

CTT – Correios de Portugal, S.A.

Full Year 2015 Results Presentation

*Strong year while preparing the new growth era in Financial Services:
Banco CTT*

15 March 2016



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01. Key highlights

02. Business units performance

03. 2016 Outlook

04. Appendix



Important 2015 milestones



OUTLOOK

2015 RESULTS

Growth in revenues, supported also by MoU with Altice

- Addressed mail volumes decline in the -3% / -4% range, better than the -5% initial target (1H15 upgrade)
- Double-digit volumes growth in Express & Parcels (Portugal), driven by e-commerce growth



Recurring revenues grow by 1.3%, supported by strong performance of the Mail business unit and also by MoU with Altice

- ✓ Addressed mail volumes decline 3.2% (lower bound of the range guidance)
- ✗ Single-digit overall volumes growth in Express & Parcels despite the strong double-digit growth in e-commerce volumes

Decline in like-for-like recurring costs (excluding Banco CTT project)



Like-for-like recurring costs (excluding Banco CTT project) decline by 0.8%

High single-digit growth in like-for-like recurring EBITDA (excluding Banco CTT project)



Like-for-like recurring EBITDA (excluding Banco CTT project) grows by 10.3

Total spending (capex and opex) in Banco CTT project of up to €30m



Banco CTT project spending of €23.2m (lower than target, partially related to soft opening strategy). **Cash position of CTT not affected**

Policy of stable growth of dividend

Minimum dividend of €0.47 per share (€70.5m for 150m shares outstanding) for the financial year 2015



The Board will propose a dividend of €0.47 per share (€70.5m), a 6.8% growth on a recurring basis

Solid recurring 2015 financial results despite Banco CTT project costs

Financial and operational performance

€ million, except when indicated otherwise

Financial indicators:	2014	Including Banco CTT project		Excluding Banco CTT project (like-for-like) ⁴	
		2015	Δ%	2015	Δ%
Recurring revenues ¹	717.8	727.2	+1.3%	727.2	+1.3%
Recurring operating costs ²	582.7	583.2	+0.1%	578.2	-0.8%
Recurring EBITDA ^{1,2}	135.1	144.0	+6.6%	149.0	+10.3%
Recurring net profit ³	72.5	81.6	+12.5%	85.2	+17.5%
Reported net profit	77.2	72.1	-6.6%	80.9 ⁵	+4.8%

Metric	Addressed mail (m items)	Unaddressed mail (m items)	Parcels (m items)	Savings flows (€bn) / # of ops. (m) ⁶
2015 volumes	814.7	473.4	28.5	5.3 / 536.3
2015 vs. 2014	-3.2%	-6.7%	+3.2%	-20.5% / -7.5%

¹ Excluding non-recurring revenues of €1.0m in 2014.

² Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

³ Considers the nominal tax rate of CTT.

⁴ Excluding Banco CTT business unit costs and Banco CTT project costs booked in the Financial Services business unit.

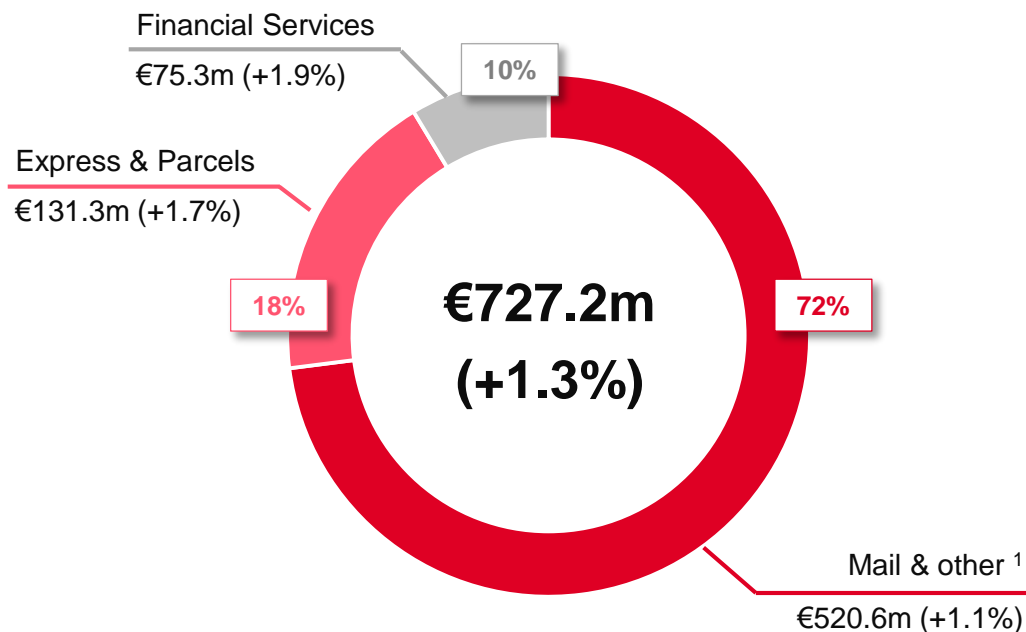
⁵ Considers the corporate tax rate of Banco CTT and the effective tax rate of the year at CTT.

⁶ Amount of savings & insurance placements and redemptions / Number of savings & insurance placements and redemptions operations.

Diversified portfolio supports growth with positive impact from all businesses

2015 recurring revenues

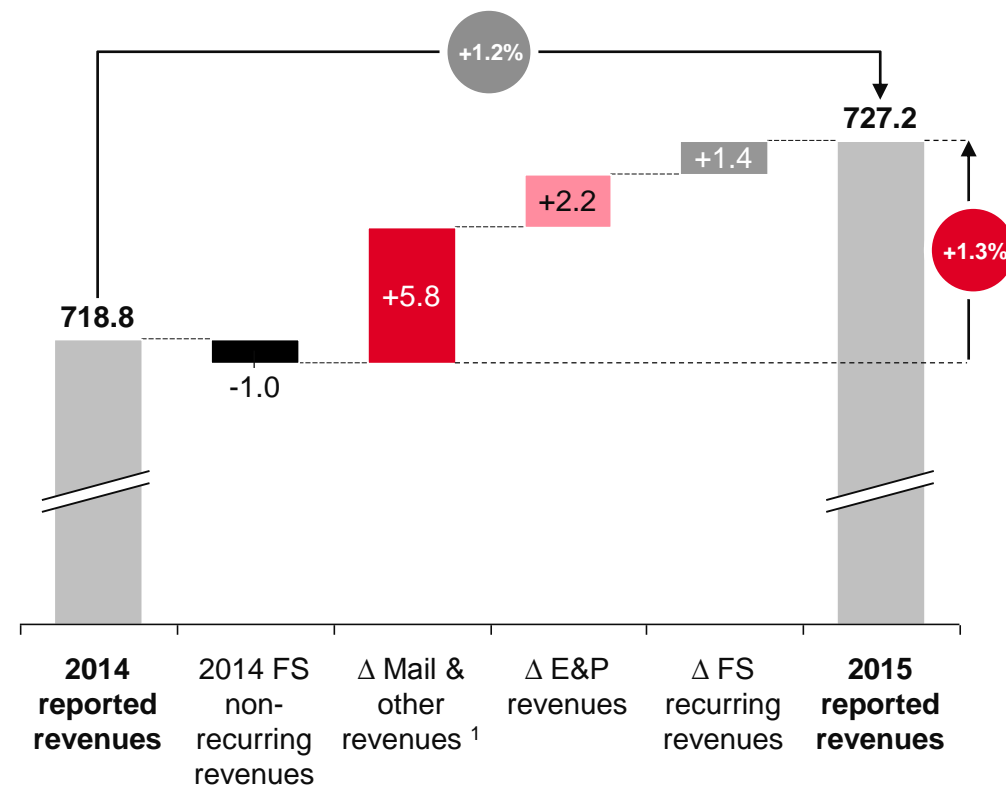
€ million; % change vs. prior year; % of total



X% % of total

Revenues breakdown

€ million



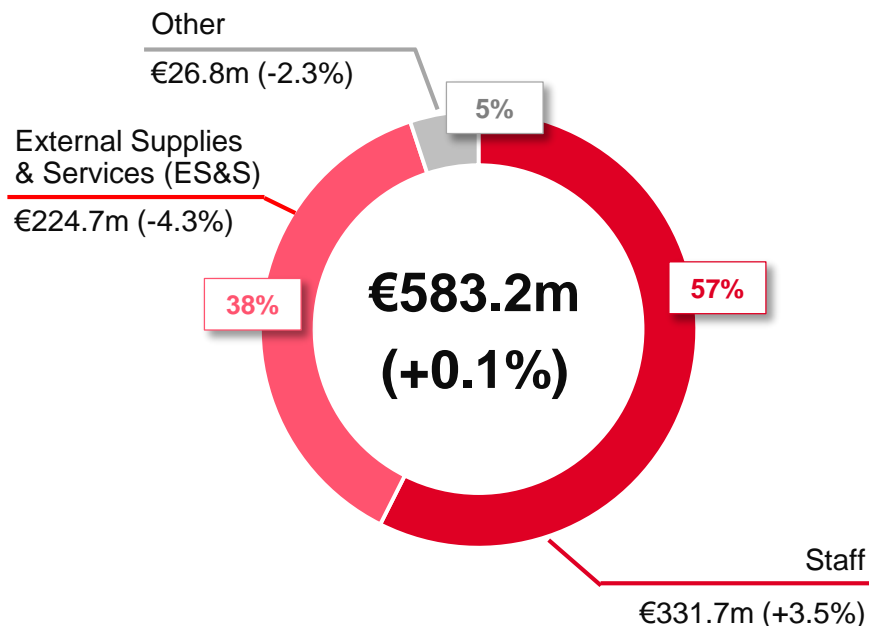
- **Mail positively impacted by lower than expected addressed mail volumes decline, growth in advertising mail and other revenues, and revenues from Express & Parcels network integration (+€2.8m)**
- **E&P benefits from volumes growth in Portugal and Mozambique and growth in other revenues**
- **FS supported by growth in savings & insurance revenues (+€2.4m), outstanding stock fees and other revenues**

¹ Including income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.3m in 2014 and -€34.0m in 2015.

Recurring costs remain flat despite recurring variable remuneration and Banco CTT project

2015 recurring operating costs ¹

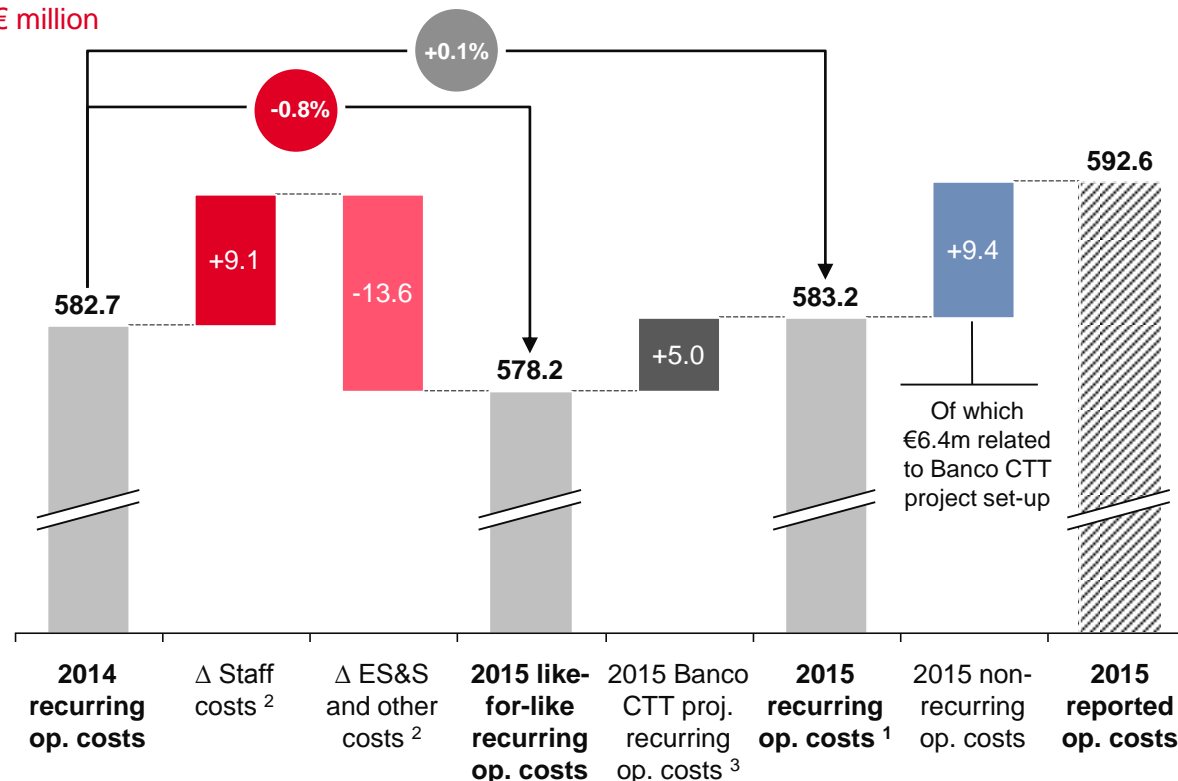
€ million; % change vs. prior year; % of total



X% % of total

Operating costs breakdown

€ million



- Staff costs increase mainly due to the reintroduction of the variable remuneration as a recurring cost (+€9.7m) and the increase in the fixed salaries (+€3.9m), partly offset by lower healthcare costs (-€3.9m) as a result of the revision of the healthcare plan
- ES&S costs decrease mainly due to lower outsourcing costs as a result of the revised IT and communication services contracts (-€14.7m) and also the partial impact of Mail and E&P networks integration

¹ Excluding amortisation, depreciation, provisions, impairment losses and non-recurring costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

² Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

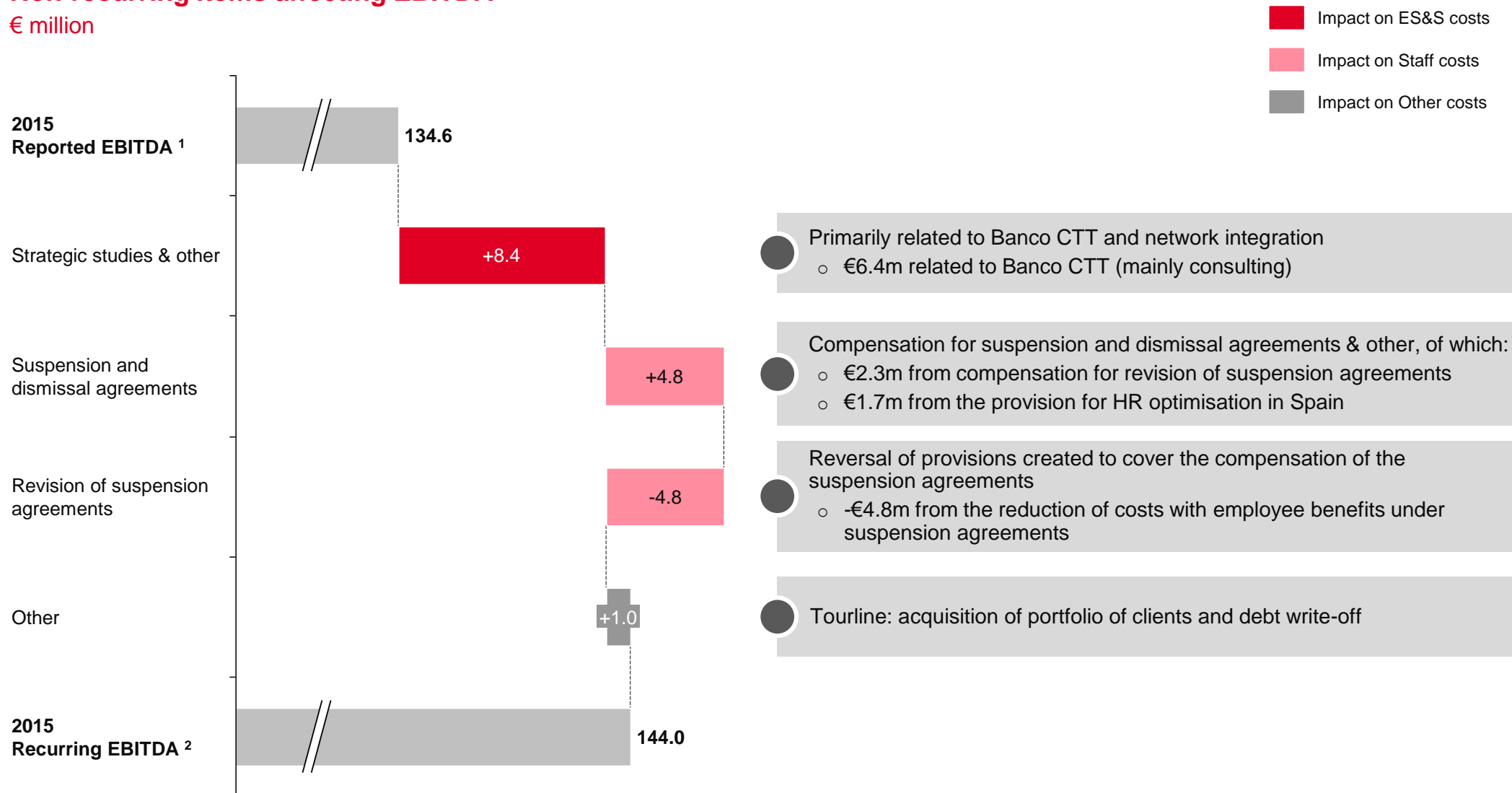
³ Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).

The majority of the 2015 non-recurring costs are associated with the Banco CTT set-up



Non-recurring items affecting EBITDA

€ million



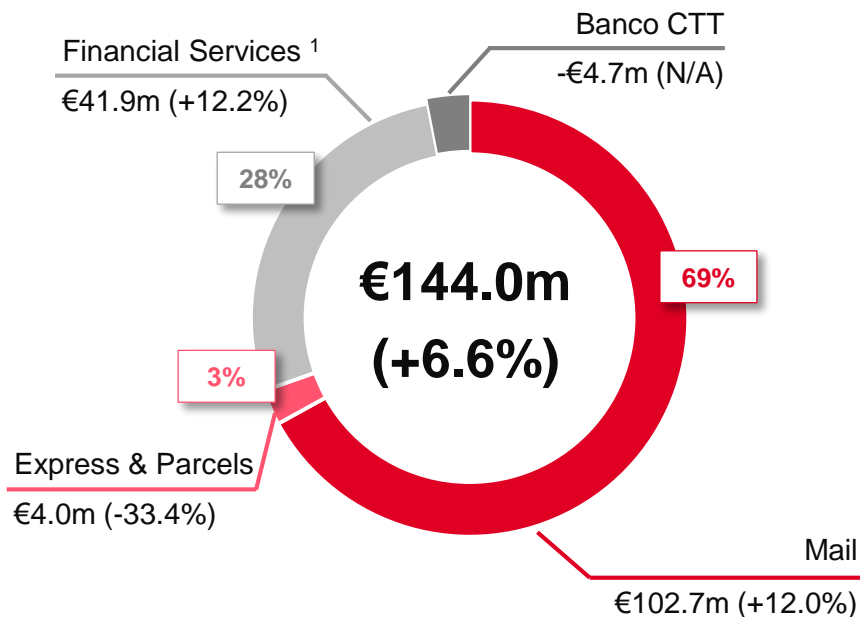
¹ Excluding amortisation, depreciation, provisions and impairment losses.

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

Recurring EBITDA grows by 6.6% to €144.0m, driven mainly by efficiency projects

2015 recurring EBITDA

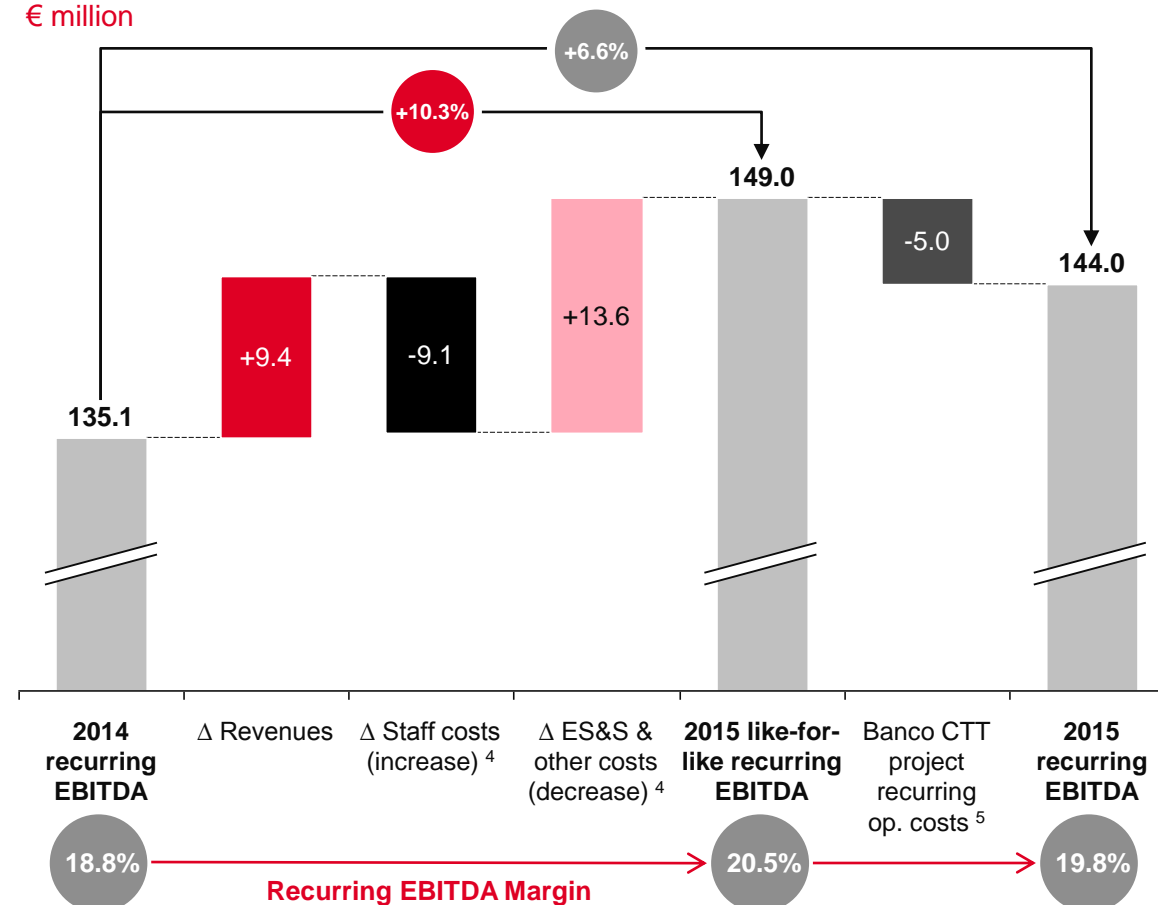
€ million; % change vs. prior year; % of total



X% % of total ²

Recurring EBITDA ³ breakdown

€ million



Recurring EBITDA grows by 10.3% on a like-for-like basis

¹ Including €0.4m Banco CTT project recurring operating costs booked in the Financial Services business unit.

² Excluding -€4.7m Banco CTT recurring EBITDA.

³ Excluding total non-recurring revenues of €1.0m in 2014 and non-recurring operating costs affecting EBITDA of -€59.5m in 2014 and €9.4m in 2015, €6.4m of the latter related to Banco CTT project set-up costs.

⁴ Excluding Banco CTT project recurring op. costs: €5.0m in 2015 (€4.7m booked in the Banco CTT business unit and €0.4m in the FS business unit), of which €2.3m staff costs and €2.8m ES&S costs and other costs.

⁵ Booked in the Banco CTT business unit (€4.7m) and in the Financial Services business unit (€0.4m).

Cash flow generation supports higher capex and dividend payments

Cash flow

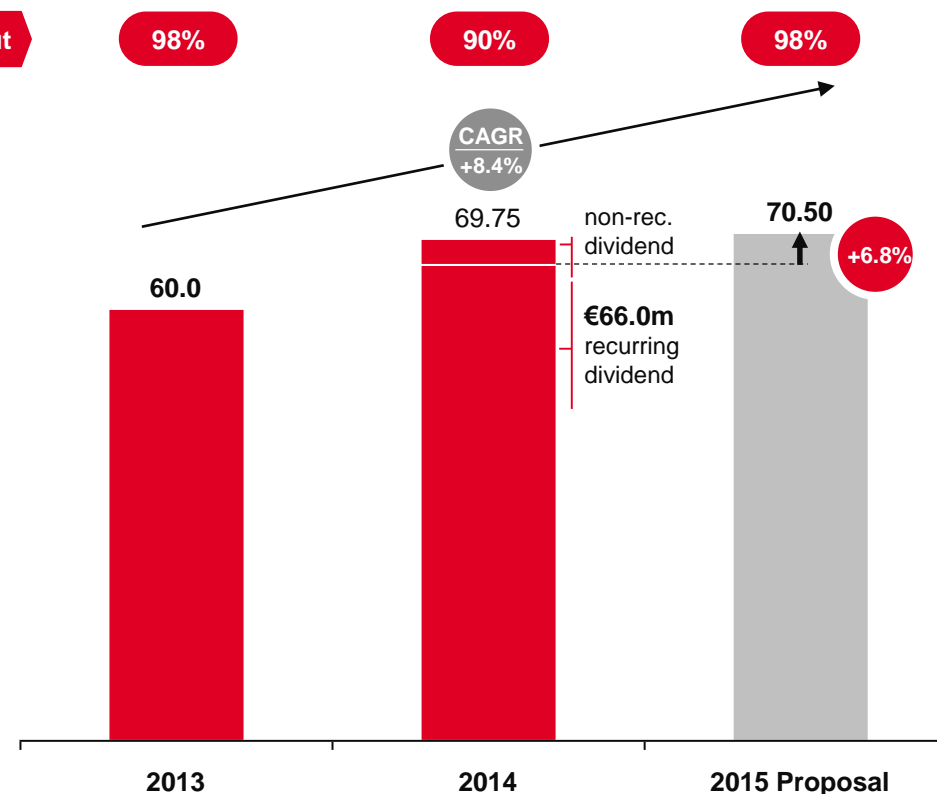
€ million

	Reported		Adjusted ¹	
	2015	Δ %	2015	Δ%
From operating activities	32.8	-82%	93.9	-7%
From investing activities	-25.5	-577%	-25.5	-577%
Of which: Capex payments ²	-28.4	-277%	-28.4	-277%
Operating free cash flow	7.3	-96%	68.3	-36%
From financing activities	-68.2	-7%	-68.2	-7%
Of which: Dividends	-69.8	-16%	-69.8	-16%
Net change in cash ³	-60.9	-151%	0.1	-100%
Cash at end of period	603.6	-9%	279.0	0%

Dividend

€ million

Payout



Dividend not affected by Banco CTT launch, as committed

The Board will propose a dividend of €70.5m (€0.47 per share), a 6.8% increase vs. the prior year recurring dividend base

¹ Cash flow from operating activities excluding increase in Net Financial Services payables of €77.6m (2014) and decrease of €61.0m (2015). Cash at end of period excluding Net Financial Services payables of €385.7m (2014) and €324.7m (2015).

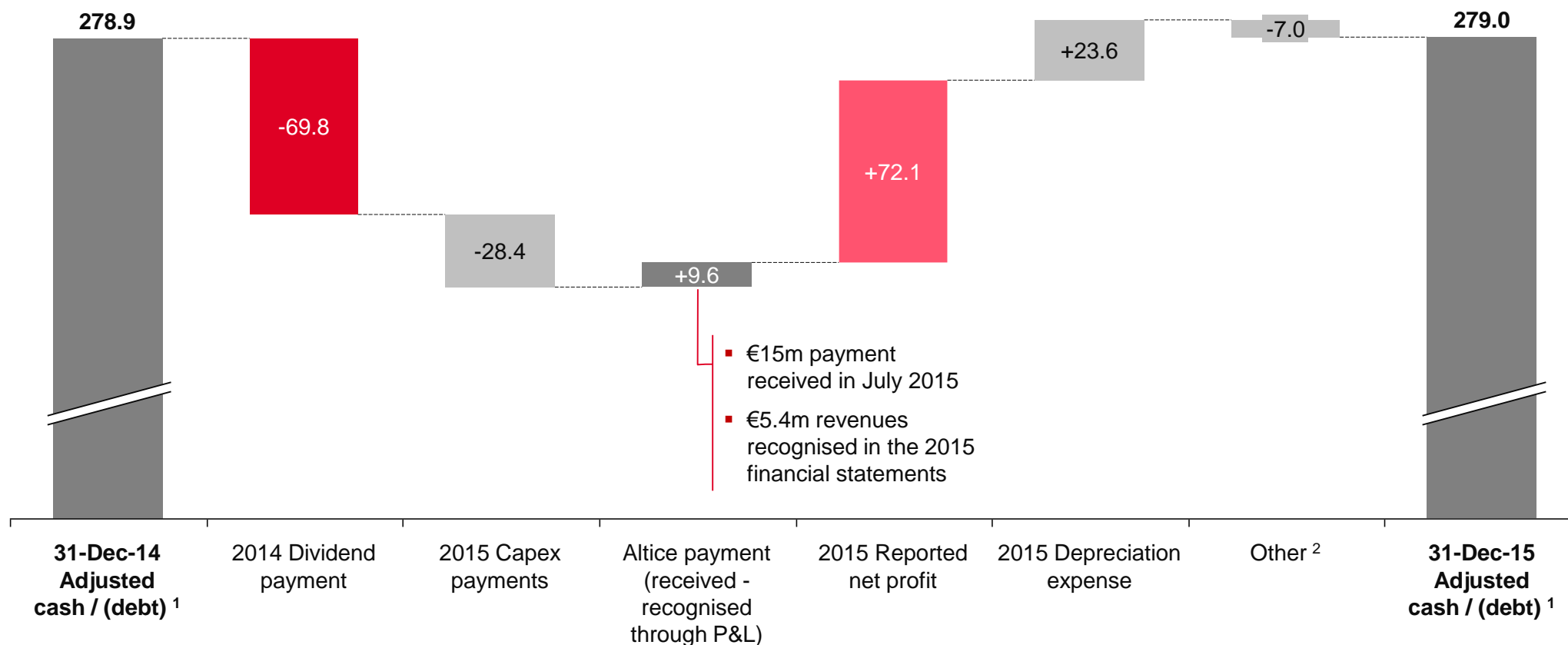
² Capex payments presented in table. 2015 capex was €32.3m, 95% above that of 2014 (€16.6m).

³ Including -€0.7m change in consolidation perimeter in 2014.

Strong cash position maintained in a year of high investment

Adjusted cash at the end of the period ¹

€ million



High cash flow generation enables CTT to keep its strong cash position stable in a year of relevant investment in preparation of the launch of Banco CTT

¹ Cash and cash equivalents excluding net Financial Services payables of €385.7m (Dec-14) and €324.7m (Dec-15).

² Includes €5.3m of P&L tax benefits (VAT) to be recovered in 2016.

€ million; % change vs. Dec-14



¹ Including Financial Services receivables of €12.4m and €6.4m as at Dec-14 and Dec-15, respectively.

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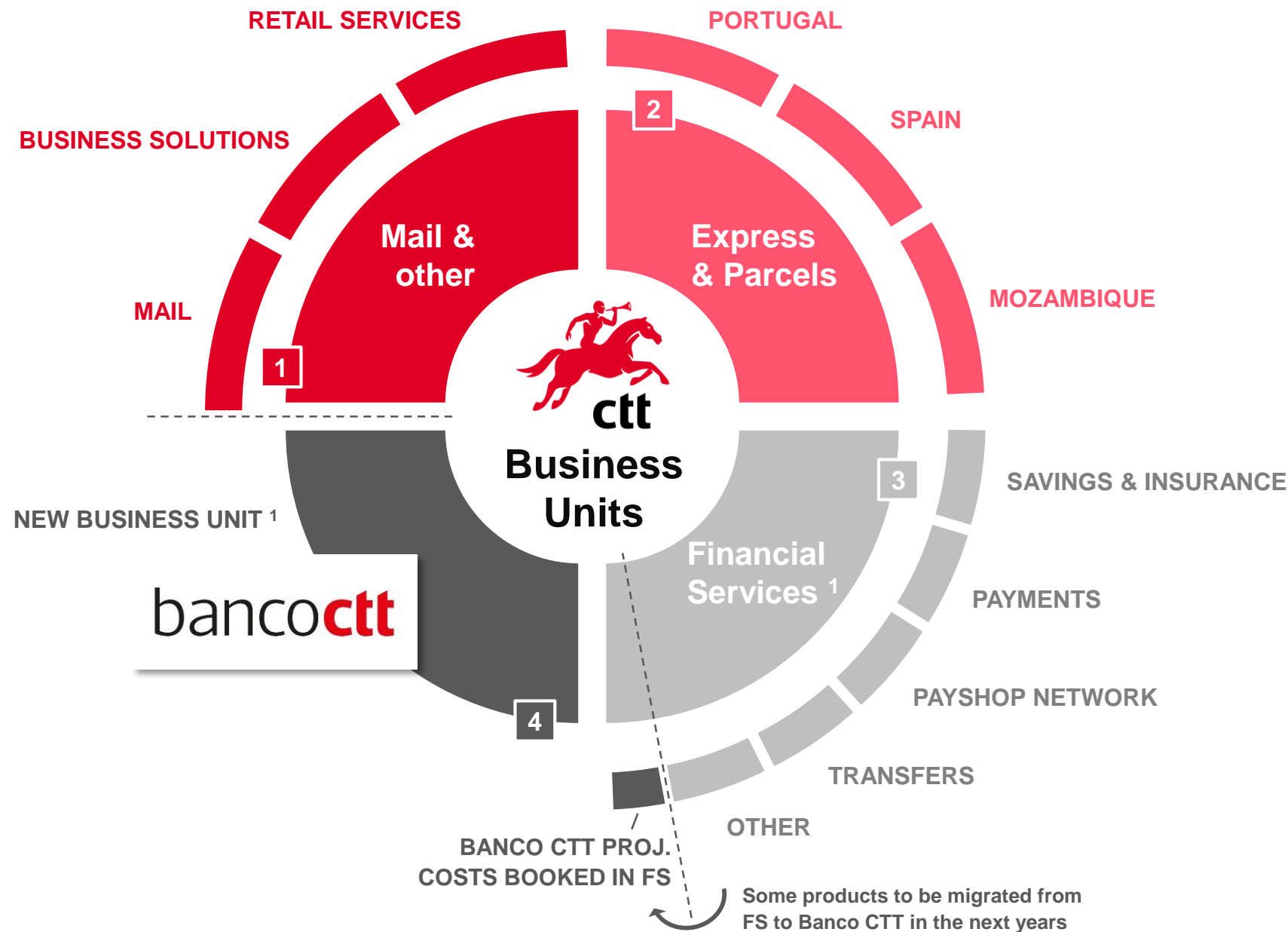
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New business unit created – Banco CTT

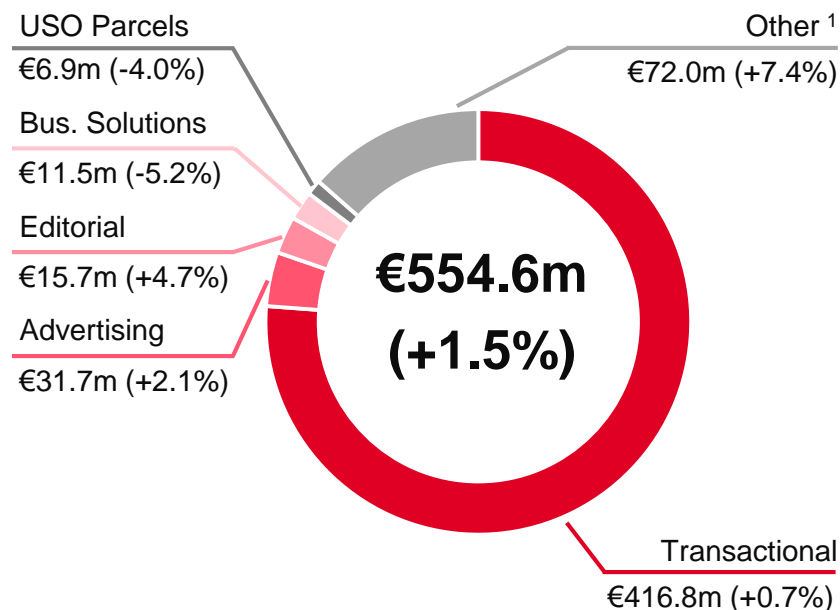


¹ Banco CTT costs in 2015 are booked partly in the new Banco CTT business unit and partly in the Financial Service business unit.

1 Mail benefits from lower volumes decline and growth in advertising & other revenues

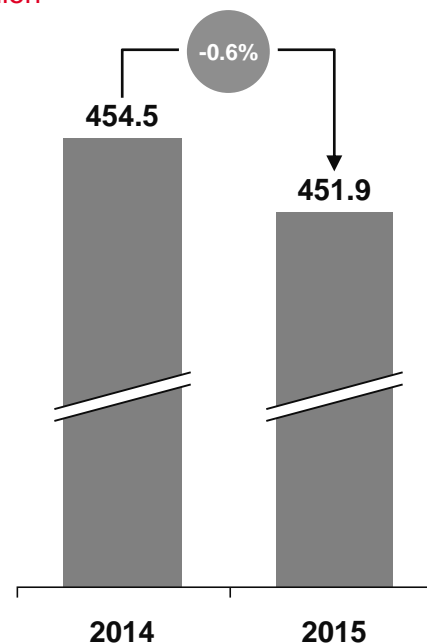
2015 Mail revenues by type

€ million, % change vs. prior year



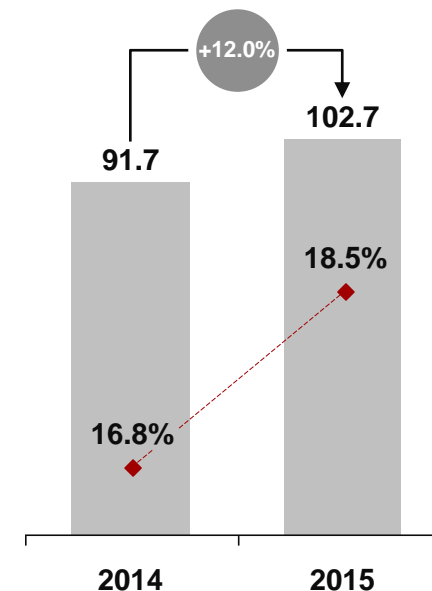
Recurring operating costs²

€ 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
2015 volumes ³	N/A	814.7	688.3	80.2	46.2	473.4
2015 vs. 2014	+4.1%	-3.2%	-4.1%	+6.0%	-2.9%	-6.7%

¹ Including +€2.8m of revenues that result from the network integration with CTT Expresso, +€1.8m from the MoU with Altice and +€3.6m from the improvements made in the VAT deduction methodology procedures in 2015.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring operating cost in 2015.

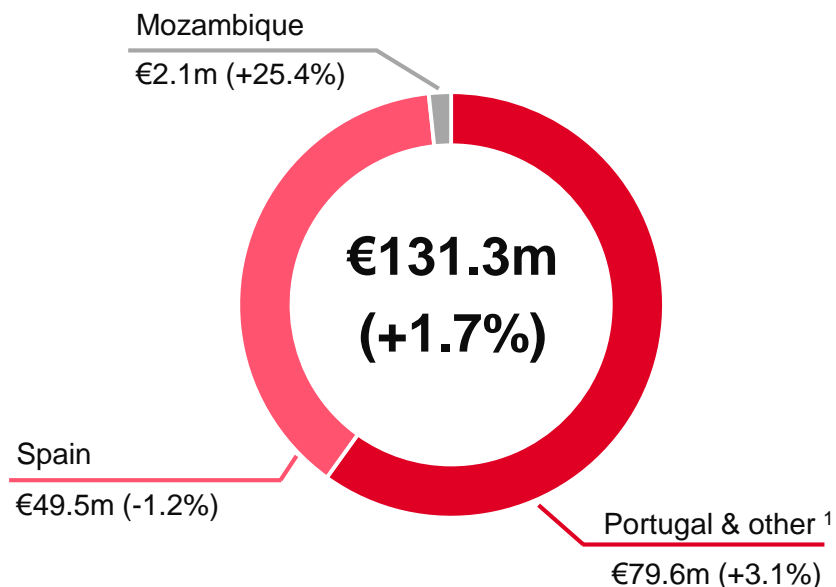
³ Million items.

⁴ USO, excluding international inbound mail.

2 Tourline restructuring overshadows the double-digit profitability in Portugal

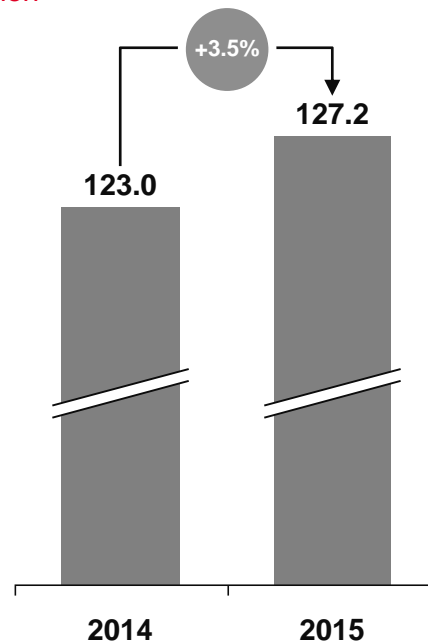
2015 E&P revenues by region

€ million, % change vs. prior year



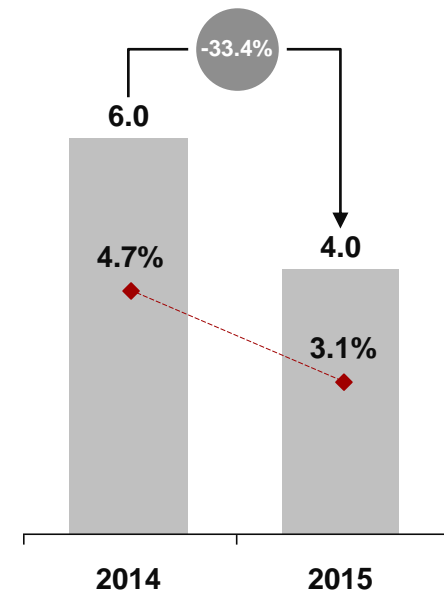
Recurring operating costs ²

€ million



Recurring EBITDA ²

€ million



Operating costs

EBITDA Margin EBITDA

E&P volumes by region

Metric	Total	Portugal	Spain	Mozambique
2015 volumes ³	28.5	14.4	14.0	0.1
2015 vs. 2014	+3.2%	+4.8%	+2.3%	N/A ⁴

¹ Including internal and other revenues, and internal transactions with Spain and Mozambique. Including +€1.8m from the MoU with Altice in 2015.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

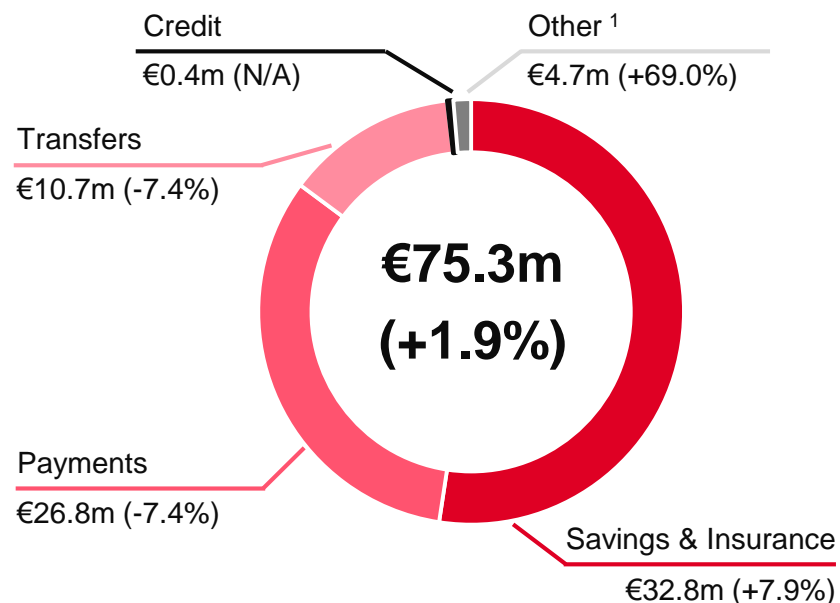
³ Million items.

⁴ Change in methodology, comparison to 2014 not meaningful.

3 Financial Services benefits from growth in revenues and lower sales incentives

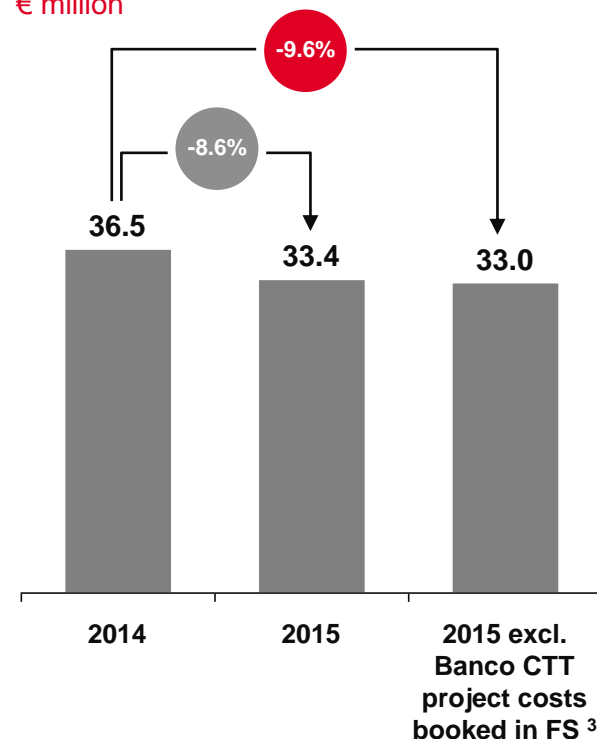
2015 FS recurring revenues by type

€ million, % change vs. prior year



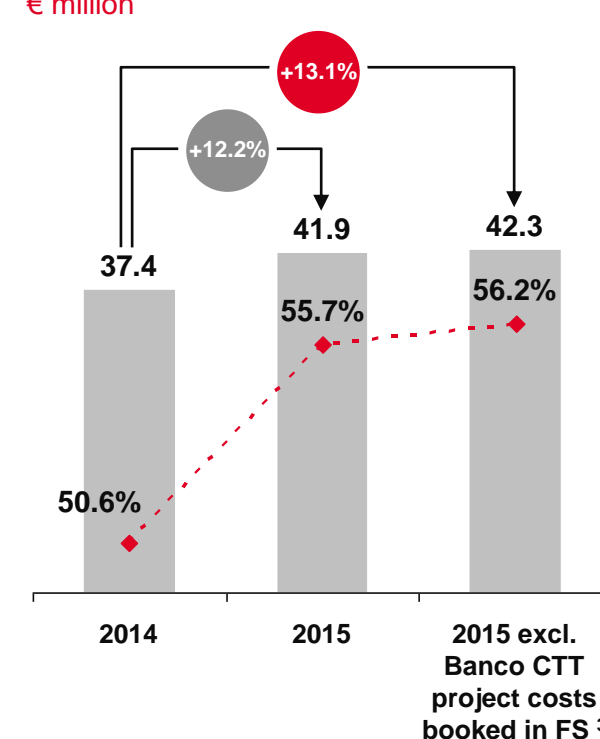
Recurring operating costs ²

€ million



Recurring EBITDA ²

€ million



FS volumes by type

Metric	Savings flows / # of ops. ⁴	Payments ⁵	Money orders & transfers ⁵	Credit ⁶
2015 volumes	5.3 / 536.3	61.5	19.4	8.3
2015 vs. 2014	-20.5% / -7.5%	-8.2%	-1.4%	N/A

¹ Includes +€1.8m from the MoU with Altice and +€1.8m from the improvements made in the VAT deduction methodology procedures in 2015.

² Excluding amortisation, depreciation, provisions, impairment losses & non-recurring costs. Including variable remuneration as recurring cost in 2015.

³ €0.4m Banco CTT project op. costs booked in the Financial Services business unit (the remaining €4.7m Banco CTT project recurring operating costs are booked in Banco CTT business unit).

⁴ Amount of savings & insurance products placements and redemptions (€ billion) – €4.3bn of placements and €1.0bn of redemptions in 2015 / # of savings & insurance products placements and redemptions ops. (million).

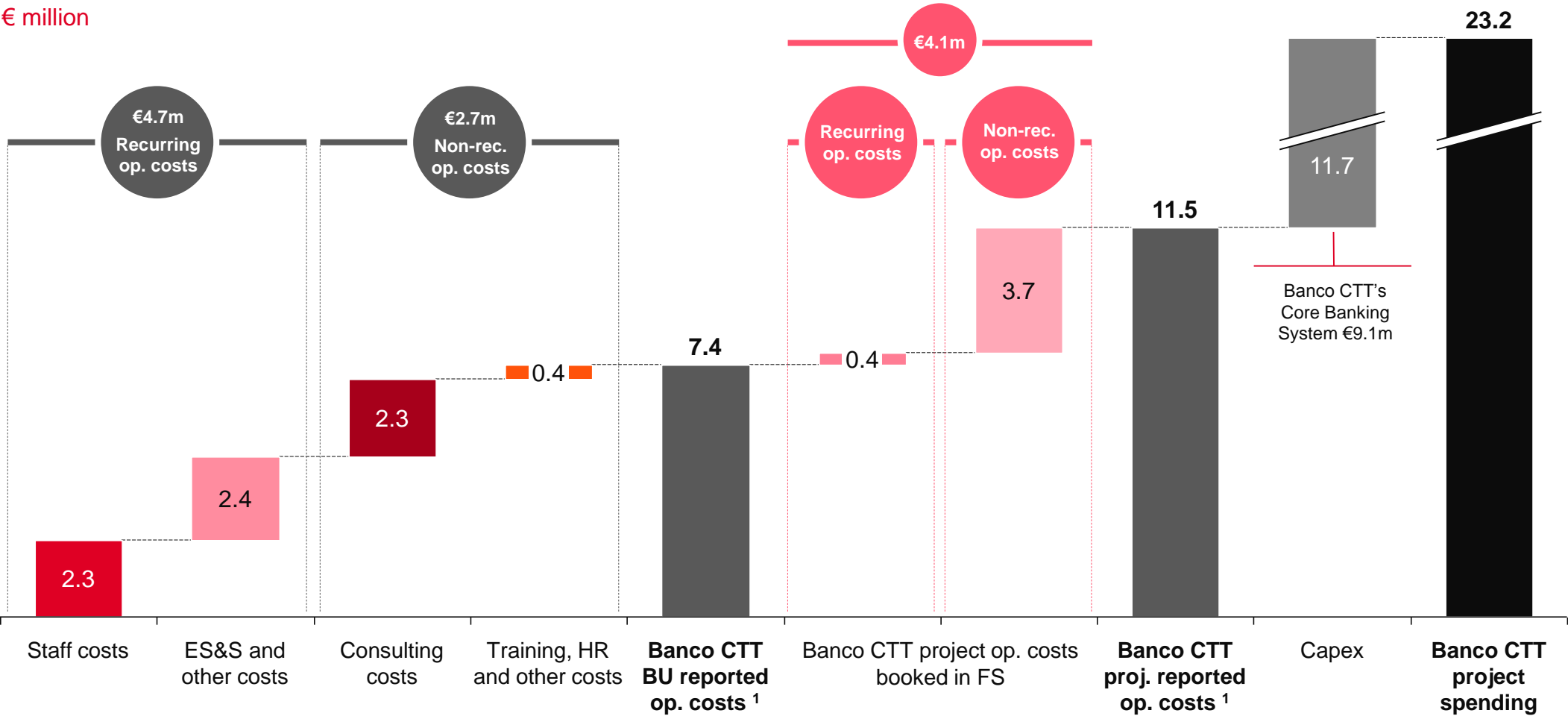
⁵ Million operations.

⁶ € million, new credit production, including consumer credit & credit cards.



4 Banco CTT project spending remained within the €30m target

2015 Banco CTT project operating costs ¹ and spending
€ million



Due to soft opening in 2015, the kick-off media campaign will occur in 2016
Opening on 18 March

¹ Excluding amortisation, depreciation, provisions and impairment losses.

01. Key highlights

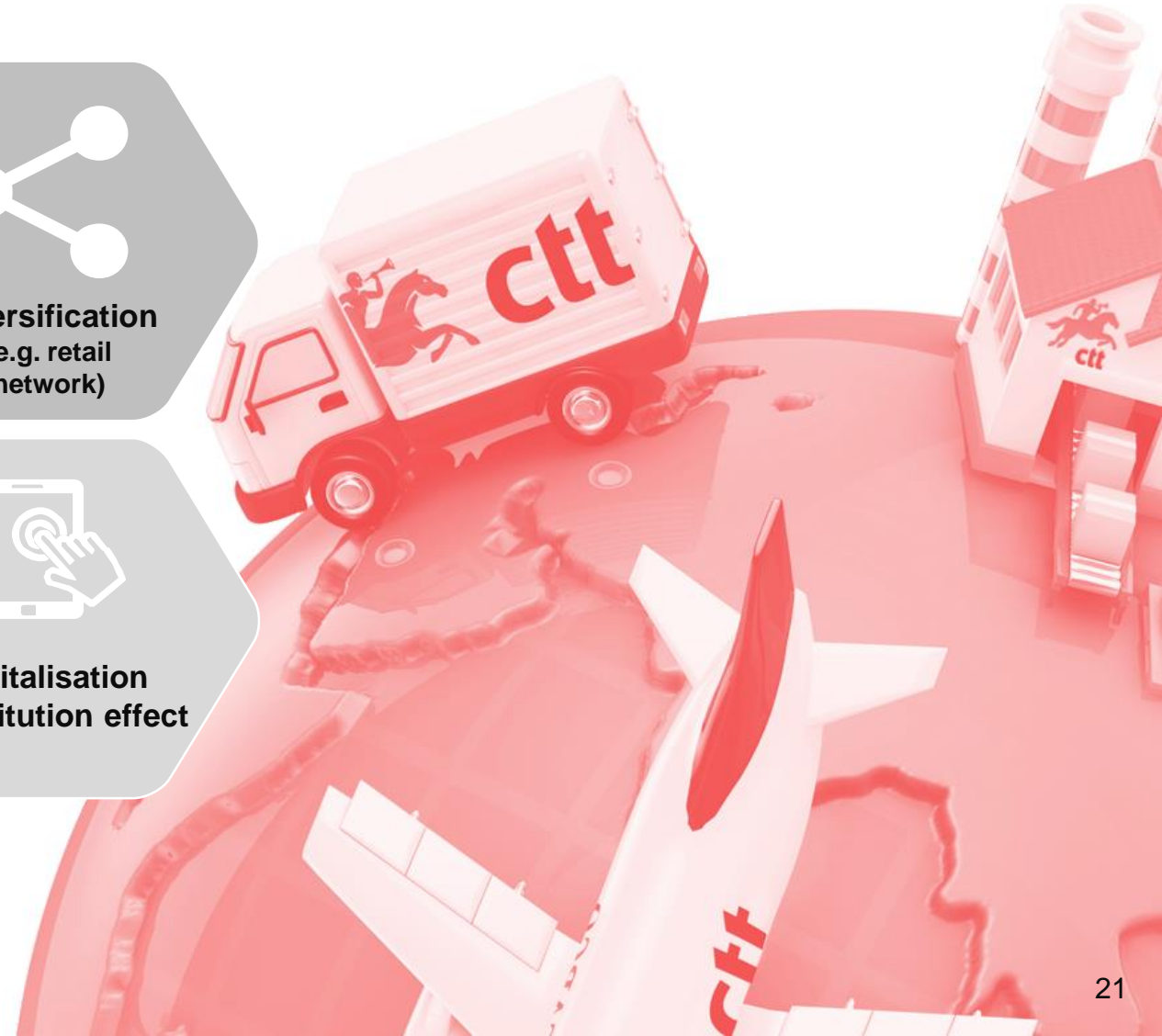
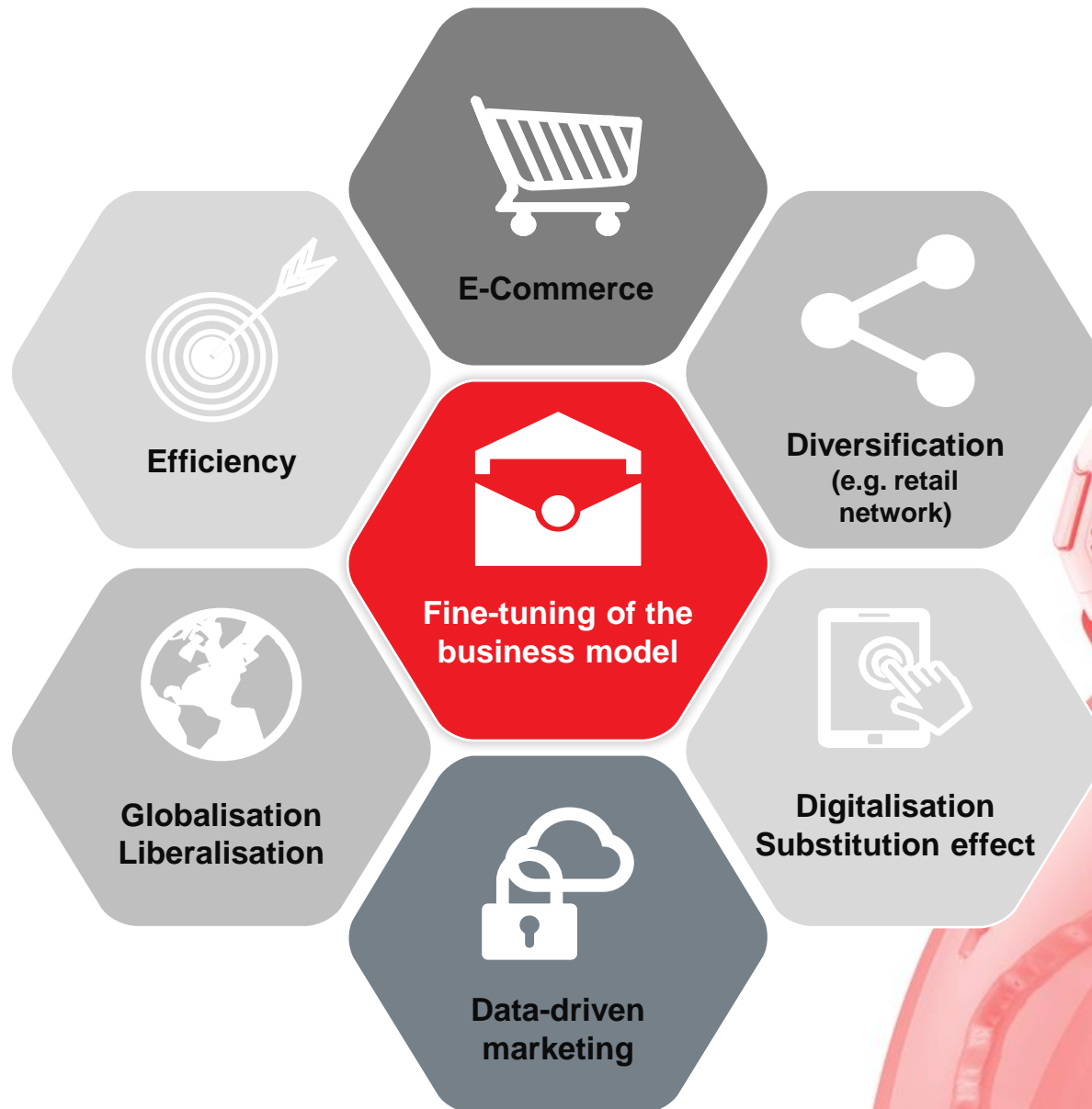
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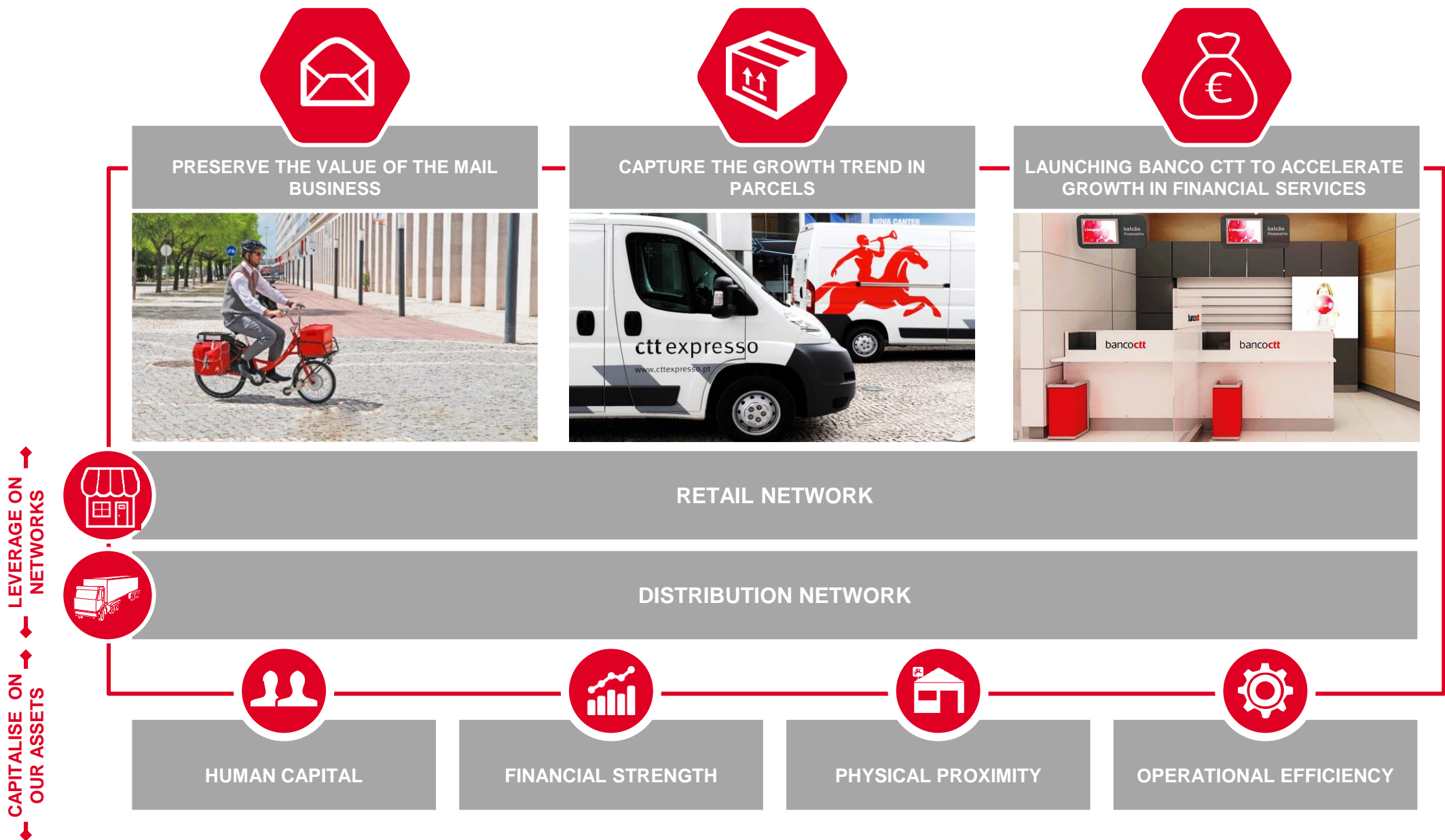
04. Appendix



The industry transformation trends are expected to continue to impact CTT in 2016



CTT continues to have a well-defined strategy leveraging on its competitive skills and advantages



Revenues & volumes



- **Growth in revenues**, supported by Banco CTT launch:
 - **Decline in addressed mail volumes [-3% / -5%]**, dependent of the growth of GDP
 - **Banco CTT 2016 focus to be on customer acquisitions** (account openings)
 - **Banco CTT launch with marginal incremental revenues in 2016** to support growth

Operating costs



- **Recurring costs (excluding Banco CTT) to reduce:**
 - **Full benefit of network integration and optimisation, new IT infrastructure and HR initiatives**
 - **Additional efficiency measures under development**
- **Operating costs to be impacted by Banco CTT** (~€20m recurring costs and ~€8m non-rec. costs)

Earnings & dividend



- **Recurring EBITDA (excluding Banco CTT) to grow by mid-single digits**, positively impacted by optimisation measures implemented
- **Stable growth of dividend** supported by strong cash flow generation linked to Balance Sheet optimisation measures
- **Capex of ~€40m, ~€20m of which related to Banco CTT**

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Non-recurring items affecting the results

Non-recurring items

€ million

	2014	2015	Δ (€m)
Reported EBITDA	195.6	134.6	-61.1
Non-recurring items affecting EBITDA	-60.5	9.4	69.9
Revenues	-1.0	0.0	1.0
Staff costs	-62.4	0.0	62.4
ES&S & other op. costs	2.9	9.4	6.5
Recurring EBITDA	135.1	144.0	8.9
Banco CTT project set-up costs: €6.4m Tourline debt write-off: €1.0m			
Reported EBIT	135.4	109.9	-25.5
Non-recurring costs affecting only EBIT	36.6	0.4	-36.2
Provisions (net movement)	11.6	0.0	-11.6
<i>Labour contingencies</i>	4.9	-0.5	-5.4
<i>Onerous contracts</i>	6.7	0.5	-6.2
Impairment of investments	-0.2	-0.2	0.0
Restructuring for network optimisation	6.3	1.2	-5.1
Goodwill and investment impairment	18.9	-0.6	-19.5
Non-recurring items affecting EBITDA & EBIT	-23.9	9.8	33.7
Recurring EBIT	111.5	119.8	8.2

CTT Investor Relations

Upcoming Events:

- 17 Mar. – **London** – roadshow with BPI
- 21 Mar. – **Edinburgh** – roadshow with Jefferies
- 31 Mar. – **Madrid** – roadshow with Haitong
- 6 Apr. – **London** – Barclays Select Series Leisure and Transp. Corp. Day
- 7 Apr. – **Paris** - 29th ESN European Conference with Caixa BI
- 11 Apr. – **New York** – roadshow with JP Morgan
- 12 Apr. – **Boston** – roadshow with Investec

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