CTT – Correios de Portugal

3Q14 Results Presentation

4 November 2014

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Agenda

Strong 3Q14, in which key operational and financial indicators register further progress and acceleration on the already solid trends observed in 1H14

Financial Performance	3Q14	vs. 3Q13	9M14	vs. 9M13
Reported Revenues	€174.4m	+3.0%	€530.9m	+2.1%
Reported Operating costs	€141.6m	-0.7%	€429.3m	+0.6%
Reported EBITDA	€32.9m	+22.5%	€101.6m	+9.0%
Recurring EBITDA [1]	€35.4m	+31.6%	€101.7m	+16.8%
Reported Net profit	€16.6m	+22.5%	€52.6m	+16.5%
Recurring Net profit [1]	€18.4m	+45.8%	€54.7m	+27.4%
Operating free cash flow [2]	€7.4m	+47.1%	€73.3m	+114.0%

KEY METRICS

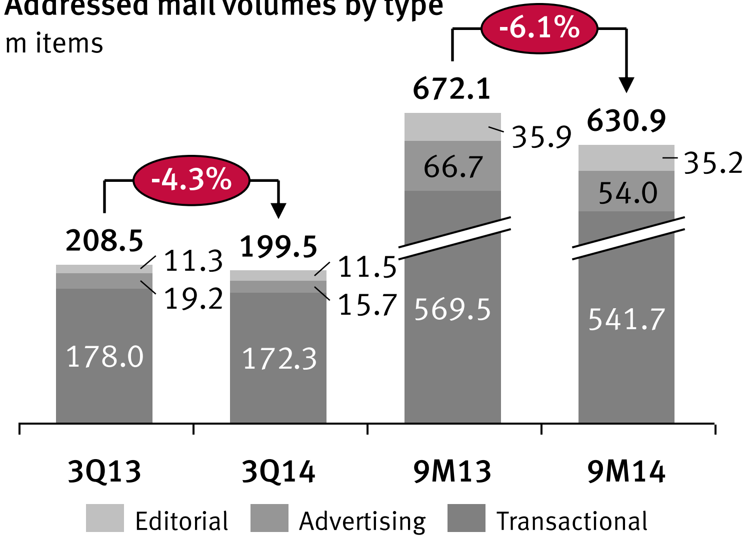
Period	Addressed mail volumes	Unaddressed mail volumes	Average mail prices (USO) [3]	Parcels volumes	Savings flows [4]
3Q14 vs. 3Q13	-4.3%	-20.7%	+4.3%	+1.2%	+138.2%
9M14 vs. 9M13	-6.1%	-5.4%	+4.3%	+8.0%	+128.4%

[1] Excluding non-recurring items.
[2] Excluding changes in Net Financial Services payables.
[3] Excluding international inbound mail.
[4] Amount of savings and insurance products placements and redemptions.

The rate of decline of addressed mail volumes slows down to -6.1% in 9M14, in line with expectation; Mail like-for-like revenues grow year-on-year…

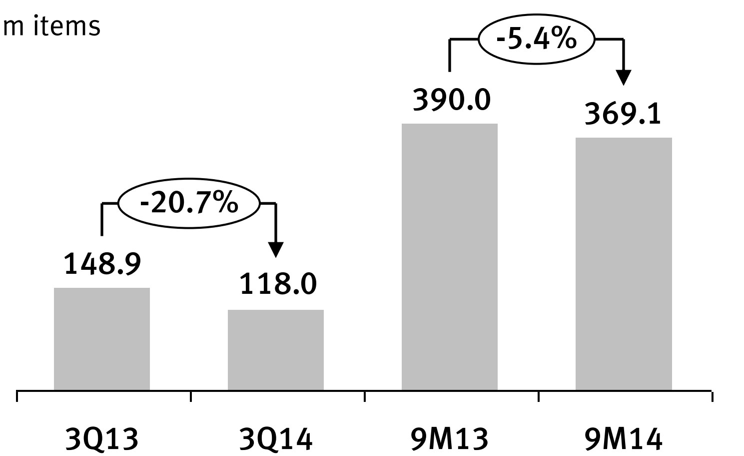
Addressed mail volumes by type

m items



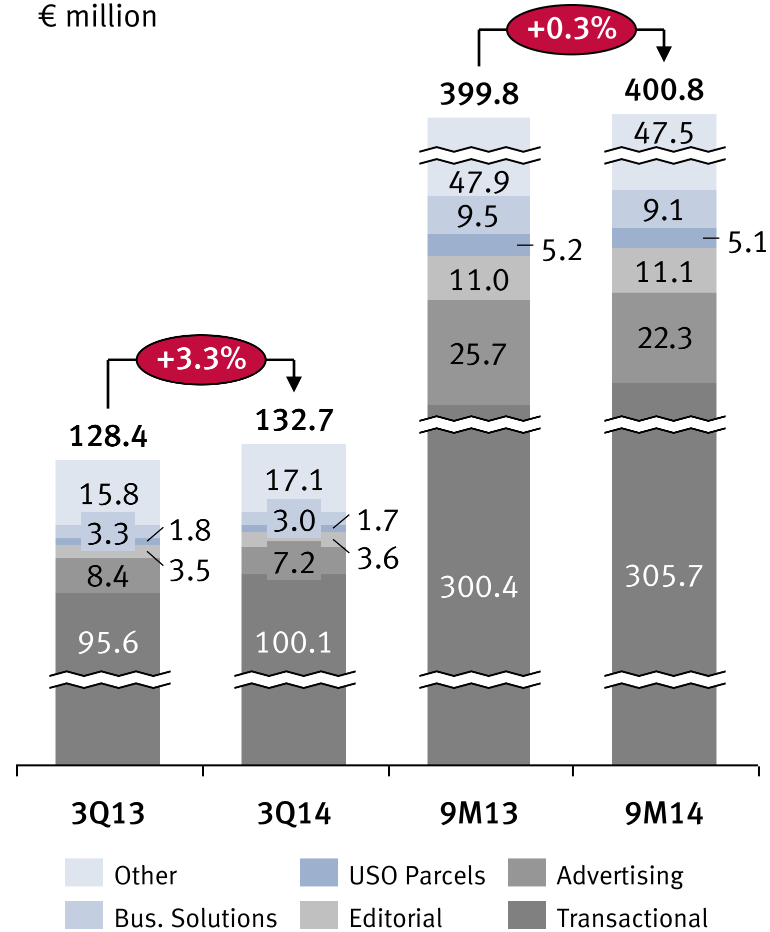
Unaddressed mail volumes

m items



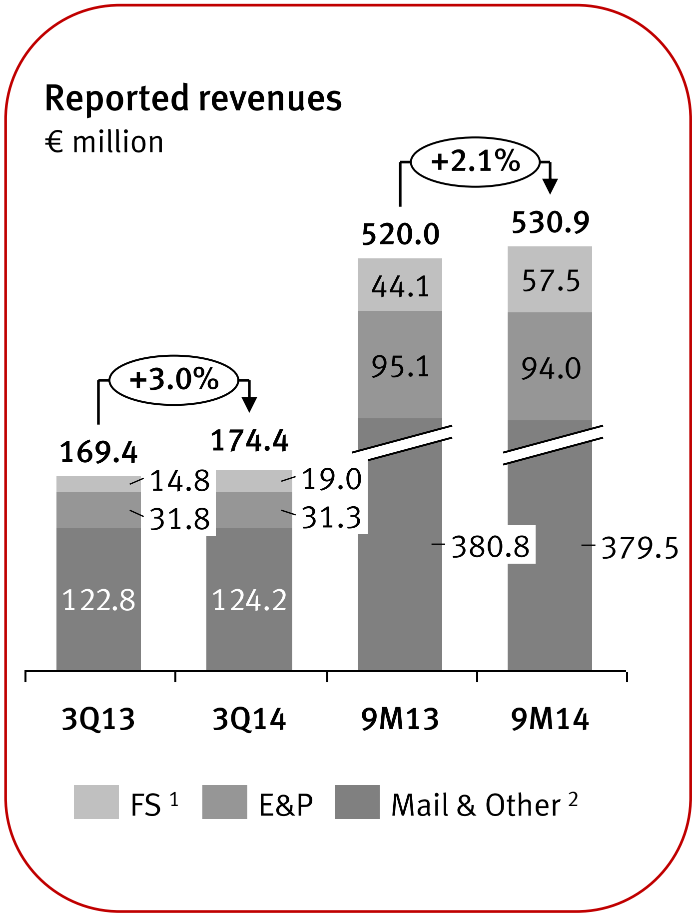
Mail like-for-like [1] revenues by type

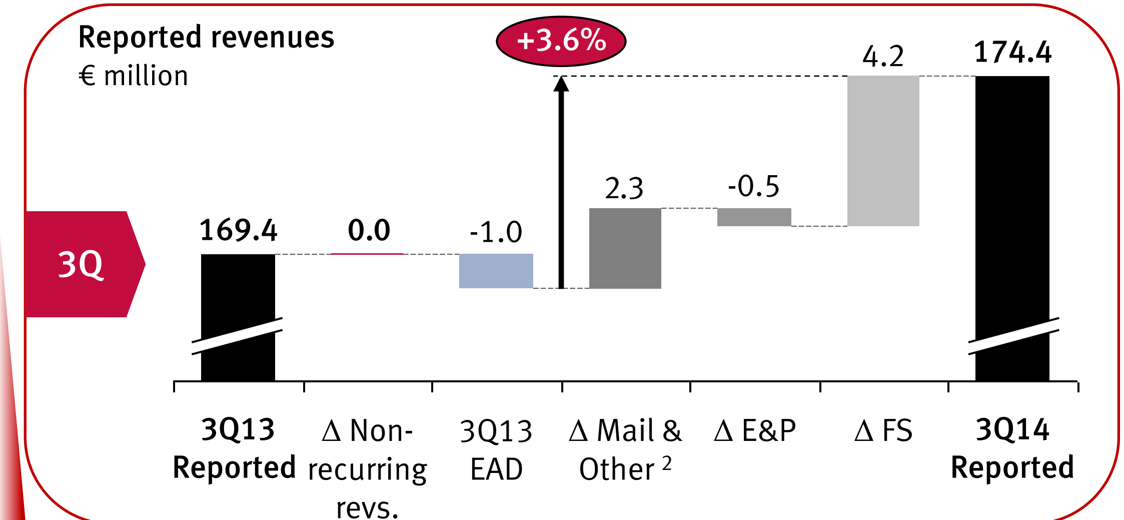
€ million

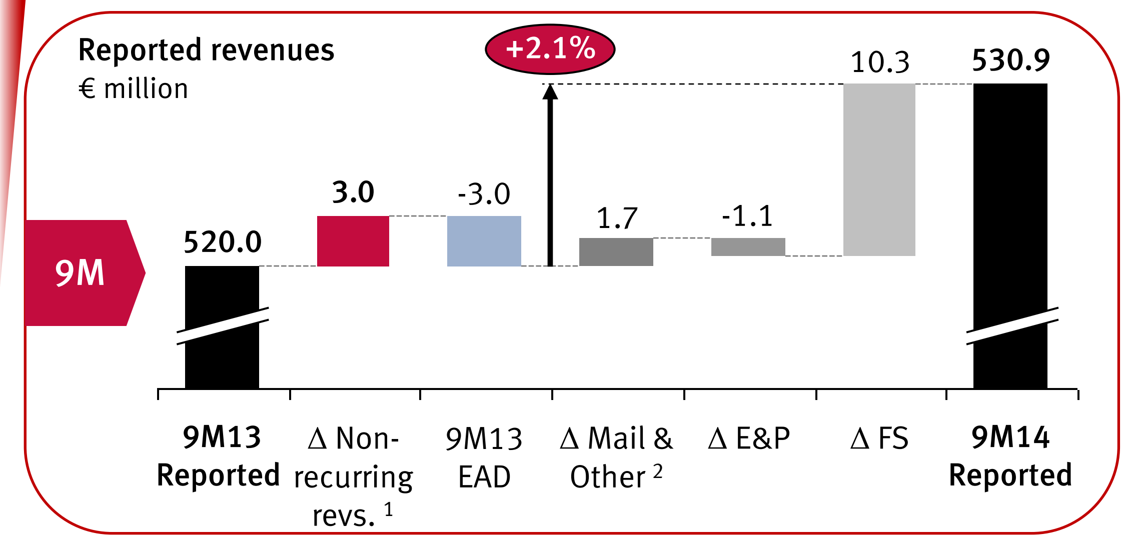


[1] Excluding €1.0m and €3.0m of EAD revenues from the 3Q13 and 9M13 Business Solutions numbers respectively for the purposes of like-for-like comparison.

…as a result, recurring like-for-like revenues growth accelerates to +3.6% in 3Q14 (+2.1% in 9M14), driven also by continued strong performance of FS







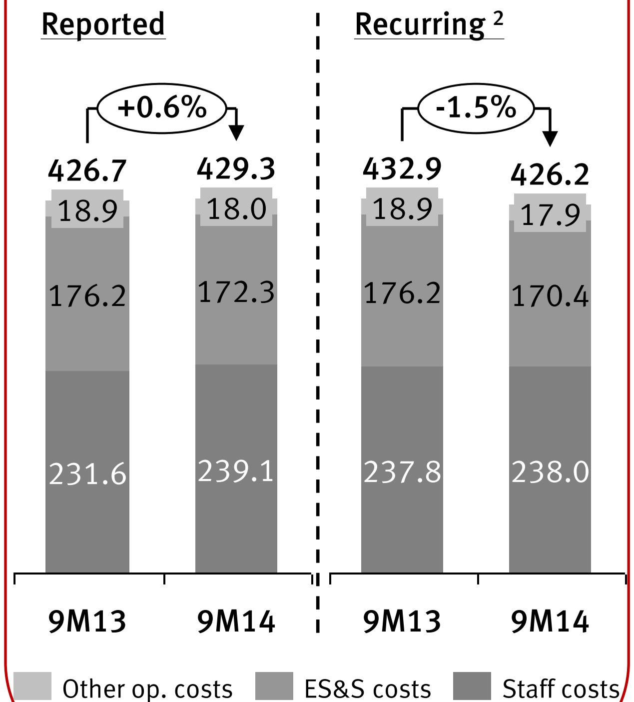
[1] €3.0m of non-recurring FS revenues received in 2Q14.

[2] Includes income related to CTT Central Structure and Intragroup Eliminations amounting to -€6.6m in 3Q13, -€8.5m in 3Q14, -€21.9m in 9M13 and -€21.3m in 9M14.

Recurring like-for-like operating costs decrease by 1% in 9M14, due to relevant reduction in ES&S spend

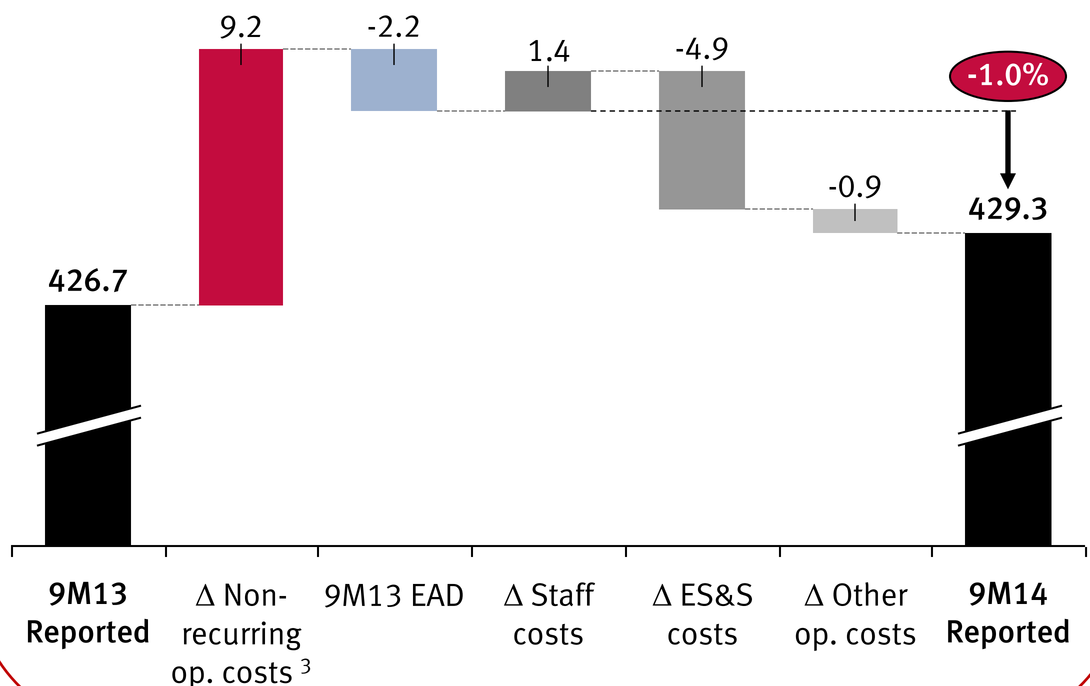
Operating costs [1]

€ million



Reported operating costs [1]

€ million

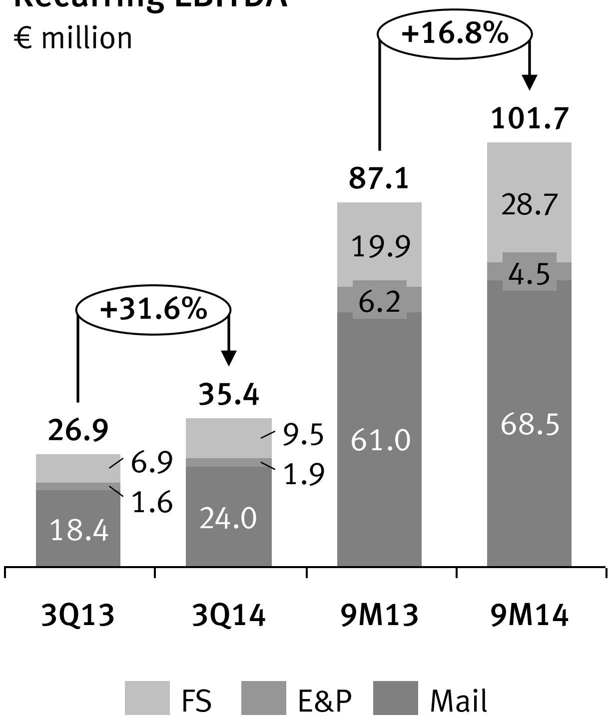


- Non-recurring costs with larger impact on the 9M13 accounts - the telephone subscription benefit paid to retired employees was revised in 2Q13, resulting in significant non-recurring cost savings (€8.2m in 9M13)

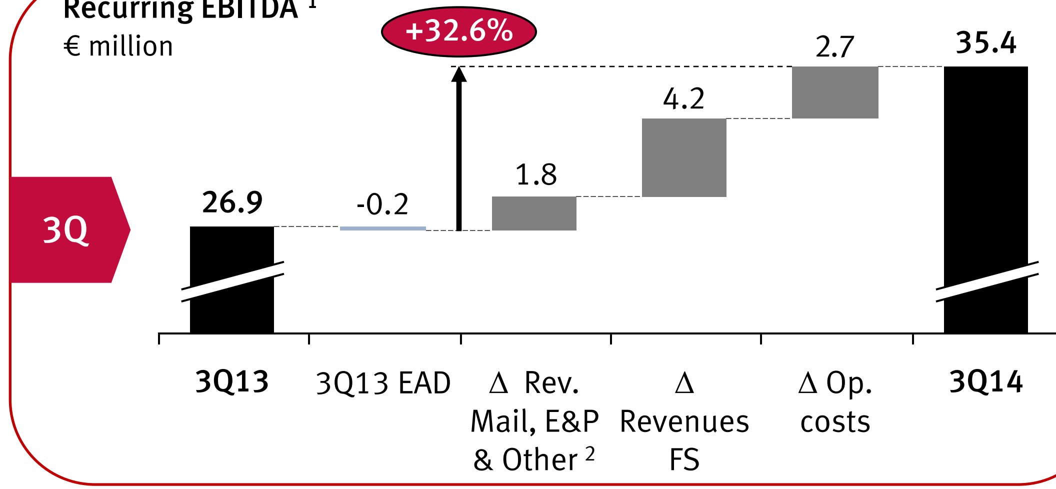
[1] Excluding amortisation, depreciation, provisions and impairment losses.
[2] Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs.
[3] €3.1m in 9M14 and -€6.2m in 9M13.

Recurring like-for-like EBITDA growth rate accelerates to +32.6% in 3Q14 and reaches high double-digits in 9M14

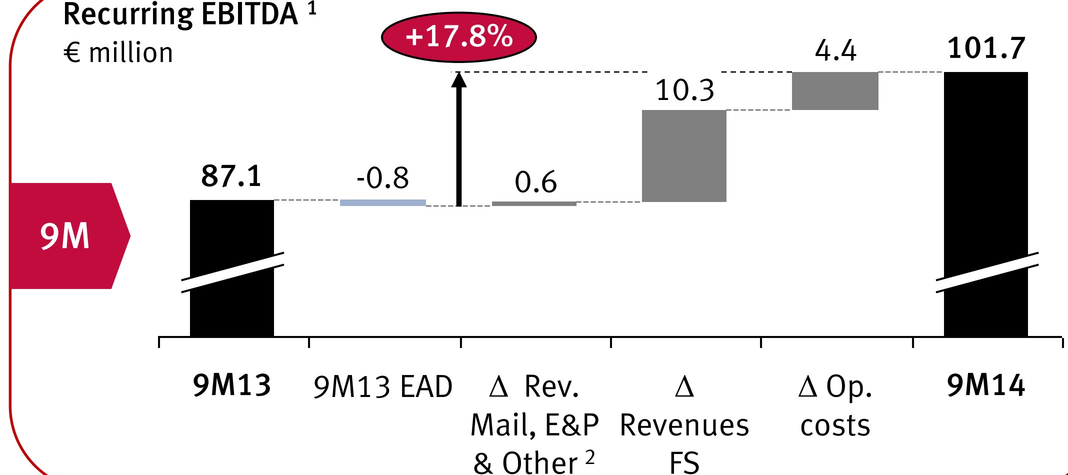
Recurring EBITDA [1]
€ million



Recurring EBITDA [1]
€ million



Recurring EBITDA [1]
€ million



[1] Excluding non-recurring costs of €0.1m in 3Q13, €2.6m in 3Q14, -€6.2m in 9M13 and €3.1m in 9M14 and non-recurring revenues of €3.0m in 9M14.
[2] Includes income related to CTT Central Structure and Intragroup Eliminations of -€6.6m in 3Q13, -€8.5m in 3Q14, -€21.9m in 9M13 and -€21.3m in 9M14.

9M14 operating free cash flow reaches €73.3m, more than double the amount generated in the same period last year

Cash Flow

€ million	3Q13	3Q14	Δ	9M13	9M14	Δ
Cash flow from operating activities [1]	**6.3**	**6.7**	**0.5**	**34.4**	**68.9**	**34.5**
Cash flow from investing activities	**-1.2**	**0.7**	**1.9**	**-0.1**	**4.4**	**4.5**
Capex payments	-1.9	-0.9	0.9	-4.0	-4.6	-0.6
Other	0.7	1.6	1.0	3.9	9.0	5.1
Operating free cash flow [1]	**5.1**	**7.4**	**2.4**	**34.2**	**73.3**	**39.1**
Cash flow from financing activities	**-13.1**	**0.2**	**13.3**	**-55.8**	**-59.5**	**-3.6**
Of which: dividends	-12.5	0.0	12.5	-50.0	-60.0	-10.0
Change in cash [2]	**-8.1**	**7.7**	**15.7**	**-21.6**	**13.1**	**34.7**
Cash at beginning of period [1]	**226.6**	**242.3**		**240.2**	**236.8**	
Cash at end of period [1]	**218.6**	**250.0**		**218.6**	**250.0**	

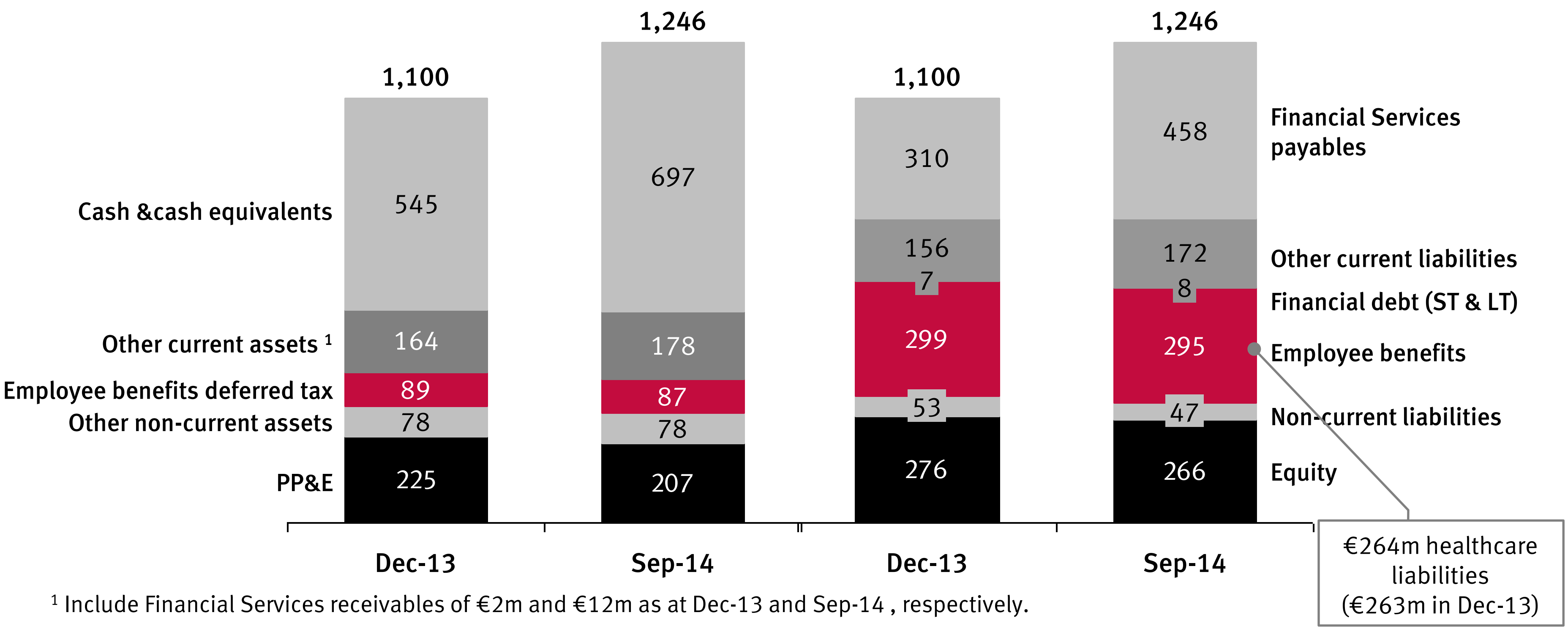
- Performance largely driven by sustainable factors - Net profit (+€52.6m), Capex below Depreciation (+€11.0m)

[1] Excluding changes in Net Financial Services payables of €138.5m (9M14), €142.4m (9M13), €12.9m (3Q14) and -€27.5m (3Q13).
[2] Includes -€0.7m change in consolidation perimeter in 9M14.

The Balance Sheet continues to demonstrate high solvency and solid liquidity position

Balance Sheet

€ million

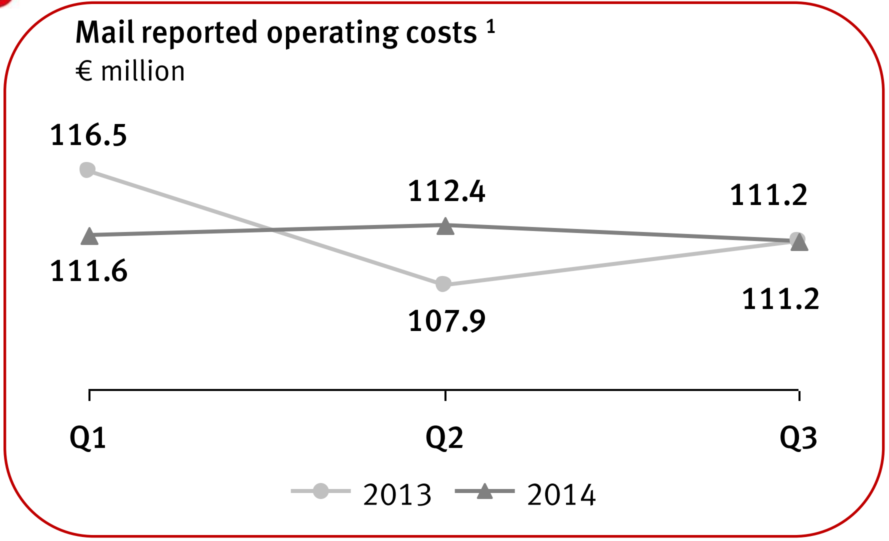


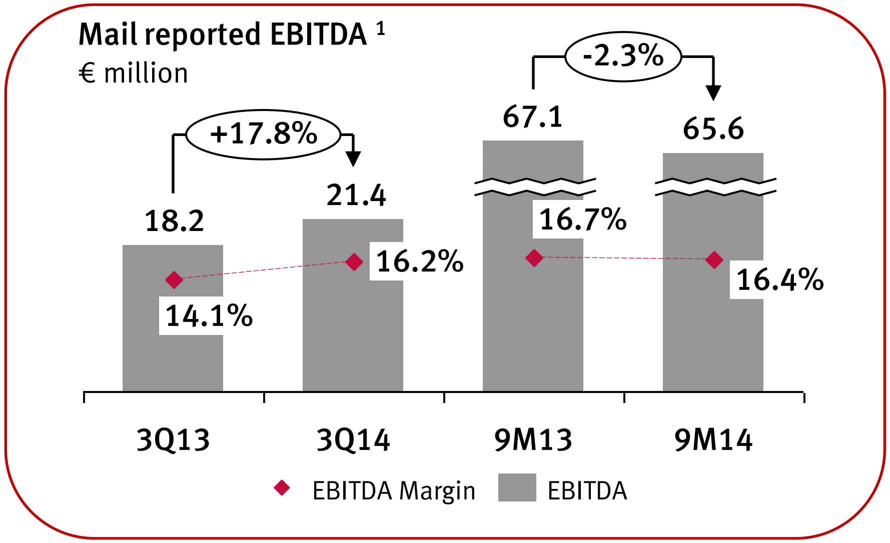
[1] Include Financial Services receivables of €2m and €12m as at Dec-13 and Sep-14 , respectively.

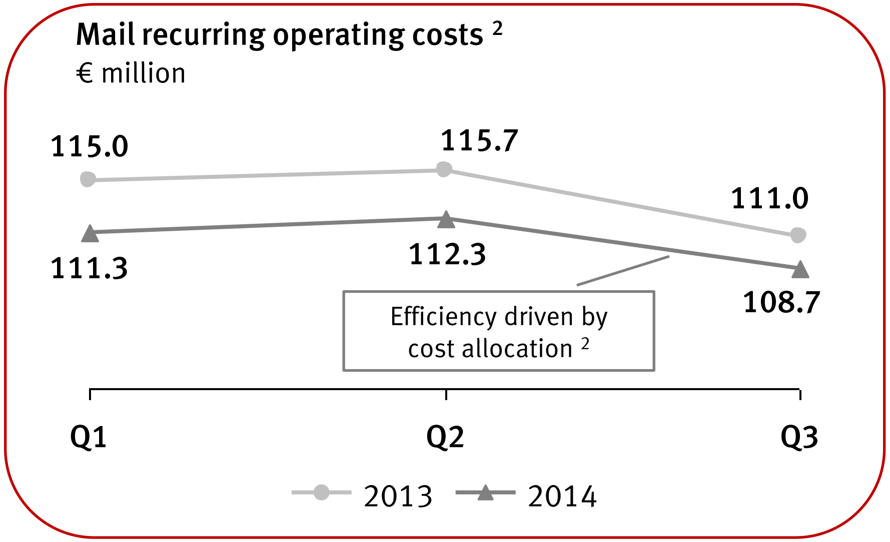
- **Net financial debt (cash)** = ST Debt of €6m + LT Debt of €2m + Net Financial Services payables of €447m - Cash and cash equivalents of €697m = **€(242)m**
- **Net debt (cash)** = Employee benefits of €295m - Employee benefits deferred tax of €87m - Net financial cash of €242m = **€(35)m**
- Strong liquidity position: **Current assets / Current liabilities = 133%**

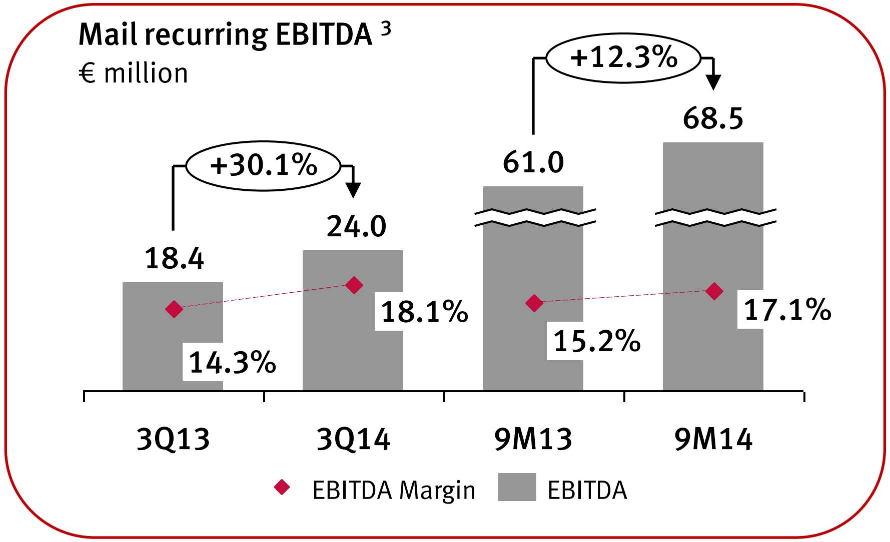
Agenda

Revenue growth coupled with strict cost containment allows for the expansion of the Mail EBITDA margin



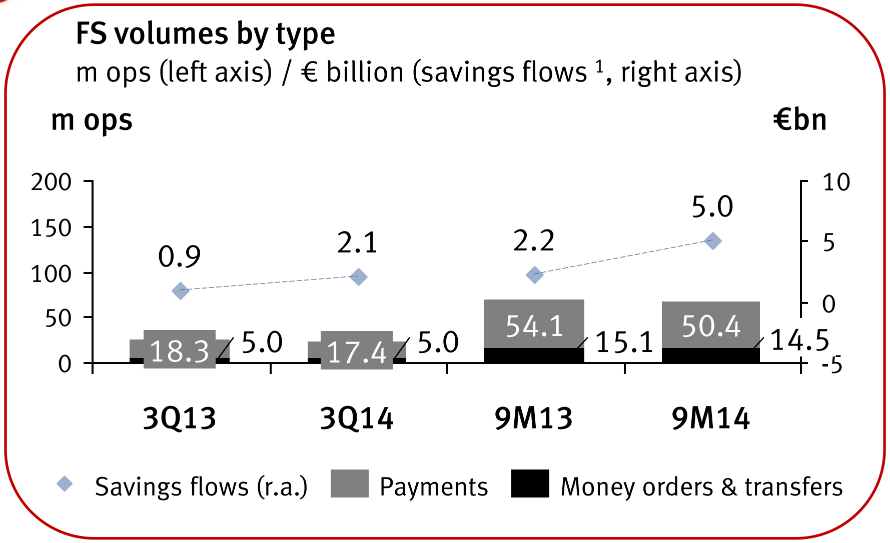


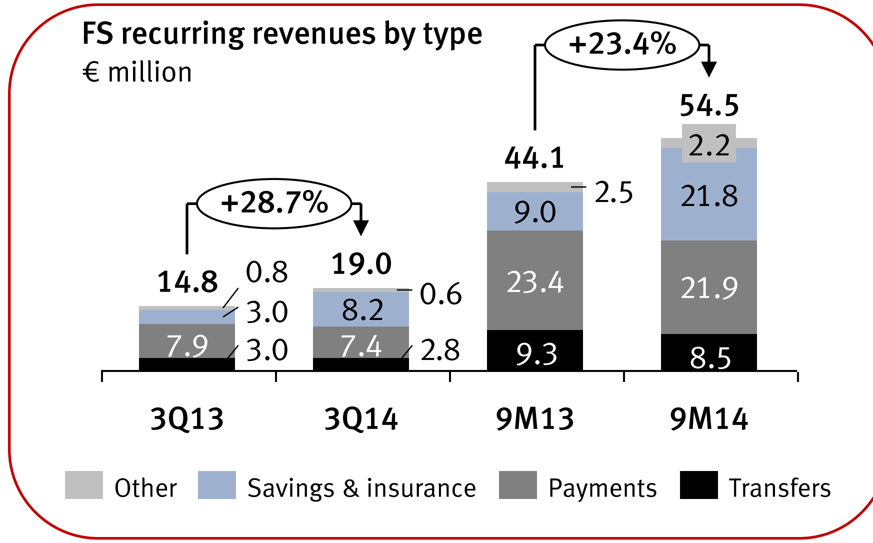


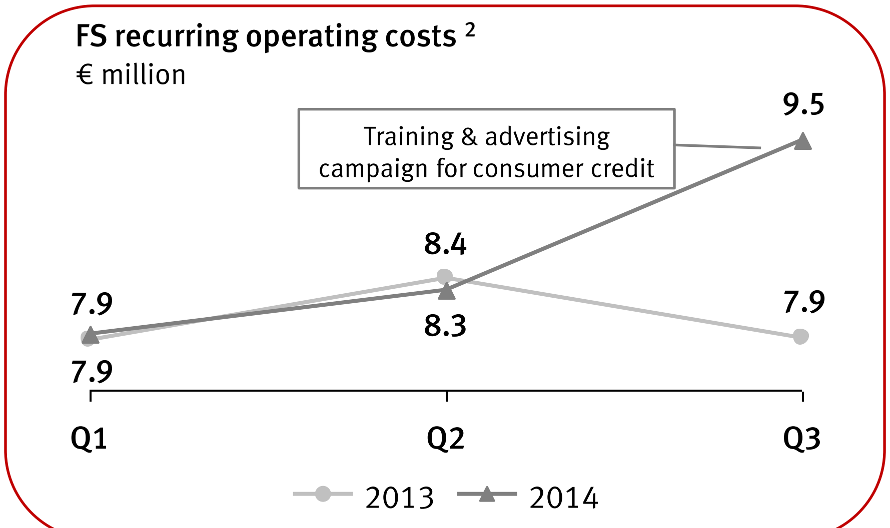


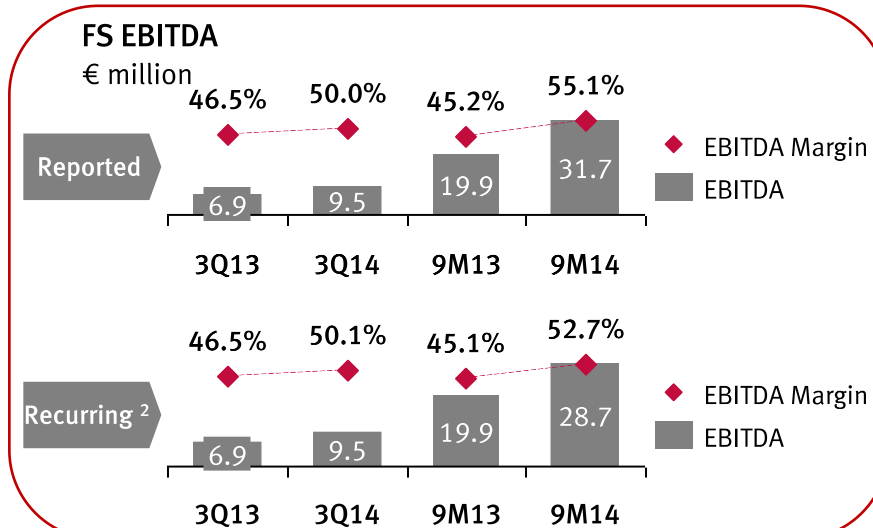
[1] Excluding amortisation, depreciation, provisions, impairment losses. [2] Financial Services growth on the Retail Network of Mail and start of the integration of the Mail & Express & Parcels distribution networks. [3] Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs.

Financial Services continue to be a strong engine of growth, as savings flows in 9M14 reach €5 billion





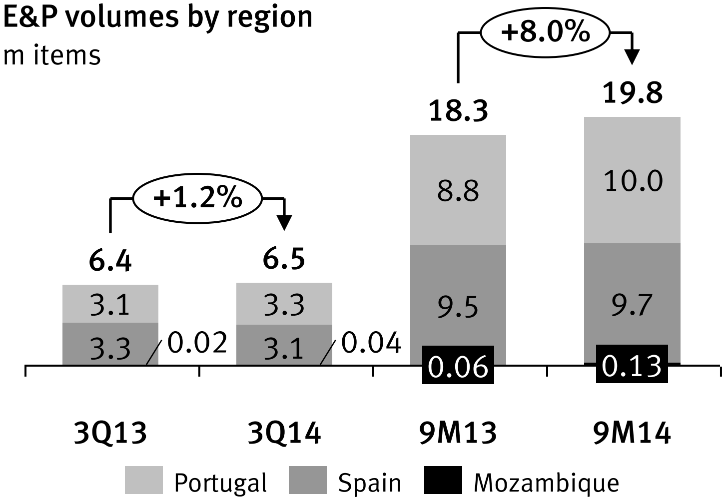




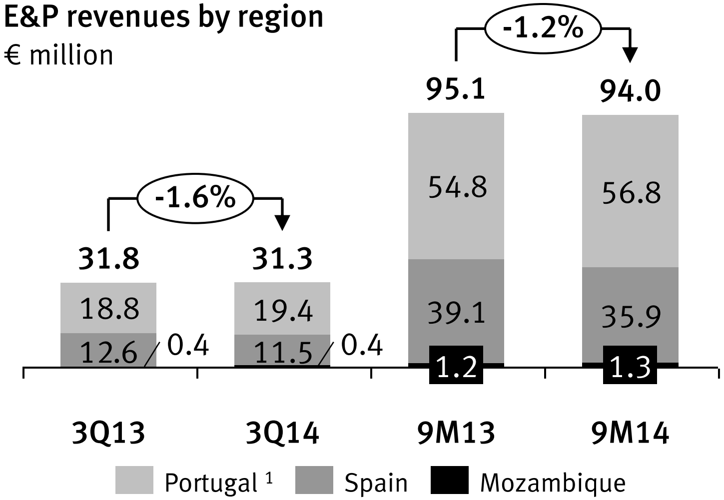
[1] Amount of savings and insurance products placements and redemptions.
[2] Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs.

Express & Parcels restructuring progressing well, with reported 3Q14 EBITDA margin improving ~60bps, despite continued pressure on revenues

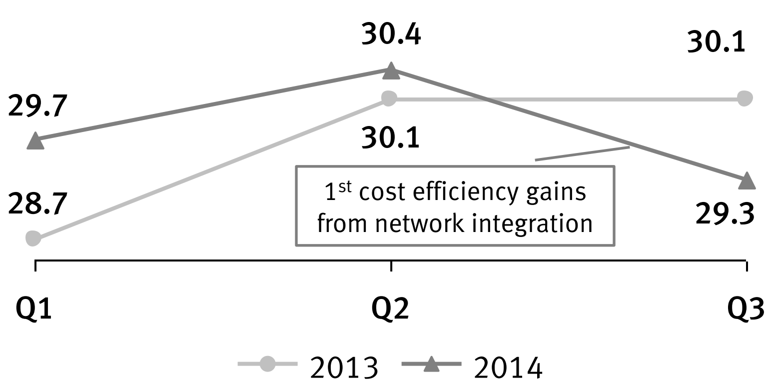
E&P volumes by region
m items



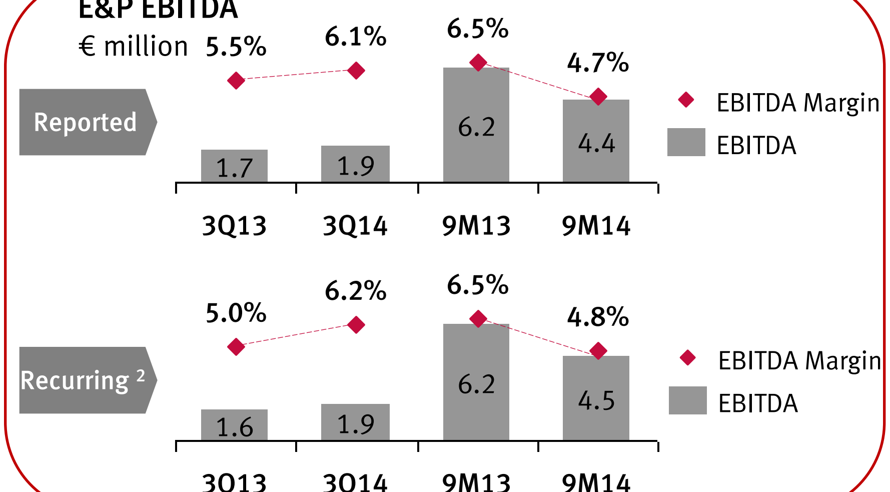
E&P revenues by region
€ million



E&P recurring operating costs [2]
€ million



E&P EBITDA
€ million



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

Agenda

Upgrade to the FY14 outlook

Revenues	• Goal of **1% to 2% growth in FY14 like-for-like revenues,** inverting the historical declining trend in the top-line **(upgrade)**
CAPEX	• FY 2014 **Capex of circa €15m (vs. €20m previous guidance)**
Business Units	• **Mail:** ○ Goal of **stable like-for-like FY14 revenues (+/-1% revenue growth)** ○ **Efficiency from retail and distribution networks cost sharing** with other BUs • **Financial Services:** ○ **Launch of the Postal Bank** as a continuation of the strategy to expand the product offer and to promote product cross-selling ○ To reduce time-to-market and accelerate growth potential **(small-size) acquisitions may be considered** • **Express & Parcels:** ○ **Focus on the integration of the E&P and Mail distribution networks,** with **improving profitability in Portugal** (double-digit EBITDA margin in Portugal) ○ **E-commerce growth** will trigger the development of more robust offers, **putting together logistics and digital communications capabilities**

Trends shaping our future – convergence and convenience, still a key role for physical assets

E-substitution effect

- E-mail vs. physical world
- E-billing vs. transactional mail
- Physical vs. online shopping
- Call centres / online vs. face-to-face

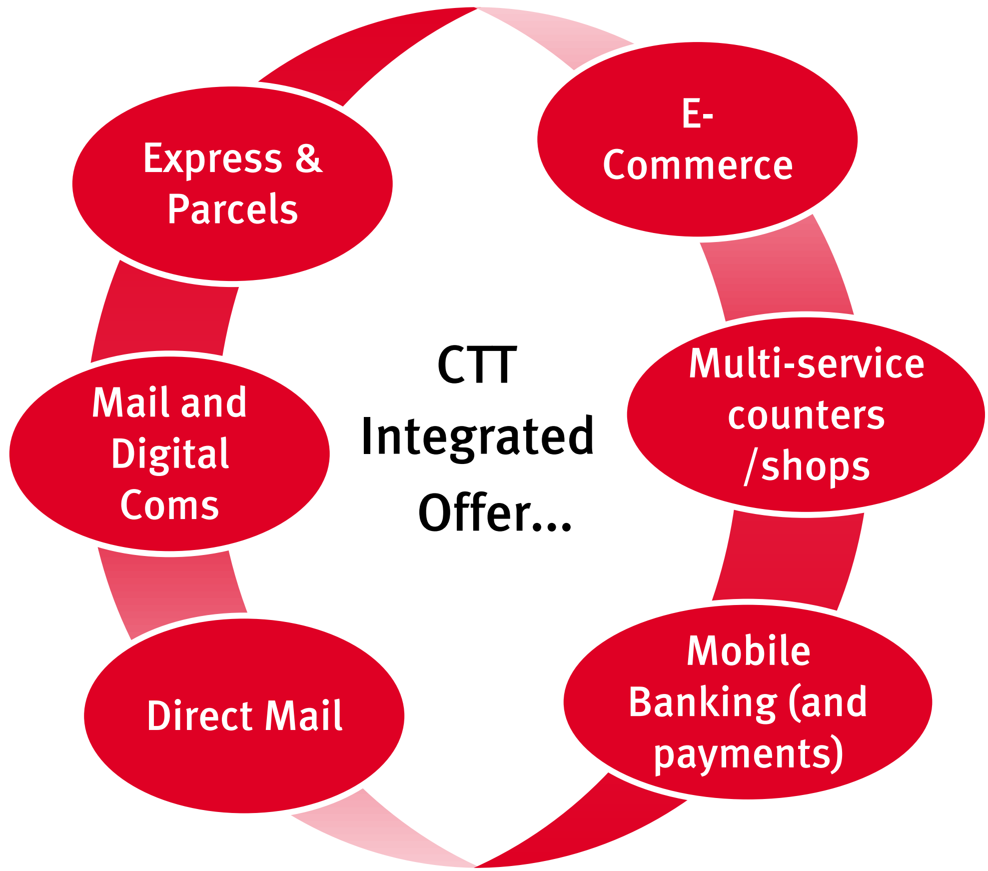
E-integration effect

- E-commerce needs parcel delivery
- E-services need multiservice shops to ensure offer completeness and deliver trust / credibility
- New trends in E-work need parcels – moving things, not people

E-convenience effect

- Flexible bundles with minimum interactions for consumers
- Integrated solutions, simplicity and low prices for companies

…for People



…for Companies

Agenda

Key milestones of the Postal Bank project

2013/2014

- **5/Aug/2013** – Submission of the Postal Bank project to the Bank of Portugal (BoP)
- **27/Nov/2013** – Conditional authorisation of the project by the BoP
- **4/Dec/2013** – Conclusion of the 1st phase of the privatisation and IPO
- **24/Mar/2014** – New governance model approved at Shareholders Meeting
- **5/Sep/2014** – Conclusion of the 2nd and last phase of the privatisation
- **4/Nov/2014** – Board decision to launch the Postal Bank

Next Steps - November 2014 onwards

- Submission of an updated project to the BoP for the purposes of authorisation and registration [1], subject to compliance with the applicable legal and regulatory requirements
- Adjustments to the model, plans and estimates described herein are possible, mainly driven by:
  - The analysis of the updated project by the BoP (authorisation and registration process)
  - The detailed implementation of the project (e.g. risk management, internal controls and compliance)
  - The market environment and possible pursuance of small-size inorganic opportunities
- Approval by CTT's Board of the final and detailed strategic, economic and financial model of the Postal Bank

[1] For more details on the authorisation and registration process and on the possible adjustments to the project, please refer to the press release on the Postal Bank Project disclosed today (at www.cmvm.pt)

CTT is uniquely positioned to launch a bank in the Portuguese market (1/3)

CTT with competitive advantage
CTT worse than competitors

There is an **opportunity to launch a banking operation in the Portuguese market, addressing average-income and more conservative** customers

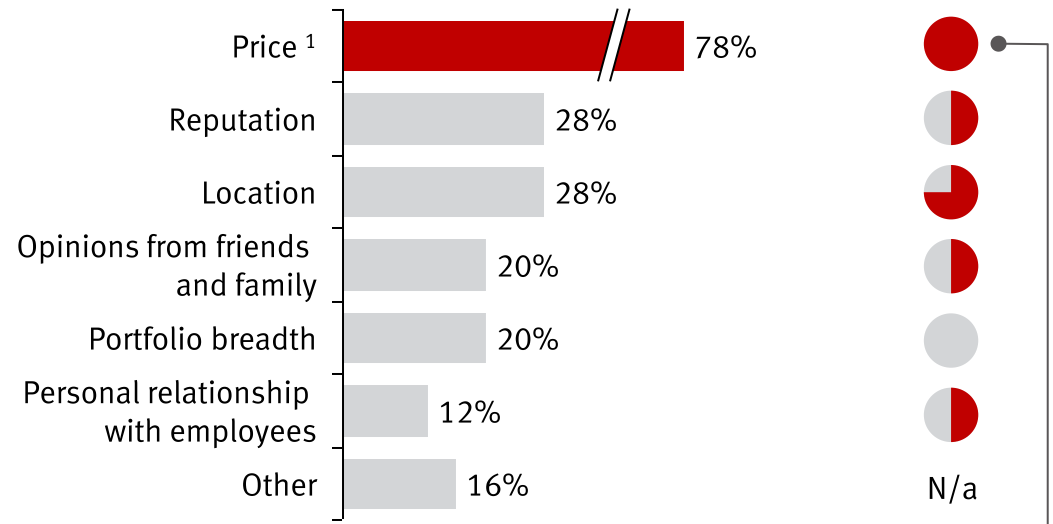
CTT's **Retail Network** is **highly capillary** and has **untapped capacity,** allowing for significantly **reduced marginal costs**

CTT already has an **extensive experience** in a **broad range of financial services**

Price perception is a key factor, making no-frills concept very appealing
Percentage of respondents to market survey

Factors considered when choosing a bank

Postal Bank value proposition



45% of respondents consider Postal Bank's no-frills concept better than their current offer

[1] Mainly a price perception factor, since customers seldom compare prices among banks.
SOURCE: Market survey

CTT is uniquely positioned to launch a bank in the Portuguese market (2/3)

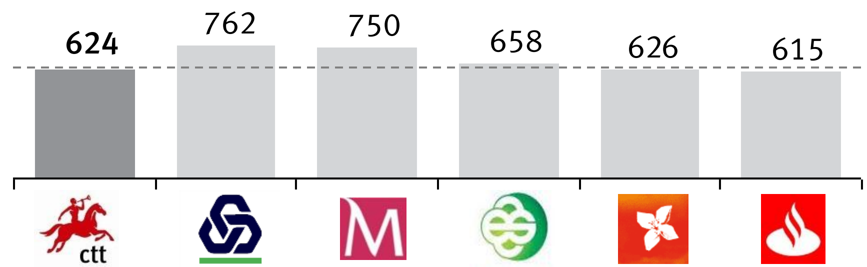
There is an **opportunity to launch a banking operation in the Portuguese market, addressing average-income and more conservative** customers

CTT's **Retail Network** is **highly capillary** and has **untapped capacity,** allowing for significantly **reduced marginal costs**

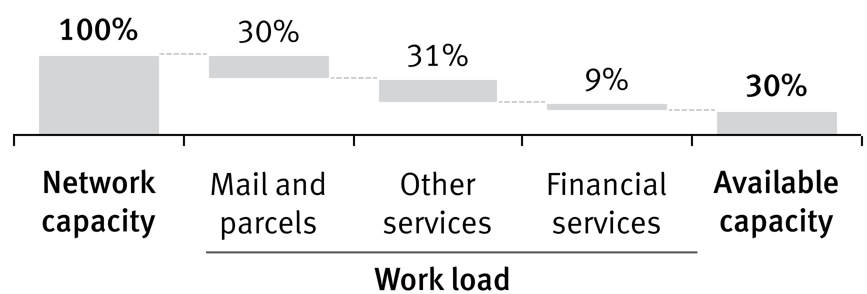
CTT already has an **extensive experience** in a **broad range of financial services**

CTT's network extension compares to the major Portuguese banks' and has available capacity that can be used to provide banking services

Retail Network size
Number of branches [1]



Available capacity
Number of FTEs



[1] In 2013.
SOURCE: CTT; Annual reports

CTT is uniquely positioned to launch a bank in the Portuguese market (3/3)

There is an **opportunity to launch a banking operation in the Portuguese market, addressing average-income and more conservative** customers

CTT's **Retail Network** is **highly capillary** and has **untapped capacity,** allowing for significantly **reduced marginal costs**

CTT already has an **extensive experience** in a **broad range of financial services**

Current offer of CTT's Financial Services

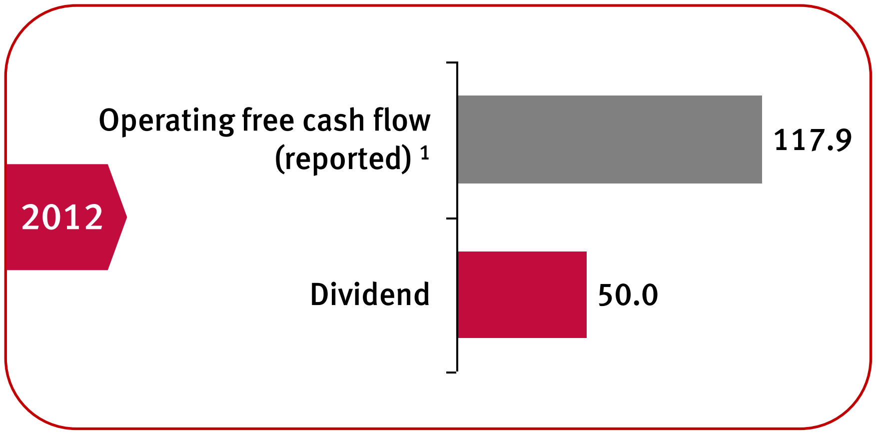
	Examples	Partnerships	Awareness [1]
Payments	▪ Postal charges ▪ Tax collection ▪ Toll collection	IGCP Agência de Gestão da Tesouraria e da Dívida Pública Portugal	89%
Money orders and transfers	▪ National orders ▪ International orders ▪ Western Union	WESTERN UNION	81%
Savings and investment	▪ Public debt securities ▪ Retirement savings plans	IGCP Agência de Gestão da Tesouraria e da Dívida Pública Portugal FIDELIDADE MAPFRE	60%
Insurance	▪ Life insurance ▪ Non-life insurance	FIDELIDADE MAPFRE	40%
Loans	▪ Consumer credit	Cetelem	N/A

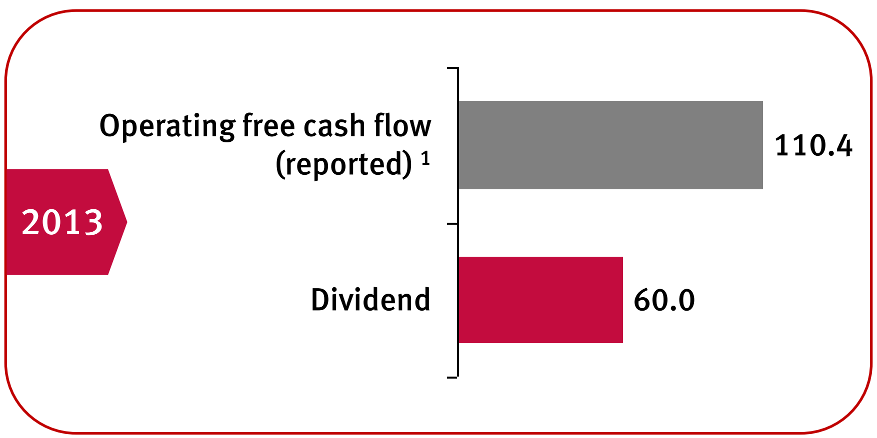
[1] Percentage of customers who know that CTT offers those products (vs. 100% regarding postal services).
SOURCE: CTT; Market survey

Postal Bank targeted to have no impact on CTT's dividend policy

2012 & 2013 operating free cash flow [1] and dividend

€ million





1. Over the last years, CTT has consistently generated **operating free cash flow [1] > dividend**

2. In 9M14, even excluding the FS float, CTT generated **€73.3m of operating free cash flow [2]**, while **the full-year 2014 dividend guidance is of min. €65.25m**

3. **CTT´s existing business Capex needs are low;** full-year 2014 guidance was reduced to €15m

4. **The Postal Bank Capex needs are more substantial;** the estimated **5-year total Capex amounts to €100m**

5. However, CTT has **€250m in cash & equivalents** on the Balance Sheet (at Sep-14), expects to maintain dividend policy intact

[1] Reported operating free cash flow, including changes in Net Financial Services payables.
[2] Excluding changes in Net Financial Services payables of €138.5m. The reported operating free cash flow (including changes in Net Financial Services payables) equalled €211.8m.

Postal Bank key financial targets / estimates

Estimates
€ million

Previous years / Current year (Projected accumulated injected Capital); Retained earnings / From CTT (Projected Common equity)

	Year 3	Year 5	Year 10
Projected accumulated injected Capital (CTT Capex to Postal Bank)	85 / 20	100 / 5	100 / 0
Projected Revenues	91	161	231
Projected Net income	7	31	71
Projected accumulated Cash flow	-30	35	386
Projected Common equity [1] (end of year)	63 / -22	135 / 35	276 / 176
Marginal Cost-to-income (%)	<90%	<60%	<45%
Projected ROE (%)	>10%	>20%	>25%

Main Targets

- **Break-even** point to be reached in **year 3**
- Regulatory **capital injections to stop at year 5 (total of €100m)**
- Postal Bank to be able to **distribute dividend from year 6 onwards**
- **Gradual roll-out** of branches over the Retail Network, **based on clients' growth and needs**

[1] Above projected required regulatory capital.
NOTE: Projection includes only products migrating from Financial Services to Postal Bank (e.g., consumer loans, insurance and Payshop); remaining products not included.

The Postal Bank project – recap of the key messages

Solid timing & value proposition	• **Clear opportunity to launch** a banking operation, **addressing average-income and more conservative customers with a no-frills offer**
Retail Network already in place	• The existing **CTT Retail Network** is highly capillary and has untapped capacity, **allowing for significantly reduced marginal costs** and **high projected ROE**
Existing CTT know-how	• CTT already has an **extensive experience in** a broad range of **financial services**
Focus on return on investment	• **Break-even point projected in year 3**. It is expected **regulatory capital injections to stop at year 5 (total of €100m)** and **to distribute dividend from year 6 onwards**
Conservative & low risk appetite	• **Balance Sheet risk is reduced** as the **main asset product** (not exceeding 50% of total assets) **will be conservative Loan-to-Value mortgages**
High solvency & liquidity	• Liquidity coverage, Net stable funding and Core Tier 1 **ratios always above regulatory targets**
In line with CTT strategy already in place	• **Continuation of the existing strategy** to grow organically the FS business unit. **Time-to-market could be reduced** by acquisition of some required capabilities
CTT dividend to be preserved	• **Postal Bank** targeted to have **no impact on CTT's dividend policy**

CTT Investor Relations

Upcoming Events:

5 Nov. – Results webcast
5 Nov. – Lisbon roadshow
6 Nov. – Frankfurt roadshow
7 Nov. – Paris roadshow
10 Nov. – London roadshow
11 Nov. – Edinburgh roadshow
12 Nov. – Warsaw roadshow
2 Dec. – Credit Suisse 4th Annual European Business Services and Transport Conference, San Francisco
3 Dec. – Boston roadshow
4 Dec. – New York roadshow

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