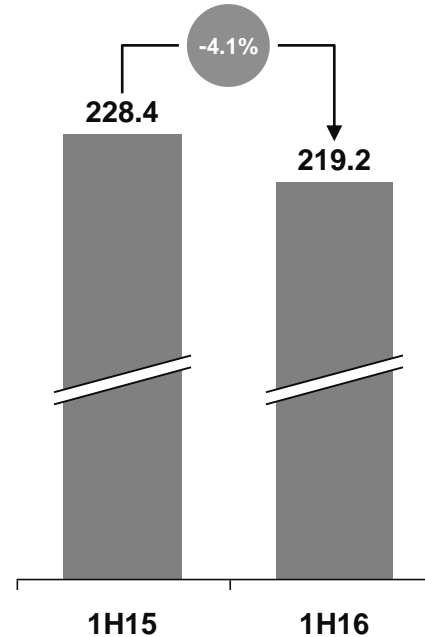
1H16 Mail revenues by type

€ million, % change vs. prior year



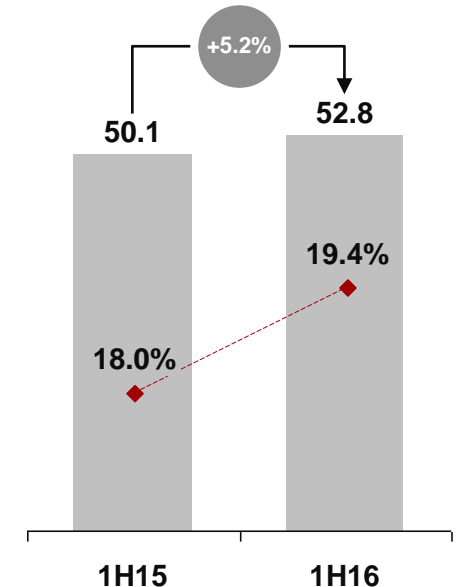
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

Mail volumes by type

Metric	Avg. mail prices ⁴	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1H16 volumes ³	N/A	411.2	350.0	38.5	22.6	234.7
1H16 vs. 1H15	+1.9%	-2.3%	-2.2%	-3.5%	-2.9%	+4.3%

¹ Including +€1.5M from the MoU with Altice terminating in Dec-16, improvements made in the VAT deduction methodology procedures (+€1.3m), and decline in revenues from international mail exchange rate differences (-€1.4m).

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including Banco CTT recurring operating costs booked in Mail business unit of -€0.1m in 1H16.

³ Million items.

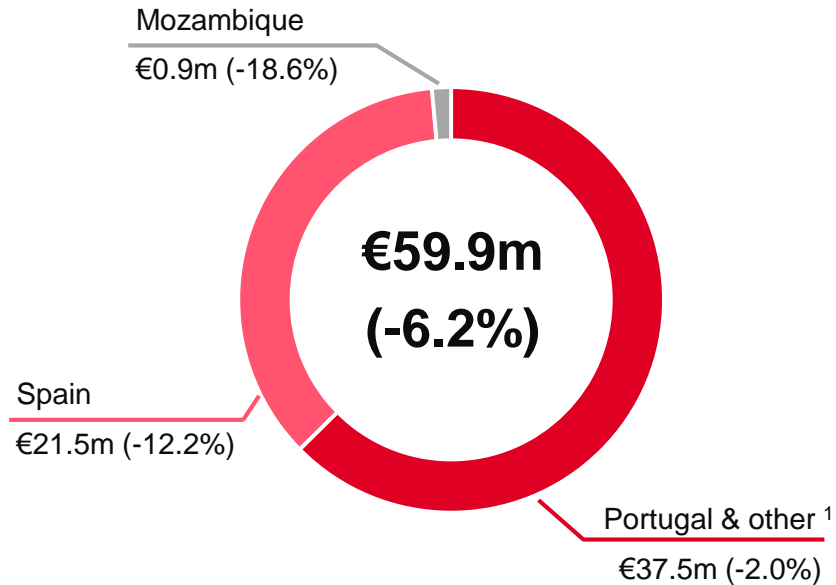
⁴ USO, excluding international inbound mail.

BUSINESS UNITS PERFORMANCE: TERMINATION OF LOSS-MAKING CONTRACTS IN SPAIN AFFECTING E&P REVENUES, BUT ALREADY WITH POSITIVE IMPACT ON EBITDA



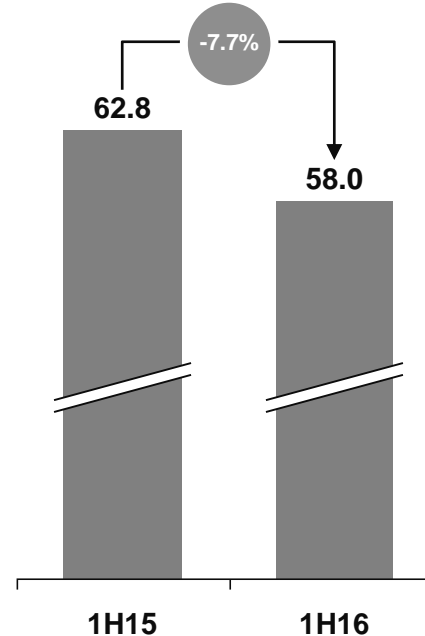
1H16 E&P revenues by region

€ million, % change vs. prior year



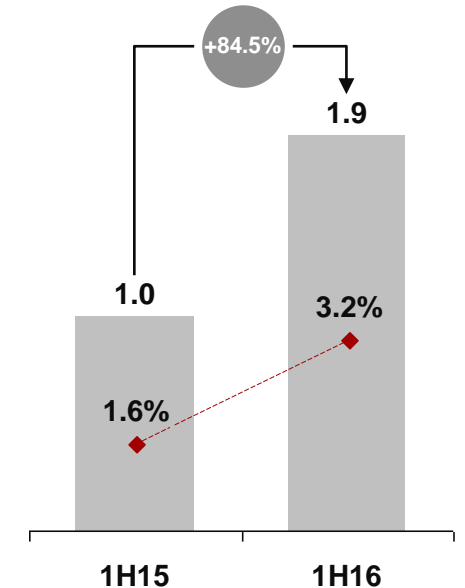
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
1H16 volumes ³	13.0	6.9	6.1	0.04
1H16 vs. 1H15	-5.2%	-1.8%	-8.9%	+4.9%

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique. Including +€1.5m from the MoU with Altice terminating in Dec-16.

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

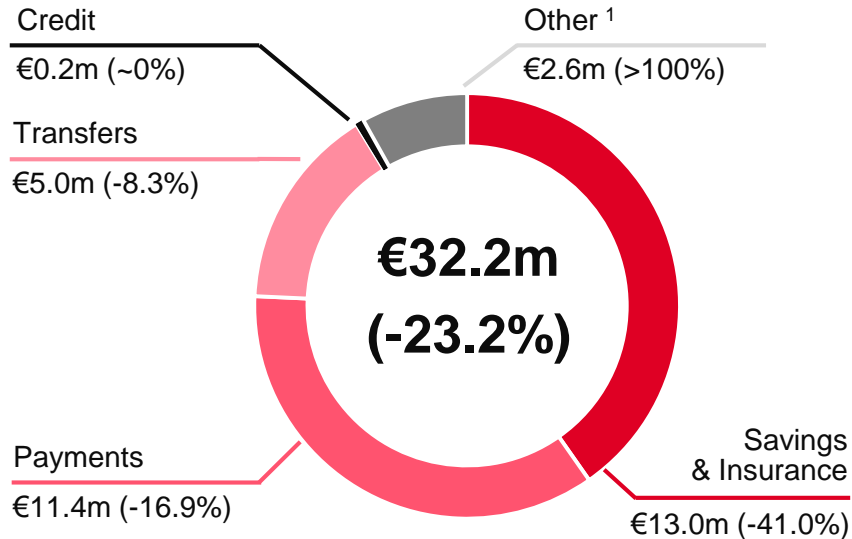
³ Million items.

BUSINESS UNITS PERFORMANCE: HIGH PLACEMENT OF PUBLIC DEBT CERTIFICATES IN JAN.15 CONTINUES TO IMPACT THE FS COMPARISON



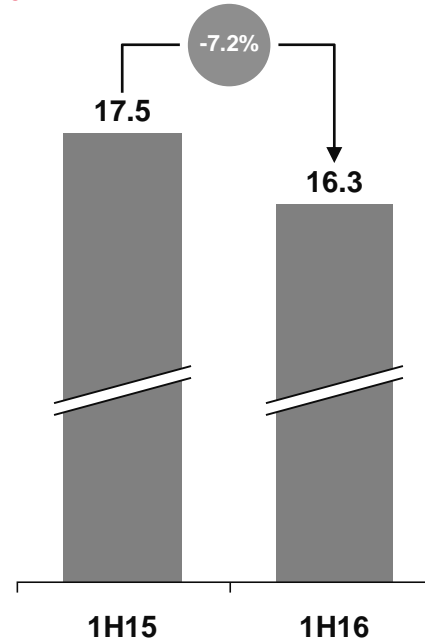
1H16 FS revenues by type

€ million, % change vs. prior year



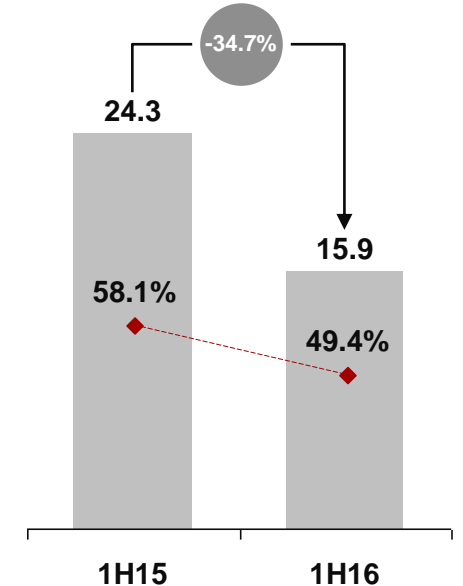
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

FS volumes by type

Metric	Savings placements ³	Payments ⁴	Money orders & transfers ⁴	Credit ⁵
1H16 volumes	2.0	28.8	9.4	4.9
1H16 vs. 1H15	-32.8%	-5.5%	-4.6%	+14.1%

¹ Including +€1.5m 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 €1.1m in 1H15.

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

⁴ Million operations.

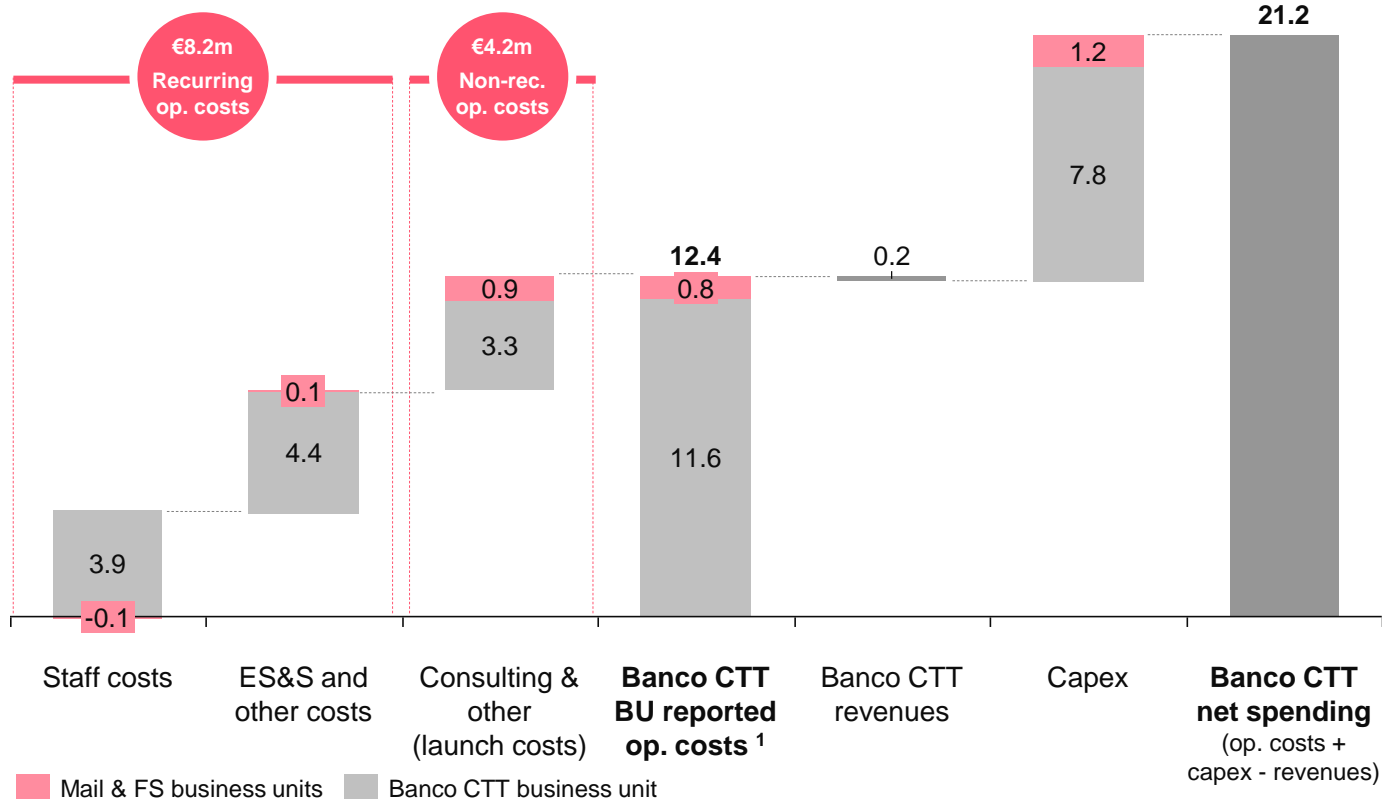
⁵ € million, new credit production, including consumer credit & credit cards.

BUSINESS UNITS PERFORMANCE: BANCO CTT SPEND WITHIN TARGET; CUSTOMER ON-BOARDING, THE KEY METRIC FOR 2016, IS PROGRESSING WELL



1H16 Banco CTT key indicators

€ million



ASSETS

€22.9m	Cash & cash equivalents & other ²
€61.1m	Financial assets & investments ³
€17.1m	Tangible fixed & intangible assets
€5.4m	Other assets

EQUITY

€44.6m	Equity
--------	--------

LIABILITIES

€56.0m	Customer deposits
€5.9m	Other liabilities



66

Branches



20.2

Current accounts (thousand)



56.0

Customer deposits (€ million)



70.15%

Core Equity Tier 1 (fully implemented)

Banco CTT indicators as at 30 June 2016.

¹ Excluding depreciation / amortisation, impairments and provisions (€0.7m).

² Including cash and deposits at Central Banks (€5.3m) and loans and advances to credit institutions (€17.6m).

³ Including investments held to maturity (€28.4m), financial assets available for sale (€3.0m) and deposits in credit Institutions (€29.7m).

OUTLOOK: CTT WILL CONTINUE TO RELY ON THE SCALABILITY OF ITS ASSETS & OPTIMISATION MEASURES TO BOOST REVENUES & MAXIMISE EFFICIENCY



1H16 RESULTS

PERFORMANCE UPDATE

- NEW E&P AND ADVERTISING MAIL OFFERS LAUNCH DELAYED** due to IT developments
- NEGATIVE MIX EFFECT IN MAIL** (decline in registered mail)
- RIGOROUS SELECTION OF CLIENTS IN SPAIN**, impacting revenues
- PRESSURE ON PRICING IN THE PAYMENTS MARKET** (new SEPA and card fees structure)

2H16 PERFORMANCE DRIVERS

THE DEFINED STRATEGY FOR THE YEAR EXPECTED TO BRING NEW SOURCES OF REVENUES & BS OPTIMISATION MEASURES

- NEW MODULAR E&P B2C OFFER AND ADVERTISING MAIL OFFER TO BE LAUNCHED UNTIL THE BEGINNING OF 4Q16**
 - A positive impact on the 2H16 revenues comparison expected
- REGISTERED MAIL DEMAND IS THE MAIN UNKNOWN**
 - Registered mail volumes recovery could have an impact on results
- EVOLUTION OF FS SAVINGS VOLUMES**
 - If monthly savings volumes continue to perform as in 1H16 (>€300m/month), FS might surpass last year's performance
- BS OPTIMISATION MEASURES: TRANSFER OF THE EMPLOYEE HEALTHCARE BENEFITS TO A FUND**
 - Under development, a positive impact on cash flow and on the Balance Sheet expected still in 2016, continuing in the next years

INITIAL FY16 GUIDANCE

GUIDANCE UPDATE

REVENUES & VOLUMES



- **GROWTH IN REVENUES**, supported by Banco CTT:
 - Decline in addressed mail volumes [-3% / -5%]
 - Banco CTT 2016 focus to be on customer acquisitions
 - Banco CTT launch with marginal incremental revenues in 2016 to support growth

CTT aims to achieve
STABLE 2016 REVENUES

EBITDA



- **RECURRING EBITDA (EXCLUDING BANCO CTT) TO GROW BY MID-SINGLE DIGITS**, positively impacted by optimisation measures

CTT aims to achieve **LOW SINGLE-DIGIT RECURRING EBITDA GROWTH (EXCL. BANCO CTT)**, supported by revenue initiatives in 2H16 & Balance Sheet optimisation measures in 4Q16

DIVIDEND



- **STABLE GROWTH OF DIVIDEND** supported by strong cash flow generation, linked to Balance Sheet optimisation measures

Dividend guidance unchanged – STABLE GROWTH OF DIVIDEND

APPENDIX: NON-RECURRING ITEMS AFFECTING THE RESULTS



€ million

	1H15	1H16	Δ	
Reported EBITDA	70.4	57.0	-13.4	
Non-recurring items affecting EBITDA	5.1	5.4	+0.3	
Revenues	0.0	-1.7	-1.7	Early termination of a vacant building lease contract
Staff costs	1.3	2.3	+0.9	Continuation of the compensations resulting from the 2015 Company Agreement
ES&S & other op. costs	3.8	4.9	+1.1	Studies and strategic projects, mainly related to the launch of Banco CTT
Recurring EBITDA	75.5	62.5	-13.0	
Reported EBIT	59.9	47.4	-12.4	
Non-recurring costs affecting only EBIT	-0.3	-3.4	-3.1	
Provisions (reinforcements / reductions)	-0.2	-3.8	-3.6	Early termination of a vacant building lease contract (€2.9m)
Impairments (losses / reductions)	-0.1	0.4	+0.5	
Non-recurring items affecting EBITDA & EBIT	4.8	2.0	-2.7	
Recurring EBIT	64.6	49.5	-15.2	

CTT Investor Relations

Upcoming Events:

- 9 Sep. – **Porto** – XIII BPI Iberian Conference
- 12 Sep. – **London** – UBS Global Transport, Travel & Leisure Conference
- 13 Sep. – **London** – JP Morgan Small / Mid Cap Conference
- 14 Sep. – **Edinburgh** – Roadshow with Barclays
- 15 Sep. – **Paris** – Kepler Cheuvreux Autumn Conference

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