

9M15 Results Presentation

4 November 2015



ctt

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01.

Key highlights

02.

Business units performance

03.

Appendix



Postal Bank project costs impacting the financial indicators

Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	9M14	Including Postal Bank project		Excluding Postal Bank project (like-for-like) ⁵	
		9M15	Δ%	9M15	Δ%
Reported revenues	530.9	538.1	+1.3%	538.1	+1.3%
Reported operating costs ¹	429.3	440.7	+2.6%	433.1	+0.9%
Reported EBITDA	101.6	97.4	-4.1%	105.0	+3.3%
Recurring EBITDA ²	101.7	104.8	+3.0%	107.6	+5.8%
Reported net profit	52.6	50.6	-3.8%	56.3 ⁴	+6.9%
Recurring net profit ³	55.7	59.8	+7.5%	61.8	+11.1%

Metric	Addressed mail (m items)	Unaddressed mail (m items)	Parcels volumes (m items)	Savings flows (€bn) ⁶
9M15 volumes	611.2	344.9	20.7	4.4
9M15 vs. 9M14	-3.1%	-6.9%	+4.6%	-13.2%

¹ Excluding amortisation, depreciation, provisions and impairment losses.

² Excluding non-recurring revenues of €3.0m in 9M14 and non-recurring operating costs affecting EBITDA of €3.1m in 9M14 and €7.4m in 9M15, €4.8m of the latter related to Postal Bank project set-up costs.

³ Excluding non-recurring revenues of €3.0m in 9M14 and non-recurring costs affecting EBIT of €6.1m in 9M14 and €7.7m in 9M15, €4.8m of the latter related to the Postal Bank project set-up costs. Considers a theoretical (nominal) tax rate (28.43%).

⁴ Considers the corporate tax rate of Banco CTT and the effective tax rate of the period at CTT.

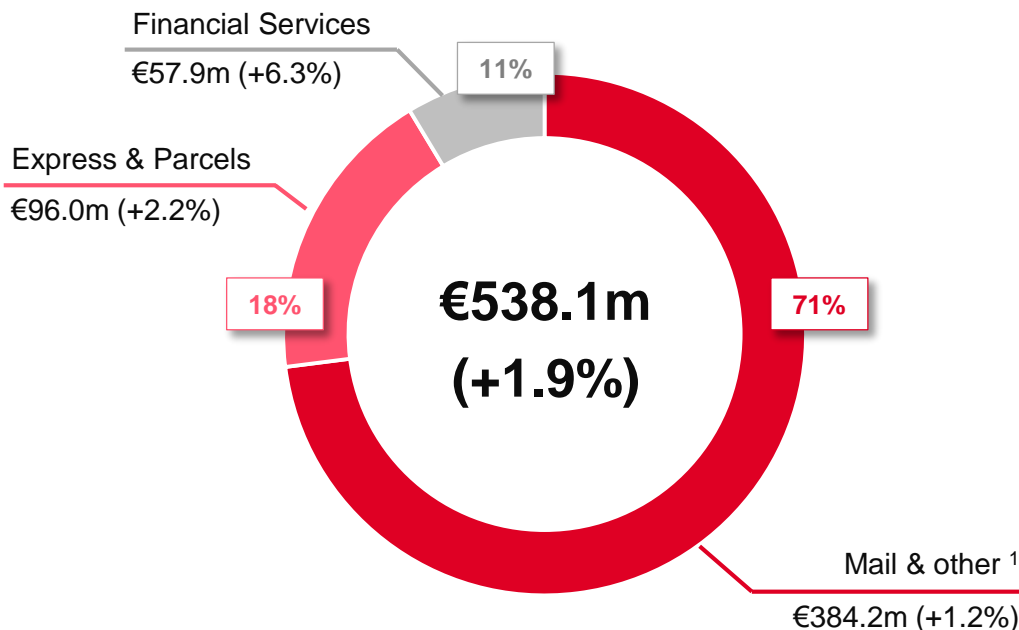
⁵ Postal Bank project operating costs booked in the Financial Services business unit.

⁶ Amount of savings and insurance placements and redemptions.

Revenues grow by 1.9% on a recurring basis, with positive contributions from all businesses

9M15 recurring revenues

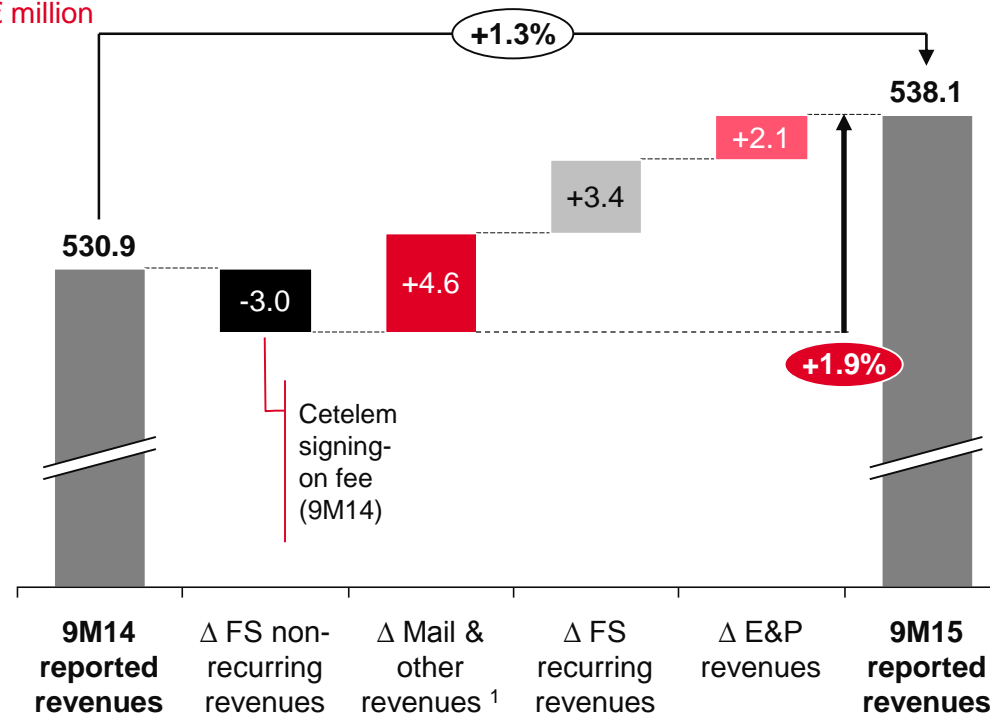
€ million; % change vs. prior year; % of total



X% % of total

Revenues breakdown

€ million



- **Financial Services** continue to benefit from the **strong growth in savings inflows in 1Q15 and the competitiveness of its offer**
- **E&P revenues still growing below volumes growth in Portugal due to lower pricing in the B2C segment** and still impacted by the restructuring in Spain
- **Growth in revenues supported also by MoU with Altice** (+€2.9m impact in 9M15)

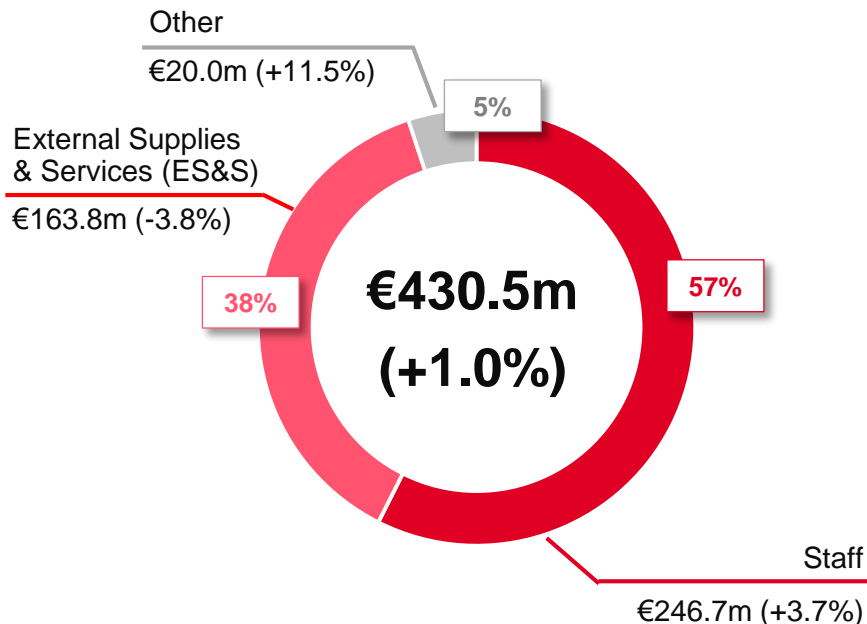
Mail revenues growth driven by discounts / pricing update in 1Q15 and by lower than expected addressed mail volumes decline

¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€21.3m in 9M14 and -€26.9m in 9M15.

Operating costs increase as Postal Bank project spending ramps-up

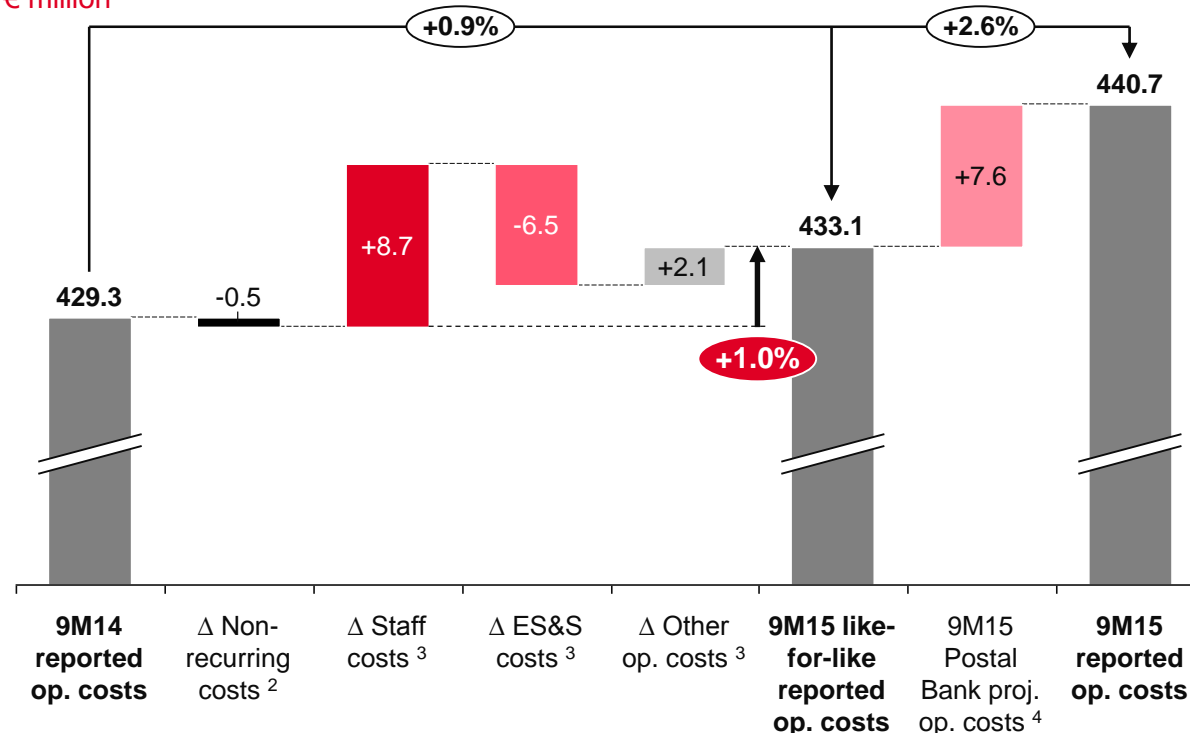
9M15 like-for-like recurring operating costs ¹

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



Operating costs breakdown

€ million



X% % of total

- **Staff costs increase** mainly due to the **reintroduction of variable remuneration as a recurring cost** (+€6.7m estimate in 9M15, not in 9M14 accounts)
- **ES&S costs decrease** mainly due to **lower outsourcing costs** as a result of the **revised IT and communication services contract** (-€11.1m in 9M15), partially off-set by an **increase in transportation costs in Spain** (+€3.2m) and by an **increase in costs with foreign operators** (+€2.7m)

The recurring cost base supporting the revenues increases by only 1.0%

¹ Excluding amortisation, depreciation, provisions, impairment losses and non-recurring operating costs of €3.1m in 9M14, €2.6m in 9M15, and all Postal Bank project operating costs.

² Excluding Postal Bank project set-up costs. Total non-recurring operating costs: €3.1m in 9M14 and €7.4m in 9M15, €4.8m of the latter related to Postal Bank project set-up costs.

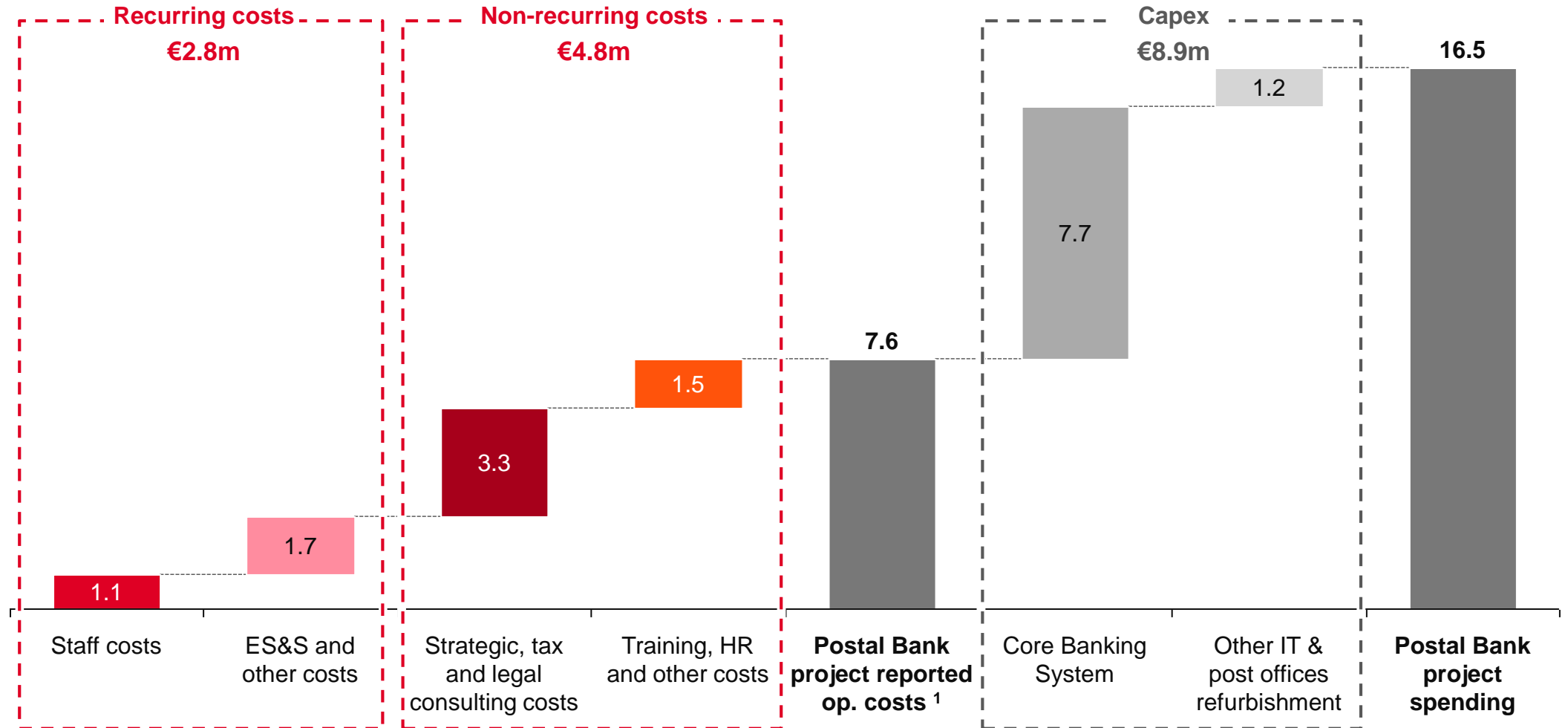
³ Excluding Banco CTT recurring operating costs: €2.8m in 9M15.

⁴ Booked in the Financial Services business unit.

Postal Bank project spending ramps-up as launch date approaches

Postal Bank project spending

€ million



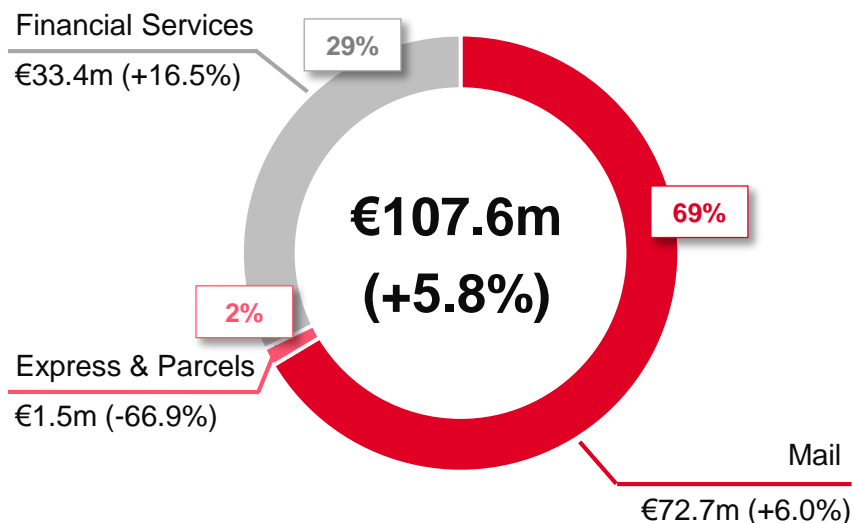
YTD Postal Bank project spending (€16.5m Capex & Opex) within management estimates (€30m for 2015)

¹ Booked in the Financial Services business unit.

Growth in FS revenues and Mail efficiency drive recurring EBITDA margin up by 20 bps

9M15 like-for-like recurring EBITDA ¹

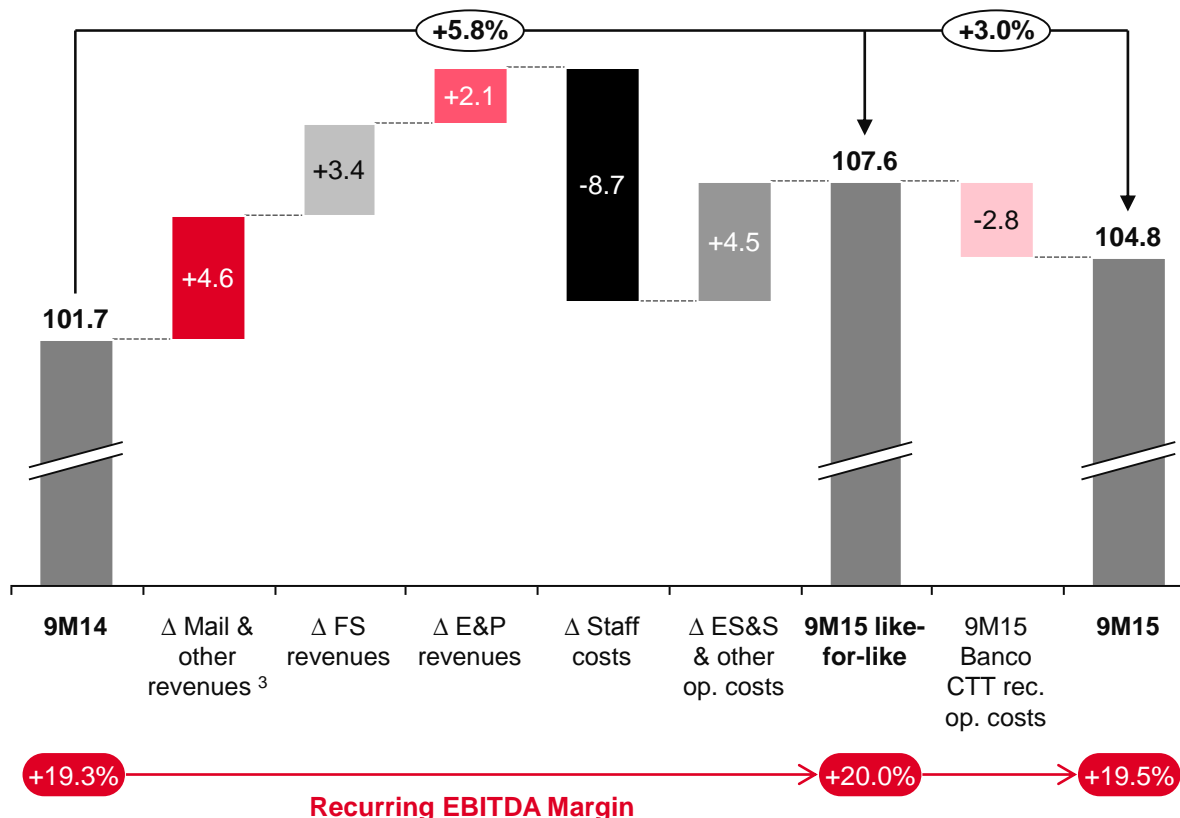
€ million; % change vs. prior year; % of total



X% % of total

Recurring EBITDA ² breakdown

€ million



Like-for-like recurring EBITDA (excluding Postal Bank project) grows by 5.8% but variable remuneration (introduced as recurring in 2015) is affecting EBITDA growth

¹ Excluding amortisation, depreciation, provisions, impairment losses, non-recurring revenues of €3.0m in 9M14 and non-recurring operating costs of €3.1m in 9M14, €2.6m in 9M15 and all Postal Bank project operating costs.

² Excluding total non-recurring revenues of €3.0m in 9M14 and non-recurring operating costs affecting EBITDA of €3.1m in 9M14 and €7.7m in 9M15.

³ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€21.3m in 9M14 and -€26.9m in 9M15.

Strong 3Q15 adjusted operating FCF generation, supported also by €15m Altice payment

Cash flow

€ million

	Reported			Adjusted ¹		
	9M14	9M15	Δ %	9M14	9M15	Δ%
From operating activities	207.4	52.2	-74.9%	68.9	72.1	+4.6%
From investing activities	4.4	-20.6	N/A	4.4	-20.6	N/A
Of which: Capex payments	-4.6	-22.9	N/A	-4.6	-22.9	N/A
Operating free cash flow	211.8	31.6	-85.1%	73.3	51.5	-29.7%
From financing activities	-59.5	-66.1	+11.1%	-59.5	-66.1	+11.1%
Of which: Dividends	-60.0	-69.8	+16.3%	-60.0	-69.8	+16.3%
Net change in cash ²	151.6	-34.5	-122.7%	13.1	-14.5	-210.6%
Cash at the end of the period	696.5	630.1	-9.5%	250.0	264.4	+5.8%

- Accounts receivable reduction in 3Q15 (€15.8m)
- €9.0m variable remuneration paid in 1H15
- €15m Altice / PT Portugal payment received in 3Q15
- Capex payments presented in this table
- Accounting Capex was €5.1m in 9M14 and €15.5m in 9M15, with €8.9m of the latter associated with the Postal Bank project (€7.7m related to the Core Banking System)

Reported and adjusted (own) cash remains at high levels

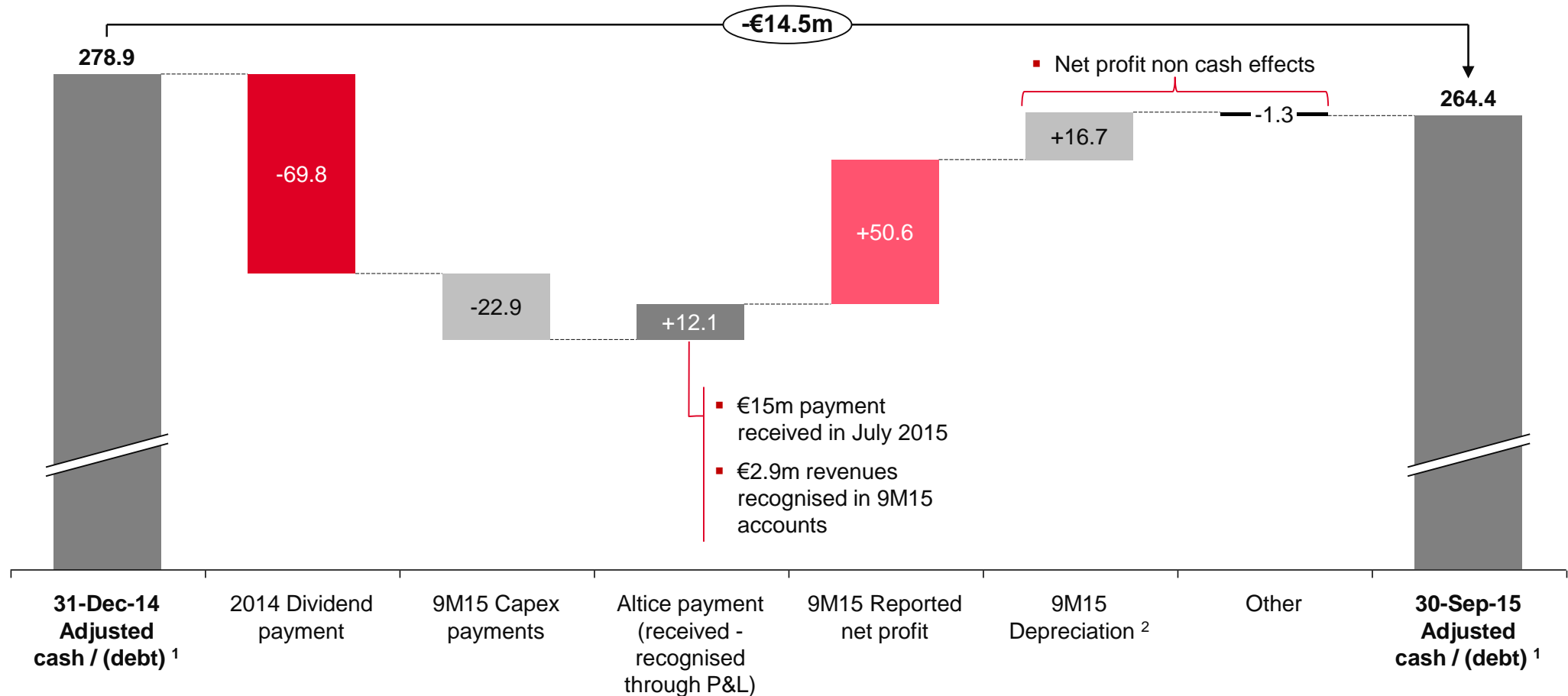
¹ Cash flow from operating activities excluding changes in net Financial Services payables of +€138.5m (from Dec-13 to Sep-14) and -€19.9m (from Dec-14 to Sep-15). Cash at the end of the period excluding net Financial Services payables of €446.6m (Sep-14) and €365.7m (Sep-15).

² Including -€0.7m change in the consolidation perimeter in 9M14.

Strong cash position maintained in a year of high investment

Adjusted cash at the end of the period ¹

€ million



Cash position net of FS payables exceeds Employee benefits (net) by €58.7m

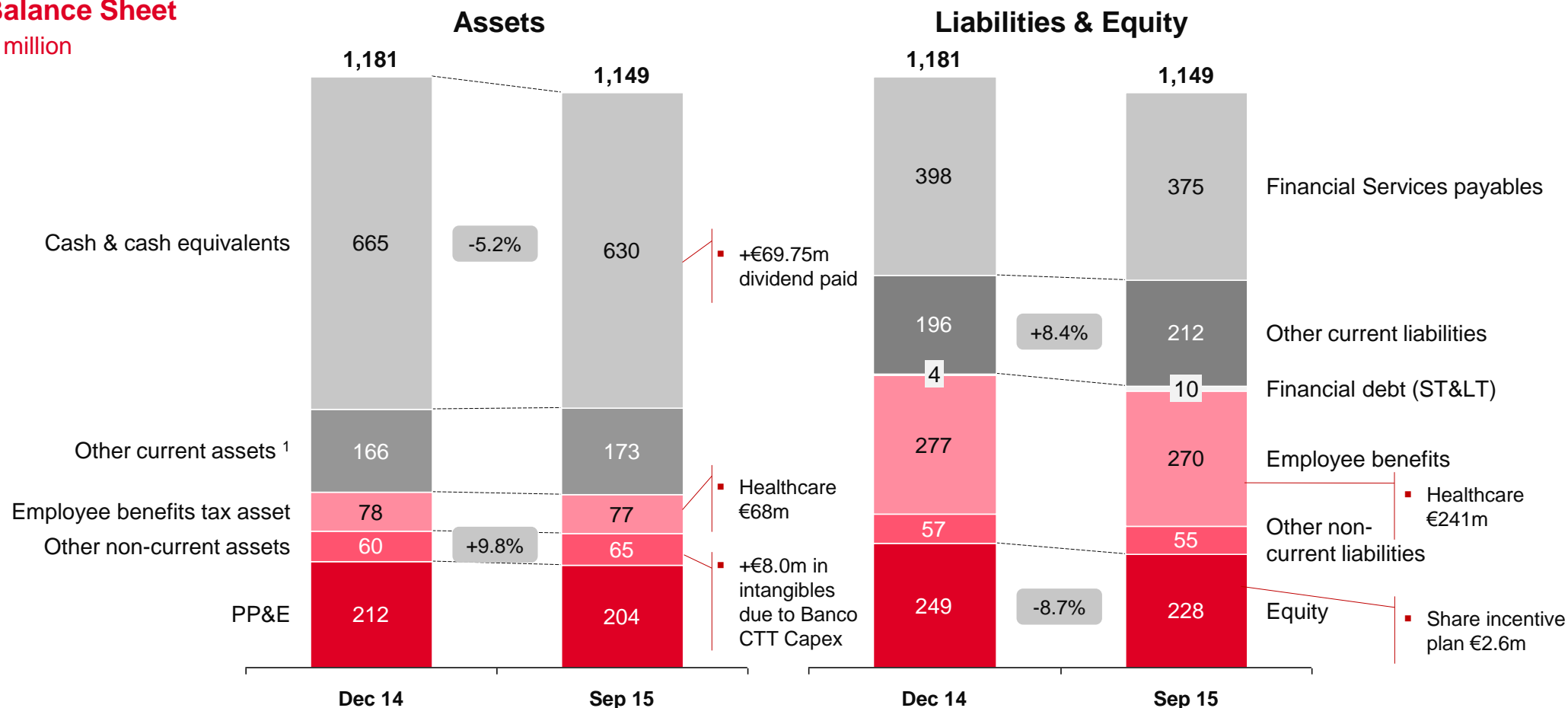
¹ Cash and cash equivalents excluding net Financial Services payables of €385.7m (Dec-14) and €365.7m (Sep-15).

² Depreciation, amortisation and impairments of investments.

The Balance Sheet reflects higher level of cash Capex

Balance Sheet

€ million



- **Net financial debt (cash)** = ST< Debt of €9.9m + Net Financial Services payables of €365.7m - Cash and cash equivalents of €630.1m = **€(254.5)m**
- **Net debt (cash)** = Employee benefits of €269.8m + Share incentive plan of €2.6m - Employee benefits tax asset of €76.7m - Net cash of €254.5m = **€(58.7)m**
- **Strong liquidity position:** Current assets / Current liabilities = **130%**

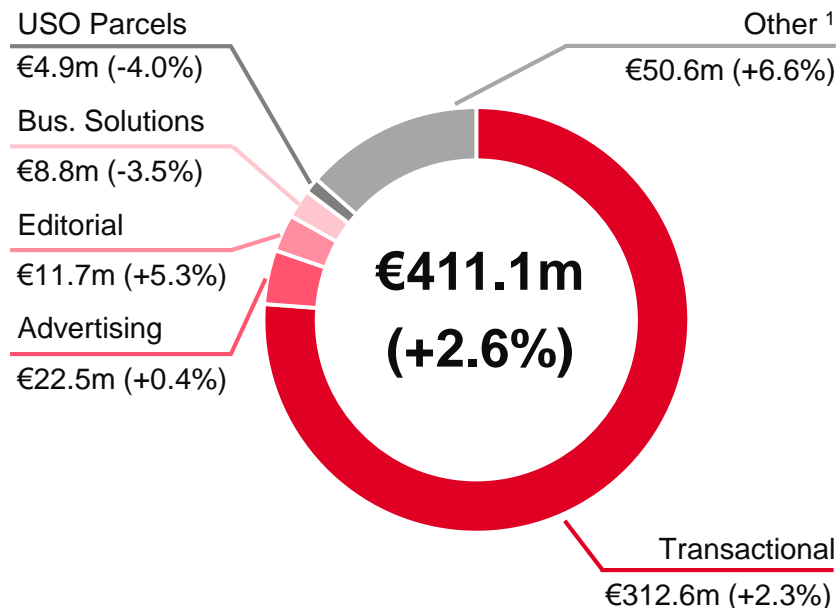
Solid net cash and liquidity position maintained

¹ Including Financial Services receivables of €12.4m and €8.8m as at Dec-14 and Sep-15, respectively.

1 Mail benefits from lower than expected addressed mail volumes decline

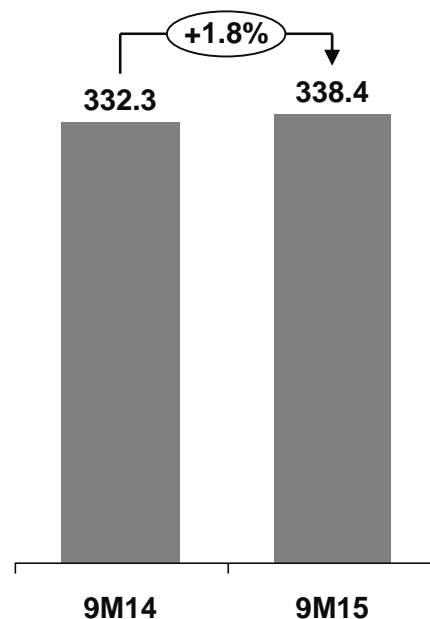
9M15 Mail revenues by type

€ million, % change vs. prior year



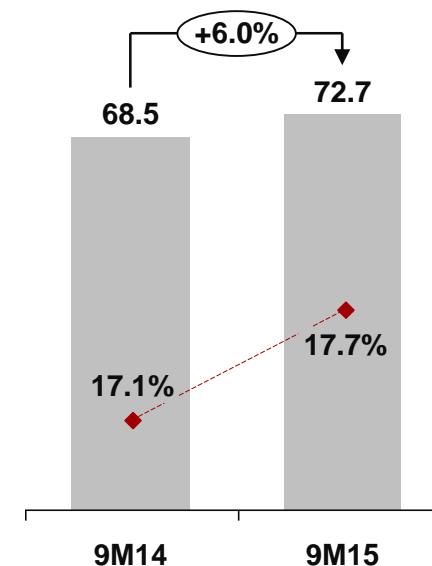
Recurring operating costs²

€ 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
9M15 volumes ³	N/A	611.2	522.7	54.3	34.3	344.9
9M15 vs. 9M14	+4.1%	-3.1%	-3.5%	+0.4%	-2.7%	-6.9%

¹ Including €2.1m of revenues billed to CTT Espresso (result of network integration) and €1.0m of Altice / PT Portugal contract revenues in 9M15.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring op. costs in the 9M15 accounts.

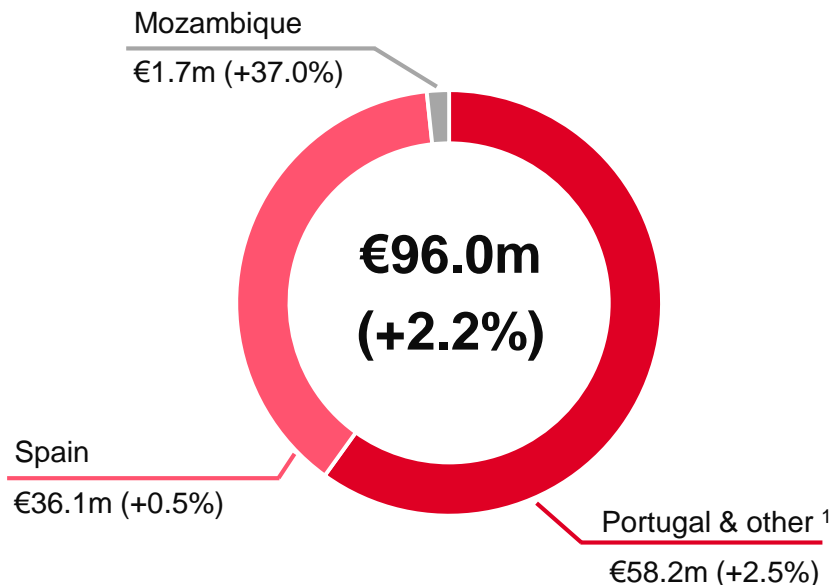
³ Million items.

⁴ USO, excluding international inbound mail.

2 Network integration process in Portugal still to have a relevant impact on E&P results

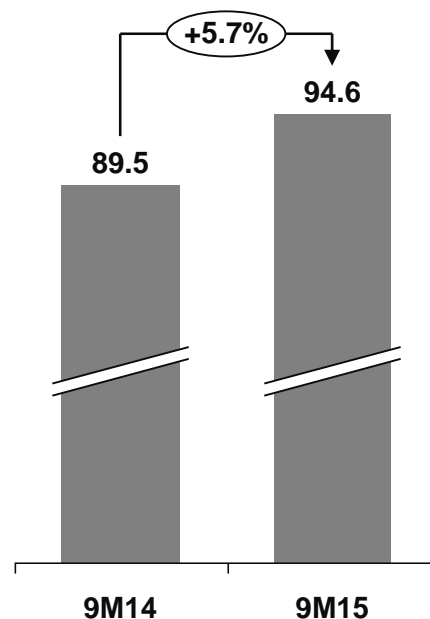
9M15 E&P revenues by region

€ million, % change vs. prior year



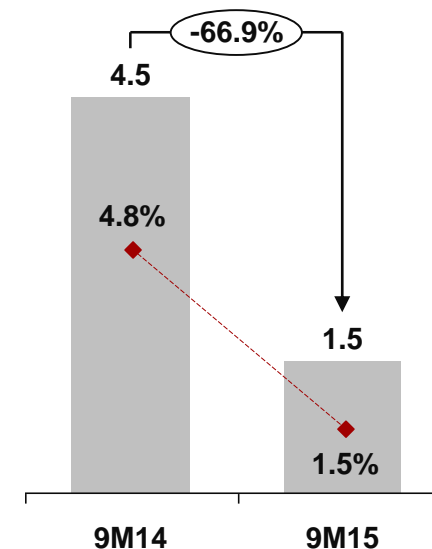
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



■ Operating costs

◆ EBITDA Margin ■ EBITDA

E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
9M15 volumes ³	20.7	10.6	10.0	0.06
9M15 vs. 9M14	+4.6%	+6.4%	+3.6%	N/A ⁴

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique. Including €1.0m of Altice / PT Portugal contract revenues in 9M15.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. The increase is mainly due to the increase in transportation costs in Spain (+€3.2m) and the increase in Staff costs in Portugal (+€1.5m).

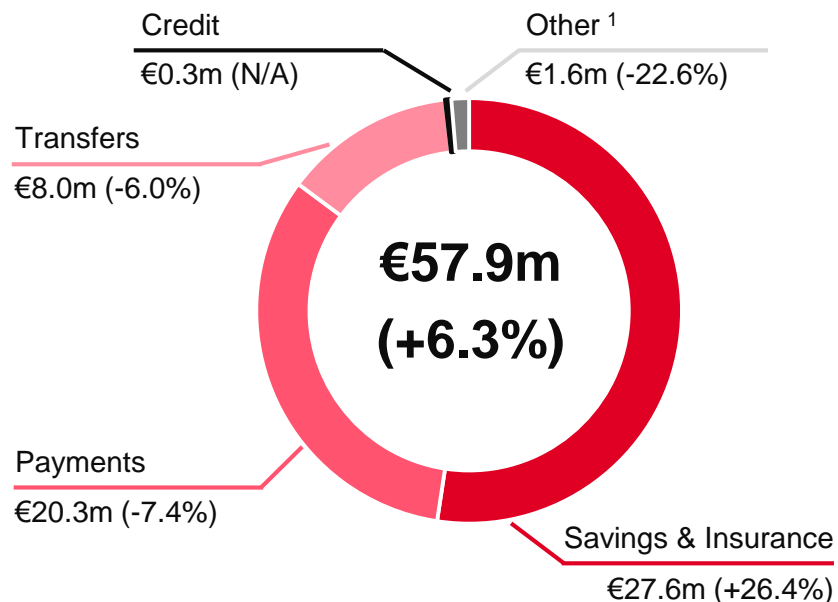
³ Million items.

⁴ Change in methodology, comparison to 2014 not meaningful.

3 Strong revenues growth allows FS to absorb the Banco CTT recurring op. costs

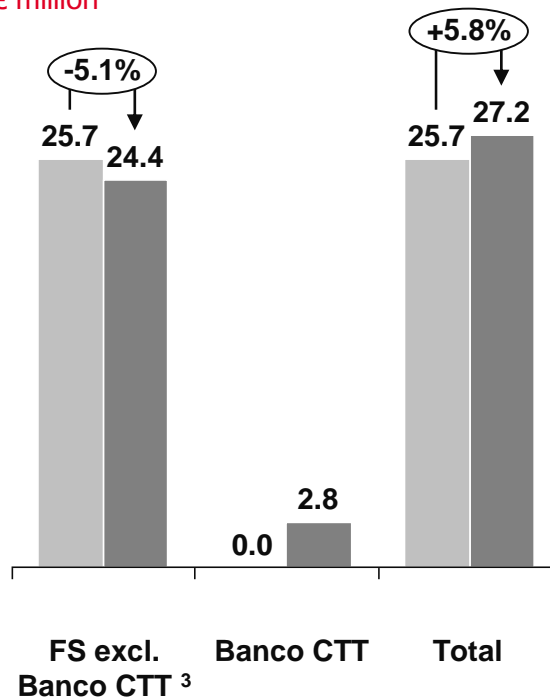
9M15 FS recurring revenues by type

€ million, % change vs. prior year



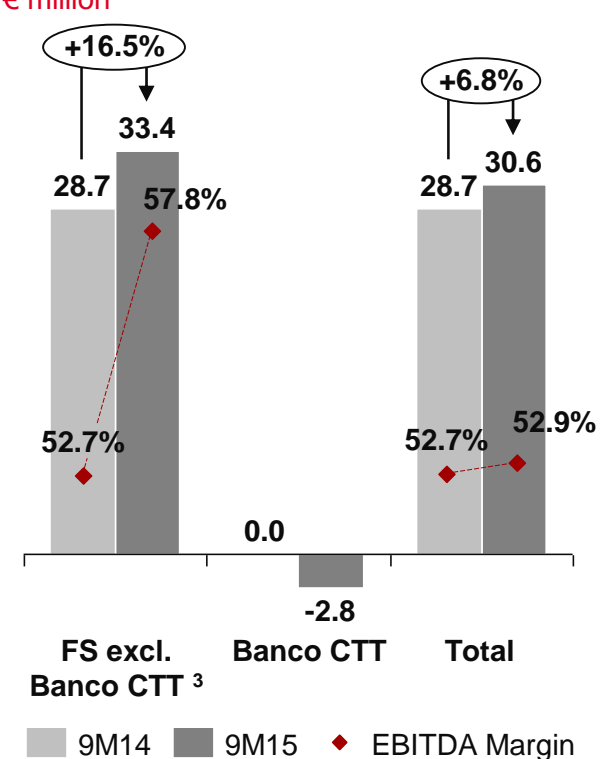
Recurring operating costs²

€ million



Recurring EBITDA²

€ million



FS volumes by type

Metric	Savings flows ⁴	Payments ⁵	Money orders & transfers ⁵	Credit ⁶
9M15 volumes	4.4	47.0	14.6	6.2
9M15 vs. 9M14	-13.2%	-7.4%	+0.9%	N/A

¹ Includes €1.0m of Altice / PT Portugal contract revenues in 9M15.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs, and including €2.8m Banco CTT recurring op. costs.

³ Excluding Banco CTT recurring operating costs: €2.8m in 9M15.

⁴ € billion, amount of savings and insurance products placements and redemptions. The 9M15 figures include €3.6bn of placements and €0.8bn of redemptions.

⁵ Million operations; ⁶ € million, new credit production, including consumer credit & credit cards.

Non-recurring items affecting the results

€ million

	9M14	9M15	Δ	
Reported EBITDA	101.6	97.4	-4.2	
Non-recurring items affecting EBITDA	0.1	7.4	7.3	
Revenues	-3.0	0.0	3.0	€3.0m non-recurring FS revenues in 9M14 (Cetelem)
Staff costs	1.1	1.2	0.1	€1.9m provision for Tourline HR optimisation (6-month payback) and other items
ES&S & other op. costs	1.9	6.1	4.2	€4.8m Postal Bank project set-up costs
Recurring EBITDA	101.7	104.8	3.1	
Reported EBIT	81.9	79.8	-2.1	
Non-recurring costs affecting only EBIT	3.0	0.4	-2.6	
Provisions (net movement)	0.4	-0.1	-0.4	
<i>Labour contingencies</i>	-0.5	-0.6	-0.1	
<i>Onerous contracts</i> ¹	0.8	0.5	-0.4	
Impairment of investments	-0.1	-0.3	-0.3	
Restructuring for network optimisation	2.7	0.8	-1.9	
Non-recurring items affecting EBITDA & EBIT	3.1	7.7	4.7	
Recurring EBIT	84.9	87.5	2.6	

¹ Rents from vacant / non-operational real estate with long-term leases (present value of future rents).

Postal Bank project spending (€16m Capex & Opex) within management estimates

Financial performance – Postal Bank project impact

€ million	Including Postal Bank project ¹			9M15 Postal Bank proj. ²	Excluding Postal Bank project	
	9M14 CTT	9M15 CTT	Δ %		9M15 CTT	Δ %
Reported revenues	530.9	538.1	+1.3%	0.0	538.1	+1.3%
Reported operating costs ³	429.3	440.7	+2.6%	7.6	433.1	+0.9%
Staff costs	239.1	249.0	+4.1%	1.1	247.9	+3.7%
ES&S costs	172.3	170.7	-0.9%	6.5	164.2	-4.7%
Other op. costs	18.0	20.9	+16.6%	0.0	20.9	+16.6%
Reported EBITDA ³	101.6	97.4	-4.1%	-7.6	105.0	3.3%
Non-recurring revenues & costs	0.1	7.4	N/A	4.8	2.6	N/A
Non-recurring revenues	-3.0	0.0	N/A	0.0	0.0	N/A
Non-recurring costs	3.1	7.4	N/A	4.8	2.6	-16.5%
Recurring EBITDA ⁴	101.7	104.8	+3.0%	-2.8	107.6	+5.8%
Capex	5.1	15.5	N/A	8.9	6.6	+30.8%

¹ Postal Bank project without impact in 2014.

² Postal Bank project operating costs booked in the Financial Services business unit.

³ Excluding depreciation, amortisation, provisions and impairments.

⁴ Excluding depreciation, amortisation, provisions, impairments and non-recurring costs.