CTT – Correios de Portugal

Full Year 2014 Results Presentation

“Delivering on the Promise”

4 March 2015

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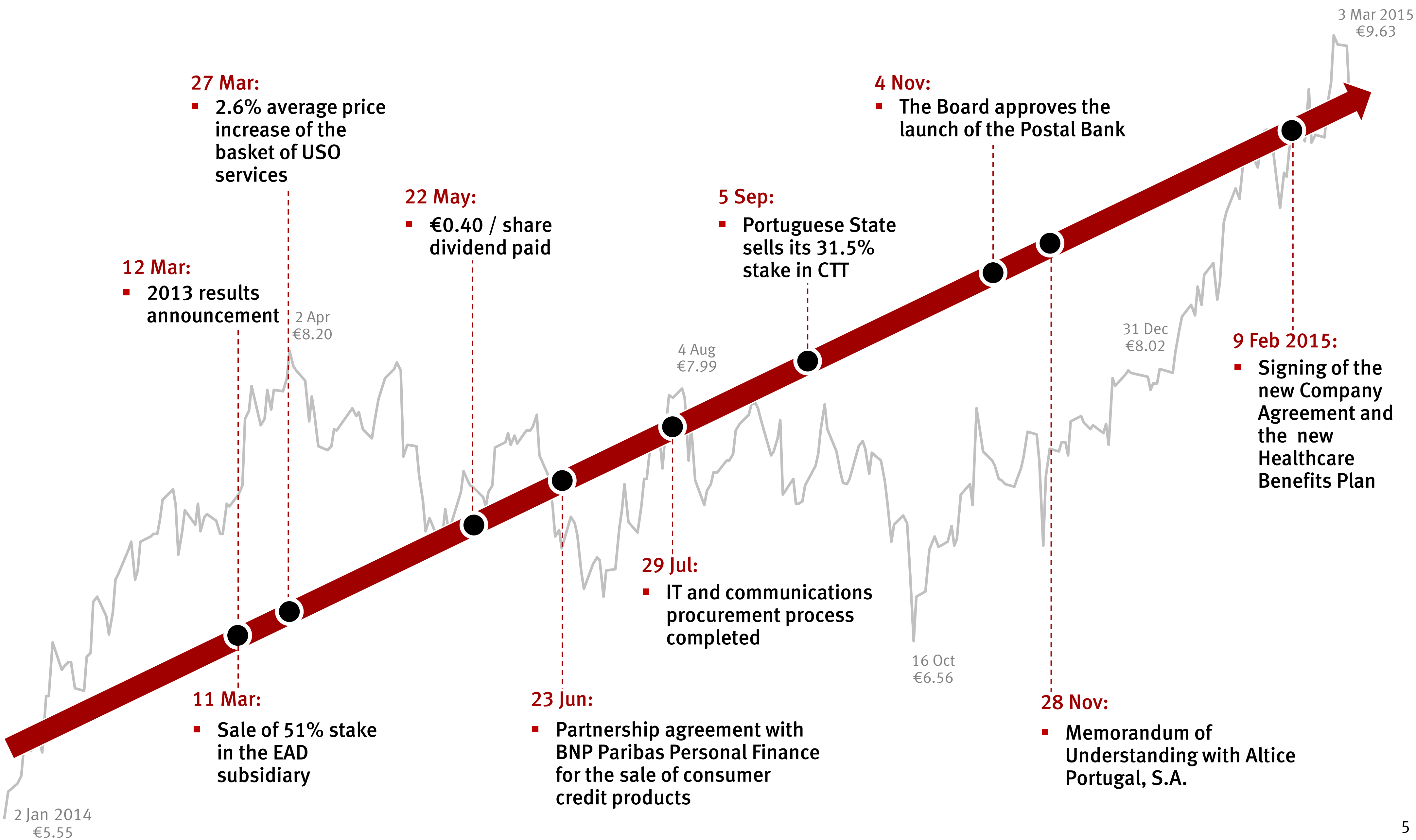
Agenda

Chairman & CEO's highlights of the year

- ✓ Strong growth of EBITDA and Net profit
- ✓ Growth of revenues (for the first time in 6 years) and strict cost control
- ✓ Significant increase in the amount of proposed dividend together with reintroduction of variable pay for employees
- ✓ Successful conclusion of the full privatisation
- ✓ Structural reforms implemented, expected to bring relevant future value coming from efficiency, flexibility, and sustainability
- ✓ Important projects in Financial Services (Postal Bank) and Express & Parcels launched and already being implemented

CTT closes an eventful 2014, year of transition to full private ownership...



...reporting a strong set of results, delivering on the promise from the IPO

	Outlook	Delivered	
1	No Government involvement in management, company managed for all shareholders	**Successful conclusion of the full privatisation**, resulting in a 100% free float company	✓
2	1H14: goal of stable revenues (+/-1% growth) 3Q14: 1%-2% growth in like-for-like revenues	Like-for-like **revenues grow by 2.4%**, reversing 5 years of decline	✓
3	Ongoing integration and optimisation of operations	**Transformation programme initiatives** with substantial **net positive impacts on operating costs**	✓
4	1Q14: low-single digit recurring EBITDA growth 1H14: mid-single digit recurring EBITDA growth	**Strong profitability delivered** – like-for-like **recurring EBITDA grows at double-digit rate (+10.9%)**	✓
5	Pursue Balance Sheet and employee benefits optimisation opportunities	**Significant Balance Sheet optimisation** and **streamlining measures** implemented, with significant cost savings in the future	✓
6	Focus on strong cash flow generation and continuation of attractive dividend policy	**Operating free cash flow doubles**, allowing **€69.75m [€0.465 per share] dividend payment (+16.25% growth)**	✓

1 Successful conclusion of the full privatisation welcomed by the market

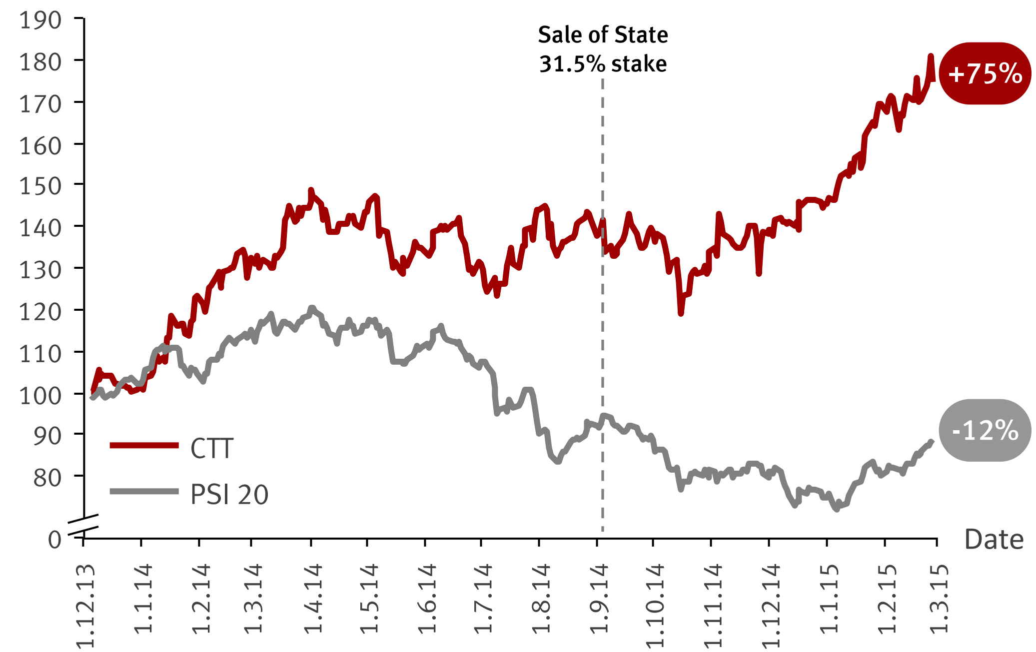
Shareholder structure

Based on regulatory filings, as at 3 March 2015

	# shares	% capital
Standard Life Investments	10,007,653	6.67%
Artemis Investment Management	7,507,957	5.01%
Kames Capital	5,141,137	3.43%
Allianz Global Investors Europe	4,695,774	3.13%
Lyxor International Asset Management	3,400,000	2.27%
Pioneer Asset Management	3,128,282	2.09%
Fidelity Management Research	3,096,298	2.06%
DSAM Partners	3,096,079	2.06%
Henderson Global Investors	3,037,609	2.03%
The Goldman Sachs Group	3,019,750	2.01%
Other	103,869,461	69.25%

CTT share price performance vs. PSI 20

Rebased at 100, as at 5 December 2013 [1]



- On 5 September 2014, the **Portuguese State sold its remaining stake in CTT** through an accelerated bookbuilding process, resulting in:
  - a **sustainable shareholder structure comprised of global diversified institutional investors**, without controlling shareholder(s)
  - an ownership **model which encourages the adoption of international best practices** in terms of governance, performance evaluation & compensation, etc.

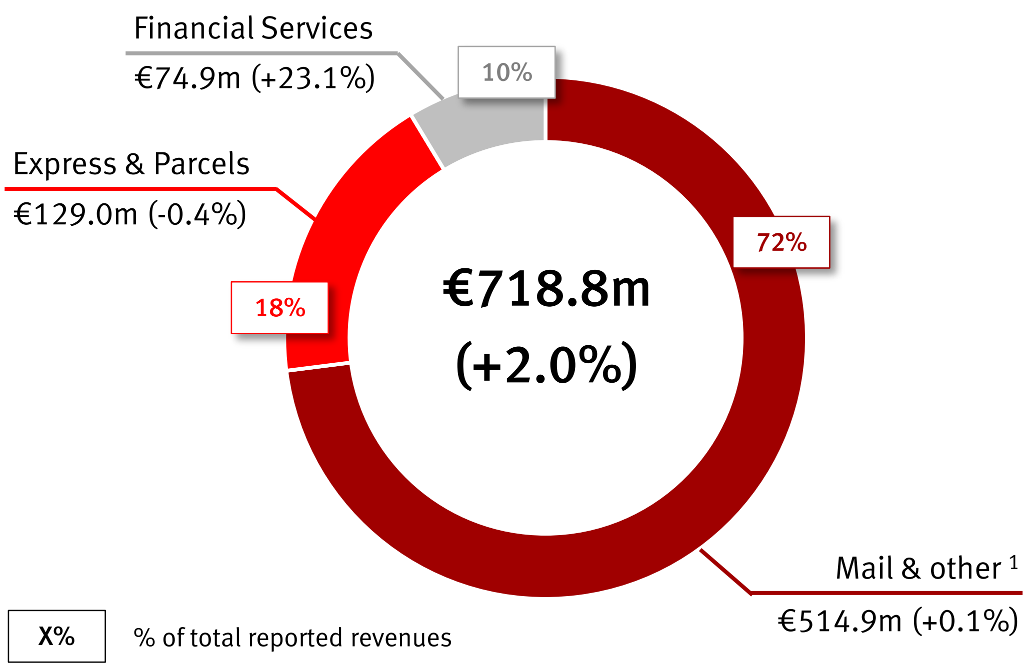
Full privatisation, resulting in a 100% free float company, paves the way for best-in-class governance and management practices

[1] Updated to the 3 March 2015 close.

2 Reported revenues grow by 2.0%, after 5 consecutive years of decline

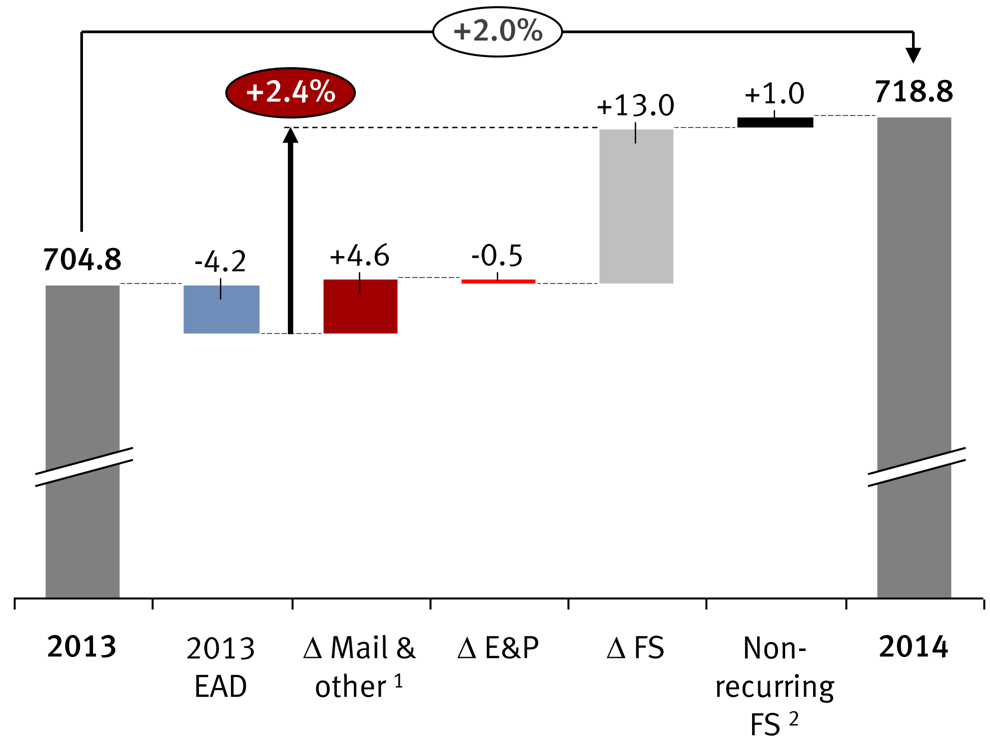
2014 reported revenues

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



Revenues breakdown

€ million



- **CTT stems the historical decline in Mail** and other [1] revenues which grow by €4.6m (+0.9%) on a like-for-like basis (excluding the EAD sale impact)
- **Financial Services** strengthen their position as a key growth lever **with a remarkable €13m (+21.4%) recurring [2] revenues growth**
- **Express & Parcels revenues decline slightly,** despite 9.0% volumes growth, due to negative product mix effect and franchisee reorganisation at Tourline

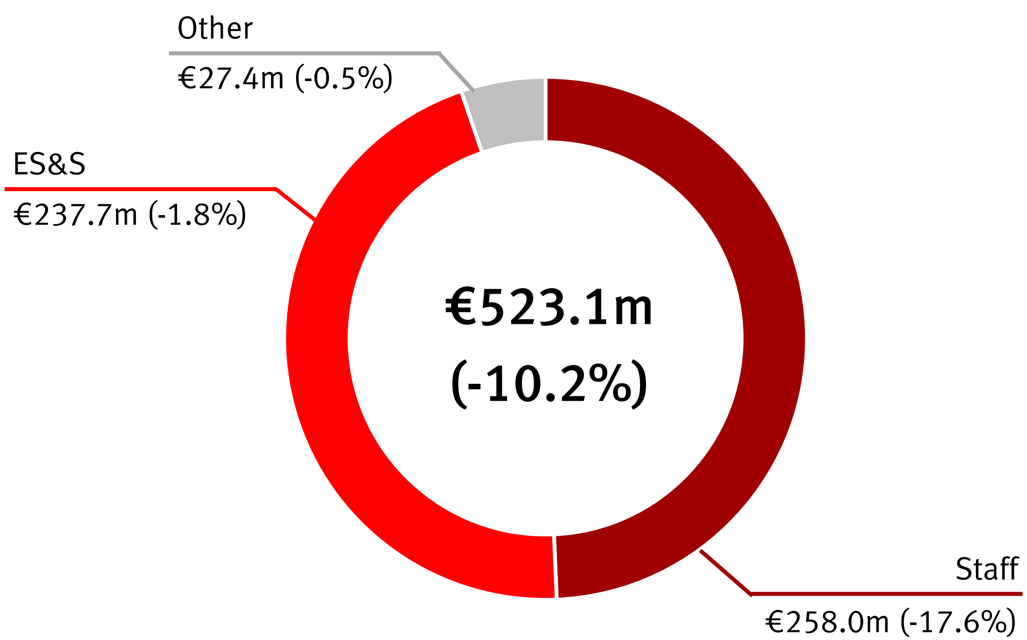
Recurring like-for-like revenues [3] grow by 2.4%, driven by Financial Services

[1] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.5m in 2013 and -€31.3m in 2014.
[2] €1.0m of non-recurring FS revenues received in 2014. From the €3m of non-recurring FS revenues booked in 2Q14, €2m were deferred for the duration of the contract with BNP Paribas Personal Finance, in 4Q14, due to a reformulation of the terms & conditions of the contract between the parties, and of which €0.2m were recognised in 2014 as recurring revenues.
[3] Excluding non-recurring revenues and the EAD sale impact.

3 Transformation programme initiatives with substantial net positive impacts on costs

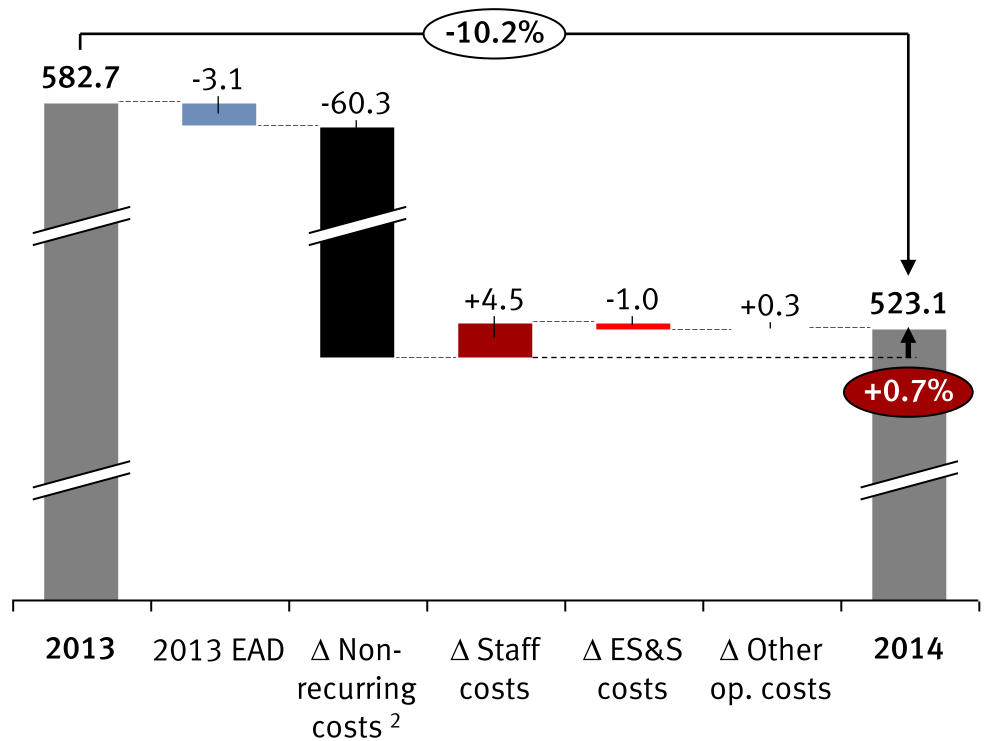
2014 reported operating costs [1]

€ million, % change vs. prior year



Operating costs [1] breakdown

€ million



- **Additional salary costs as a result of the privatisation,** not fully mitigated by headcount reductions**, and Retail Network performance-based incentives** (as a result of strong increase in Financial Services sales) **result in €4.5m increase in like-for-like staff costs**

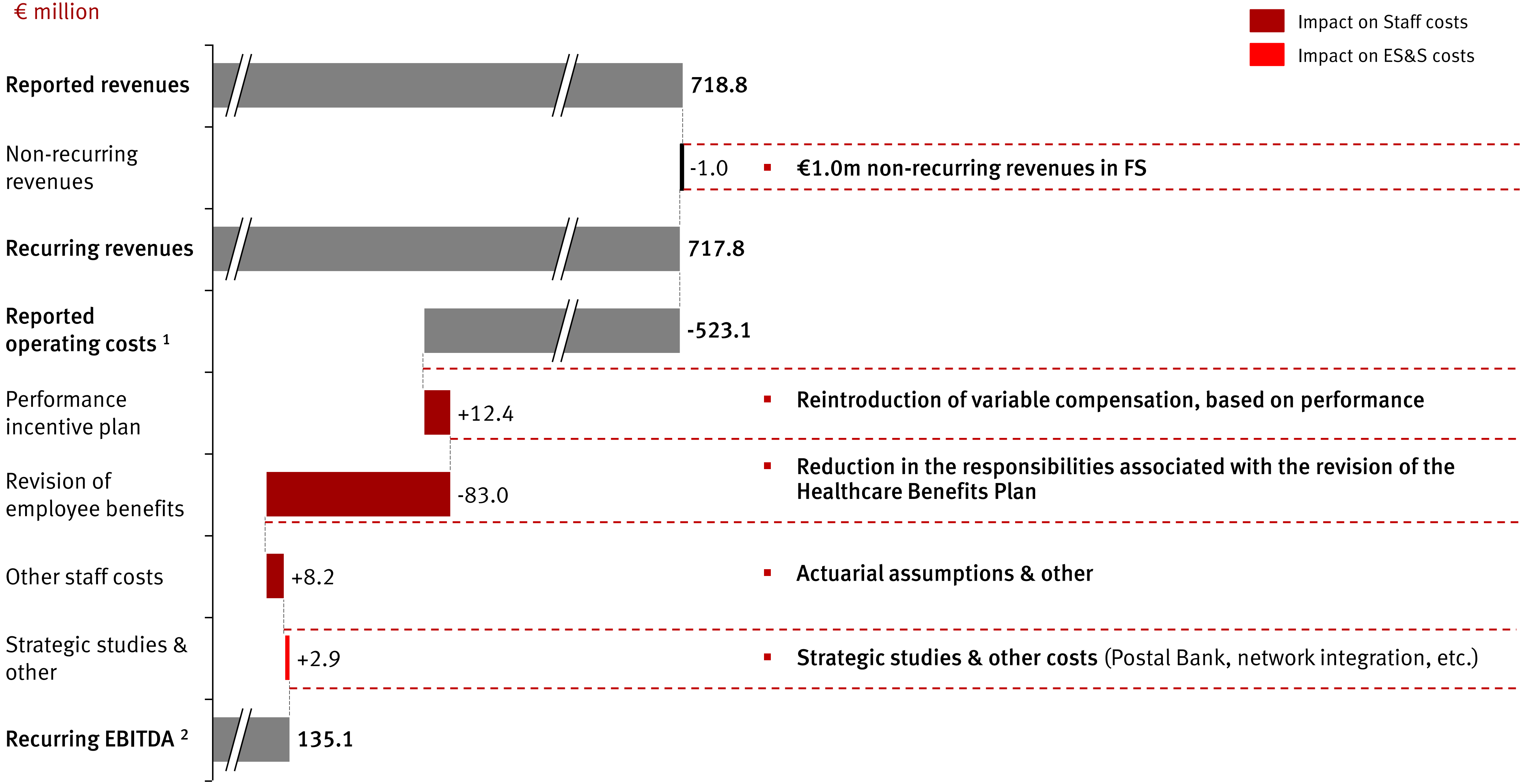
Recurring operating costs [3] increase modestly (+0.7%) on a like-for-like basis [4], lower than the growth of revenues

[1] Excluding amortisation, depreciation, provisions and impairment losses.
[2] Total non-recurring costs affecting EBITDA: +€0.8m in 2013 and -€59.5m in 2014.
[3] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[4] Excluding the EAD sale impact.

3 Significant non-recurring impacts on operating costs, affecting EBITDA

Non-recurring items impacting EBITDA

€ million



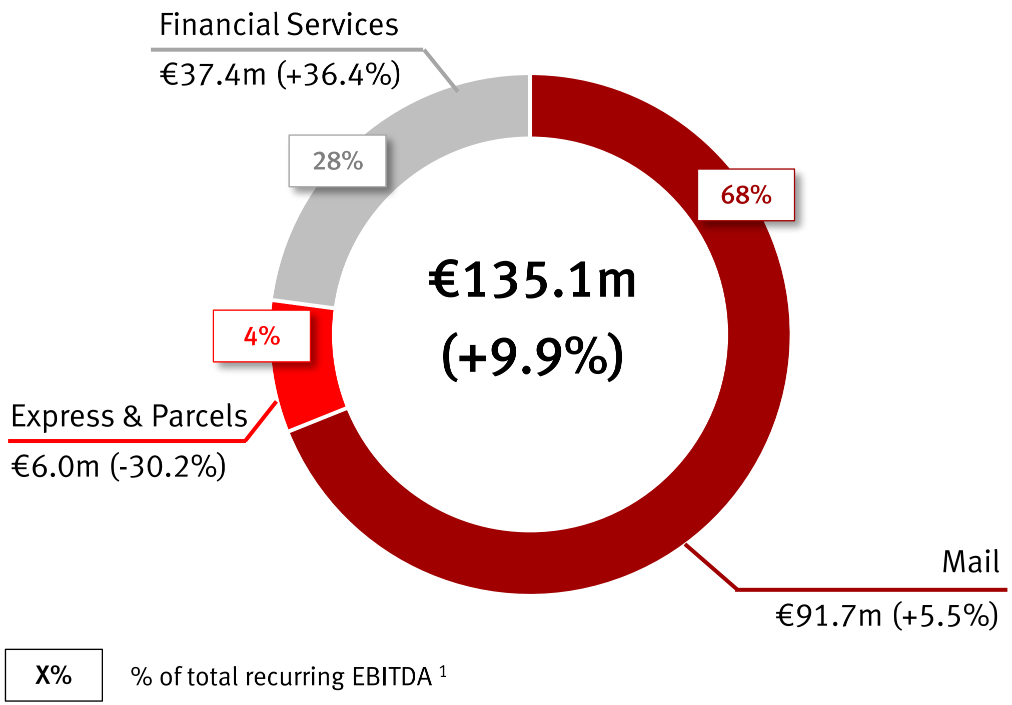
[1] Excluding amortisation, depreciation, provisions and impairment losses.

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

4 Delivering profitability – like-for-like recurring EBITDA grows at double-digit rate

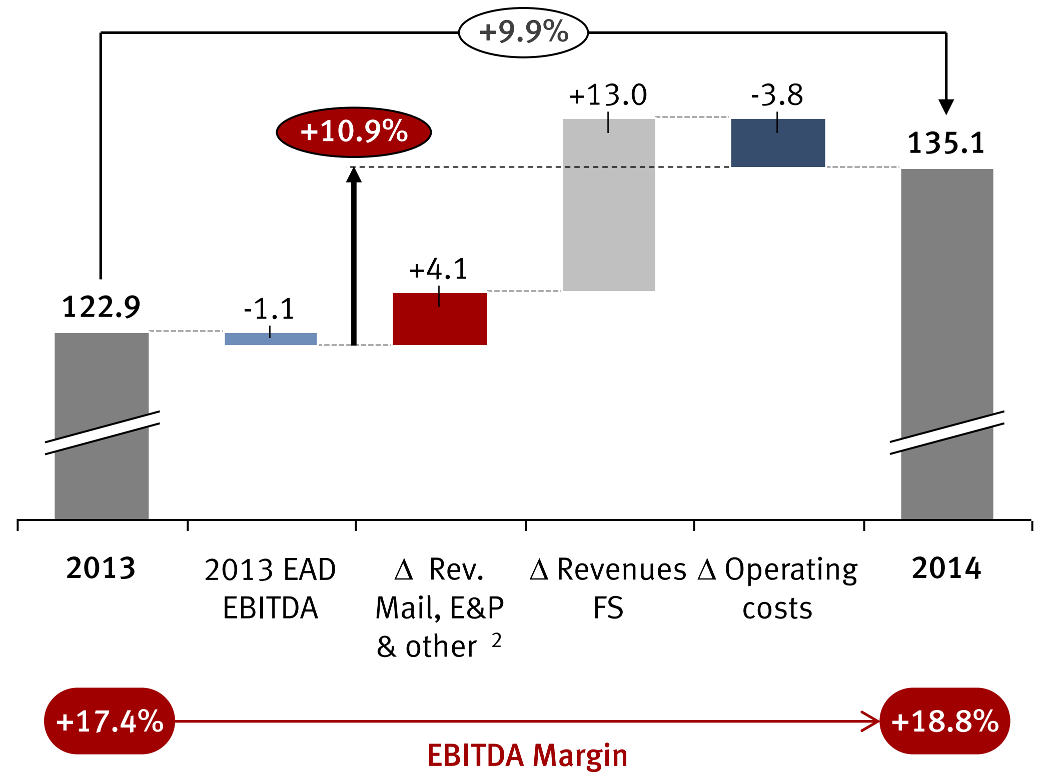
2014 recurring EBITDA [1]

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



Recurring EBITDA [1] breakdown

€ million



Recurring EBITDA [1] grows at double-digit rate (+10.9%) on a like-for-like basis [3], margin up +1.4 p.p., driven by strong growth in Financial Services revenues and margins

[1] Excluding non-recurring costs of €0.8m in 2013, -€59.5m in 2014 and non-recurring revenues of €1.0m in 2014.
[2] Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.5m in 2013 and -€31.3m in 2014.
[3] Excluding the EAD sale impact.

4 Business units performance

A Mail

- **Addressed mail volumes decline slows down** to -5.7% (vs. -7.3% in 2013)
- **4.1% average price increase** and supportive price mix effect eliminate the impact of declining volumes
- **Sale of 51% stake in EAD** for €2.75m of equity + €1.5m of intercompany loan

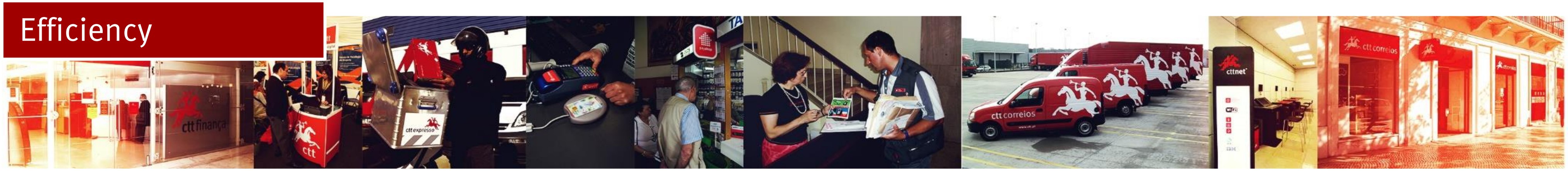
B Express & Parcels

- **Double-digit volumes growth in Portugal** (driven by B2C), albeit mitigated by a negative price mix effect
- **Double-digit recurring EBITDA margin** in Portugal in 4Q14
- Strategic repositioning of Tourline, affecting revenues and EBITDA

C Financial Services

- **Savings & insurance placements more than double,** reaching €5.5bn
- **"Classic" consumer credit offer launched** in 3Q14, credit card offer to follow
- **Board approval to launch the Postal Bank** - €100m investment in 5 years

Efficiency

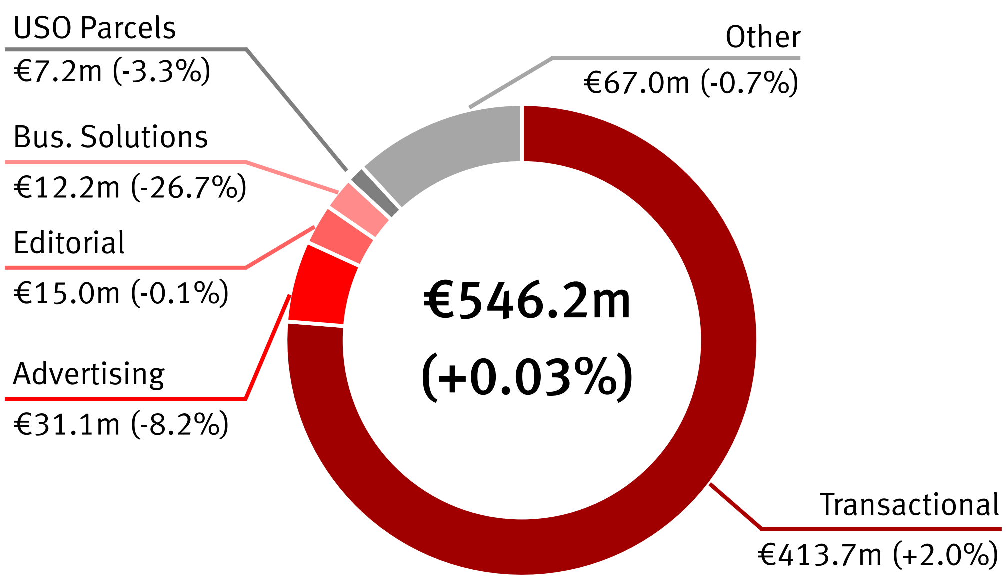


- **IT and communications procurement process concluded** (expected annual cost savings of circa €14m from 2015 onwards)
- The process of **integration of Mail and Express & Parcels distribution networks in Portugal commenced** in 2H14. To conclude in 4Q15
- **Signed an MoU with Altice Portugal, S.A.,** with a view to close a Framework Agreement to explore commercial synergies with PT Portugal S.A.
- **Signed a new Company Agreement and a new Healthcare Benefits Plan** with the company's unions and the Workers' Committee, with future staff cost savings from healthcare costs and employment flexibility

4A Preserving value and increasing profitability in the Mail business

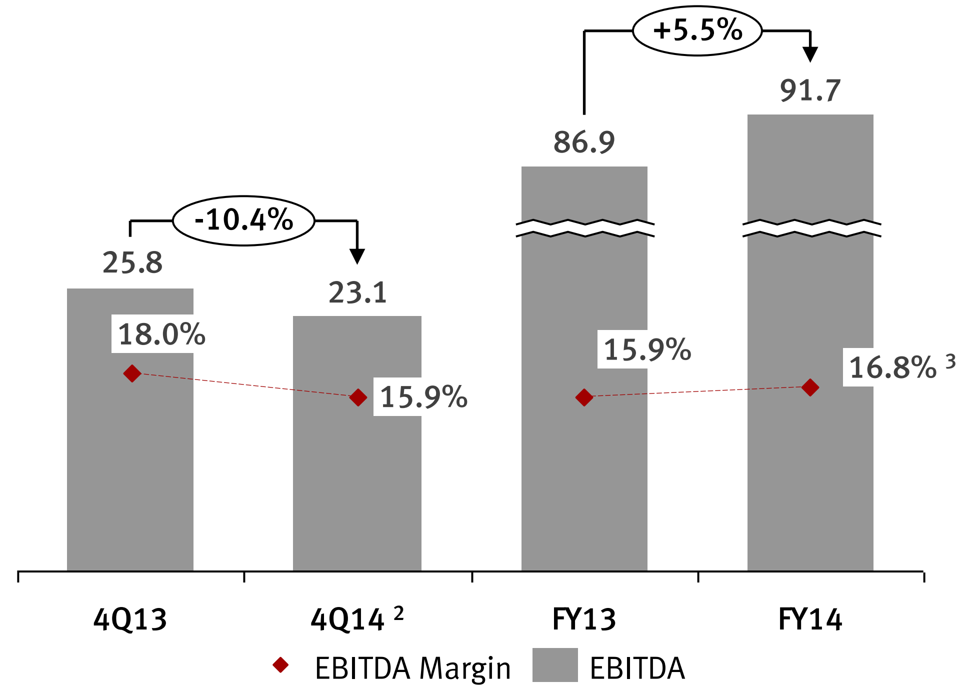
2014 revenues by type

€ million, % change vs. prior year



Recurring EBITDA [1]

€ million



Mail volumes by type

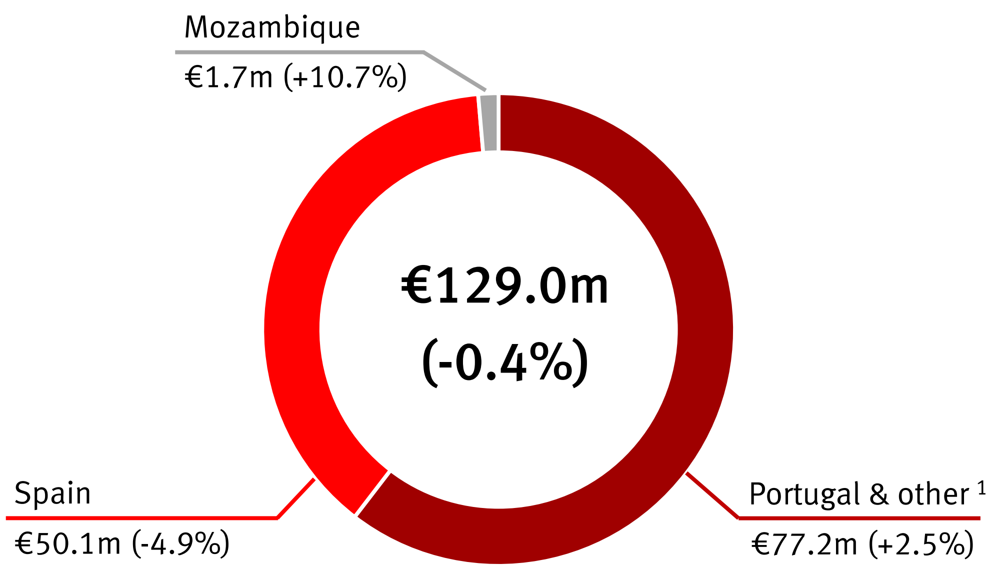
Period	Average mail prices [4]	Addressed mail	Transactional	Advertising	Editorial	Unaddressed mail
4Q14 vs. 4Q13	+4.2%	-4.5%	-5.8%	+9.3%	-7.7%	-1.0%
FY14 vs. FY13	+4.1%	-5.7%	-5.1%	-12.6%	-3.5%	-4.0%

[1] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[2] Cost allocation from Central Structure related with networks integration and IT-related costs.
[3] Financial Services revenue growth enables a higher cost allocation out of the Retail Network.
[4] USO, excluding international inbound mail.

4B E&P performance impacted by the ongoing restructuring process in Spain

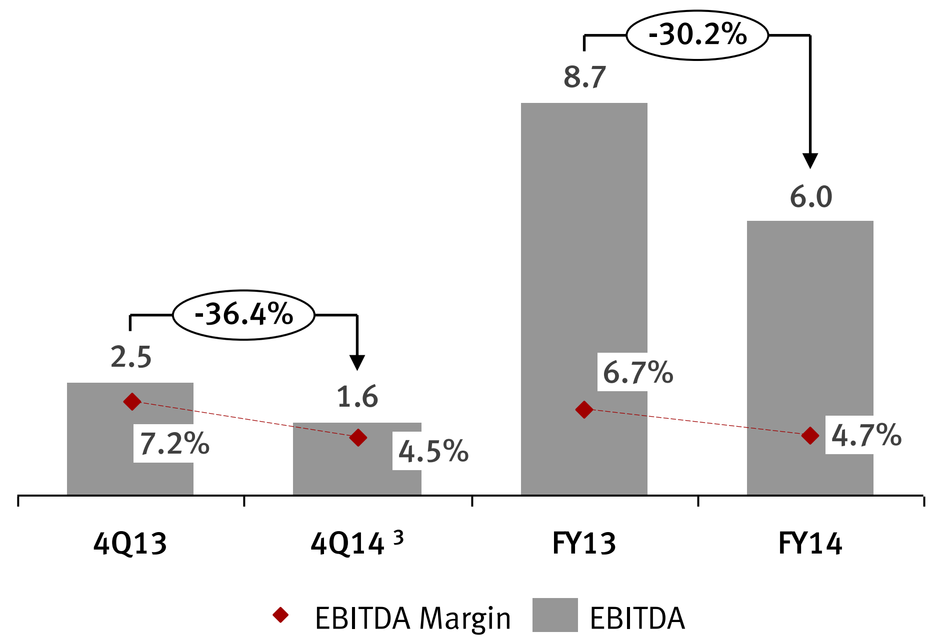
2014 revenues by region

€ million, % change vs. prior year



Recurring EBITDA [2]

€ million



E&P volumes by region

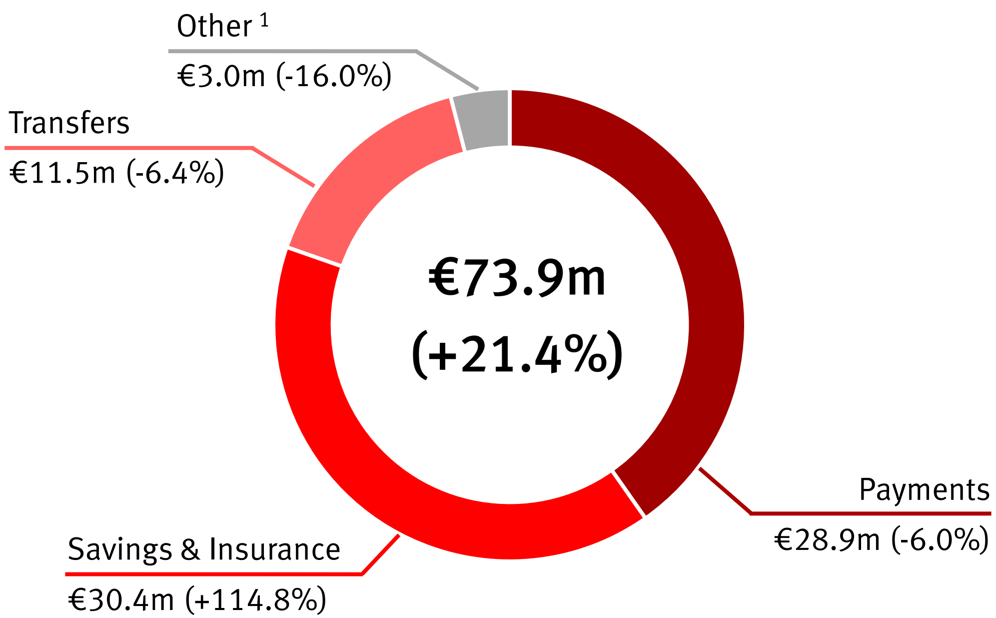
Period	Total	Portugal	Spain	Mozambique
4Q14 vs. 4Q13	+11.9%	+12.5%	+10.7%	+147.1%
FY14 vs. FY13	+9.0%	+13.4%	+4.3%	+135.6%

[1] Including internal and other revenues.
[2] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs.
[3] Cost allocation from networks integration project.

4C FS is a strong engine for growth, driven by a diversified portfolio of services

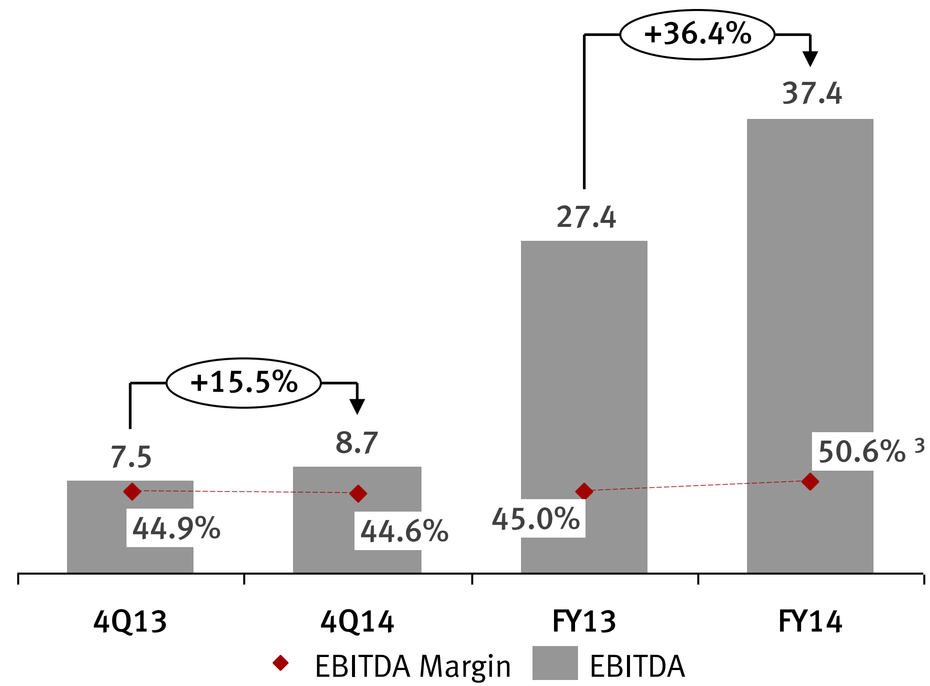
2014 recurring revenues by type

€ million, % change vs. prior year



Recurring EBITDA [2]

€ million



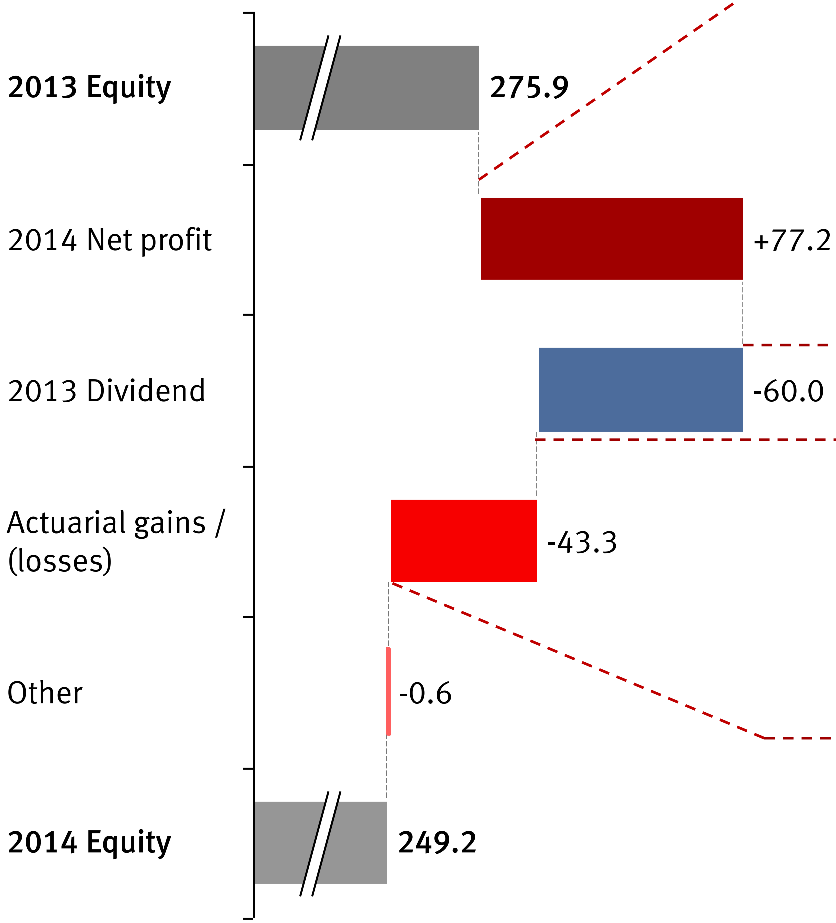
FS volumes by type

Period	Savings flows [4]	Payments [5]	Money orders & transfers [5]
4Q14 vs. 4Q13	+18.5%	-6.9%	+6.5%
FY14 vs. FY13	+85.9%	-6.4%	-1.5%

[1] Including credit products.
[2] Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs and revenues.
[3] Strong positive product mix (growth of higher value-added products, such as savings) drove EBITDA margin above 50%.
[4] Amount of savings and insurance products placements and redemptions.
[5] Million operations.

5 Significant Balance Sheet optimisation and streamlining measures implemented

Equity
€ million



Balance Sheet optimisation measures:

- **Healthcare Benefits Plan:**
  - **+€83.0m non-recurring gain** from the reduction of the responsibilities
  - -€23.4m corresponding impact (on acct. tax) from change to the deferred tax asset
- -€8.2m changes in other benefits (actuarial assumptions and other)
- **Impacts only on EBIT:**
  - **Tourline impairment of €18.9m,** including 100% of goodwill
  - **€11.6m reinforcement of provisions** for onerous contracts and labour contingencies
  - **€6.3m impairments from optimisation** of the Express & Parcels business unit network

- **2013 dividend paid in May 2014**

- **Eliminated actuarial gains of €24.8m and reduced distributable reserves by €18.5m**
- **Includes -€61.0m impact on equity:**
  - **-€61.8m** from healthcare benefit discount rate revision from 4.0% to 2.5%
  - **+€5.7m** change in retirement age in the State Pension Scheme (CGA)
  - **-€4.9m** other actuarial losses
- **+€17.7m corresponding impact on the deferred tax asset**

Strengthened Balance Sheet: healthcare liability reduced by €22m, provisions reinforced, no remaining goodwill from 2005 acquisition of Tourline

6 Operating free cash flow [1] doubles, supporting high growth of dividend

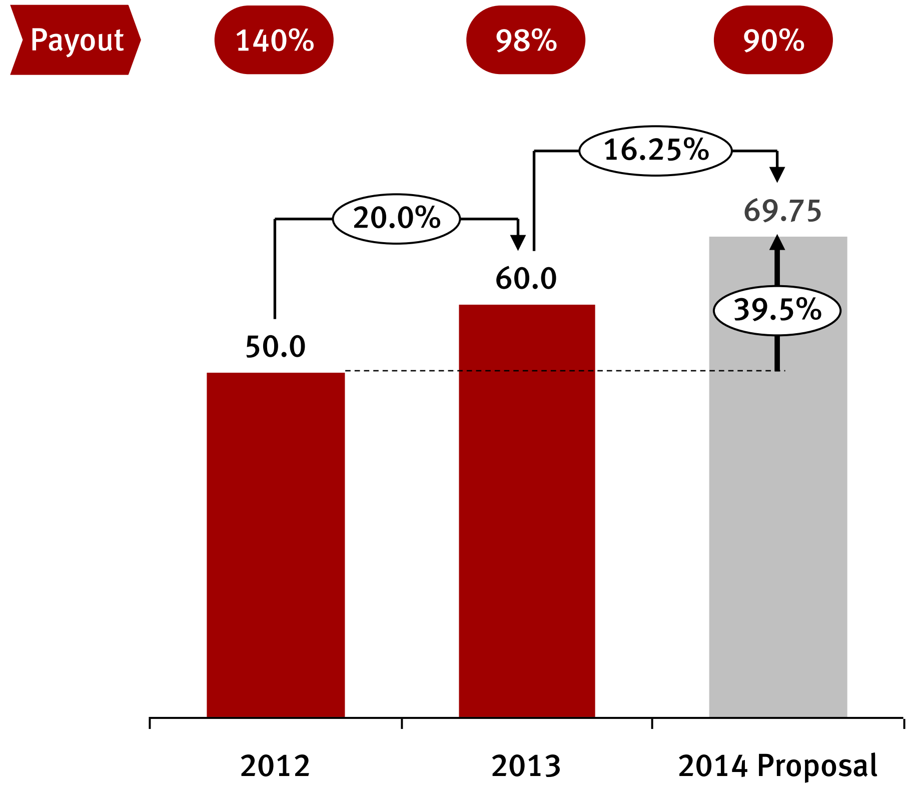
Cash flow

€ million

	Reported			Adjusted [1]		
	2013	2014	Δ %	2013	2014	Δ%
From operating activities	109.4	178.7	63%	50.5	101.1	100%
From investing activities	1.0	5.3	430%	1.0	5.3	430%
Of which: Cash Capex [2]	-11.2	-7.5	-32%	-11.2	-7.5	-32%
Operating free cash flow	110.4	184.1	67%	51.5	106.4	107%
From financing activities	-54.9	-63.7	16%	-54.9	-63.7	16%
Of which: Dividends	-50.0	-60.0	20%	-50.0	-60.0	20%
Net change in cash [3]	55.6	119.7	115%	-3.4	42.1	n.a.
Cash at end of period	544.9	664.6	22%	236.8	278.9	18%

Dividend

€ million



- The Board will propose a **dividend of €69.75m [€0.465 per share], a 16.25% increase** vs. prior year amount. The proposal represents a **90% payout**
- The 2014 dividend includes a non-recurring component of €3.75m. **The recurring 2014 dividend base is €66.0m**

Management committed to a strategy which enables stable dividend growth

[1] Cash flow from operating activities excluding increases in Net Financial Services payables of €58.9m (2013) and €77.6m (2014). Cash at end of period excluding Net Financial Services payables of €308.1m (2013) and €385.7m (2014).
[2] Cash Capex presented in table. 2014 accounting Capex was €16.6m, 27.7% above that of 2013 (€13.0m).
[3] Including -€0.7m change in consolidation perimeter in 2014.

Financial performance surpasses the outlook, already upgraded along the year

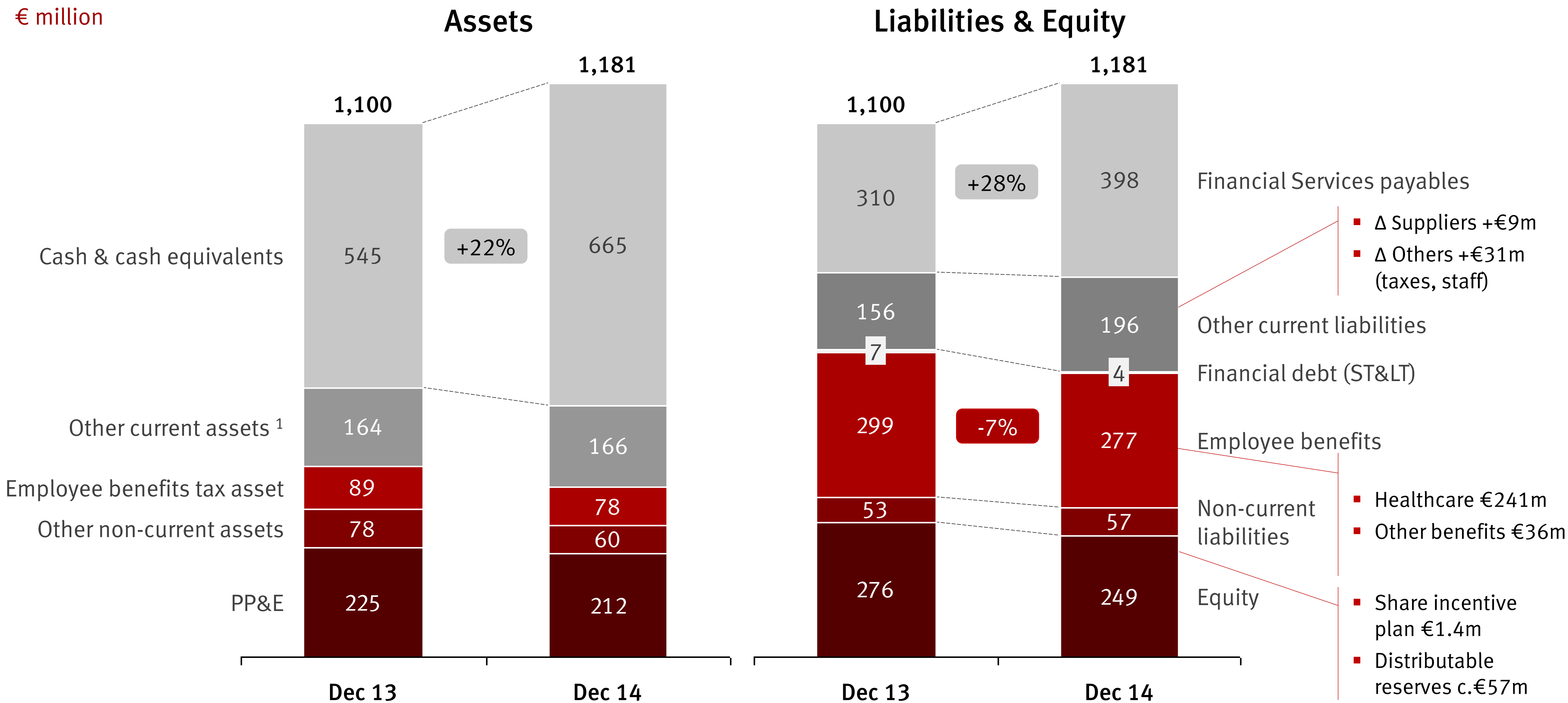
Selected key financials	Reported			Recurring [1]		
€ million	2013	2014	Δ %	2013	2014	Δ%
Revenues	**704.8**	**718.8**	**2.0%**	**704.8**	**717.8**	**1.8%**
Operating costs	582.7	523.1	-10.2%	581.9	582.7	0.1%
EBITDA	**122.1**	**195.6**	**60.2%**	**122.9**	**135.1**	**9.9%**
EBITDA margin	**17.3%**	**27.2%**	**9.9 p.p.**	**17.4%**	**18.8%**	**1.4 p.p.**
Depreciation / amortisation, impairments and provisions	34.9	60.2	72.6%	26.8	23.6	-12.1%
Earnings before interest & taxes	**87.2**	**135.4**	**55.2%**	**96.1**	**111.5**	**16.0%**
Financial results	-4.0	-7.4	-86.3%	-4.0	-7.4	-86.3%
Earnings before taxes	**83.3**	**128.0**	**53.7%**	**92.1**	**104.1**	**13.0%**
Income tax for the year	22.1	51.2	131.0%	28.8	31.9	10.6%
Net profit attributable to equity holders	**61.0**	**77.2**	**26.5%**	**63.2**	**72.5**	**14.7%**

- **Goal of stable (+/-1% growth) revenues exceeded**
- **Guidance of mid-single digit growth in recurring EBITDA exceeded**
- Significant strengthening of the Balance Sheet
- Financial income impacted by lower interest on cash investments
- Several impacts on accounting tax but cash tax is only €24.1m
- **Earnings per share growth from €0.41 to €0.51, enabling strong growth in dividend**

[1] Recurring Net profit excludes non-recurring revenues and costs and considers a theoretical (nominal) tax rate (change from prior methodology which considered the effective tax rate from the reported accounts).

The Balance Sheet maintains solid net cash and liquidity position

Balance Sheet
€ million



- **Net financial debt (cash)** =ST & LT Debt of €4m + Net Financial Services payables of €386m - Cash and cash equivalents of €665m = **€(275)m**
- **Net debt (cash)** = Employee benefits of €277m + Share incentive plan of €1.4m - Employee benefits tax asset €78m - Net cash of €275m = **€(75)m**
- **Strong liquidity position:** Current assets / Current liabilities = **135%**

Balance Sheet optimisation measures concluded successfully

[1] Including Financial Services receivables of €2m and €12m as at Dec-13 and Dec-14, respectively.

Capture the future of communication leveraging on our competitive skills and advantages

Physical and digital convergence

Focus on the preservation of the value of the MAIL business

E-commerce growth

Capture the growth trend in PARCELS

CTT as a One-stop-shop

Launch of the POSTAL BANK to expand FINANCIAL SERVICES

Leverage on the scalability of our ASSETS

FINANCIAL STRENGTH	OPERATIONAL EFFICIENCY	PROXIMITY & REACH	HUMAN CAPITAL
Best-in-class EBITDA margin Significant cash flow generation and dividend growth Strong Balance Sheet	Ongoing Transformation Programme Continuous efficiency management	623 post offices & 1,694 partnership branches; 3,876 Payshop agents 4,943 mailmen / distributors Trusted brand	Talent and know-how Innovation Performance measurement & incentives

2015 outlook – launching the Postal Bank

Revenues & Volumes	▪ **Goal of growth in revenues,** supported by MoU with Altice ○ Structural **decline in addressed mail volumes to slow down** ○ **Double-digit volumes growth in Express & Parcels** (Portugal), driven by B2C
Costs	▪ **Like-for-like** (excluding Postal Bank) **recurring costs to reduce** ○ Estimated **annual savings from the revision of the Healthcare Benefits Plan** and the new Company Agreement to largely **offset the impact of salary increases and variable payment** to employees ○ €14m annual **IT / communications cost savings** ○ **Integration of Mail and Express & Parcels distribution networks to continue,** resulting in improved profitability of the Express & Parcels operations in Portugal
Earnings & Dividend	▪ **Mid-single digit growth in recurring EBITDA** ▪ Going forward, the company will aim to reward its shareholders with a **stable growth of dividend** (change to the previous policy of minimum 90% dividend payout) ▪ **The recurring 2014 dividend base,** upon which future growth of dividends will be calculated, **is €66m**
Postal Bank	▪ **Postal Bank implementation undergoing as planned,** with costs in line with business plan. Core banking system being developed and HR needs under procurement. **Organic launch planned in 4Q15** ▪ **Capex in the Postal Bank of circa €30m in 2015** (€20m in the remaining businesses, €50m in total)

2014: Promise Delivered

Appendix

Strong governance model and practices implemented

Board diversity	5 executive directors and 6 independent non-executive directors (majority)
Lead independent director	Vice-Chairman with a leadership role in relation to the non-executive directors [1]
Audit Committee	3 non-executive independent directors with expertise
Other Board committees	Evaluation, Governance and Nominating Committee [2]
Governance practices	Board's and committees' charters & related parties, whistleblowing and (non)audit services approval procedures
Strategy and risk	Board role in the definition of CTT's strategy, risk management and internal controls
Remuneration Committee	Fully independent committee elected by the General Meeting (without prejudice to the say on pay in each AGM) and assisted by external advisors
Fixed remuneration	Executive and non-executive directors' fixed remuneration in line with benchmarking and dedication (average mix of 40% / 60% for fixed / variable annual components for executive directors)
Variable remuneration	Annual cash component [3] and 3-year equity LTIP for executive directors, subject to caps and relative performance conditions in both cases and deferral and holding periods for the LTIP [4]

[1] Full compliance with CMVM's Corporate Governance Code recommending (i) separation of Chairman / CEO or (ii) combined Chairman / CEO and lead independent director promoting the non-executives' oversight role and an informed decision making process.

[2] Composed of the lead independent director (Chairman), the Chairman / CEO (impeded to vote in case of conflict of interest) and 3 independent directors and responsible for assisting the Board and Remuneration Committees (as applicable) on governance matters, directors' and key officers' selection, succession plans, remuneration policy and performance evaluation.

[3] Granting & payment: post each AGM (2014-2016) if certain quantitative (70%) and qualitative (30%) objectives / targets are met; Cap: 100% (CEO) and 85% (other directors) of the fixed component; KPIs: annual recurring EBITDA margin, recurring EBITDA growth and annual TSR (vs. peers).

[4] Granting & vesting: deferral to 31.01.2017 and subject to a positive TSR (vs. peers) post 3 years (2014-2016); Caps: 180% of the fixed component, number of shares and value; Lock-up: 1 year over 50%.

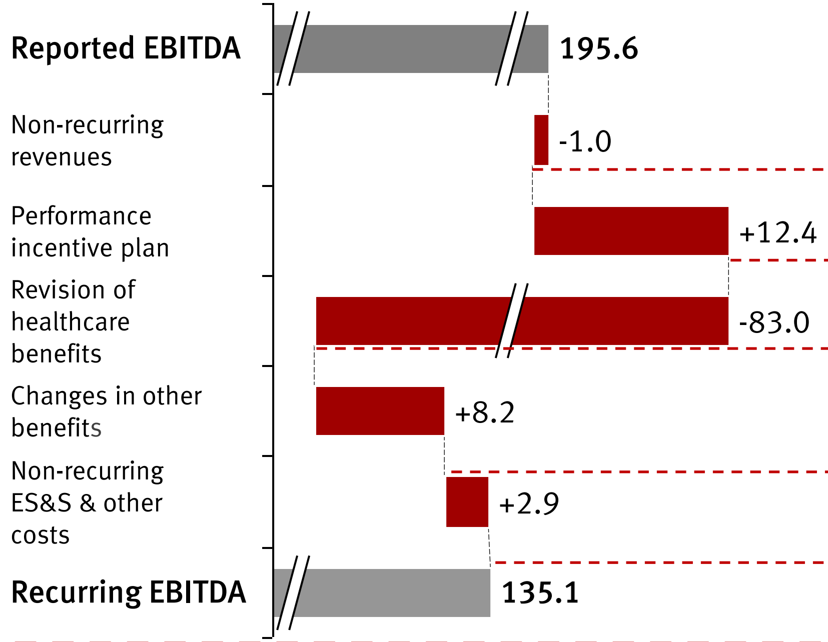
Transformation Programme with significant net positive impact on costs

Impacts on EBITDA & EBIT

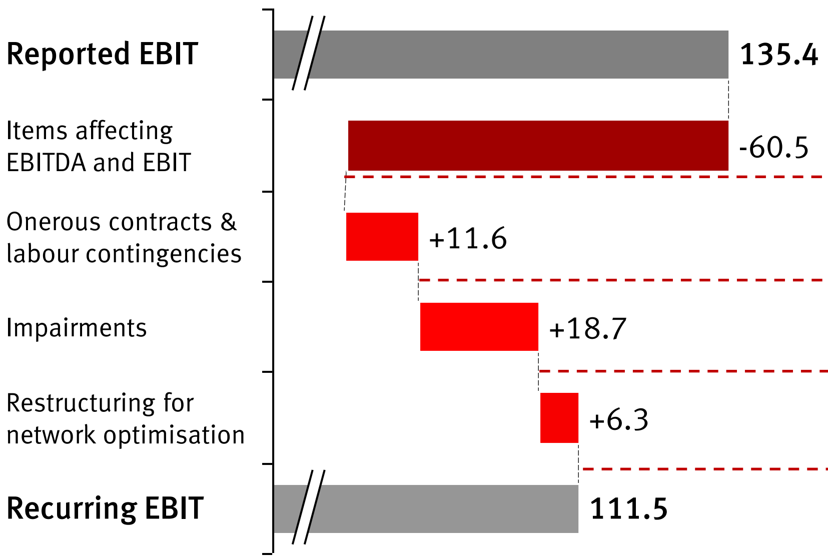
€ million

Impact on EBITDA & EBIT

Impact only on EBIT



- **Reintroduction of variable compensation, based on performance** – variable pay for employees and for executive team
- **Reduction in the responsibilities associated with the revision of the Healthcare Benefits Plan**
- **Actuarial assumptions & other:** +€3.7m – change in discount rate from 4.0% to 2.5% in other employee long-term benefits; +€2.1m – change in retirement age in the State Pension Scheme (CGA); +€2.4m – curtailment costs and other
- **Strategic studies & other costs** related primarily with the Postal Bank project, Mail & Express & Parcels networks integration and Tourline restructuring

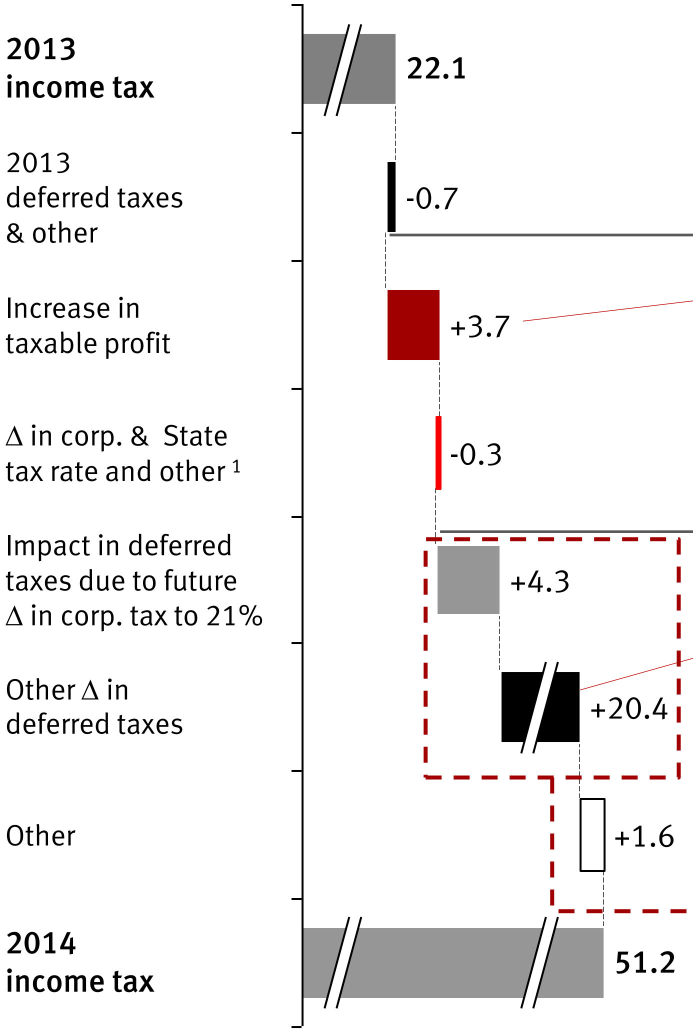


- **Provision from onerous contracts** of vacant buildings (reduction in the discount rate) and **reinforcement of provisions to cover labour contingencies**
- **Tourline impairment of €16.6m of goodwill (100%)** & other
- Net impairments and provisions resulting from **restructuring and optimisation of the Express & Parcels business unit network**

Several impacts on corporate tax

Corporate tax

€ million



Current Tax (recurring)

2013: €21.5m

2014: €24.8m

- **Taxable profit increased circa €12m in 2014 vs. 2013**
- **Main differences between 2014 reported EBT and taxable profit** include:
  - **Non-recurring gain** from the reduction of the responsibilities with healthcare benefits only impacts deferred taxes
  - **Net losses** related to Tourline (including goodwill write-off) not tax-deductible
  - Increases in **non-deductible provisions**

- **Changes in deferred taxes** resulting from reduction in the responsibilities associated with the revision of the Healthcare Benefits Plan: **€23.4m impact**
- Impact from other employee benefits (-€4.7m), provisions (-€2.0m) and other

No cash tax in 2014

2014 income tax impacted by changes in deferred taxes

[1] Change in corporate tax rate to 23% (-€1.3m impact), change in State tax rate to 7% (+€0.6m impact), other (+€0.4m impact).

Postal Bank project under development aligned with expected timeline

Key milestones

5 Aug. 2013	Submission of the Postal Bank project to the Bank of Portugal (BoP)
27 Nov. 2013	Conditional authorisation on Postal Bank granted by BoP
4 Nov. 2014	Board decision to launch the Postal Bank, reaffirming it as a strategic bet
25 Nov. 2014	BoP deadline extension allowing CTT to launch the Postal Bank until 27 Nov. 2015
26 Jan. 2015	First recruitment for the Postal Bank implementation team
6 Feb. 2015	Kick-off of the implementation of the Postal Bank
18 Feb. 2015	Selection of core banking system provider (Misys & Deloitte)

Key takeaways:

- Project **in line with expected timeline,** with implementation team already on-board
- **Legal entity already created** and corporate bodies already in place
- Execution of **project within the budget**

No relevant financial update to disclose - regular updates to be provided along the way

CTT - Correios de Portugal

4 March 2015

CTT Investor Relations

Upcoming Events:

9 Mar. – London roadshow

10 Mar. – Zurich / Geneva roadshow

11 Mar. – Paris roadshow

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