CTT – Correios de Portugal

1Q15 Results Presentation

13 May 2015

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Agenda

I	Key highlights
II	Business units performance
III	Strategic update
IV	Appendix

Stellar growth in revenues and EBITDA

Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	1Q14	1Q15	Δ%
Reported revenues	**176.4**	**191.2**	**+8.4%**
Reported operating costs [1]	143.7	151.8	+5.6%
Reported EBITDA	32.7	39.4	+20.5%
Recurring EBITDA [2]	**33.1**	**41.7**	**+26.2%**
Reported net profit	18.1	22.3	+23.3%
Recurring net profit [3]	**18.5**	**25.5**	**+37.7%**
Operating free cash flow [4]	32.2	12.6	-60.8%

Operational indicators:	1Q14	1Q15	Δ%
Addressed mail volumes (m items)	**224.3**	**220.6**	**-1.6%**
Unaddressed mail volumes (m items)	112.6	109.8	-2.4%
Parcels volumes (m items)	**6.5**	**6.8**	**+4.4%**
Savings flows (€ bn) [5]	**1.3**	**2.9**	**+117.8%**

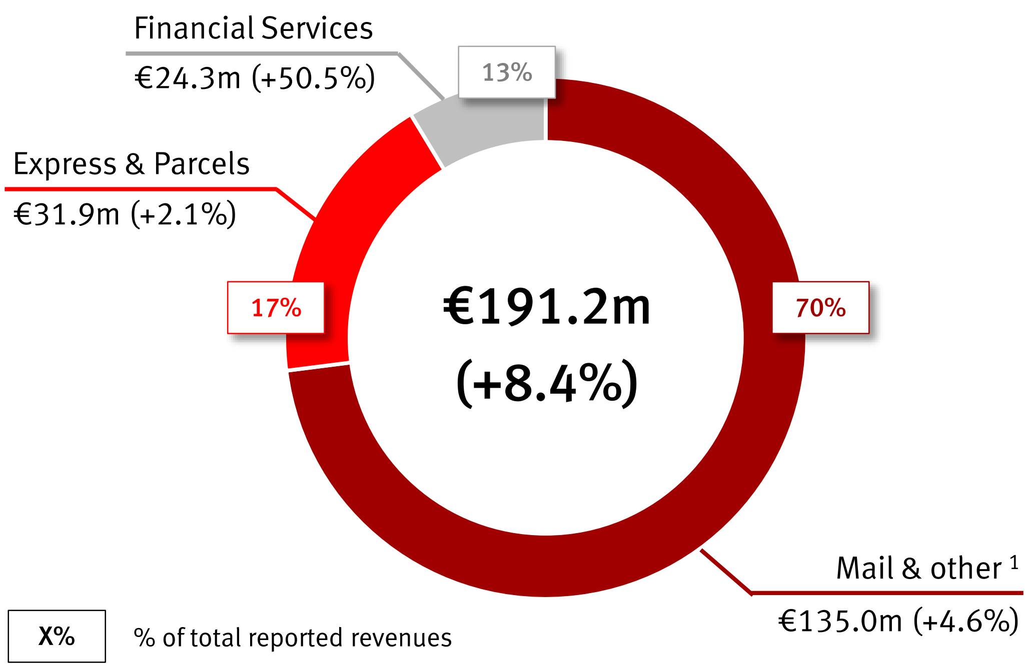
1Q15 performance boosted by strong results in FS helped by exceptional factors and by lower than expected mail volumes decline

[1] Excluding amortisation, depreciation, provisions and impairment losses.
[2] Excluding non-recurring operating costs of €0.4m in 1Q14 and €2.3m in 1Q15, of which €1.4m related to the Postal Bank launch.
[3] Excluding non-recurring costs of €1.1m in 1Q14 and €3.1m in 1Q15, and considering a theoretical (nominal) tax rate.
[4] Cash flow from operating and investing activities excluding changes in Net Financial Services payables of -€31.6m (1Q14) and -€155.6m (1Q15).
[5] Amount of savings and insurance placements and redemptions.

Strong Mail and Financial Services performance drives high single-digit revenues growth

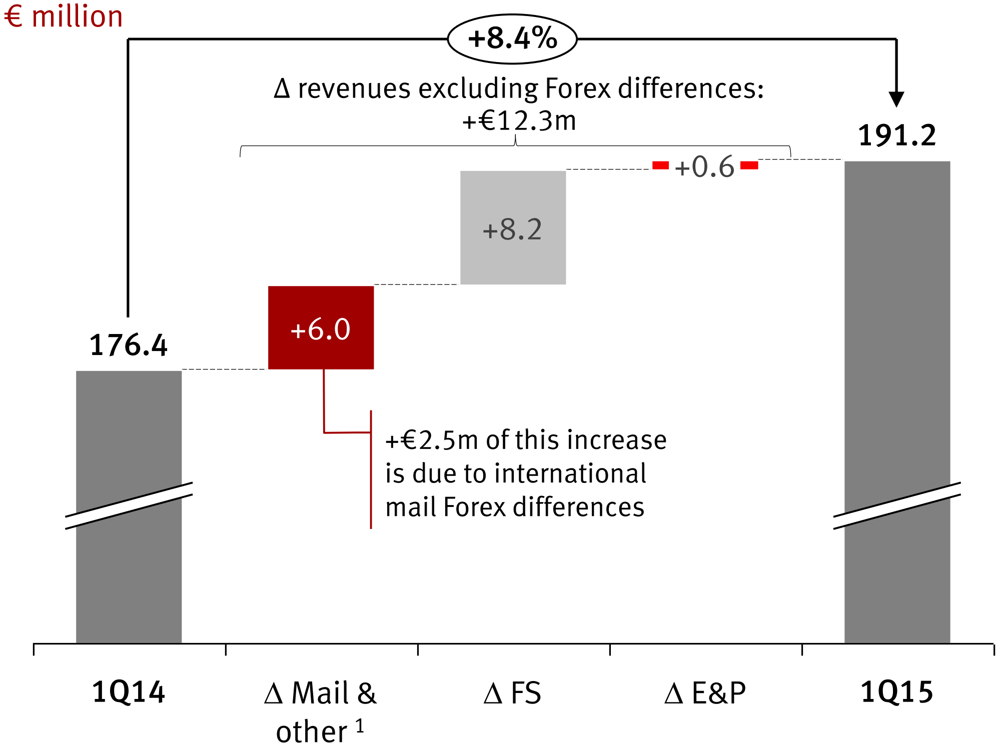
1Q15 reported revenues

€ million, % change vs. prior year, % of total reported revenues



Revenues breakdown

€ million



- **Mail revenues helped by a favourable 1Q14 comparison,** price increase implemented earlier than last year and €2.5m of revenues from international mail exchange rate differences
- Financial Services benefit from **exceptional savings inflows ahead of the interest rates revision** by IGCP

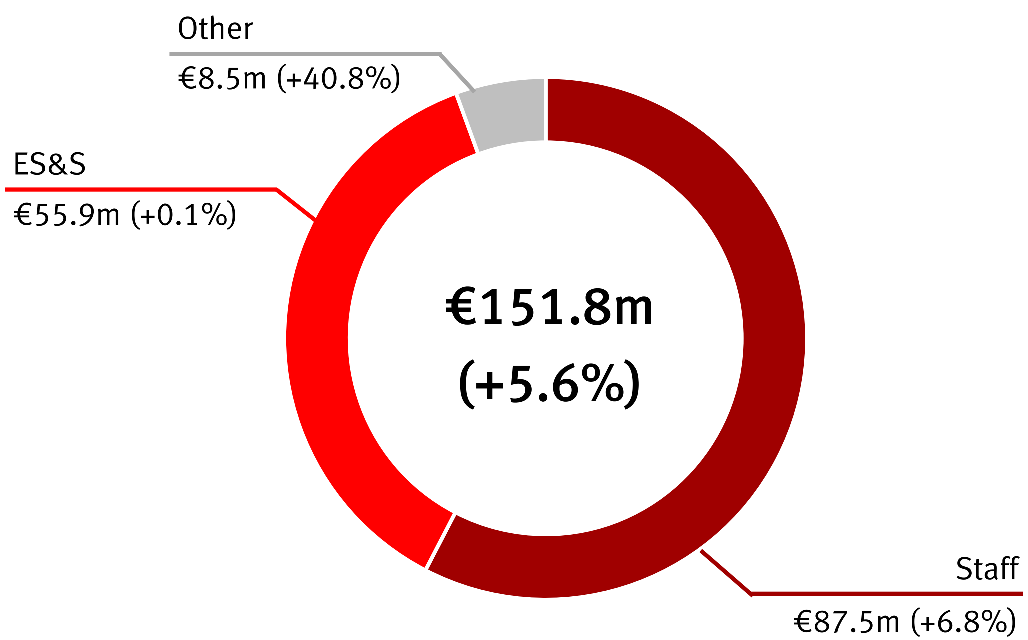
Exceptionally strong placement of public debt products in Jan-15, strong 1Q15 and weak 1Q14 amplify the performance comparison. It is expected that revenues growth will normalise during the remainder of the year

[1] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€5.6m in 1Q14 and -€8.7m in 1Q15.

Operating costs increase as a function of the strong revenues growth

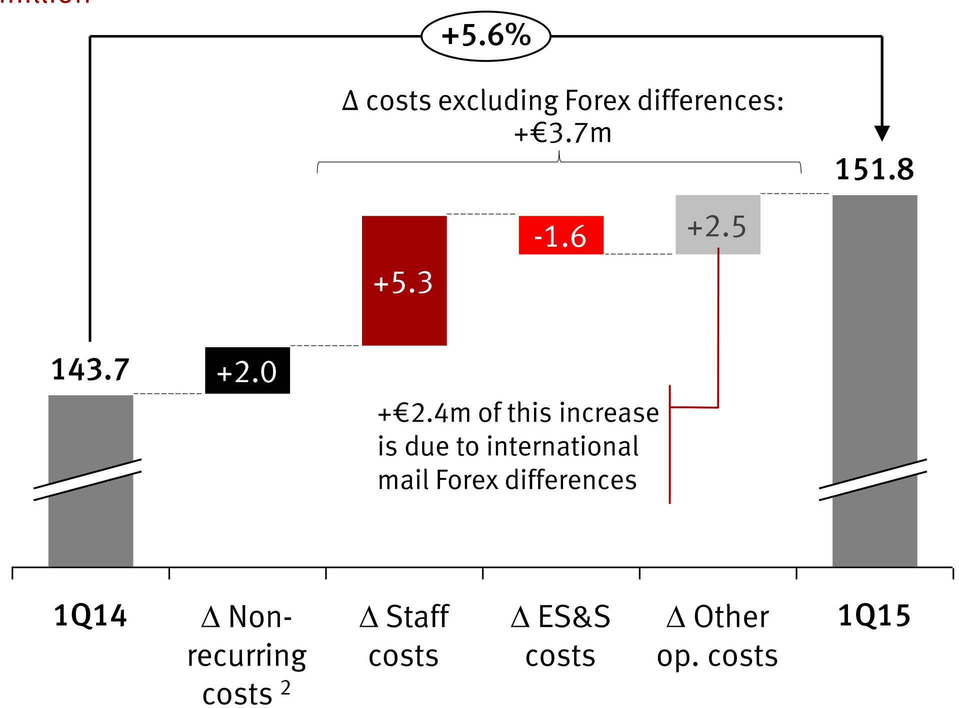
1Q15 reported operating costs [1]

€ million, % change vs. prior year



Operating costs [1] breakdown

€ million



- **Staff costs increase** due to **the reintroduction of variable remuneration as a recurring cost based on performance (not in 1Q14 accounts),** the **increase in fixed salaries, and high sales incentives in Financial Services,** driven by strong revenues performance. The revised healthcare plan and the new Company Agreement will result in decreasing costs along the next two years
- **ES&S costs decrease** lower than planned (IT savings) **due to increase in costs with foreign postal operators (€1.7m) and transport of valuables (€0.5m)**
- Other op. costs increase mainly due to **international mail exchange rate differences (€2.4m), off-set by increase in Mail revenues (€2.5m)**

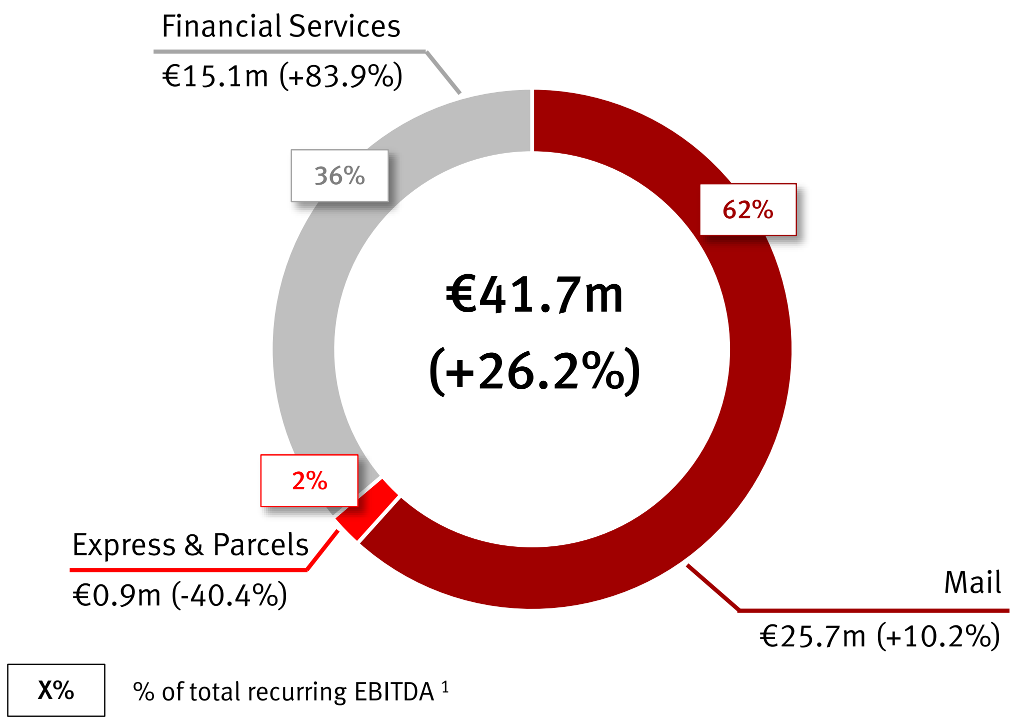
Excluding variable remuneration, FS sales incentives and Forex differences the recurring operating costs [2] remain flat vs. 1Q14

[1] Excluding amortisation, depreciation, provisions and impairment losses.
[2] Total non-recurring operating costs: €0.4m in 1Q14 and €2.3m in 1Q15, of which €1.4m related to Postal Bank.

Strong growth in recurring EBITDA, as revenues growth exceeds the increase in op. costs

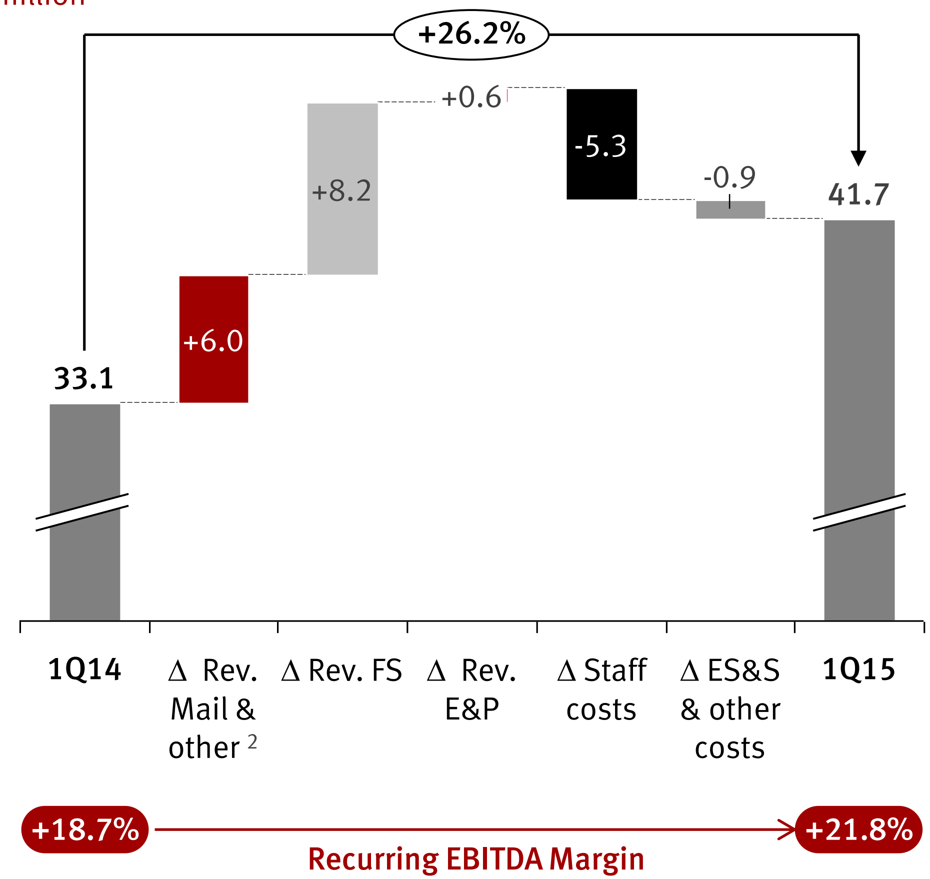
1Q15 recurring EBITDA [1]

€ million, % change vs. prior year, % of total recurring EBITDA [1]



Recurring EBITDA [1] breakdown

€ million



Recurring EBITDA grows at high double-digit rates, margin up +3.1 p.p., driven by strong Financial Services growth

[1] Excluding non-recurring costs of €0.4m in 1Q14 and €2.3m in 1Q15, of which €1.4m related to the Postal Bank launch.
[2] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€5.6m in 1Q14 and -€8.7m in 1Q15.

Operating free cash flow impacted by 2014 Capex payments made in 1Q15

Cash flow
€ million

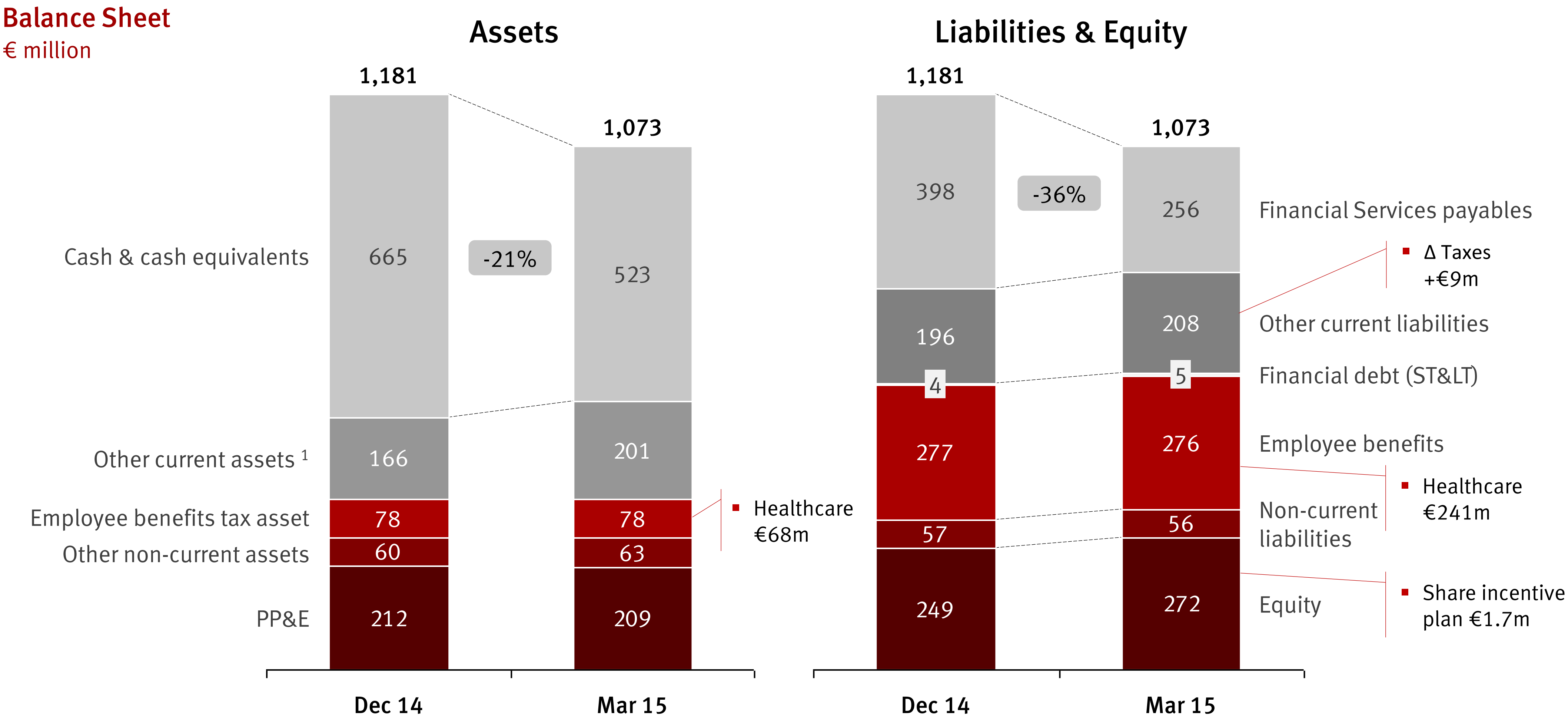
	Reported			Adjusted [1]		
	1Q14	1Q15	∆ %	1Q14	1Q15	∆%
From operating activities	**0.4**	**-132.2**	**N/A**	**32.0**	**23.4**	**-26.9%**
From investing activities	**0.2**	**-10.8**	**N/A**	**0.2**	**-10.8**	**N/A**
Of which: Capex payments	-2.9	-11.6	303.4%	-2.9	-11.6	303.4%
Operating free cash flow	**0.6**	**-143.0**	**N/A**	**32.2**	**12.6**	**-60.8%**
From financing activities	**0.5**	**1.2**	**139.8%**	**0.5**	**1.2**	**139.8 %**
Net change in cash [2]	**0.4**	**-141.8**	**N/A**	**32.0**	**13.8**	**-56.8%**
Cash at the end of the period	545.3	522.8	-4.1%	268.8	292.7	8.9%

- Strong revenues growth in Mar-15, receivable in 2Q15. Specific campaigns by large customers with 45 days collection periods
- Cash Capex presented in table. Accounting Capex was €1.3m in 1Q14 and €5.2m in 1Q15, already coming from the Postal Bank deployment (IT)

Reported cash flow impacted by a €141.9m decrease in FS payables in the 1Q15, related to strong savings inflows in Dec-14

[1] Cash flow from operating activities excluding changes in Net Financial Services payables of -€31.6m (from Dec-13 to Mar-14) and -€155.6m (from Dec-14 to Mar-15). Cash at end of period excluding Net Financial Services payables of €276.5m (1Q14) and €230.1m (1Q15).
[2] Including -€0.7m change in consolidation perimeter in 1Q14.

The Balance Sheet also reflects the decrease in Financial Services payables in 1Q15



- **Net financial debt (cash)** =ST & LT Debt of €5m + Net Financial Services payables of €230m - Cash and cash equivalents of €523m = **€(288)m**
- **Net debt (cash)** = Employee benefits of €276m + Share incentive plan of €1.7m - Employee benefits tax asset €78m - Net cash of €288m = **€(88)m**
- **Strong liquidity position:** Current assets / Current liabilities = **148%**

Despite the decrease in FS float, the Balance Sheet maintains solid net cash and increasing liquidity position (+13 p.p.)

[1] Including Financial Services receivables of €12m and €26m as at Dec-14 and Mar-15, respectively.

Pursuing the chosen strategy to leverage on the scalability of assets and grow businesses

1 Mail

- Signed an **agreement with the Government** on 20 January **2015 to install 300 Citizen's Bureau Areas in two years**
- **New Company Agreement** (valid for the next two years) **and revised Social Works Regulation (healthcare plan) signed** on 9 February 2015, enabling a sustainable level of services and employer flexibility
- Updated prices, in effect from 1 March 2015, corresponding to an **average price increase of 2.3% of the basket of non-bulk letter mail, editorial mail and parcels services,** which results in a total 2015 **average price increase of circa 4.0%**

2 Express & Parcels

- **Ongoing integration of Express & Parcels and Mail distribution networks** in Portugal
- **Increased number of own operations** in Spain drives **faster growth in costs** than in revenues

3 Financial Services

- **ICGP updated the interest rates offered on public savings and treasury certificates** from 1 February 2015, continuing to be above market average for the same tenors
- **Selected the core banking system provider** (Misys & Deloitte) **for the Postal Bank**

4 Other

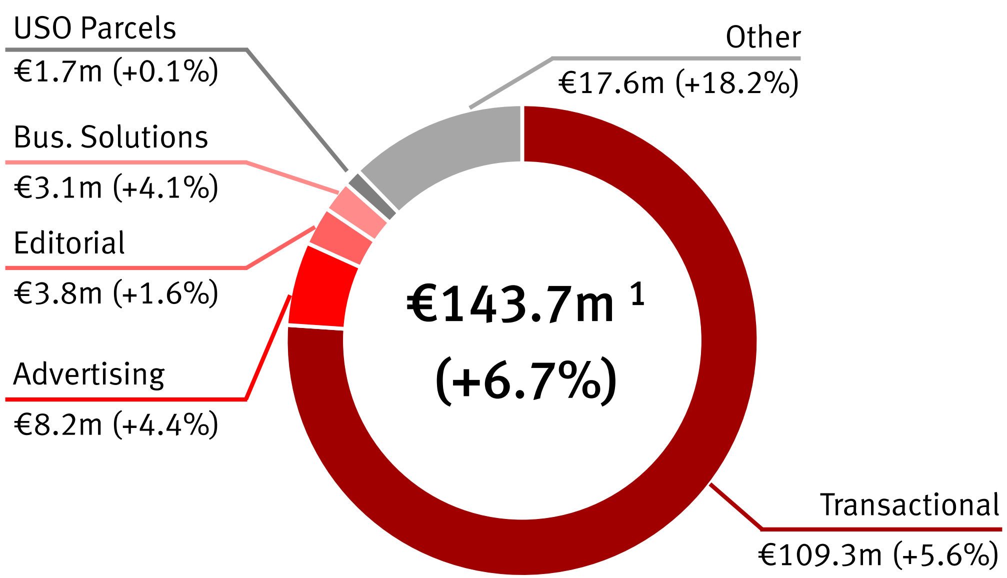
- On 20 April 2015, **Altice announced that the European Commission has authorised the proposed acquisition of PT Portugal** under the EU Merger Regulation [1]

[1] Source: Altice SA press release

1 Mail performance benefits from significant reduction in volumes decline

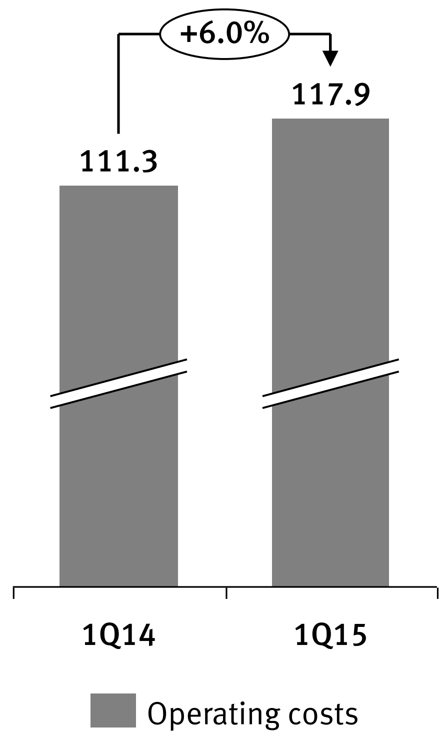
1Q15 Mail revenues by type

€ million, % change vs. prior year



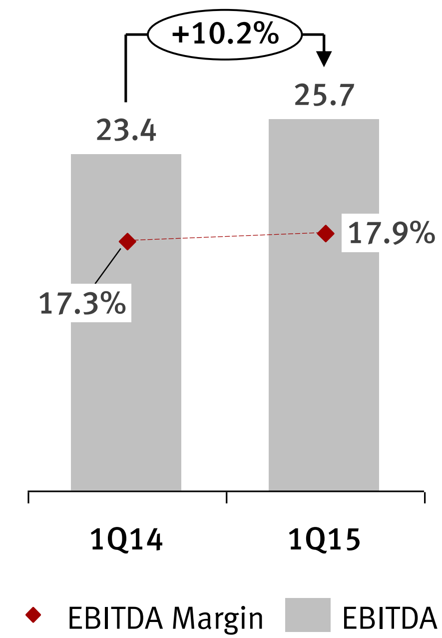
Recurring operating costs [1,2]

€ million



Recurring EBITDA [2]

€ million



Mail volumes by type

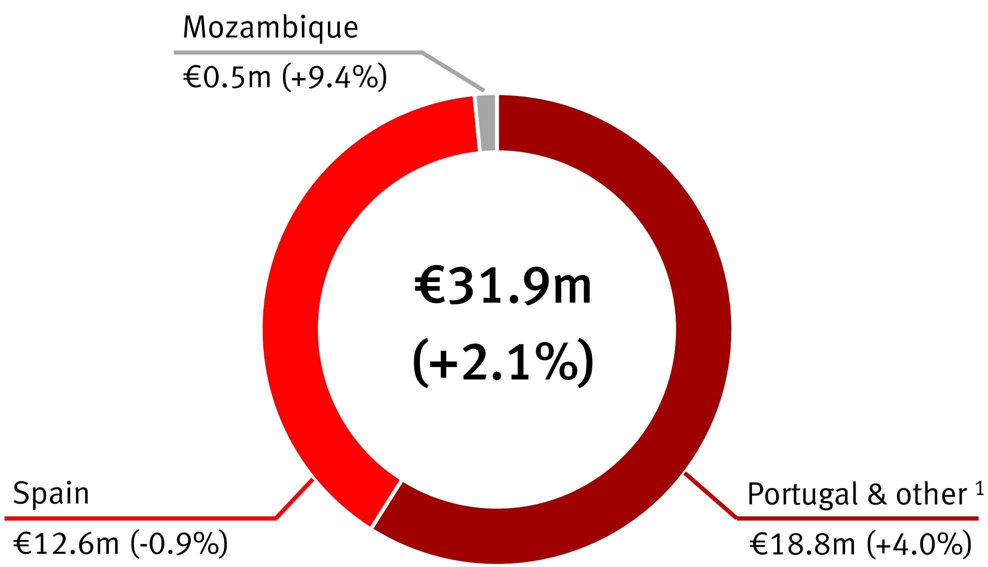
Metric	Avg. mail prices [4]	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
1Q15 volumes [3]	N/A	220.6	188.4	20.9	11.4	109.8
1Q15 vs. 1Q14	+4.2%	-1.6%	-1.3%	-2.3%	-5.5%	-2.4%

[1] International mail exchange rate fluctuations drove an increase in revenues (€2.5m) and an increase in operating costs (€2.4m)
[2] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[3] Million items.
[4] USO, excluding international inbound mail.

2 Continued restructuring at Tourline offsets positive E&P performance in Portugal

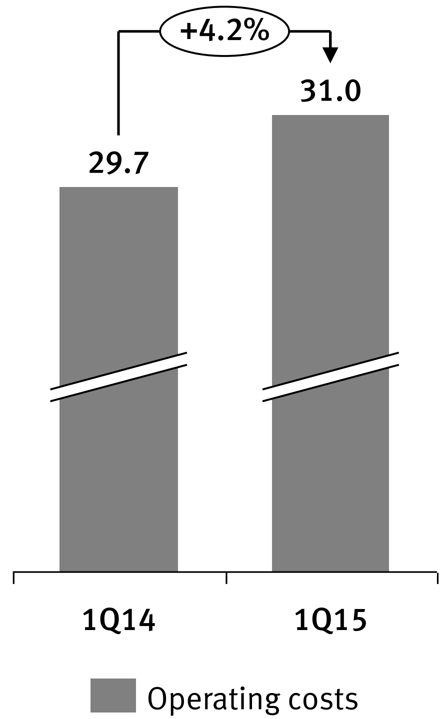
1Q15 E&P revenues by region

€ million, % change vs. prior year



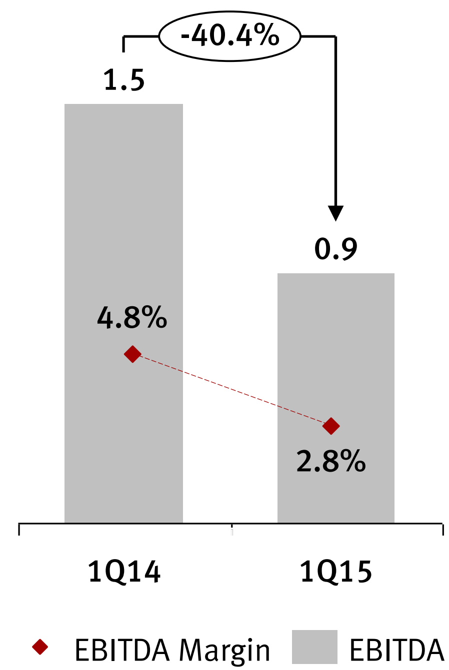
Recurring operating costs [2]

€ million



Recurring EBITDA [2]

€ million



E&P volumes by region

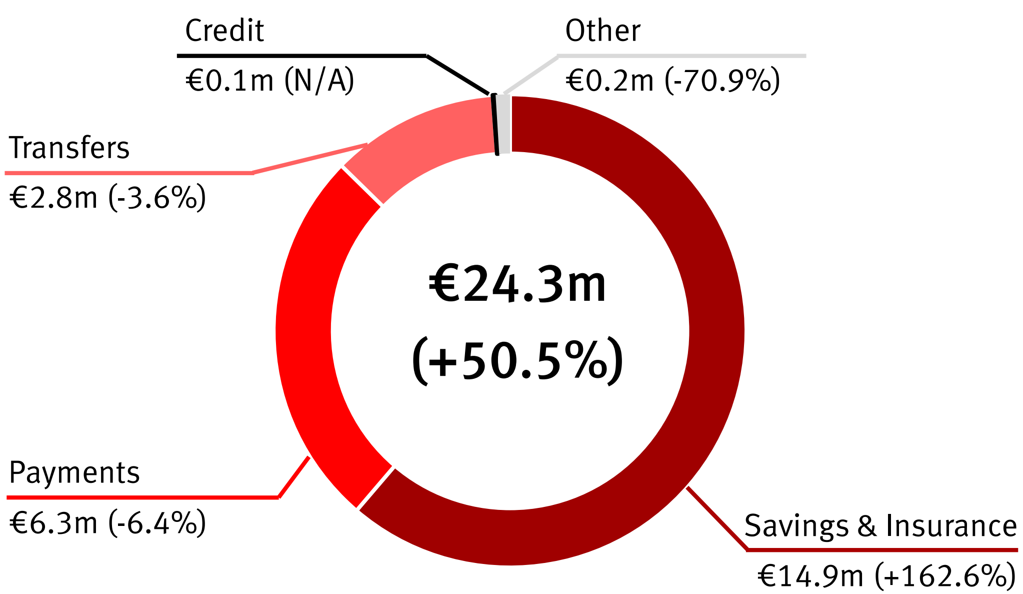
Period	Total	Portugal	Spain	Mozambique
1Q15 volumes [3]	6.8	3.3	3.4	0.02
1Q15 vs. 1Q14	+4.4%	+10.0%	-0.1%	-44.1%

[1] Including internal and other revenues.
[2] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[3] Million items.

3 €2.5bn savings inflows in the quarter drive growth in FS revenues and margins

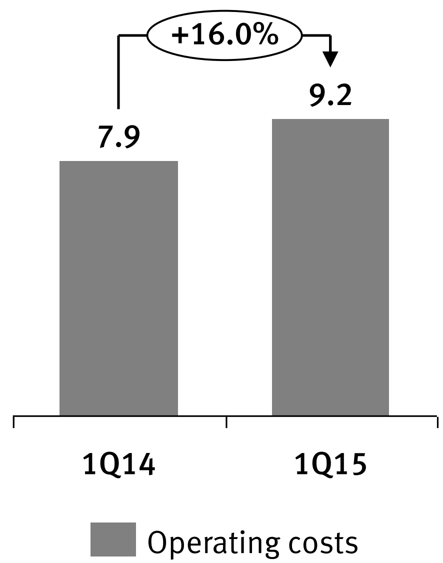
1Q15 FS revenues by type

€ million, % change vs. prior year



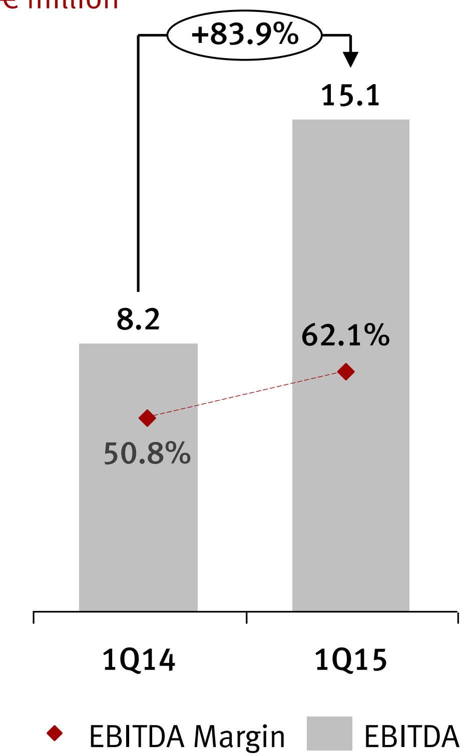
Recurring operating costs [1]

€ million



Recurring EBITDA [1]

€ million



FS volumes by type

Period	Savings flows [2]	Payments [3]	Money orders & transfers [3]	Credit [4]
1Q15 volumes	2.9	15.1	5.0	1.8
1Q15 vs. 1Q14	+117.8%	-7.4%	+2.6%	N/A

[1] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[2] € billion, amount of savings and insurance products placements and redemptions.
[3] Million operations.
[4] € million, new credit production.

Postal Bank launch continues fully aligned with the predefined timetable

Key recent advancements

- Definition of new **store layouts,** ensuring a **seamless integration** between postal and banking services in each post office
- Launching of the Postal Bank's **brand development** process
- Initiation of the **training program** for commercial network employees
- Injection of **20 million Euros** in the Postal Bank's **share capital** to ensure the required investments are met
- Commitment of **40% of the total investment** planned for the Postal Bank
- **Fine-tuning** of the Postal Bank's **business plan,** taking into account current economic and financial markets' situation

Maintenance of current pace will allow for accomplishing the planned deadlines and launch the bank by the end of the year

Non-recurring items with bigger impact on the 1Q15 accounts, due to Postal Bank launch

€ million

	1Q14	1Q15	Δ
Reported EBITDA	**32.7**	**39.4**	**6.7**
Non-recurring items affecting EBITDA	**0.4**	**2.3**	**2.0**
Staff costs	0.2	0.6	0.3
ES&S & other costs	0.1	1.8	1.7
Recurring EBITDA	**33.1**	**41.7**	**8.7**

1Q15: €1.4m consulting & other costs related to Postal Bank launch

	1Q14	1Q15	Δ
Reported EBIT	**26.2**	**33.0**	**6.8**
Non-recurring costs affecting only EBIT	**0.8**	**0.8**	**0.0**
Provisions (net movement)	0.6	0.4	-0.2
Labour contingencies	0.3	-0.3	-0.6
Onerous contracts [1]	0.3	0.7	0.4
Restructuring for network optimisation	0.2	0.4	0.2
Non-recurring items affecting EBITDA & EBIT	**0.4**	**2.3**	**2.0**
Recurring EBIT	**27.4**	**36.2**	**8.8**

Due to further declines in interest rates

Impairments related to network optimisation at Tourline

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

Financial calendar update – now including a date for the 2015 CTT Investor Day

Remaining 2015 Corporate Events

Dates	Events
13 May 2015 (Wednesday) after market close **Analyst Conference Call - 14 May** at **10:30 am GMT** **(change of time)**	**First Quarter 2015 results**
27 May 2015	**Ex-dividend date**
29 May 2015	**Dividend payment**
29 July 2015 (Wednesday) after market close **Analyst Conference Call - 30 July** at 09:00 am GMT	**First Half 2015 results**
31 August 2015 (Monday) before market opening	**First Half 2015 Interim Report**
4 November 2015 (Wednesday) after market close **(change of date)** **Analyst Conference Call - 5 November at** 09:00 am GMT **(change of date)**	**Third Quarter 2015 results**
19 November 2015 (Thursday) **(new event)**	**2015 CTT Investor Day**

Updated date / time

CTT Investor Relations

Upcoming events:

14 May – Lisbon Roadshow
20 May – UBS European Small & Midcap Conference
21 May – BAML Business Services, Leisure & Transport Conference
22 May – Frankfurt Roadshow
27 May – Milan Roadshow
02 June – Euronext Pan European Days Conference (New York)
03 June – Boston Roadshow
23 June – Goldman Sachs 2015 Business Services Conference
24 June – Dublin Roadshow

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