CTT –Correios de Portugal

1Q18

Results Roadshows

CTT – Correios de Portugal, S.A.
May 2018

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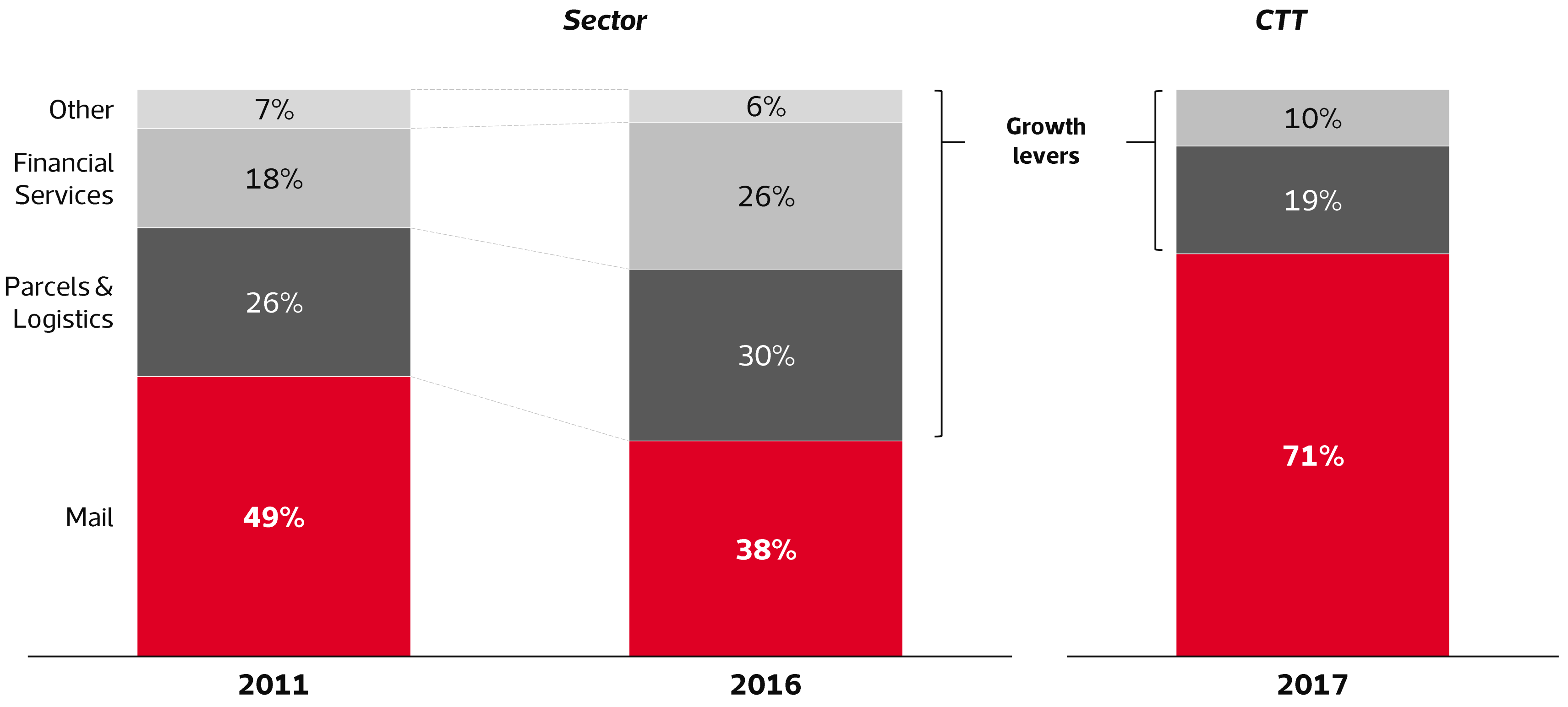
AGENDA

I COMPANY OVERVIEW

POSTAL OPERATORS GLOBALLY ARE DIVERSIFYING THEIR BUSINESS MODEL, BECOMING LESS DEPENDENT ON THE MAIL BUSINESS; CTT IS STILL IN THE EARLY STAGES OF THIS TRANSFORMATION

Revenues per line of business



Sector trends

Digitalisation

E-commerce growth

Globalisation

Diversification

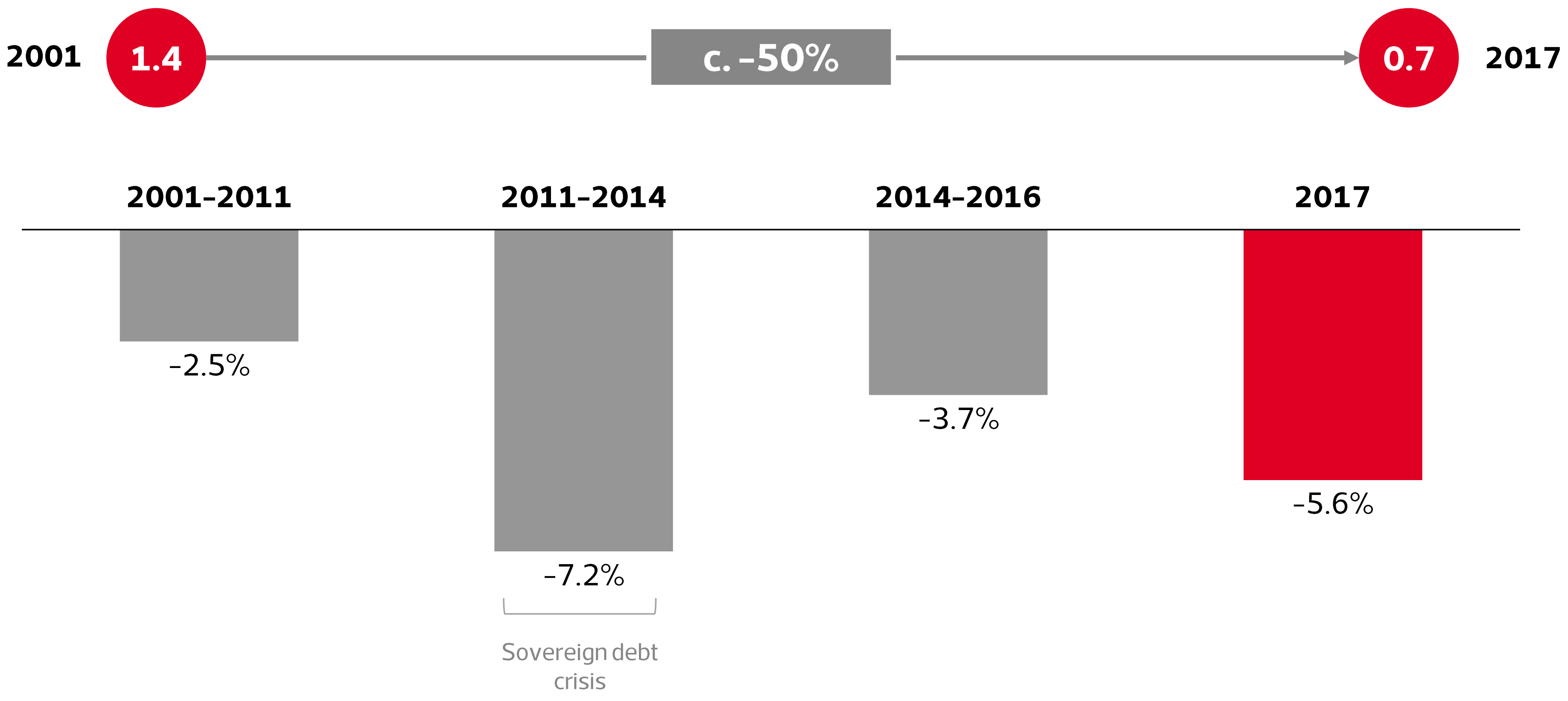
- Postal operators have been adapting their business model to offset the **structural decline of the Mail business**
- **Parcels & Logistics and Financial Services** have been a common diversification choice
- CTT is pursuing a similar diversification strategy but is lagging behind vs. sector due to
  - (i) the **still limited penetration of e-commerce parcels** in Portugal, and
  - (ii) **Banco CTT having started operations only in 2016**

Source: IPC Global Postal Industry Report 2017.

MAIL VOLUME HAS BEEN DECLINING SINCE 2001, WITH CTT DELIVERING TODAY C. 50% OF THE VOLUME DISTRIBUTED THEN

Addressed mail volumes evolution

Billion items; CAGR (%)

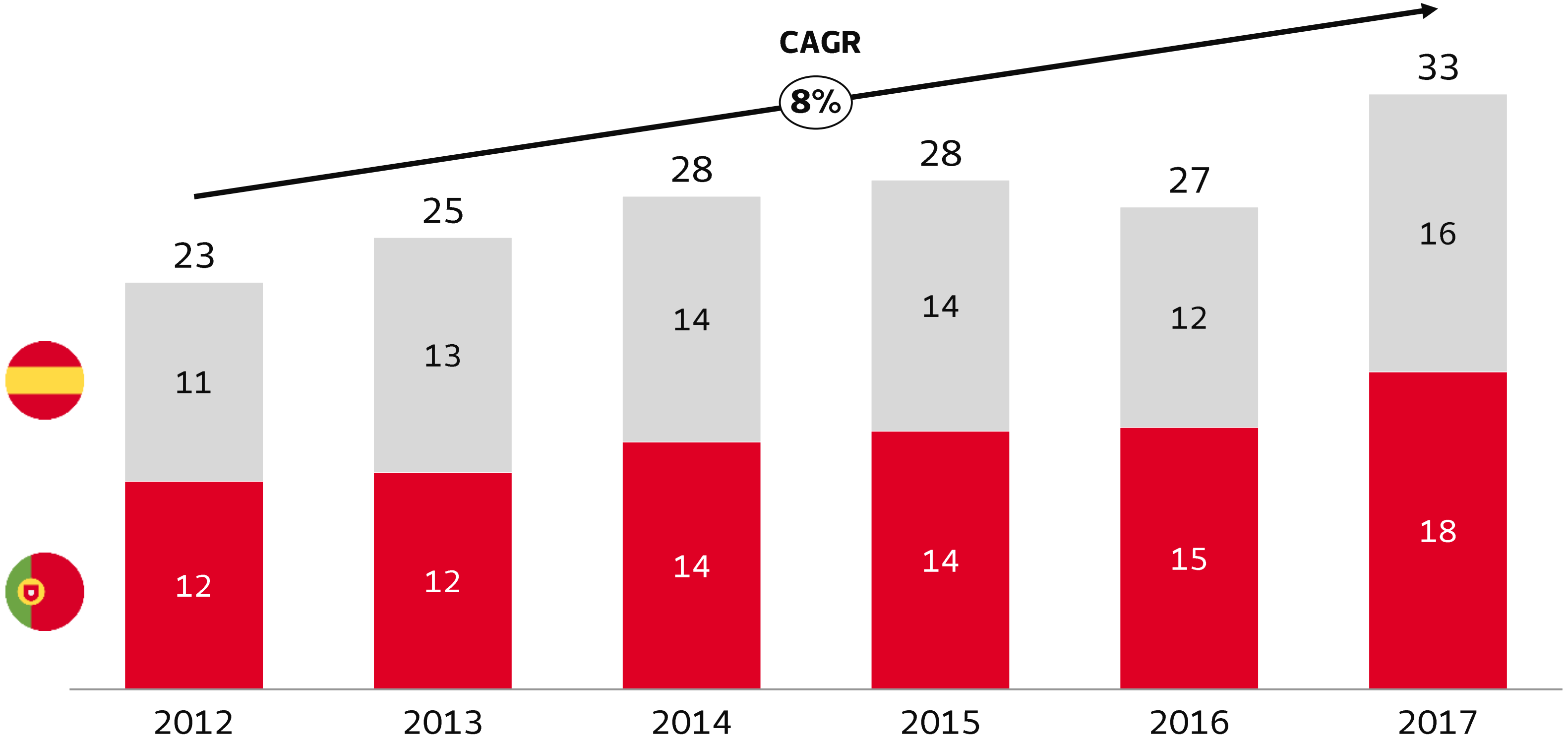


Mail volumes had been declining at a stable rate of c. 4% p.a. since 2014, however, in 2017 the decline was more pronounced and higher than the guidance range of [-4 to -5%]

CTT HAS BEEN INVESTING TO CAPTURE THE GROWING FLOWS OF PARCELS, HAVING GROWN >23% IN E&P VOLUMES IN 2017, WITH POSITIVE IMPACTS FROM THE TRANSPORTA ACQUISITION AND THE TURNAROUND IN SPAIN

Volumes evolution within E&P business unit

Million items; CAGR (%)



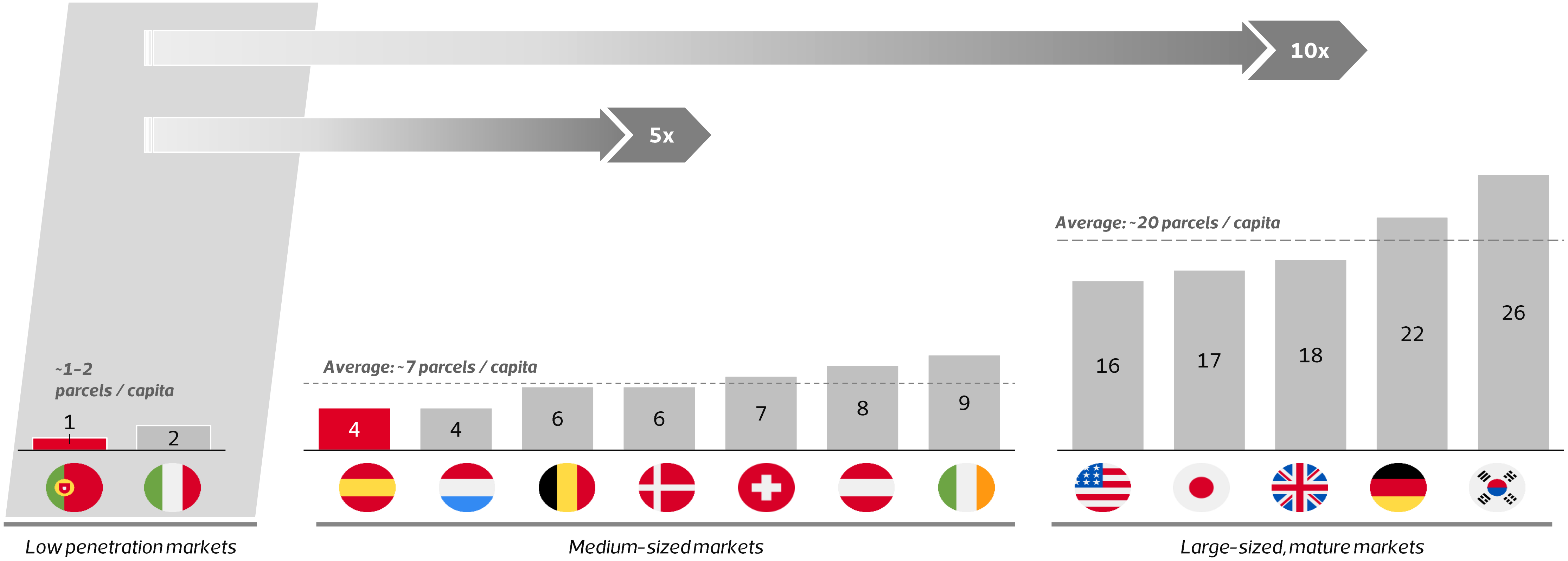
	CAGR 12-17	Δ16-17
Spain	+7%	+26%
Portugal	+9%	+22%

- **In Portugal, the Transporta acquisition contributed positively with c. 2 million items in 2017** (excluding the impact of Transporta, volumes in Portugal grew c. 7%)
- **In Spain, Tourline turnaround plan and the recovery of key accounts resulted in growth of 26% in 2017**

THERE IS STILL A GREAT POTENTIAL FOR GROWTH OF E-COMMERCE IN IBERIA, SINCE IT IS STILL LAGGING BEHIND OTHER EUROPEAN COUNTRIES IN ONLINE RETAIL

E-Commerce penetration

Domestic e-commerce parcels per capita 1

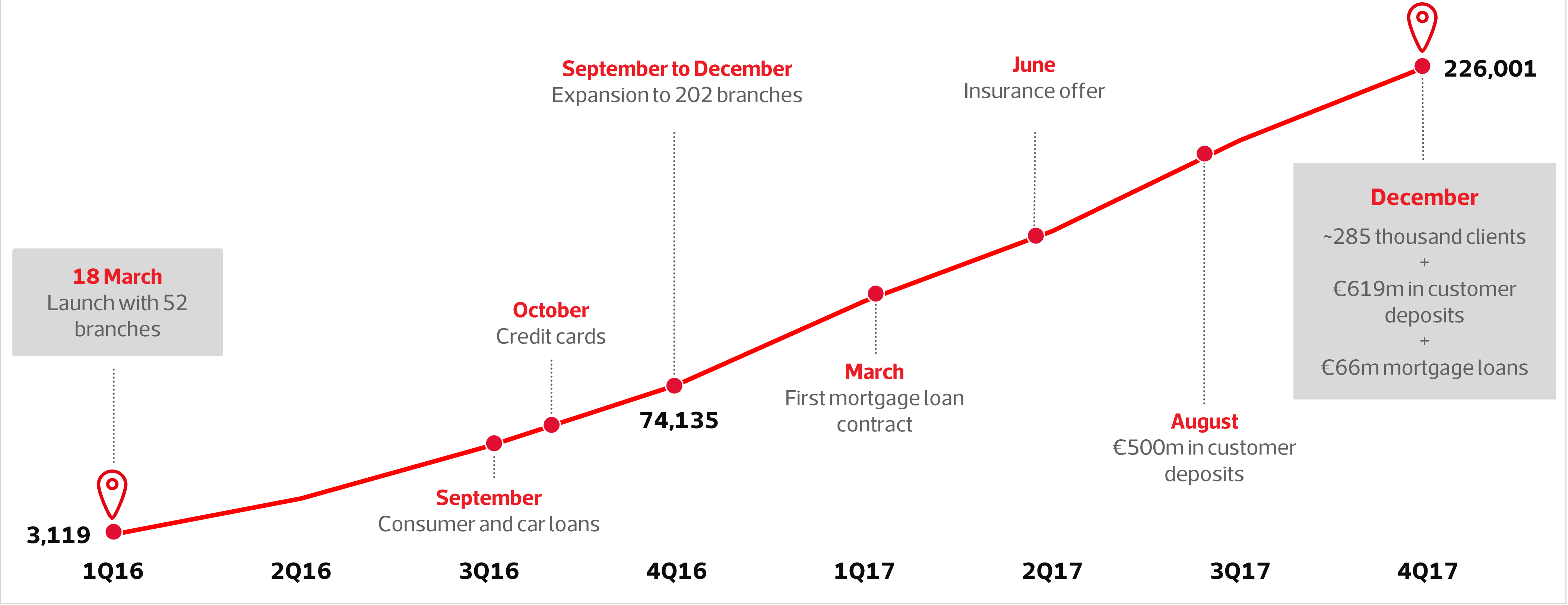


[1] E-commerce relevant is considered as domestic B2C parcels, with speed typical for e-commerce shipments in the given country.

BANCO CTT IS GROWING RAPIDLY AND HAS BEEN WELL RECEIVED BY THE POPULATION – IN 2017 THE NUMBER OF CURRENT ACCOUNTS TRIPLED TO 226K AND CUSTOMER DEPOSITS DOUBLED TO €619M

bancoctt

Current accounts evolution



Branches	66	106	202	203	203	203	208
Deposits (€m)	56	182	254	331	424	540	619

FOCUS ON TRANSFORMING THE POSTAL BUSINESS IN THE MEDIUM TERM AND INVESTING IN THE DEVELOPMENT OF GROWTH LEVERS

TRANSFORMATION

Postal business

- Adjust HR policies and deepen the ES&S cost reduction efforts
- Reinforce HR optimisation programme and rationalise non-core assets
- Optimise the Retail Network maintaining proximity to the citizens
- Reengineer the Distribution Network to improve quality and operational efficiency

Adjusting fixed costs structure to medium-term needs while maintaining high operational standards

GROWTH

- Grow above market in parcels and value-added services (mail & parcels)
- Continue Banco CTT's path to breakeven
- Stimulate sales and increase profitability
- Improve the technology and data management platform (analytics, digitalisation)

Transform and develop non-postal business by modernising the business model, leveraging and investing in existing platforms and capabilities

II KEY HIGHLIGHTS

SOLID EBITDA GENERATION IN A QUARTER MARKED BY SEASONAL COMPARISON EFFECTS

Positive evolution of the growth levers offsets the revenues decline of the legacy businesses

Supported by strong growth in Banco CTT (+€1.1m, +28.8% proforma for incorporation of Payshop [1]), E&P (+€3.2m, +10.8%), the Transporta acquisition (+€3.3m), and resilience of Mail revenues

-0.0% total | **-0.8%** Mail

Addressed mail volumes decline higher than the guidance range due to seasonal effects

Decline of 6.1%, when adjusting for the effect of -2 working days in the quarter. The year will finish with +2 working days (+1 in 2Q18 and +3 in 4Q18)

-9.1% | **-6.1%** adjusted for working days

Stabilisation of the recurring operating costs, increasing only in growth-related areas

Recurring op. costs stabilise in Mail & Central Structure (grew 2.7% in 2017) and increase as a result of growth in activity in Banco CTT and E&P

+3.6% total | **-0.5%** Mail & other

Operational Transformation Plan exceeding initial expectations

€11.7m of FY18 recurring cost savings already secured (of €13.8m target), to become more visible in the P&L from 2Q18

€11.7m of FY18 savings secured

Announced 4.1% annual price increase from Apr-18; awaiting the final decision of the Regulator on draft decisions [2]

€1.9m impact of delay of price increase to Apr-18, to be recovered in subsequent quarters with a projected 4.7% average price increase

+4.1%

Recurring EBITDA generation in a quarter with difficult seasonal comparison effects

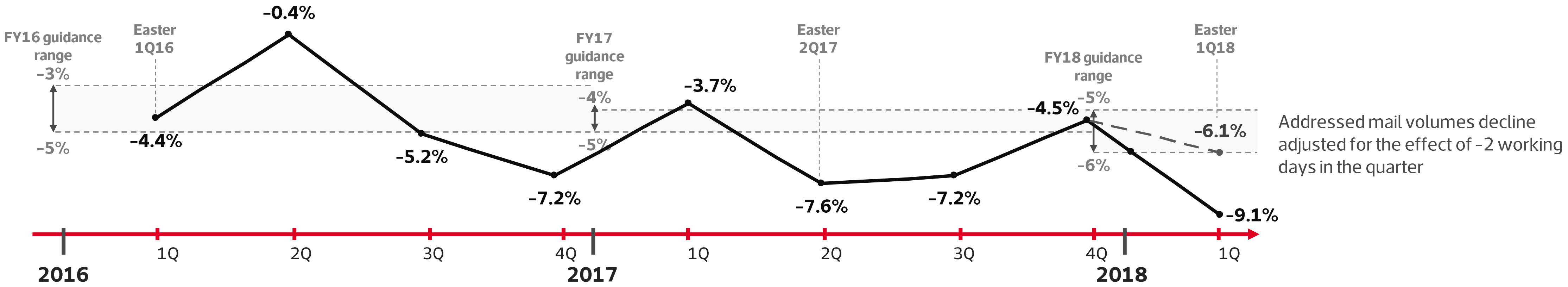
€22.7m

[1] Payshop business migrated to Banco CTT Business Unit in Jan-18.
2 Draft decisions ref. changes to the quality of service criteria applicable to the provision of the Universal Postal Service (USO) as of 1 July 2018 until end of 2020, and criteria for the Formulation of the USO Pricing for the 2019-2020 period.

ADDRESSED MAIL VOLUMES DECLINE HIGHER THAN THE GUIDANCE RANGE DUE TO SEASONAL EFFECTS; STRONG ACTIVITY IN THE GROWTH BUSINESSES CONTINUES

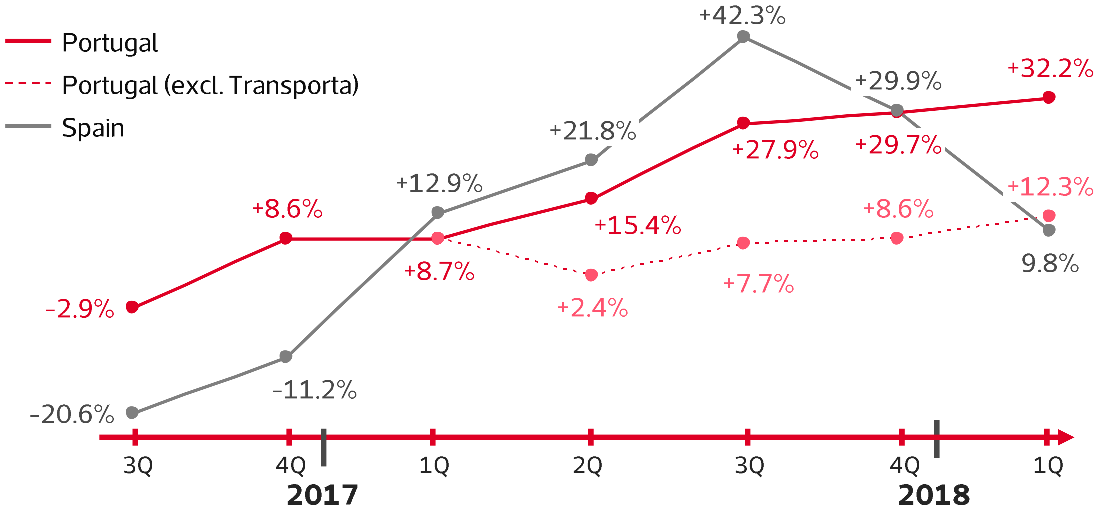
MAIL

Addressed mail volumes (Quarter change YoY)



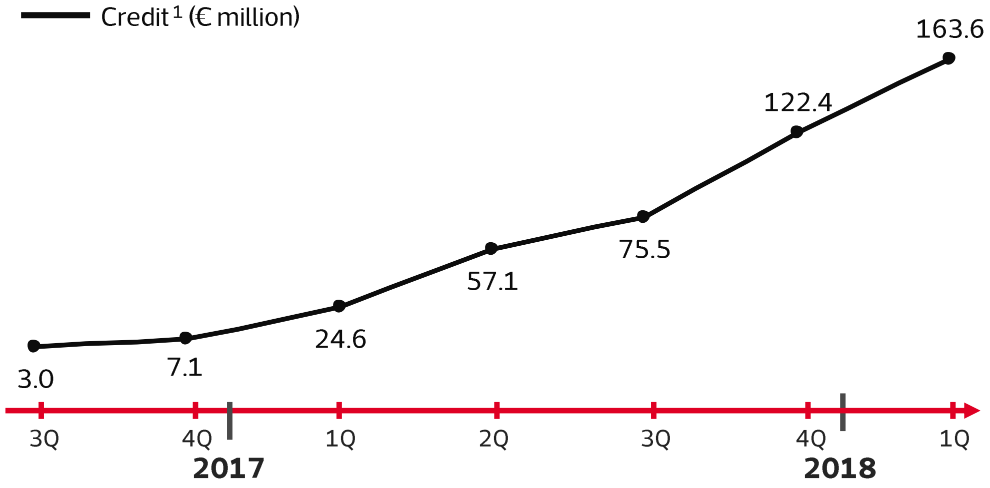
EXPRESS & PARCELS

Parcels volumes (Quarter change YoY)



BANCO CTT

Credit products placements (€ million)

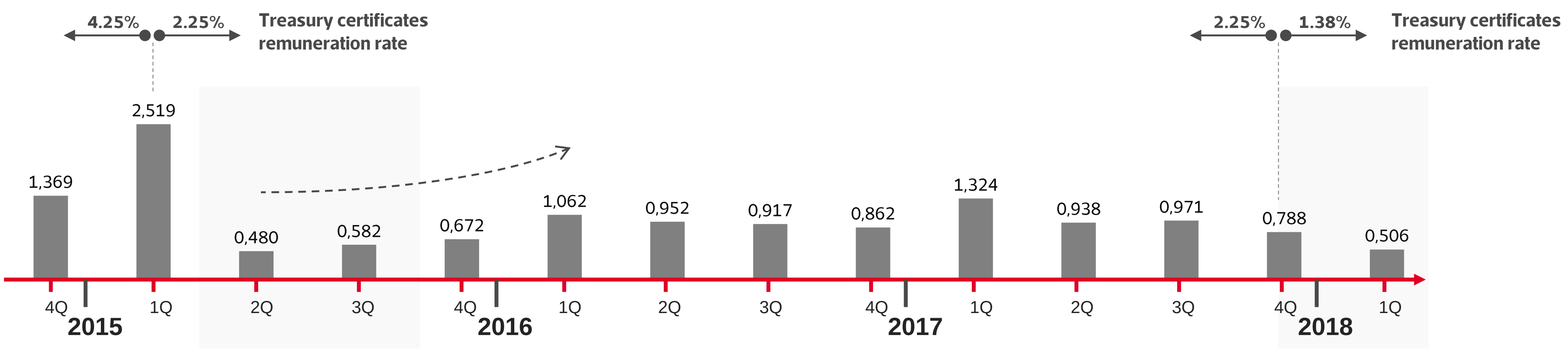


[1] Including credit placed by Banco CTT on its own Balance Sheet and the total gross outstanding balance of credit placed by Banco CTT branches (outside Banco CTT's Balance Sheet), in partnership with BNP Paribas Personal Finance (Cetelem).

PLACEMENT WEAKENED IN THE MONTHS FOLLOWING THE REDUCTION IN THE REMUNERATION RATE OF PUBLIC DEBT PRODUCTS; CTT IS IMPLEMENTING MEASURES TO COUNTERACT THIS TREND AND ENERGISE DEMAND

FINANCIAL SERVICES

Savings & insurance products placements (€ billion, quarterly volumes)



CTT's response

- Two advertising campaigns to reinforce the attractiveness of the new public debt products vs. bank deposits
- New incentives scheme in the Retail Network for the placement of public debt products
- Initial indications are positive: daily average public debt products placements in Apr-18 c. 15% above those of 1Q18
- New savings products in the pipeline to be launched during 2Q18

Monthly average of Savings & Insurance products placements

€335m	€169m	c. +15%
2017	1Q18	in Apr-18 vs. daily average 1Q18 (excl. Insurance products)

IIII STRATEGIC UPDATE & OPERATIONAL TRANSFORMATION PLAN

SEVERAL INITIATIVES ARE BEING IMPLEMENTED ALONG THE FIVE PILLARS OF THE EXPRESS & PARCELS STRATEGY

B2C / E-COMMERCE

It is estimated that the last-mile e-commerce market growth will accelerate in the coming years given its underpenetration in Portugal

- Strengthen CTT's offer to grow in the B2C market and leverage on the development of the e-commerce in Portugal
- Launched a new offer (e-segue)
- Developed initiatives to capture e-commerce growth (e.g. OLX partnership, Super Express & Crowdshipping)

B2B

B2B still represents the majority of the CEP market in Portugal and there are opportunities to improve CTT's positioning

- Strengthen CTT's offer to grow in the B2B market in Portugal
- Optimise the offer to become more aligned with the new market trends (integrated solutions)

SPAIN

The Spanish market is of growing importance given its size, faster growth and increasing Iberian flows

- Consolidate the position of CTT as an Iberian operator
- Developed initiatives to align the offer in PT and ES and optimise processes and operations

CROSS-BORDER

The globalisation trend is increasing the relevance of cross-border flows

- Capture international flows
- Implemented initiatives and aim further development to grow inbound and outbound business and improve respective processes (e.g. Express2ME; Interconnect; ETOE in the UK; one-to-one partnerships)

LAST MILE CARGO & LOGISTICS

Explore opportunities in niche markets with potential for synergies with CTT

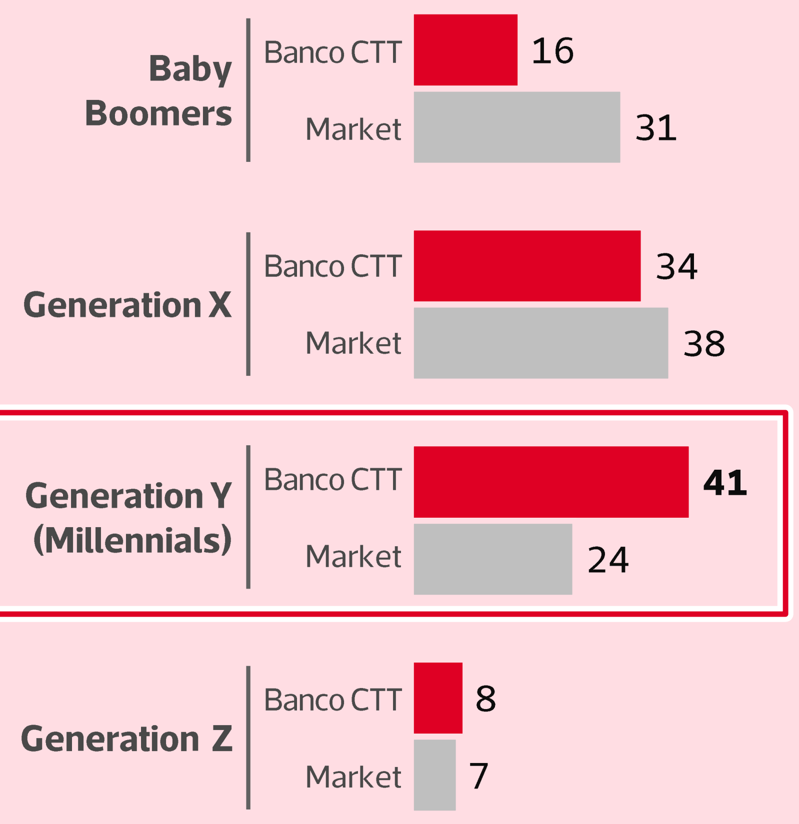
- Transporta's integration provides CTT with a logistics and last-mile cargo offer, complementing its portfolio
- Creating a new one-stop shop Fulfilment / Logistics solution, focused on e-commerce, to position CTT as a logistics partner

TWO YEARS SINCE LAUNCH, BANCO CTT HAS BUILT A STRONG FRANCHISE

2 years since launch...

Customers	**>300** thousand
Current accounts	**>250** thousand
Deposits	**>€600m**
Credit[1]	**>€160m**

Banco CTT is the bank of the Millennials...



(Customer base distribution by generation; % of total)

and is recognised by the population

Banco CTT was recognised as #1 bank in National Customer Satisfaction Index in 2018[2]

(quality of service and perceived value)

[1] Credit products placements, including credit placed by Banco CTT on its own BS and the total gross outstanding balance of credit placed by Banco CTT branches (outside Banco CTT's BS), in partnership with BNP Paribas Personal Finance (Cetelem).
[2] Independent study, conducted by Universidade Nova de Lisboa.

THE STRATEGY FOR BANCO CTT IS BASED ON FOUR KEY PILLARS

BANCO CTT FOOTPRINT

The Portuguese population shows preference for Banco CTT when asked about which bank they intend to open a new account [1]

- Expand Banco CTT's footprint, by acquiring new clients, accounts and deposits
- Invest in digital channels and maintain the simplicity and transparency of the offer

CREDIT

The credit market is on its way to recovering to pre-crisis levels and continues to grow rapidly

- Accelerate the origination of credit to clients – mortgage loans and consumer credit

PORTFOLIO

Speed up cross-selling by monetising CTT's customer base and launching new product offers

- ✓ In 2017, the bank launched the new insurance offer
- New product offers are being prepared

PAYSHOP

Opportunity to renew the value proposition of payments in the digital context

- ✓ Integrated Payshop into Banco CTT
- Modernise current payments offer

[1] Internal survey conducted in January 2018.

OPERATIONAL TRANSFORMATION PLAN EXECUTION EXCEEDING INITIAL EXPECTATIONS

Total recurring operating cost savings

% FY18 savings objective secured **85%**

FY18 savings secured[1]
€11.7m

FY18 savings objective
€13.8m

Total non-recurring revenues / capital gain

% FY18 capital gain objective secured **>100% expected**

Capital gain expected to be well above the objective
(negotiations underway)

FY18 capital gain objective
€5.2m

Total non-recurring costs

One-time costs with negotiated exits			
4Q17 non-recurring costs	€3.7m in 1Q18 & €5.5m in Apr-18	4Q17 non-recurring costs objective	FY18 non-recurring costs objective
€11.9m	€9.2m YTD	€9.0m	€20.0m

[1] FY18 estimated recurring operating cost savings (unless otherwise indicated), taking into account initiatives already implemented until 30 April 2018.

COST REDUCTIONS IN LINE; HR OPTIMISATION INITIATIVE EXCEEDING TARGET

		FY18 savings secured[1]	FY18 savings objective
Adjust HR policies and deepen the ES&S cost reduction efforts	• **No variable compensation** for the Executive Committee for 2017 & 2018 • **Reduction in fixed compensation** for the Board members in 2018 (vs. Dec-17 level) • **Renegotiation of contracts** for IT, buildings leases and maintenance, fleet and transport of valuables	€3.4m	€3.7m
Reinforce HR optimisation programme and rationalise non-core assets	• **224 negotiated exits in this area so far**, 161 in 2017 with further **63 in 2018** • **Negotiations for the sale of non-core assets underway,** with capital gains expected to be above the FY18 savings objective	€6.8m Negotiations underway	€3.9m €5.2m[2]

[1] FY18 estimated recurring operating cost savings (unless otherwise indicated), taking into account initiatives already implemented until 30 April 2018.
[2] One-time capital gain from sale of assets.

DISTRIBUTION NETWORK INITIATIVE ADVANCING IN LINE WITH THE ORIGINAL PLAN

		FY18 savings secured [1]	FY18 savings objective
Optimise the Retail Network maintaining proximity to the citizens	• **First wave** of converting into postal agencies or closing post offices with low customer demand **completed** • **Although the timeline and savings from this stream may suffer some adjustments,** given the current environment, **this will not undermine the overall plan's 2020 savings objective,** which remains intact	€0.8m	€3.9m
Reengineer the Distribution Network to improve operational efficiency	• **Project launched in 1Q18**, the large majority of savings to occur in 2019 & 2020 • To date, **detected and implemented some quick wins**	€0.7m	€2.3m
Total recurring operating cost savings		**€11.7m**	**€13.8m**

[1] FY18 estimated recurring operating cost savings (unless otherwise indicated), taking into account initiatives already implemented until 30 April 2018.

IV KEY FINANCIALS

QUARTERLY NET PROFIT IMPACTED BY THE RESTRUCTURING COSTS OF THE OPERATIONAL TRANSFORMATION PLAN

1Q18 financial and operational performance

€ million, except when otherwise indicated

Financial indicators	Reported			Recurring [1]		
	1Q17	1Q18	Δ%	1Q17	1Q18	Δ%
Revenues	177.0	176.9	-0.0%	177.0	176.9	-0.0%
Operating costs	152.1	158.5	+4.3%	148.9	154.2	+3.6%
EBITDA	24.9	18.4	-26.0%	28.0	22.7	-18.9%
Net profit	10.3	5.4	-48.2%	15.0	10.9	-27.4%

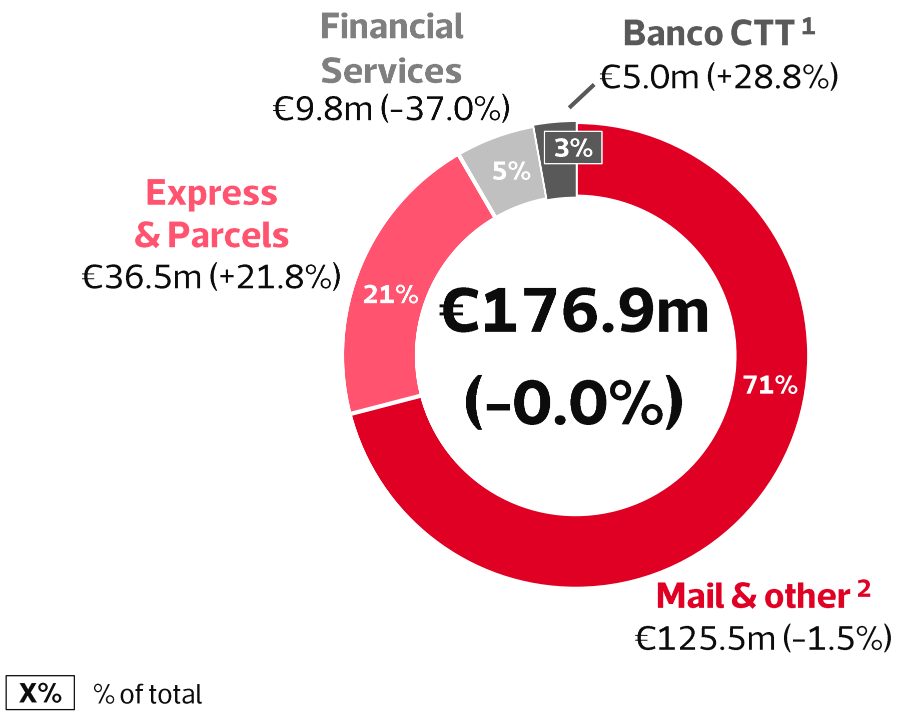
	Addressed mail (million items)	Unaddressed mail (million items)	Parcels (million items)	Savings & insurance flows (€ billion)	Banco CTT current accounts (thousand)
1Q18 volumes	185.2	100.3	8.8	0.8	254.9
vs. 1Q17	-9.1%	-6.6%	+20.8%	-61.5%	+124%

[1] Excluding non-recurring costs affecting EBITDA of €3.1m and €4.3m and affecting EBIT of €3.8m and €6.4m in 1Q17 and 1Q18, respectively.
[2] Considers a theoretical nominal tax rate.

STRONG EXPRESS & PARCELS AND BANCO CTT REVENUES GROWTH OFFSET THE DECLINE OF THE LEGACY BUSINESSES

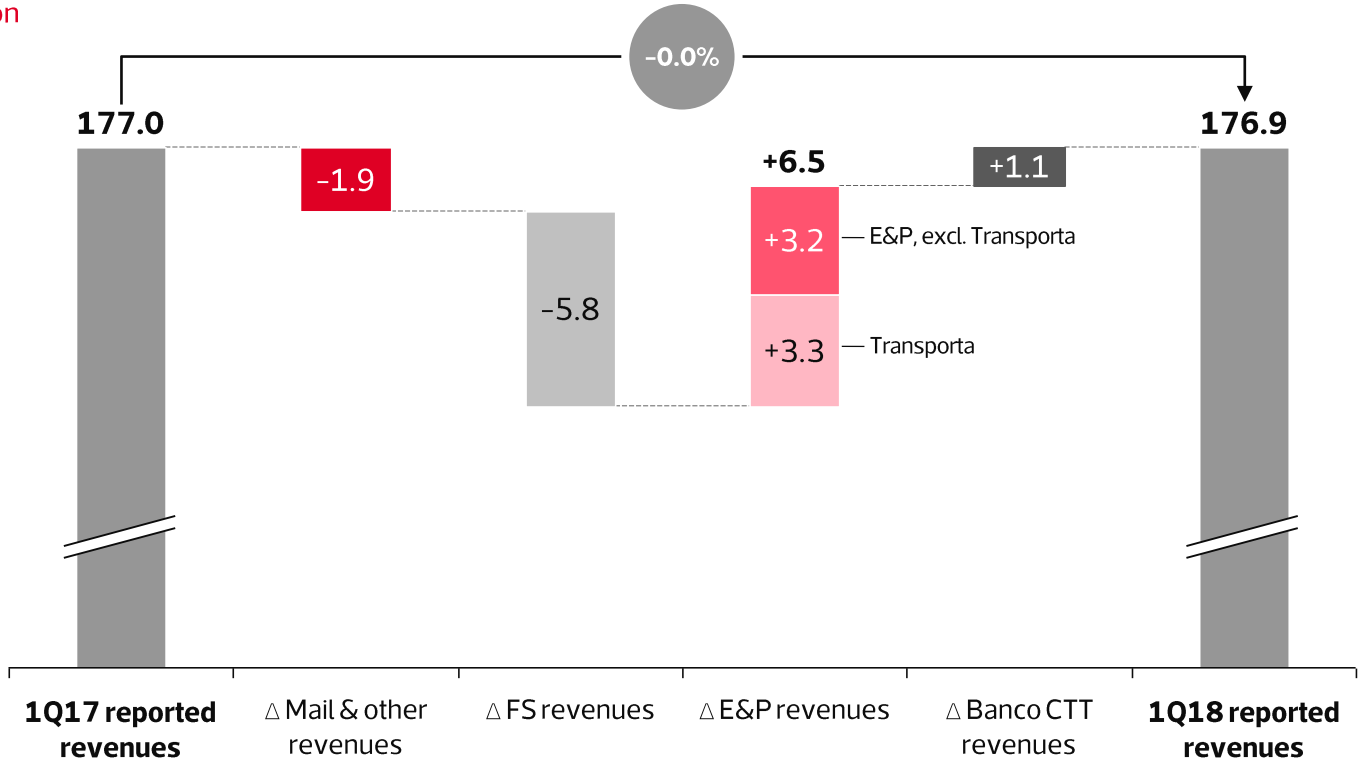
1Q18 recurring revenues

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



Revenues breakdown

€ million



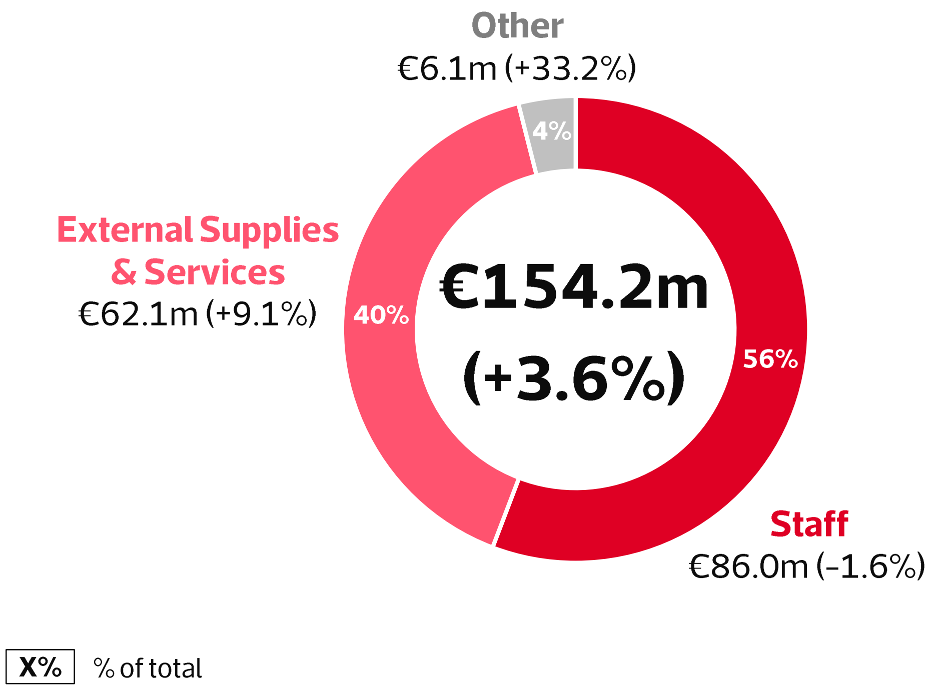
- **Mail & other revenues influenced by seasonal effects** (Easter and -2 working days in the quarter), resulting in addressed mail volumes decline of -9.1%, -6.1% when adjusted for the loss of working days. **Those effects were partially offset by 2.5% average price increase** in the quarter (carry-over from 2017, as the 2018 price increase came into effect on 2 April), **strong positive mix impact** (growth in international mail +€2.3m) **and higher lottery sales** (+€1.2m), which were suspended in 1Q17
- **The growth levers** – Express & Parcels and Banco CTT – **continued to post strong increases in volumes and revenues. E&P volumes grew significantly in Portugal** (+32.2%, +12.3% excl. Transporta) **and in Spain** (9.8%). **Banco CTT revenues grew €1.1m** (+28.8%), as a result of **net interest margin expansion**
- **64.2% decline in subscriptions led to €6.0m decline in the commissions from public debt products**, impacting Financial Services revenues

[1] Payshop business migrated to Banco CTT Business Unit in Jan-18 (proforma figures presented for 1Q17 for this product line).
[2] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€9.6m in 1Q17 and -€10.4m in 1Q18.

RECURRING OPERATING COSTS UNDER CONTROL, INCREASING ONLY AS A RESULT OF GROWTH IN ACTIVITY AND THE TRANSPORTA ACQUISITION

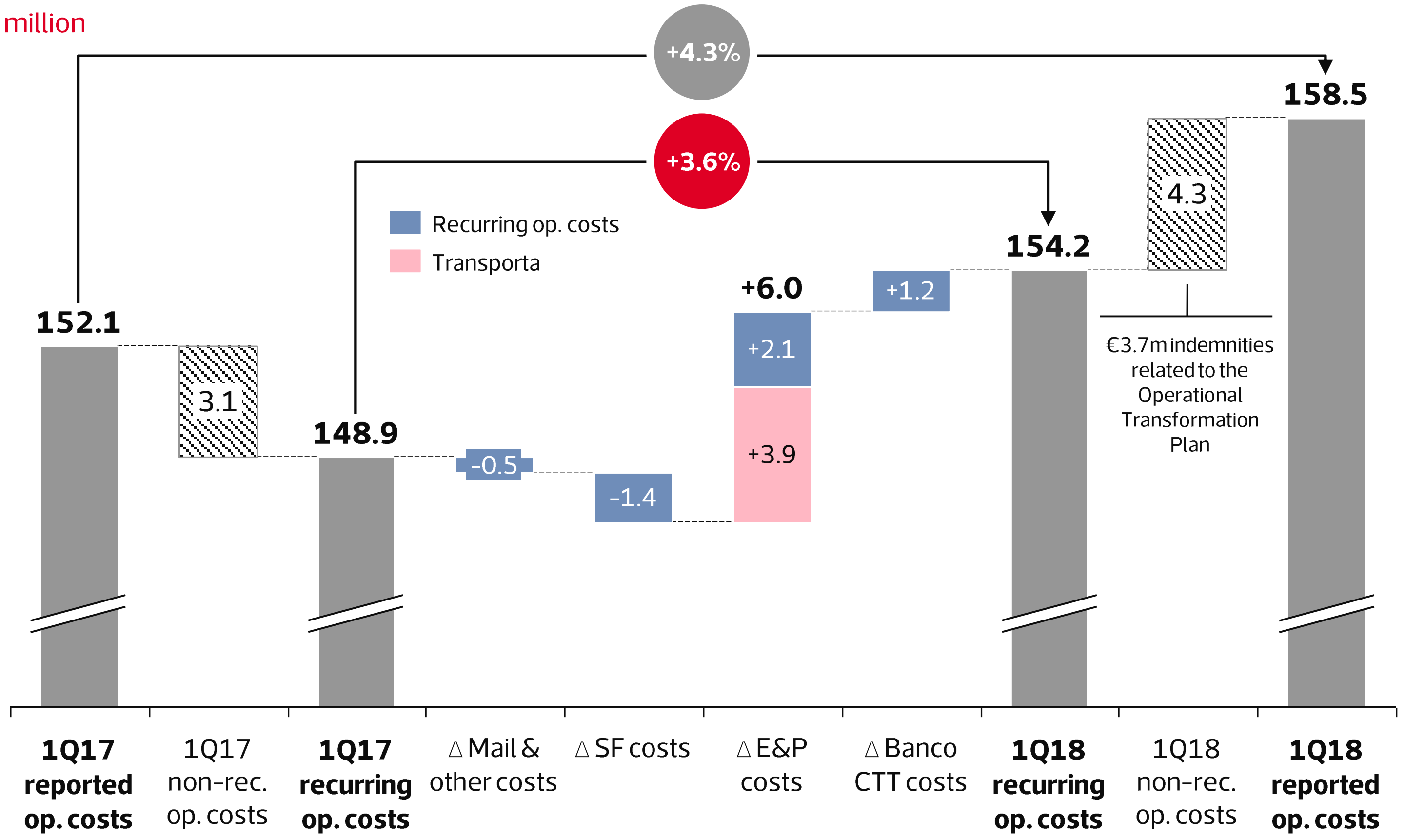
1Q18 recurring operating costs

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



Operating costs breakdown

€ million

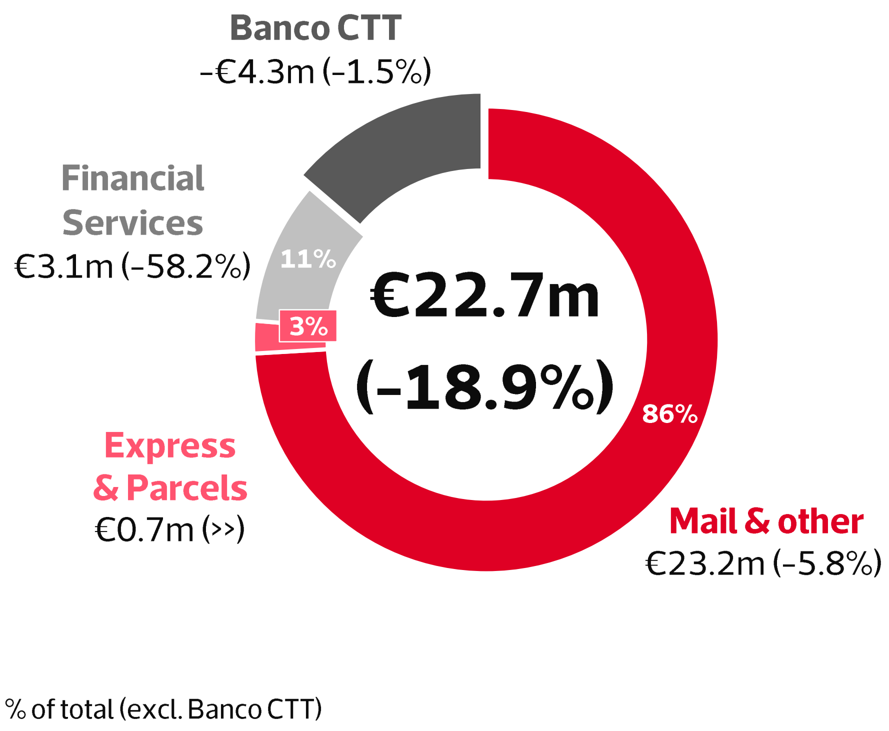


- **The increase in activity in the growth businesses was responsible for the overall increase in operating costs,** in particular: +€3.9m **increase in op. costs in Transporta** (acquired in 2Q17), **increase in transport and distribution costs in E&P**, excl. Transporta (+€1.4m) due to growth of volumes and **increase in costs at Banco CTT related to the increase in activity** (+€1.1m). **Additionally, due to the suspension of the sale of lottery products in the Retail Network in 1Q17**, the recurring **op. costs related with this product increased in 1Q18** (+€1.0m)
- On the other hand, **costs stabilised or decreased in Mail and FS and Central Structure** as a result of €1.6m **decline in Staff costs** in those areas, of which €0.8m related to the **decline in sales incentives in FS** (as a direct result of lower sales of public debt products)
- **Non-recurring op. costs were almost fully related to the Operational Transformation Plan**, of which €3.7m were indemnities related to headcount reductions

EBITDA EVOLUTION REFLECTS THE LOSS OF HIGH INCREMENTAL MARGIN PRODUCT REVENUES IN FINANCIAL SERVICES AND LESS WORKING DAYS IN THE MAIL BUSINESS

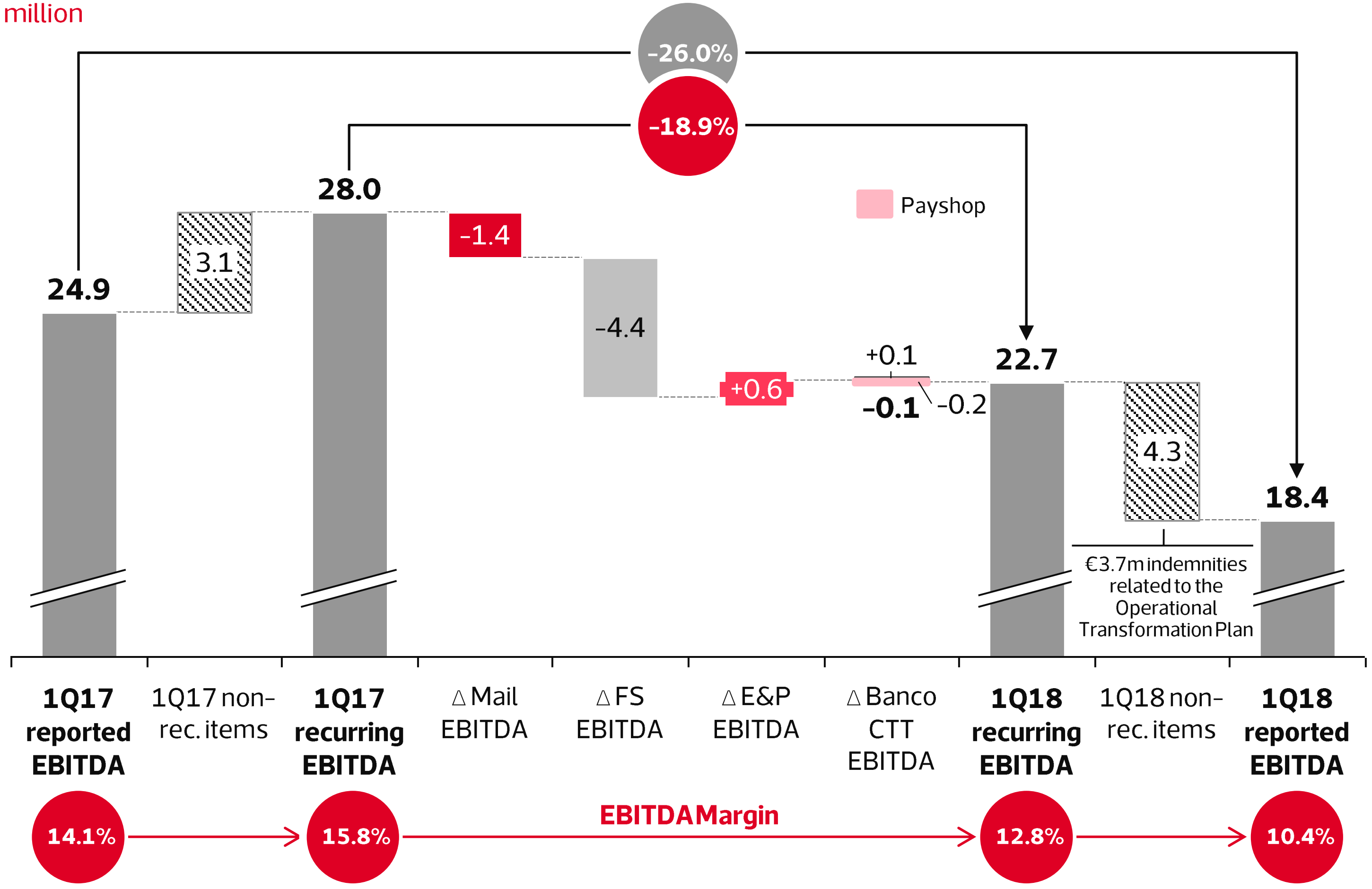
1Q18 recurring EBITDA

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



EBITDA breakdown

€ million



- **Stable EBITDA performance in Mail** as the **stabilisation of the recurring cost base** and a solid pricing / mix effect almost fully offset the challenging seasonal impacts on volumes
- **Express & Parcels EBITDA growth** reflects the **improvement at Tourline** subsidiary in Spain and growth in Portugal
- **Financial Services EBITDA declined markedly**, due to the **loss of revenues with very high incremental margin**

THE ADJUSTED CASH FLOW WAS INFLUENCED BY THE PAYMENT OF INDEMNITIES BOOKED BOTH IN 4Q17 AND IN 1Q18, AS PART OF THE OPERATIONAL TRANSFORMATION PLAN

Cash flow

€ million; % change vs. prior year

	Reported			Adjusted [1] (Excl. FS float & Banco CTT deposits and fin. assets)		
	1Q17	1Q18	Δ %	1Q17	1Q18	Δ%
From operating activities	**27.1**	**-40.4**	**<<**	**12.1**	**-2.5**	**-121.1%**
Cash flow excl. FS & Banco CTT				15.2	-4.4	-129.0%
Banco CTT cash flow				-3.1	1.9	160.0%
From investing activities	**-53.4**	**-63.9**	**-19.7%**	**-13.6**	**-12.6**	**+7.6%**
Capex payments	-14.2	-13.2	+7.3%	-14.2	-13.2	+7.3%
of which Banco CTT				-1.1	-3.0	-185.0%
Banco CTT financial assets	-39.8	-51.3	-29.0%			
Other	0.5	0.5	-0.7%	0.5	0.5	-0.7%
Operating free cash flow	**-26.3**	**-104.3**	**-296.8%**	**-1.6**	**-15.2**	**<<**
From financing activities	**-0.6**	**-0.2**	**+71.0%**	**-0.6**	**-0.2**	**+71.0%**
of which Dividends	-	-	-	-	-	-
Other	**-2.5**	**-27.2**	**<<**	**-**	**-**	**-**
Net change in cash	**-29.5**	**-131.7**	**<<**	**-2.2**	**-15.4**	**<<**

€14.7m indemnities payments

Seasonal payments of end of year capex

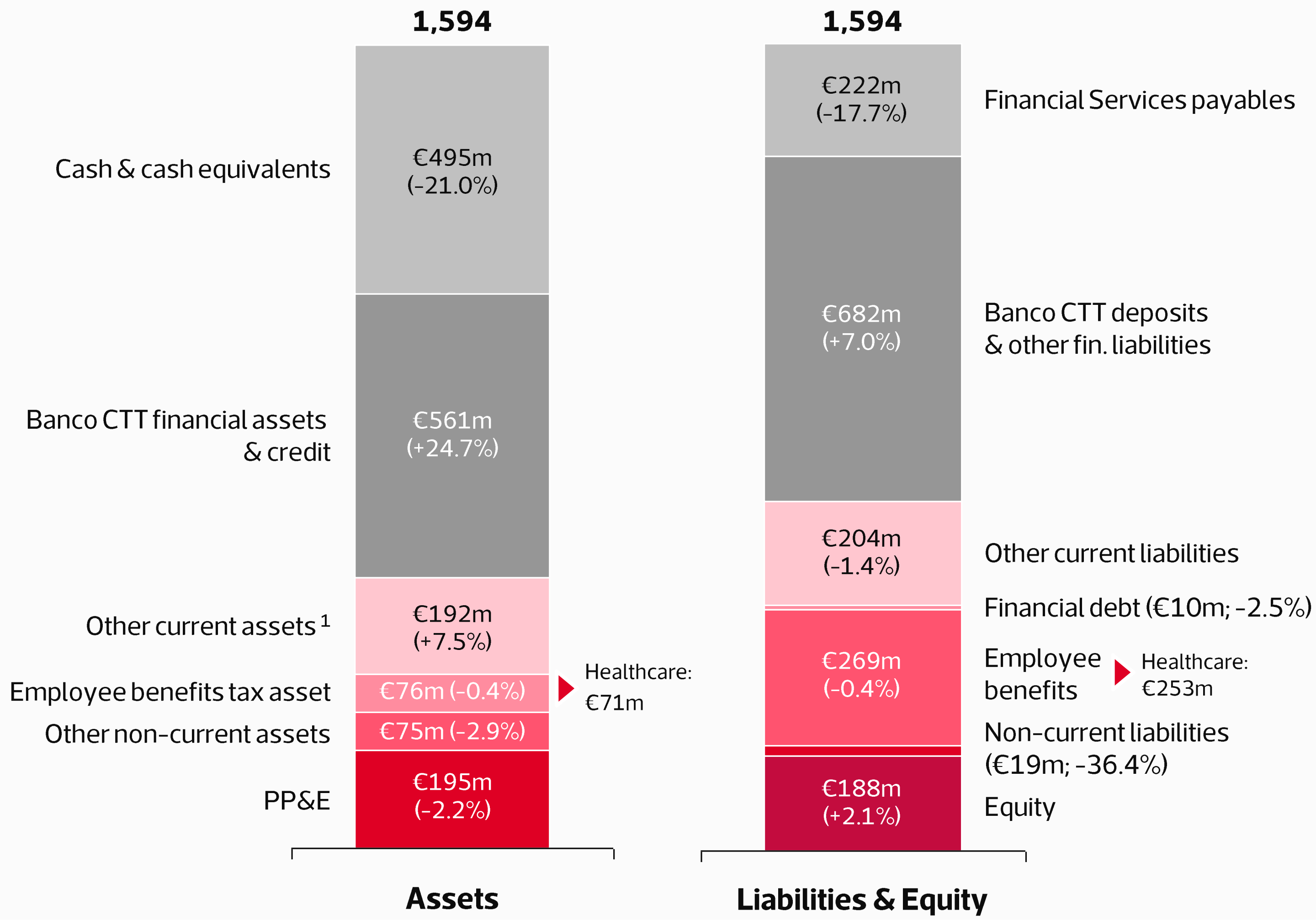
Capex and indemnities accounted in 1Q18 were €5.0m and €3.7m respectively, substantially below the payments related to these items

[1] Cash flow from operating and investing activities excluding changes in Net Financial Services payables of -€43.5m (1Q17) and -€49.4m (1Q18), and the following items from the CF statement, all of them relating to Banco CTT financial activity: "Banking customer deposits and other loans", "Credit to bank clients", third parties' "Other operating assets and liabilities" regarding Banco CTT, "Investments in securities", "Deposits at the Bank of Portugal" and "Other banking financial assets".

THE BALANCE SHEET REFLECTS THE INCREASING WEIGHT OF BANCO CTT IN THE BUSINESS AND THE HIGH NET FINANCIAL CASH POSITION

Balance Sheet – 31 March 2018

€ million; % change vs. 31 December 2017



+	Cash & cash equivalents	+€495m
-	Financial Services payables, net	-€217m
-	Banco CTT deposits & other fin. liabilities	-€682m
+	Banco CTT financial assets & credit	+€561m
-	Short and long-term debt	-€10m
=	**Net financial cash (debt) [2]**	**€147m**

[1] Including Financial Services receivables of €4m and €6m as at Dec-17 and Mar-18, respectively.
[2] Including €69m of Banco CTT own cash.

V BUSINESS UNITS

MAIL: SEASONAL EFFECTS ON MAIL VOLUMES ALMOST FULLY OFFSET BY PRICING AND STRONG POSITIVE PRODUCT REVENUES MIX

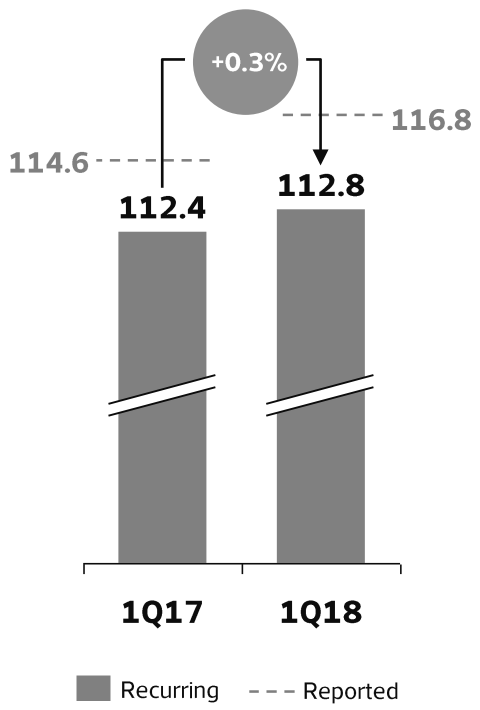
1Q18 Revenues by type

€ million; % change vs. prior year

– Transactional	€105.0m (-€3.0m; -2.8%)
– Advertising	€6.3m (-€1.0m; -13.7%)
– Editorial	€3.9m (-€0.2m; -4.4%)
– Business Solutions	€2.4m (+€0.4m; +17.0%)
– USO Parcels	€1.7m (-€0.0m; -0.9%)
– Other[1]	€16.5m (+€2.8m; +20.5%)
Total	**€136.0m (-€1.1m; -0.8%)**

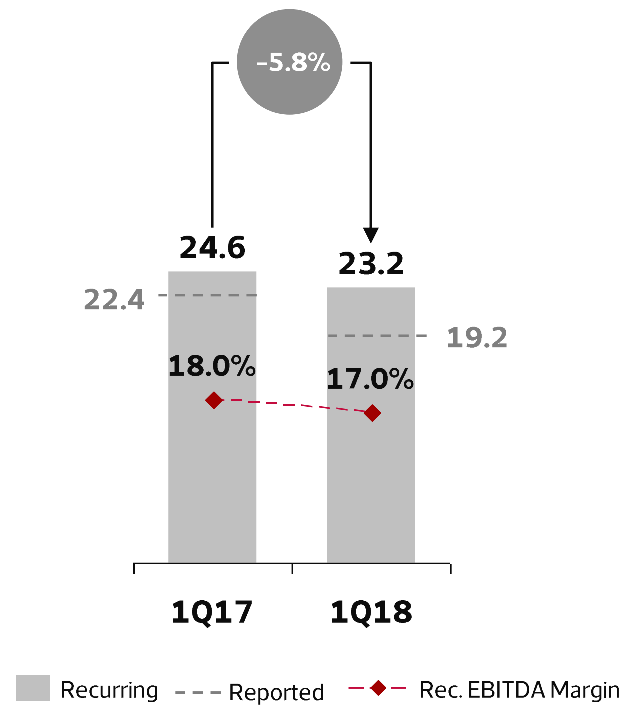
Operating costs[1]

€ million



EBITDA

€ million



Mail volumes[2] by type

Metric	Avg. mail prices	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q18	N/A	185.2	160.1	15.5	9.6	100.3
vs. 1Q17	+2.5%	-9.1%	-8.3%	-16.1%	-9.5%	-6.6%

[1] Other revenues include +€1.2m of revenues from lottery sales, which were suspended in 1Q17; similarly operating costs include +€1.0m in CGS related to this product in 1Q18, which were not present in 1Q17.
[2] Million items.

EXPRESS & PARCELS: E&P BEGINNING TO SHOW SIGNIFICANT CONTRIBUTION TO REVENUES GROWTH, AS A RESULT OF VERY HEALTHY VOLUMES EVOLUTION BOTH IN PORTUGAL AND IN SPAIN

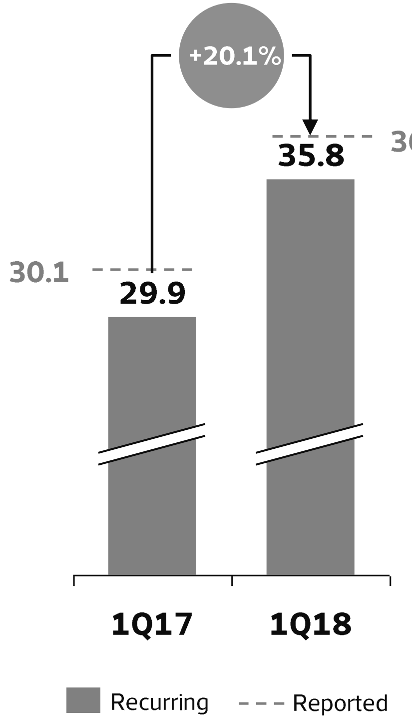
1Q18 Revenues by region

€ million; % change vs. prior year

– Portugal & other[1]	**€22.8m (+€5.2m; +29.7%)**
– Parcels	€16.6m (+€1.7m; +11.4%)
– Cargo & Logistics[2]	€3.7m (+€3.3m; >>)
– Banking network	€1.5m (+€0.2m; +16.4%)
– Other[2]	€0.9m (+€0.0m; +0.6%)
– Spain	**€13.3m (+€1.3m; +10.8%)**
– Mozambique	**€0.4m (+€0.0m; +6.1%)**
Total	**€36.5m (+€6.5m; +21.8%)**
Total excl. Transporta	**€33.2m (+€3.2m; +10.8%)**

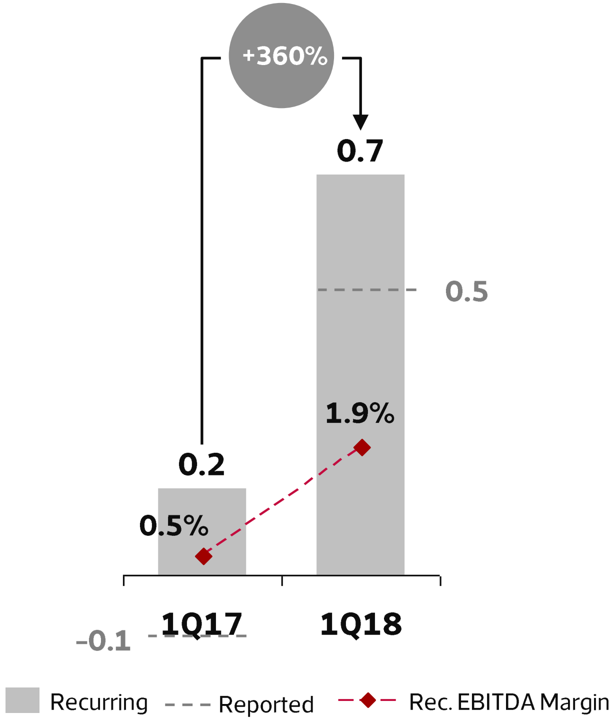
Operating costs

€ million



EBITDA

€ million



E&P volumes[3] by region

Metric	Total	Portugal	Portugal excl. Transporta	Spain	Mozambique
1Q18	8.8	4.8	4.1	4.0	0.02
vs. 1Q17	+20.8%	+32.2%	+12.3%	+9.8%	-4.7%

[1] Including revenues from intra-group transactions with companies of other business units and other operating income of Portugal, Spain and Mozambique.
[2] Including Transporta revenues in 1Q18 (€3.2m in Cargo & Logistics and €0.1m in other).
[3] Million items.

FINANCIAL SERVICES: THE LOSS OF HIGH INCREMENTAL MARGIN PUBLIC DEBT PRODUCTS REVENUES IMPACTED THE FINANCIAL SERVICES PROFITABILITY

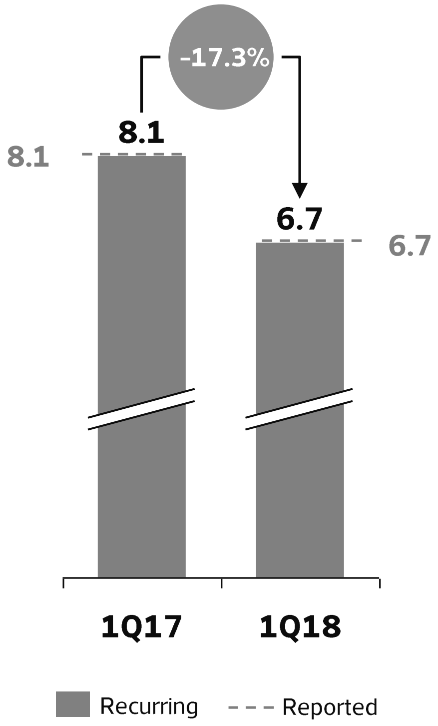
1Q18 Revenues by type [1]

€ million; % change vs. prior year

– Savings & Insurance	€3.7m (-€5.9m; -61.3%)
– Payments [1]	€3.1m (-€0.3m; -9.2%)
– Transfers	€2.3m (-€0.1m; -5.7%)
– Other	€0.7m (+€0.5m; +269.5%)
Total	**€9.8m (-€5.8m; -37.0%)**

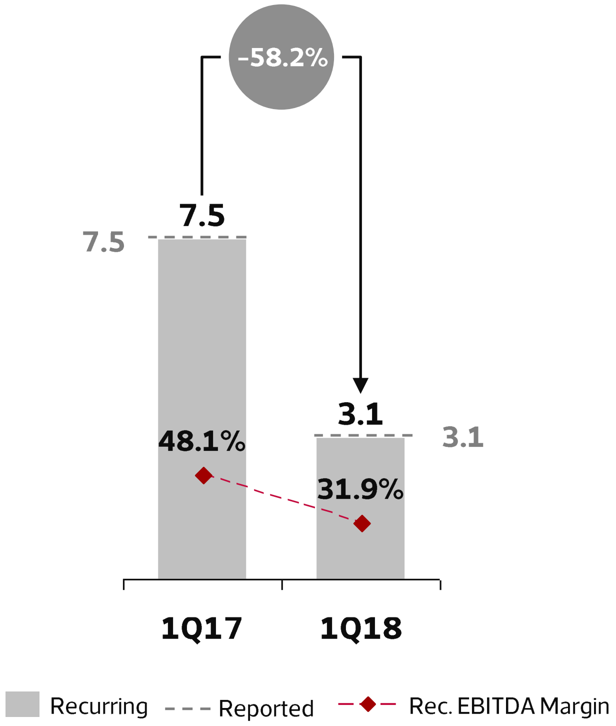
Operating costs [1]

€ million



EBITDA [1]

€ million



€ FS volumes by type

Metric	Savings & insurance placements (€bn)	Payments (m ops)	Money orders & transfers (m ops)	Credit (€m; excl. Banco CTT)
1Q18	0.5	6.4	4.4	1.1
vs. 1Q17	-61.7%	-6.2%	-3.9%	-47.8%

[1] Payshop business migrated to Banco CTT Business Unit in Jan-18 (proforma figures presented for 1Q17 for this product line).

BANCO CTT: THE REVENUES GROWTH OF BANCO CTT REFLECTS THE EXPANSION OF THE NET INTEREST MARGIN, AS LIQUIDITY IS BEING DEPLOYED IN HIGHER YIELDING ASSETS, INCLUDING CREDIT

ctt

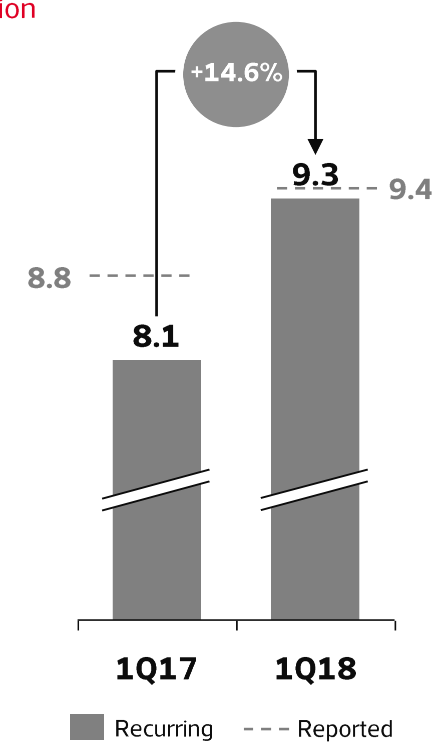
1Q18 Revenues [1]

€ million; change vs. prior year

– Net interest income	**€1.5m (+€1.1m)**
– Interest income	€1.7m (+€1.1m)
– Interest expense	€0.2m (+€0.0m)
– Commissions income	**€0.9m (+€0.2m)**
– Consumer credit [2], credit cards [2] & insurance	€0.1m (-€0.2m)
– Own products	€0.7m (+€0.4m)
– Payshop & other [1]	**€2.6m (-€0.2m)**
Total	**€5.0m (+€1.1m)**

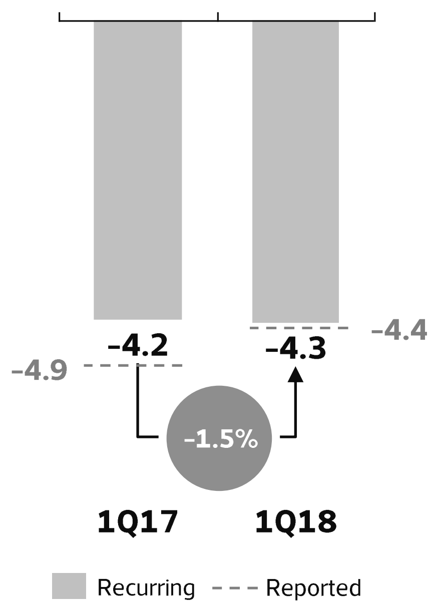
Operating costs [1]

€ million



EBITDA [1]

€ million



Selected Banco CTT Balance Sheet indicators

Metric	Assets (€ million)				Deposits (€ million)		Equity (€ million) / CET 1 (%)
	Cash & cash equivalents	Financial assets & investments	Credit to clients	of which, Mortgage	Term	Sight	
31-Mar-18	**190.4**	**446.5**	**114.5**	**101.1**	**212.6**	**452.5**	**103.0/ 37.0%**
31-Dec-17	**235.0**	**370.5**	**79.3**	**66.1**	**210.6**	**408.6**	**76.4 / 26.5%**

[1] Payshop business migrated to Banco CTT Business Unit in Jan-18 (proforma figures presented for 1Q17). Payshop stand-alone EBITDA was €1.5m in 1Q17 and €1.4m in 1Q18.
[2] Partnership with BNP Paribas Personal Finance (Cetelem).
[3] Amount outside Banco CTT's Balance Sheet, representing the total gross outstanding balance of credit placed by Banco CTT branches in 1Q18, in partnership with BNP Paribas Personal Finance (Cetelem).

Branches (#)
211

Current accounts
c. 255k
(+29k in 1Q)

Customers (#)
› 300 thousand

Deposits
€665.1m

Consumer credit [3]
€6.0m

VI APPENDIX

CONSOLIDATED RESULTS

€ million	Reported		Recurring [1]		Reported with Banco CTT under equity method [2]	
	1Q17	1Q18	1Q17	1Q18	1Q17	1Q18
Revenues	**177.0**	**176.9**	**177.0**	**176.9**	**174.7**	**173.7**
Operating costs	152.1	158.5	148.9	154.2	144.9	150.9
EBITDA	**24.9**	**18.4**	**28.0**	**22.7**	**29.8**	**22.8**
EBITDA margin	**14.1%**	**10.4%**	**15.8%**	**12.8%**	**17.1%**	**13.1%**
Depreciations, amortisations, impairments & provisions	-7.3	-8.8	-6.6	-6.7	-6.7	-8.1
EBIT	**17.6**	**9.6**	**21.4**	**16.0**	**23.1**	**14.7**
Financial income / (costs)	-1.1	-1.4	-1.1	-1.4	-1.1	-1.4
Associated companies - gains / (losses)	0.0	0.1	0.0	0.1	-4.5	-3.9
Earnings before taxes (EBT)	**16.5**	**8.4**	**20.3**	**14.7**	**17.5**	**9.4**
Income tax for the period	6.2	3.0	5.4	3.9	7.2	4.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit attributable to equity holders	**10.3**	**5.4**	**15.0**	**10.9**	**10.3**	**5.4**

[1] Recurring net profit excludes non-recurring revenues and costs and considers the theoretical (nominal) tax rate of CTT.
[2] Payshop business migrated to Banco CTT Business Unit in Jan-18 (proforma figures presented for 1Q17).

BALANCE SHEET

€ million	CTT		With Banco CTT under equity method [1]	
	31-Dec-17	31-Mar-18	31-Dec-17	31-Mar-18
Non-current assets	678.5	776.1	413.4	424.7
Current assets	930.3	818.3	557.3	481.6
Assets	**1,608.8**	**1,594.5**	**970.7**	**906.3**
Equity	184.0	187.9	184.0	187.9
Liabilities	1,424.8	1,406.5	786.8	718.4
Non-current liabilities	282.7	270.9	282.7	270.8
Current liabilities	1,142.0	1,135.7	504.1	447.6
Equity and Liabilities	**1,608.8**	**1,594.5**	**970.7**	**906.3**

[1] Payshop business migrated to Banco CTT Business Unit in Jan-18 (proforma figures presented for Dec-17).

NON-RECURRING ITEMS AFFECTING EBITDA PREDOMINANTLY RELATED TO THE OPERATIONAL TRANSFORMATION PLAN

€ million	Non-recurring items 1Q17	Non-recurring items 1Q18
Recurring EBITDA	**28.0**	**22.7**
Non-recurring items affecting EBITDA	**3.1**	**4.3**
Revenues	0.0	0.0
Staff costs	1.1	3.7
ES&S & other op. costs	2.0	0.6
Reported EBITDA	**24.9**	**18.4**
Recurring EBIT	**21.4**	**16.0**
Non-recurring costs affecting only EBIT	**0.7**	**2.0**
Provisions (reinforcements / reductions)	0.0	1.7
Impairments and D&A (losses / reductions)	0.7	0.3
Non-recurring items affecting EBITDA & EBIT	**3.8**	**6.4**
Reported EBIT	**17.6**	**9.6**

€3.7m indemnities related to the Operational Transformation Plan

€0.4m of strategic studies

€1.4m provision related to Spanish Competition Authority charge

CTT Investor Relations

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