CTT – Correios de Portugal, S.A.
Public Company
Avenida D. João II, nº 13
1999-001 LISBON
Share capital EUR 75,000,000.00
Lisbon commercial registry and fiscal no. 500 077 568

CTT – CORREIOS DE PORTUGAL, S.A.
PUBLIC COMPANY

FULL YEAR 2014 CONSOLIDATED RESULTS

A YEAR WITH AN EXCELLENT PERFORMANCE, SOLID GROWTH OF EBITDA AND NET PROFIT DRIVEN BY GROWTH IN REVENUES (FOR THE FIRST TIME IN 6 YEARS) AND COST CONTROL THAT ENABLES A STRONG INCREASE IN THE PROPOSED DIVIDEND AND COMPENSATION TO STAFF THROUGH THE REINTRODUCTION OF VARIABLE REMUNERATION AND ELIMINATION OF SALARY REDUCTIONS AFTER THE PRIVATISATION. ALSO A VERY RELEVANT YEAR FOR THE CONCLUSION OF THE PRIVATISATION, THE IMPLEMENTATION OF STRUCTURAL CHANGES TO MAXIMISE THE COMPANY'S EFFICIENCY, FLEXIBILITY AND SUSTAINABILITY, AND FOR THE IMPORTANT PROJECTS LAUNCHED IN THE POSTAL BANK AND EXPRESS & PARCELS

- **Strong growth in recurring EBITDA[1] to €135.1m (+9.9%) and in Net profit to €77.2m (+26.5% vis-à-vis €61.0m in 2013).**
- **Relevant slowdown in the decline of addressed mail volumes to -5.7% (-7.0% in the 1st semester and -6.1% in the first 9 months 2014), in line with company estimates.**
- **Total revenues grow[2] by 2.4%, reversing 5 years of decline:**
  - **Mail revenues reverse historic trend and grow by 0.8%[2], as a result of the slower decline of addressed mail volumes to -5.7% and the 4.1 % average price increase of the Universal Postal Service;**
  - **Financial Services consolidate their offer and market position, achieving a strong 21.4% growth in recurring revenues, consolidating as a fundamental overall growth lever for CTT;**
  - **Express & Parcels revenues fall only marginally by -0.4%, despite 9.0% volume growth, due to the product mix, as growth is occurring mainly in the B2C segment.**
- **Operating costs[3] grow only by 0.1% despite growth in the Express & Parcels and Financial Services activities, as a result of economies of scale and leveraging of installed capacity.**
- **Transformation Programme initiatives under implementation as planned, with favourable impact on EBITDA.**
- **Positive evolution of the human resources policies, with increased flexibility and efficiency, implementation of salary reviews and the reintroduction of variable remuneration depending on the performance, including the signing of the new Company Agreement.**
- **Very important structural transformation was achieved with the revision of the Healthcare Benefits Plan, resulting in a better balance of the share of payments to be borne by the company and the beneficiaries, thus reducing the costs and the future responsibilities for CTT.**

✓ Recurring EBITDA[1] grows by 9.9% to €135.1m, with Mail contributing 68%, Financial Services 28% and Express & Parcels 4%.

✓ Recurring revenues of €717.8m reverse the 5-year declining trend and grow by 2.4%[2] vis-à-vis 2013.

✓ Progress of reorganisation initiatives in Express & Parcels in Portugal and Spain and plans to continue this programme in 2015.

[1] Before non-recurring revenues and costs.
[2] Rate of change of the recurring revenues relative to the full year 2013 pro-forma where EAD was excluded from the consolidation.
[3] Excluding impairments, provisions and depreciation, and non-recurring costs.

- ✓ 2.1% year-on-year reduction in the number of staff (to 12,120), due to non-replacement of retiring permanent employees and non-renewal of fixed-term contracts made possible as a result of the Transformation Programme implemented in 2013 and 2014.
- ✓ Strong levels of financial standing preserved and liquidity levels grow as a result of the ongoing working capital optimisation and Financial Services business growth.
- ✓ Quality and customer satisfaction maintained at high levels.

1. Operating Activity

Business Units Performance

Mail

The decrease in addressed mail volumes in 2014 was -5.7%, having slowed down in the 4th quarter of 2014 vis-à-vis the same period of 2013 (-4.5%) when compared to the first nine months of the year (-6.1%).

Mail Volumes

Million items

	Jan-Sep 2014	Jan-Sep 2013	∆%	4Q14	4Q13	∆%	2014	2013	∆%
Transactional Mail	541.8	569.5	-4.9%	176.2	187.0	-5.8%	718.0	756.5	-5.1%
Editorial Mail	35.2	35.9	-1.9%	12.4	13.4	-7.7%	47.6	49.3	-3.5%
Advertising Mail	54.0	66.7	-19.0%	21.6	19.8	9.3%	75.7	86.5	-12.6%
Addressed Mail	**631.1**	**672.1**	**-6.1%**	**210.2**	**220.2**	**-4.5%**	**841.3**	**892.3**	**-5.7%**
Unaddressed Mail	**370.4**	**390.0**	**-5.0%**	**137.2**	**138.7**	**-1.0%**	**507.7**	**528.7**	**-4.0%**

The rate of decline of transactional mail volumes reached -5.1% in the full year, while at the end of the first nine months of 2014 it was -4.9% and -5.8% in the 4th quarter. This evolution is the result of changes in the volumes of ordinary mail (-5.8% for the full year; -6.7% in the 4th quarter), priority mail (-1.7%; +0.2%), registered mail (-1.7%; +1.1%), international mail (-2.8%; -7.4%), due to outbound mail (-7.8%; -10.6%), and “green mail” / *correio verde* (-3.9%; -2.8%). International inbound mail grew by 2.8% in 2014 (-4.3% in the 4th quarter). It should be noted that there was a positive evolution in the volumes of mail with higher postage rates which resulted in an increase in the average unit revenue above the average price increase of 4.1%.

Editorial mail decreased in the 4th quarter of 2014 (-3.5% for the full year; -7.7% in the 4th quarter), while addressed (-12.6%; +9.3%) and unaddressed (-4.0%; -1.0%) advertising mail recovered in the same period due to the evolution of the advertising market and to a focused additional commercial effort by the company. The comparison to last year for unaddressed advertising mail volumes was affected by the local elections in 2013, which always influence positively this type of mail.

Mail Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	FY 2014	FY 2013	∆%	FY 2014	FY 2013	∆%
Revenues	**546.2**	**546.0**	**0.0%**	**546.2**	**546.0**	**0.0%**
Sales and services rendered	510.1	510.4	-0.1%	510.1	510.4	-0.1%
Other operating income	18.8	17.8	5.4%	18.8	17.8	5.4%
Intragroup revenues	17.3	17.8	-2.6%	17.3	17.8	-2.6%
Operating costs (*)	**395.2**	**458.6**	**-13.8%**	**454.5**	**459.1**	**-1.0%**
External supplies and services	105.0	108.5	-3.2%	105.0	108.5	-3.2%
Staff costs	238.8	240.4	-0.7%	236.9	239.7	-1.2%
Other costs	20.0	22.5	-11.0%	20.0	22.5	-11.0%
Intragroup costs	31.4	87.2	-64.0%	92.6	88.5	4.7%
EBITDA	**151.0**	**87.4**	**72.8%**	**91.7**	**86.9**	**5.5%**
EBITDA MARGIN	**27.6%**	**16.0%**	**11.6 p.p.**	**16.8%**	**15.9%**	**0.9 p.p.**

(*) Excluding depreciation / amortisation, impairments and provisions.

The pricing and discounts policy pursued allowed to mitigate the effects of addressed mail volume decline (-5.7%) in the revenues of the Mail business unit, which grew by 1% taking into account in 2013 adjustments of €4.2m relative to revenues of the former subsidiary EAD which in 2014 is no longer consolidated as a consequence of the sale of the stake CTT held in its capital. The comparison of the financial years without correcting the effect of this change in the consolidation scope shows that revenues stabilised at almost the same level as the previous year.

The changes in the prices of Universal Service products implemented during the 1st half of 2014 (on 1 January for bulk mail, 7 April for the remaining services and 1 June for editorial mail) resulted in a 4.1% average overall price increase in the full year 2014 vs. the full year 2013. The revision of the pricing and the policy of discounts led to more demanding conditions for clients in terms of a more accurate pre-sorting level and stricter payment deadlines to encourage more efficient behaviours, which lead some large customers to lose some discounts. This effect will decrease in the future as the customers adapt to the new conditions.

The Transformation Programme measures implemented throughout 2013 and 2014, which for this business unit are related to the optimisation and rationalisation of operations and delivery and the Retail Network, resulted in a 1% reduction (-€4.6m) in the annual recurring operating costs and, together with the stabilisation in revenues (even before adjustments relative to the EAD sale), led to a 0.9 p.p. increase in the recurring EBITDA margin of this business unit, to 16.8%.

Express & Parcels

Express & Parcels volumes grew by 9.0% in 2014 and revenues decreased by 0.4% to €129.0m.

Express & Parcels Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	FY 2014	FY 2013	Δ%	FY 2014	FY 2013	Δ%
Revenues	**129.0**	**129.5**	**-0.4%**	**129.0**	**129.5**	**-0.4%**
Sales and services rendered	126.9	128.0	-0.8%	126.9	128.0	-0.8%
Other operating income	2.1	1.6	34.3%	2.1	1.6	34.3%
Operating costs (*)	**123.2**	**122.2**	**0.9%**	**123.0**	**120.9**	**1.7%**
External supplies and services	97.0	96.5	0.5%	97.0	96.1	0.9%
Staff costs	23.8	23.4	1.4%	23.6	22.9	2.8%
Other costs	2.5	2.2	10.1%	2.4	1.8	34.4%
EBITDA	**5.8**	**7.4**	**-21.0%**	**6.0**	**8.7**	**-30.2%**
EBITDA MARGIN	**4.5%**	**5.7%**	**-1.2 p.p.**	**4.7%**	**6.7%**	**-2.0 p.p.**

(*) Excluding depreciation / amortisation, impairments and provisions.

In 2014, CTT handled 13.8 million items in Portugal (+13.4% vs. last year) and maintains the lead in the domestic market (source: “Report Postal Services – Statistical Information 3rd quarter 2014”, ANACOM – Table 5: Provider shares of total postal traffic), increasing the distance from its most direct competitor.

In Spain, volumes in 2014 reached 13.7 million items, which represents a 4.3% growth vis-à-vis 2013. Volume growth in this market in the 4th quarter of 2014 vs. the same period of last year was 10.7%, proving that this business gained momentum when compared to the first 9 months of the year. This evolution results also from the recovery in the last quarter of the volumes lost at the beginning of the year due to the rescission of two important franchisees.

In 2014, CTT launched its Iberian offer for the Express & Parcels market, offering the customers the same delivery solutions in Portugal and Spain and providing an integrated, simplified and competitive Iberian service portfolio.

In Mozambique, volumes grew by 136%, as CORRE became in 2014 the sole supplier of one of the main banks of the country for the logistics, handling and delivery activities to all its branches nationwide. The conditions of the country and the company’s development stage created pressures on profitability and collections from customers, which were decisively addressed. Today, normal business activity has resumed.

Taking into account the growing importance of e-commerce, which has been an essential lever for the growth of parcels, a new department named “E-Commerce” reporting directly to the Executive Committee was created in 2014. Its mission is to ensure that CTT is the promoter and beneficiary of e-commerce development in the Iberian Peninsula, especially in last-mile delivery. CTT joined the e-CIP project (e-Commerce Interconnect Programme), whose membership currently includes 30 postal operators and is managed by the International Post Corporation (IPC). This project aims at aligning the e-commerce solutions offered by the international postal operators thus creating an integrated cross-border offer for the e-commerce market.

The -0.4% decline in the revenues of this business unit is attributable, on the one hand, to a change in the product mix mostly focused on the e-commerce (B2C) segments with lower unit price and, on the other hand, to the impact of Tourline Express franchisee network restructuring, which affected the volumes and the average prices charged. This indispensable restructuring aims at an increased network monitoring and better quality of service (business capacity, sound financial standing and management skills) of the franchisees.

These factors decisively influenced the 30.2% reduction in recurring EBITDA vis-à-vis the previous year. It is expected that the measures under implementation within the Transformation Programme in Portugal (integration of the distribution networks) and in Spain (further restructuring of the franchisee network, upward revision of prices and strengthening of CTT’s direct commercial capacity) will reverse this trend as soon as 2015.

Financial Services

In 2014, the Financial Services business unit grew by 23.1% year-on-year (21.4%, +€13.0m, excluding non-recurring revenues), thus increasing the weight of this business unit in CTT[1] revenues to 10% (8% in 2013) and strengthening its future importance in CTT's strategy.

The amount of €1m from the front fee of the agreement with BNP Paribas Personal Finance for the sale of consumer credit products was considered as non-recurring, which had been recorded as €3m in the two previous quarters. At the end of the year, there was a change in the contract that entailed a change to the accounting of the remaining €2m which are not recognised immediately but throughout the 5 year term of the contract. Commissions of €0.2m were recorded in 2014 (as recurring income) and the remaining €1.8m of income has been received but deferred.

Financial Services Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	FY 2014	**FY 2013**	**Δ%**	**FY 2014**	**FY 2013**	**Δ%**
Revenues	**74.9**	**60.9**	**23.1%**	**73.9**	**60.9**	**21.4%**
Sales and services rendered	71.2	57.3	24.3%	71.2	57.3	24.3%
Other operating income	3.6	3.5	3.7%	2.6	3.5	-25.1%
Intragroup revenues	0.1	0.1	-4.6%	0.1	0.1	-4.6%
Operating costs (*)	**36.1**	**33.5**	**7.8%**	**36.5**	**33.5**	**9.2%**
External supplies and services	13.2	10.7	23.6%	13.2	10.7	23.6%
Staff costs	4.4	3.2	37.1%	4.4	3.2	37.8%
Other costs	0.7	0.4	81.2%	0.7	0.4	81.2%
Intragroup costs	17.7	19.2	-7.5%	18.2	19.2	-5.1%
EBITDA	**38.8**	**27.4**	**41.8%**	**37.4**	**27.4**	**36.4%**
EBITDA MARGIN	**51.9%**	**45.0%**	**6.9 p.p.**	**50.6%**	**45.0%**	**5.6 p.p.**

(*) Excluding depreciation / amortisation, impairments and provisions.

Savings placements hit a record high of €5.5 billion in 2014 with the strong contribution of public debt securities (Savings Certificates and Treasury Certificates *Poupança Mais*) which were once more the growth driver of the business unit. Simultaneously, the regular launch of new PPR – Retirement Savings Scheme and financial insurance products continued, within the framework of the partnerships with the insurance companies Mapfre and Fidelidade.

The second highlight goes to the launch, in 2014, of the new consumer credit offer in a partnership with BNP Paribas Personal Finance, thus demonstrating the capacity of CTT to design, implement and operate financial services. The amount of credit granted in the 4 months after the launch of this service offer in July and August was €2.7m.

Worth mentioning are also the different promotional initiatives involving the remaining Financial Services business segments, especially the campaigns in the area of Payments (taking advantage of the strong position of Payshop in the payments market), the joint campaigns with Western Union to launch more competitive prices in the money transfer market and the protection insurance campaigns complementing the wide and exclusive insurance products offer at the CTT Retail Network.

The strong increase in revenues, combined with an increase in recurring operating costs of only 9.2%, led to a 36.4% year-on-year growth in the recurring EBITDA of this business unit and 5.6 p.p. in the recurring EBITDA margin. The increase in costs was mainly due, on the one hand, to the performance bonuses given to employees for the sale of financial products in the CTT Retail Network, which increased in

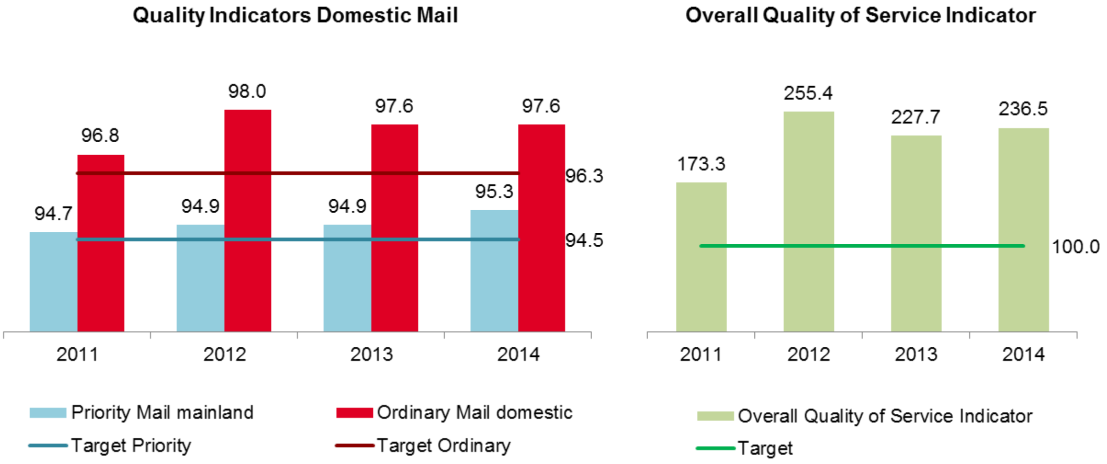
[1] Excluding revenues allocated to the CTT Central Structure and intragroup eliminations of -€31.3m in 2014

proportion to the revenues growth, and on the other hand, to the growing use of outsourced transport of valuables by the post offices.

QUALITY OF SERVICE

In 2014, CTT continued to achieve high quality of service levels, with the OQSI – Overall Quality of Service Indicator – registering 236.5 points, compared to a target of 100, and 8.8 points above those achieved in 2013. As such, the implementation of operational efficiency measures within the Transformation Programme did not affect at all the quality of the postal service.

Quality of Service



In international mail, the quality of service targets set out by the EU Postal Directive for the postal sector were exceeded in the Portuguese case.

In 2014, the operational performance levels, as measured by the Customer Satisfaction Surveys, have shown a positive perception by customers: 84.8% have classified the overall CTT quality of service as good or very good.

In the 3rd quarter, a mystery client survey was carried out to evaluate all CTT post offices. This survey produced very good results, with 99.7% favourable opinions.

And in 2014, all the variables of the quality agreement signed between the regulator and CTT surpassed the specified targets.

CTT submitted a new application to the Committed to Excellence level of the European Excellence Model of EFQM (European Foundation for Quality Management), now covering the whole CTT operational network: Retail Network, postal delivery offices and sorting centres. Following this application, 3 improvement actions are now at the final stages of implementation; and will be assessed in April 2015 to verify if the Committed to Excellence level is once more attributed to CTT. This methodology has undoubtedly contributed to acknowledged operational improvements and its increasingly comprehensive operational coverage. CTT has been the first European postal operator to have achieved this recognition.

During 2014, CTT promoted a study carried out by an external organisation with the aim of assessing the external and internal perception of the culture and values of the company. The results are quite positive: once again, CTT was distinguished as a trusted, honest and responsible company with a sustainable and successful future. CTT was also recognised for its Excellence due to its processes, products and services provided. The different stakeholders that took part in this study have also acknowledged that meeting the customers' needs and quality of service are CTT priorities.

2. NEW BUSINESS OPPORTUNITIES

POSTAL BANK

Following the process started in 2013 with the request to and the concession by the Bank of Portugal of a license for the creation of the Postal Bank, in 2014 CTT updated the corresponding business model on the basis of a more detailed and in-depth market survey, incorporating current market trends, as well as the capabilities, resources and distinctive factors of CTT.

After confirmation of the value of the project, on 4 November 2014, the Board of Directors of CTT approved the launch of the Postal Bank, as a continuation of the established strategy to expand the Financial Services product offer. The Bank of Portugal authorised a 12-month extension (until 27/11/2015) of the deadline for the Postal Bank to initiate its activity.

The Postal Bank will be based on a low-cost principle leveraging on the CTT Retail Network, and aims at mass-market consumers, who look for a bank to perform their daily banking operations and simple but competitive banking products. Relying on its wide Retail Network, experienced in the business of financial services, with physical proximity to the customers, and offering integrated channels (post offices, online, mobile), CTT will have a clear advantage in offering competitive banking services. The business plan and projected accounts foresee that the funding requirements will amount to €100m within 5 years and from that moment on the bank will be able to release resources to CTT. The Postal Bank was planned to not have any impact on the CTT dividend policy and the key projections were already disclosed in November 2014.

MEMORANDUM OF UNDERSTANDING WITH ALTICE PORTUGAL, S.A.

In November 2014, CTT signed a Memorandum of Understanding (MoU) with Altice Portugal, S.A. (a company fully held by Altice, SA), which was at the time bidding to acquire PT Portugal S.A., aiming at a conclusion of a Framework Agreement to maximise the joint synergies of CTT and PT Portugal.

Under the terms of this Memorandum of Understanding, upon the acquisition of PT Portugal by Altice, CTT will receive an initial payment of €15m, which shall be increased by an additional €15m upon the signature of the above-mentioned Framework Agreement. These payments represent a share of the minimum value of the synergies to be obtained in PT Portugal in the context of a much broader commercial and strategic joint venture.

In the context of the development of its strategy and to further develop the announced growth levers, CTT considers that there are substantial commercial synergies and business opportunities with telecommunications operators, including PT Portugal. This vision is shared by Altice, based on its other successful business ventures with postal operators (SFR with La Poste).

The Framework Agreement shall materialise in specific business partnerships to be defined and generate value for both companies, in particular the joint optimisation of the retail networks, taking advantage of the scale and capillarity of the CTT Retail Network, and the development of joint ventures in the area of e-commerce and physical-digital convergence.

As the sale of PT Portugal to Altice has already been formalised (after being approved by the General Meeting of Shareholders of PT SGPS and later by Oi, S.A.), the closing of the transaction (still pending the necessary authorisation from the Competition Authorities) is awaited in order to move forward with the conclusion of this agreement.

Citizen's Bureau Areas

The provision of services of general economic interest by the CTT Retail Network following the signature (in November 2013) of a protocol with the Government for the set-up of Citizen's Bureau Areas in the CTT Retail Network showed significant progress during 2014. Counters dedicated to the Citizen's Bureau Areas are working in 24 CTT post offices, providing a wide number of services on behalf of 11 entities.

The Government intends to set-up up to 1,000 Citizen's Bureau Areas all over the country, having CTT, with its Retail Network, as a main partner.

In the 4th quarter of 2014 the expansion model and the business model underlying this partnership were negotiated with the Government.

On 20 January 2015 an agreement was signed between the Government and CTT which lays down the following timetable for the set-up of Citizen's Bureau Areas at the CTT Retail Network:

- Stage I, until 31 December 2015, set-up of 200 Citizen's Bureau Areas (24 pilot post offices of 2014 and 176 new post offices);
- Stage II, depending on the renewal included in the agreement, set-up of 100 more Citizen's Bureau Areas until 31 December 2016.

At a later stage this partnership may be reassessed by the parties and may be expanded, not limiting its economic rationale to the services provided but also and mainly based on the cross-selling potential.

3. Other Relevant Initiatives of the Transformation Programme

Integration of the Mail and Express & Parcels Distribution Networks

The management initiative involving the integration of Mail and Express & Parcels networks continued, aiming at an increased use of the mailmen network for the last-mile delivery of small / medium-size parcels, thus absorbing the growth of the B2C segment by using the installed capacity.

In 2014, the coverage area of the CTT network in the collections at stores and clients' premises, in the delivery and in the collection of Express Mail, was expanded, and, a new stage of the automated processing of bulky items has started. The expansion of the coverage area will proceed in 2015 and it is expected that full integration will be achieved in the last quarter of 2015.

New Contracts for the Supply of IT and Communication Services

The initiative aiming at the transformation of the Information Technologies (IT) area addressed different aspects of the management of this area: organisation / governance model; architecture and applications; launch of tender procedures for the renewal of IT outsourcing contracts; and process optimisation, having taken important steps in 2014.

The tender procedures were launched and contracts awarded for basic infrastructure services, helpdesk & desktop management services, and fixed voice and data telecommunications services, for a period of 3 years, which included an initial phase of 3 months at the most to transfer the services. As a result of these contract awards, CTT expects to obtain, starting from 2015, annual savings (excluding transition costs) of around 57% (€14m) in the referred services vis-à-vis the former operating costs, which in 2014 were around €25 million, as the annual cost of the referred services is estimated to be around €11 million.

The contracts regarding the three procedures and five service batches at stake (i.e. basic infrastructure services, helpdesk & desktop management services, and fixed voice and data telecommunications services) were signed and entered into force on 1 October 2014, having the transfer of the services to the new provider of each service batch and the corresponding transitions occurred until 31 December 2014. The new services are fully operational since 1 January 2015.

A similar procurement process was also carried out for the supply of mobile communications. The new contract entered into force in December 2014.

HUMAN CAPITAL DEVELOPMENT AND RESOURCE OPTIMISATION POLICIES

Several initiatives aiming at developing and strengthening CTT human capital were launched, involving active policies of training, functional framework and professional development, as well as remuneration benchmarking and variable remuneration based upon short and medium-term objectives. The design stage of these measures was concluded and their progressive implementation will take place from 2015. The aim of these measures is to strengthen the CTT brand as an employer of reference and allow the company to retain valuable human resources and attract new talent. To promote and compensate performance, a new performance evaluation model was also designed for CTT, based on an assessment by objectives and behavioural indicators.

The development of the Financial Services, including the Postal Bank, and the Express & Parcels business units will require strengthening of the CTT human capital and pursuing a salary policy aligned with future growth and profitability objectives.

The implementation of a balanced remuneration policy, which allows for the reward of performance and productivity, is underway and foresees the introduction of a variable remuneration component for the staff. This policy is being implemented along with several initiatives to rationalise and make more effective and objective some of the employee benefits, one of the most relevant being the review of several components of the Healthcare Benefits Plan.

All these initiatives culminated with the signing on 9 February 2015 of a new Company Agreement (“CA”), valid for the next two years, and a reviewed Regulation of the Social Works (“RSW”), the internal healthcare and social protection system of CTT, with all the eleven trade unions represented in the company.

This new CA strengthens a labour framework adapted to the specific nature of the company’s business, promoting greater flexibility and mobility, a good social climate and stable collective working relations, all of which are fundamental for CTT in order to face the current and future challenges. For that purpose, the new CA provides for greater alignment with general labour laws, the discontinuing of some specific allowances, the harmonisation of working hours across the company and, for the first time in five years, a 2% increase in fixed salaries in CTT.

The new RSW of CTT maintains a high protection level, with better balance of the share of payments to be borne by the company and the beneficiaries, while rationalising the use of benefits. Accordingly, the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments, while the all-encompassing feature of the system was maintained and some social support measures were strengthened.

The changes to the Healthcare Benefits Plan, allowances and working hours will result in annual cost savings to the company, while salary increases will impact costs in the opposite direction. The significant impact of the changes to the Healthcare Benefits Plan on the company’s future liabilities related to employee benefits is mentioned henceforth.

4. ECONOMIC AND FINANCIAL ANALYSIS

2014 was marked by significant non-recurring results, the components of which will be mentioned below. Given that impact, this analysis will be focused on the recurring items.

REVENUES

The above-mentioned business developments resulted in recurring revenues of €717.8m, a year-on-year increase of 2.4% (€17.2m), excluding non-recurring revenues and considering the like-for-like adjustment to the 2013 figures, which deconsolidates the subsidiary EAD given the sale by CTT of its 51% stake in that company during the 1st half of 2014.

The €1.0m income from the front fee relative to the contract with the new partner for the sale of consumer credit products was considered as a non-recurring item. With regard to the amount received and reported in the two previous quarters of 2014 (€3.0m), the recognition of €1.8m was deferred, as previously mentioned.

The revenues growth, confirming a reversal of the trend of decline observed since 2009 (i.e. 5 consecutive years of decline), is the combined consequence of the implemented increases in the prices of mail services, which have allowed CTT to mitigate the impact of declining volumes (-5.7%), and of the strong revenue growth in the Financial Services businesses, enabled by the initiatives defined for this unit under the Transformation Programme. Worth noting is also the positive effect of the slowdown of the fall of addressed mail volumes throughout the year 2014 (-7.0% in the 1st half vs. -4.3% in the 2nd half).

Revenues

	FY 2014	FY 2013	Change	
			Amount	%
Total reported revenues	**718.8**	**704.8**	**13.9**	**2.0%**
Business units	750.1	736.4	13.7	1.9%
Mail	546.2	546.0	0.2	0.0%
Express & Parcels	129.0	129.5	-0.5	-0.4%
Financial Services	74.9	60.9	14.0	23.1%
Central structure and Intragroup eliminations	-31.3	-31.5	0.2	0.7%
Comparison excluding EAD from FY 2013 and non-recurring revenues				
Total recurring revenues	**717.8**	**700.6**	**17.2**	**2.4%**
Business units	749.1	732.2	16.9	2.3%
Mail	546.2	541.8	4.4	0.8%
Express & Parcels	129.0	129.5	-0.5	-0.4%
Financial Services	73.9	60.9	13.0	21.4%
Central structure and Intragroup eliminations	-31.3	-31.5	0.2	0.7%

The business performance described above resulted in the 0.4% (-€0.5m) decrease in Express & Parcels revenues being offset by the 0.8% growth (+€4.4m, considering the 2013 like-for-like comparison without EAD) in Mail revenues and of 21.4% (+€13.0m) in Financial Services revenues (excluding the effects of non-recurring revenues), and by the increase of revenues allocated to the Central Structure, in the latter case mainly due to the recovery of taxes, namely VAT paid, as a consequence of a more efficient and active management of the tax component of the company.

EVOLUTION OF OPERATING COSTS [1]

The evolution of the operating costs in 2014 resulted mostly from the implementation of the 2nd stage of the **Transformation Programme** described above and from the impacts of the 1st stage initiatives which started in the 2nd half of 2013, with full year impact in 2014. The reductions achieved resulted in the increase of the consolidated costs of only 0.1% (+€0.8m), also a result of the increase of incentives to the Retail Network due to the increase in savings placements.

The initiatives carried out for the **optimisation and rationalisation of the operations and delivery** have led not only to cost reductions in operations but also to increased productivity levels and improved operational efficiency, as well as to greater synergies between the Mail and the Express & Parcels distribution networks. At the end of 2014, CTT had 262 postal delivery offices and operated 3,478 vehicles.

With regard to the **optimisation of the Retail Network**, the initiatives carried out arise as a follow-up of the work undertaken in 2013 aimed at cost cutting and maintaining adequate quality of service levels, while complying with the Universal Service obligations and supporting growth in Financial Services. At the end of 2014, CTT had 2,317 post offices, of which 623 were own post offices and 1,694 were partnership branches (postal agencies).

As a result of the various measures implemented, **consolidated operating costs** (excluding impairments, provisions, depreciation and non-recurring costs) amounted to €582.7m, +€0.8m (-0.1%) above those of 2013. The sale of CTT's stake in EAD also contributed to this year-on-year evolution, as EAD costs amounted to €3.1m of the consolidated costs of 2013.

Operating costs

€ Million

	Reported			Recurring		
	FY 2014	**FY 2013**	**∆%**	**FY 2014**	**FY 2013**	**∆%**
Operating costs (*)	**523.1**	**582.7**	**-10.2%**	**582.7**	**581.9**	**0.1%**
External supplies & services	237.7	242.1	-1.8%	234.8	237.3	-1.0%
Staff costs	258.0	313.1	-17.6%	320.4	317.5	0.9%
Current costs	319.3	304.4	4.9%	305.4	303.1	0.8%
Employee benefits	- 61.3	8.7	-803.6%	15.0	14.4	4.5%
Other operating costs	27.4	27.6	0.5%	27.4	27.1	0.9%

(*) Excluding depreciation / amortisation, impairments and provisions.

Recurring ES&S costs decreased €2.4m (-1.0%) due to the combined impact of the additional costs resulting from the growth in Financial Services (particularly, the security demands in the transport of valuables) and in Express & Parcels volumes, and the reductions brought about by the rationalisation of operations, of the Retail Network, of the costs with IT outsourcing and due to the remaining initiatives of the Transformation Programme.

In terms of staff costs, the increase of 0.9% (+€2.9m) in recurring costs despite the significant reduction in the number of staff is due to the impact of the changes in the applicable law / regulations as a result of the privatisation which led to changes in the remuneration system (such as the end of State-imposed remuneration reductions and the resumption of the career progressions) and of the increase of incentives to the Retail Network for the performance of Financial Services especially in the placement of savings, and the increase of the contribution base for the State Pension Scheme (CGA) following a legislative amendment, as well as of the new remuneration model of the corporate bodies defined by the Remuneration Committee (elected at the General Meeting of Shareholders on 24 March 2014 and

[1] Excluding impairments, provisions and depreciation, and non-recurring costs.

composed of independent members) following a benchmarking study undertaken by a specialised company.

CTT Headcount

	31.12.2014	31.12.2013	Δ 2014/2013	
Mail	9,717	10,013	-296	-3.0%
Mail & Business Solutions	7,042	7,315	-273	-3.7%
Retail Network	2,675	2,698	-23	-0.9%
Express & Parcels	1,205	1,170	35	3.0%
Financial Services	101	103	-2	-1.9%
Other	1,097	1,097	0	0.0%
Total, of which:	**12,120**	**12,383**	**-263**	**-2.1%**
Permanent (*)	11,527	11,730	-203	-1.7%
Fixed-term contracts	593	653	-60	-9.2%
Total in Portugal	11,550	11,830	-280	-2.4%

(*) At the end of 2013, 83 EAD staff are included; the 2014/2013 change was thus -120 employees.

STAFF

Human resources management continued to be driven by the following priorities: (i) definition and implementation of new, all-encompassing and consistent human resources development policies enabling to objectivise situations, reward performance and promote skills and the agility of the company, (ii) maintain a sound social climate; (iii) continued investment in training and qualification; and (iv) optimisation and adequacy of staff to meet the evolving needs and challenges of the markets CTT operates in.

In 2014, 103 employees were hired (27 in Portugal and 76 in Spain), 5 returned to the company following unpaid leaves and secondments in the public interest, while 228 left. Of these, 86 employees retired, 122 terminated their contracts and 20 deceased. Also, employees with special conditions were reassessed, to assign them to more adequate jobs within the CTT subsidiaries and business units.

To optimise the use of installed capacities and strengthen jobs, the insourcing of operating activities was promoted.

As at 31 December 2014, CTT headcount (permanent staff and employees on fixed-term contracts) consisted of 12,120 employees, 263 (-2.1%) less than on 31 December 2013. This includes 6,596 mail operations and delivery staff (including 4,943 delivery postmen) and 2,675 employees in the Retail Network.

In 2014, the 1st programme of identification and development of potential for CTT young managerial staff was carried out. This programme was part of the human capital development initiatives in a perspective of talent and competence management. It covered a first group of 100 participants and involved their respective managers.

As of 1 January 2015 and besides the RSW review mentioned above, CTT's healthcare plan, which had so far been managed by PT-ACS, is being managed by Médis following a call for tender addressed to 4 relevant entities. The transition to Médis ensures continuity of the whole healthcare system for employees in a similar manner and under the same principles as those of the previous supplier and will allow for a reduction in current costs with the healthcare management and with medical services.

CTT – Correios de Portugal, S.A.
Public Company
Avenida D. João II, nº 13
1999-001 LISBON
Share capital EUR 75,000,000.00
Lisbon commercial registry and fiscal no. 500 077 568

RECURRING EBITDA

The operating activity generated a €135.1m of recurring EBITDA (earnings before depreciation and amortisation, impairments, non-recurring results, financing costs and taxes), 9.9% (€12.2m) above that of the previous year, with an EBITDA margin of 18.8% vs. 17.4% in 2013. The sale of the stake in EAD deconsolidated an amount of €1.1m (contribution of EAD to the 2013 consolidated EBITDA), which means that the actual growth of recurring EBITDA was €13.3m (+10.9%).

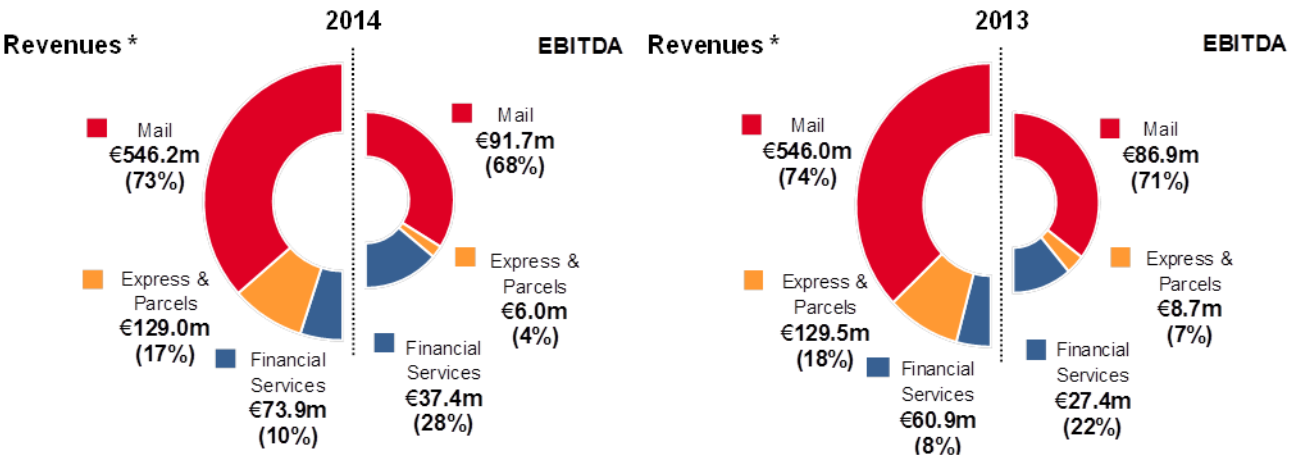
These results reflect the evolution described above: €12.9m (€17.2m excluding the impact of EAD sale) revenue growth (excluding non-recurring revenues) combined with a slight €0.8m (€3.8m excluding the impact of EAD sale) cost increase (excluding impairments, provisions, depreciation and amortisation, and non-recurring costs).

The company's EBITDA growth resulted from EBITDA growth in the Mail business unit (+€4.8m; +5.5%) and in the Financial Services business unit (+€10.0m; +36.4%), which had a recurring EBITDA of €91.7m and €37.4m, respectively.

The EBITDA margin of the Mail segment increased from 15.9% to 16.8% as a result of the cost reduction due to operations and Retail Network optimisation and rationalisation initiatives. This reduction surpassed the increase of costs resulting from the discontinuance of the above-mentioned salary reductions. The evolution in revenues also contributed positively, benefiting from price increases, from a better product mix and from a more favourable evolution in the 2nd half of 2014 mail volumes than those of the 1st half of 2014.

The Express & Parcels EBITDA margin decreased year-on-year, amounting to 4.7% as at the end of 2014, as a result of a 0.4% decrease in revenues due to a reduction of average prices and a 1.7% increase in operating costs caused by the ongoing Tourline Express reorganisation project, especially in the franchisee network, and by increased variable costs from volume growth.

Recurring Revenues and EBITDA by Business Unit



* Including internal provision of services and intragroup transactions eliminated in the consolidation process; excluding income related to CTT Central Structure and Intragroup Eliminations amounting to -€31.5m in 2013 and -€31.3m in 2014.

RECURRING EBIT AND NET PROFIT

Recurring EBIT increased by €15.4m (+16.0%) year-on-year to €111.5m. The EBIT margin was 15.5%, 1.9 p.p. above that of last year, as a consequence of lower depreciation and reduction in recurring impairments resulting from a more active management of bill collections and the recovery of the economy.

Financial results, net amounted to -€7.4m, which represents a year-on-year decrease of €3.4m. Interest and other financial income were directly affected by the lower interest rates offered by banks on CTT deposits and decreased, on average, 39.8% year-on-year. Financial costs incurred reached €11.8m, which includes financial costs associated with employee benefits of €11.6m and interest associated with financial leasing operations and bank loans (€0.2m). The reduction of the discount rate of the long-term employee benefit liabilities and the future cost reduction resulting from the RSW renegotiation will have a positive impact on this item in the future.

Financial results also include gains and losses in associated companies totalling €0.05m related to the capital gain on the sale of the 51% stake in EAD and the equity method for the period of 2014 (€0.3m), as well as the loss of €0.2m in the associated company Multicert.

Tax on income (reported value) reached €51.2m, 131.0% higher vs. last year, as a result of a 53.7% (+€44.7m) higher EBT. The effective tax rate was 39.97%, due to the effect on deferred taxes resulting mostly from the reduction of the healthcare liabilities. From the total income tax amount, €27.1m are deferred taxes with accounting impact only, while the remaining €24.1m impact the cash-flow. Of the overall deferred taxes, €24.7m are due to changes in the deferred tax assets resulting from the reduction in the tax rate and future responsibilities.

Consolidated Net profit amounts to €77.2m, which represents a significant positive change of €16.2m (+26.5%) vis-à-vis the previous year. This corresponds to a 10.7% Net profit margin.

NON-RECURRING COSTS AND REVENUES

The accounts of the 2014 financial year include a number of non-recurring costs and revenues that lead to a positive non-recurring result of €23.9m.

Non-recurring costs and revenues

€ Million

	FY 2014
Non-recurring costs and revenues	**23.9**
affecting EBITDA	**60.5**
. BNP Paribas Personal Finance front fee	1.0
. Revision of the Healthcare Benefits Plan affecting post-employment benefits	83.0
. Reintroduction of variable remuneration	-12.4
. Changes to other benefits	-8.2
. Non-recurring External supplies & services costs	-2.8
not affecting EBITDA	**-36.6**
. Labour contingencies and onerous contracts	-11.6
. Impairments	-18.7
. Restructuring for Express & Parcels network optimisation	-6.3

The most significant components in terms of EBITDA are (i) impact of €83.0m on staff costs, due to the reduction of future responsibilities with employee benefits (healthcare), as a result of the reformulation of the Healthcare Benefits Plan; (ii) accounting of €12.4m relative to bonuses based on the performance to be granted in 2015 to the staff and executive Board members; (iii) changes in other benefits (€8.2m) resulting from: change in the discount rate from 4% to 2.5% for other long-term benefits (€3.7m), change defined by law in the retirement age of employees covered by the State Pension Scheme (€2.1m), net costs with indemnities for termination of employment contracts and suspension agreements (€1.2m) and other costs (€1.2m); and (iv) costs related to studies regarding strategic projects, especially the Postal bank and the Express & Parcels network restructuring (€2.8m).

Besides these costs, EBIT was impacted by (iii) the net increase of provisions for labour contingencies relative to retributive differences in the salary calculation basis (€4.9m) and for onerous contracts, resulting mostly from the impact of the adjustment of the discount rate (€6.7m), (ii) an €18.9m impairment relative to the stake in Tourline (€16.6m of goodwill) so as to offset the amounts invested in the past, and, separately, reversion of impairments from investment property (-€0.2m); and (iii) the impairments and net provisions resulting from the restructuring for the Express & Parcels network optimisation (€6.3m).

SUMMARY OF CONSOLIDATED RESULTS

In summary, CTT – Correios de Portugal, S.A. consolidated results are as follows:

Consolidated Results

€ Million

	Reported			Recurring		
	FY 2014	FY 2013	∆%	FY 2014	FY 2013	∆%
Revenues	718.8	704.8	2.0%	717.8	704.8	1.8%
Sales and services rendered	703.3	690.1	1.9%	703.3	690.1	1.9%
Other operating income	15.5	14.8	4.8%	14.5	14.8	-1.9%
Operating costs	523.1	582.7	-10.2%	582.7	581.9	0.1%
EBITDA	**195.6**	**122.1**	**60.2%**	**135.1**	**122.9**	**9.9%**
Depreciation / amortisation, impairments and provisions	60.2	34.9	72.6%	23.6	26.8	-12.1%
EBIT	**135.4**	**87.2**	**55.2%**	**111.5**	**96.1**	**16.0%**
Financial income, net	-7.5	-4.0	-86.7%	-7.5	-4.0	-86.7%
Gains / (losses) in associated companies	0.1	0.02	161.2%	0.1	0.02	161.2%
Earnings before taxes (EBT)	**128.0**	**83.3**	**53.7%**	**104.1**	**92.1**	**13.0%**
Income tax for the year (*)	51.2	22.1	131.0%	31.9	28.8	10.6%
Losses / (gains) attributable to non-controlling interests	-0.3	0.1	-467.1%	-0.3	0.1	-467.1%
Net profit attributable to equity holders	**77.2**	**61.0**	**26.5%**	**72.5**	**63.2**	**14.7%**

(*) 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).

FREE CASH FLOW

In the 2014 financial year, the operating free cash flow generated was €184.1m, vs. €110.4m in 2013, and the change in cash and cash equivalents totalled €119.7m, €64.1m (+115.4%) above last year's, due to the positive effect of the growth in the Financial Services business, the improvements made in payment and collection deadlines and procedures, and to the sale of EAD which offset the €10m additional dividends paid in 2014 (€60m) vs. 2013 (€50m).

Cash flow

€ Million

	Reported			Adjusted (*)		
	FY 2014	FY 2013	∆%	FY 2014	FY 2013	∆%
Cash flow from operating activities	178.7	109.4	63.3%	101.1	50.5	100.2%
Cash flow from investing activities	5.3	1.0	430.2%	5.3	1.0	430.2%
Operating free cash flow	**184.1**	**110.4**	**66.7%**	**106.4**	**51.5**	**106.6%**
Cash flow from financing activities	-63.7	-54.9	16.0%	-63.7	-54.9	16.0%
Change in consolidation perimeter	-0.7	-	-	-0.7	-	-
Change in cash and cash equivalents	**119.7**	**55.6**	**115.4%**	**42.1**	**-3.4**	**1352%**
Cash and cash equivalents at the end of the period	**664.6**	**544.9**	**22.0%**	**278.9**	**236.8**	**17.8%**

(*) Cash flow from operating activities excluding change in Net Financial Services payables (€77.6m in 2014 and €58.9 in 2013).

The evolution of the Financial Services business resulted in a €77.6m increase in Net Financial Services payables, which positively impacted CTT's cash and cash equivalents. The operating free cash flow (excluding Net Financial Services payables) was €106.4m (+106.6% vs. the previous year).

Even excluding the change in Net Financial Services payables from the free cash flow calculation, CTT still improved significantly its cash and cash equivalents position at the end of 2014, which amounted to €278.9m.

INVESTMENT

Capex amounted to €16.6m, 27.7% above that of last year (€ 13.0m) and was channelled to IT systems, renovation and conservation of buildings, strengthening of productive infrastructures and renewal of the fleet of transport and freight vehicles.

CONSOLIDATED BALANCE SHEET

The highlights of the comparison between the Balance Sheet as at 31 December 2014 and that at the end of the 2013 financial year are as follows:

Total assets, increase €80.9m (+7.4%), with a decrease in non-current assets of -10.5% and an increase in current assets of +17.2%.

Non-current assets decreased mainly due to (i) the reduction in goodwill for the full participation in Tourline (€16.6m), (ii) the annulment of EAD's goodwill (€0.8m) and (iii) the reduction of deferred tax assets (€12.2m), resulting from the reduction of the future healthcare responsibilities.

Current assets increased mainly due to the increase in cash and cash equivalents and treasury applications (€119.7m, +22.0%) and other postal Financial Services current assets (€10.4m, +539.3%).

Equity decreased €26.7m (-9.7%) vis-à-vis 31 December 2013, mostly due to other changes in equity (-€43.3m) which include the net amount of actuarial gains / losses associated with post-employment benefits (-€61.0m in 2014, -€11.7m in 2013) and the corresponding deferred taxes (€17.7m in 2014, €3.2m in 2013). The increase in the Net profit attributable to equity holders (+€16.2m) partially offset the reduction in total equity.

The sale of the 51% stake in EAD that took place in the 1st semester had a €1.6m impact in the reduction of non-controlling interests.

With regard to **liabilities**, the €107.6m (+13.1%) increase originated mostly in the €88.0m increase of Financial Services payables, driven by the growth in the placement of savings products.

Consolidated Balance Sheet

€ Million

	31.12.2014	**31.12.2013**	**Δ 14/13**
Non-current Assets	350.5	391.7	-10.5%
Current Assets	830.5	708.4	17.2%
Assets	**1,181.0**	**1,100.1**	**7.4%**
Equity	**249.2**	**275.9**	**-9.7%**
Total Liabilities	**931.8**	**824.2**	13.1%
Non-current Liabilities	314.4	334.7	-6.1%
Current Liabilities	617.4	489.5	26.1%
Total Equity and Liabilities	**1,181.0**	**1,100.1**	**7.4%**

As at 31 December 2014, liabilities related to employee benefits amounted to €278.7m, 6.7% less than in 2013. This reduction is a result of the combined impact of (i) the reformulation of the Healthcare Benefits Plan, (ii) the reduction of the discount rate from 4.0% to 2.5% and (iii) the change of the retirement age from 65 to 66 years of age for the employees covered by the "Caixa Geral de Aposentações" pension scheme.

The item "Other benefits for corporate bodies" includes the liability defined by an independent actuarial study regarding the long-term variable remuneration (to be paid in company shares to the Executive Board Members at the end of the 2014-2016 term of office) linked to the achievement of objectives for the Total Shareholder Return – TSR (comparison of the TSR performance of the company shares and the average weighted TSR of a peer group – PSI20 companies and other relevant sector peers). This new model was defined by the Remuneration Committee (elected at the General Meeting of Shareholders held on 24 March 2014 and composed of independent members) following a benchmarking study undertaken by a specialised company. The amount of €1.4m corresponds to the costs incurred in 2014, equal to one third of the estimated amount for the term of office.

Liabilities related to long-term benefits to employees

€ Million

	2014	2013	Δ
Total responsibilities	278.7	298.5	-6.7%
Healthcare	241.2	263.4	-8.4%
Staff (suspension agreements)	17.8	19.7	-9.8%
Other benefits to Corporate Bodies	1.4	-	-
Other long-term benefits	18.3	15.4	18.7%

DIVIDENDS

In 2014, CTT distributed a dividend of €0.40 per share relative to 2013, hence the total shareholder return (share appreciation plus dividend, calculated on the basis of the share price as at 31 December 2013) corresponded to 51.46% for the period.

For the dividend relative to the 2014 financial year, the Board of Directors will submit to the Annual General Meeting of Shareholders on 5 May 2015, a proposal for the distribution of dividends totalling €69.75m (46.5 cents of Euro per share). This distribution is subject to a favourable decision by the General Meeting of Shareholders and is planned to be paid on 29 May 2015.

For 2015 and subsequent financial years, the Board of Directors, taking into account the company's interests and the long-term interests of the CTT Shareholders, decided to change the dividend policy, so that it now aims at a **stable and sustainable dividend growth** (instead of a minimum pay-out corresponding to 90% of the distributable net profit of the financial year). CTT's dividend policy, always considering the company's situation and economic environment, will seek to match the objectives of shareholder remuneration to the sustainable development of the company's business.

The 2014 dividend includes a €3.75m non-recurring component resulting from gains in non-recurring items. The recurring basis of the 2014 dividend, used to calculate the future growth of dividends, is €66m (44 cents of Euro per share), representing 10% growth vis-à-vis the 2013 dividend (€60m).

5. REGULATORY CHANGES IN THE POSTAL SECTOR

In accordance with the new legal framework, the quality of service standards, the performance targets associated with the provision of the universal postal service and the criteria that price-setting should comply with began to be stipulated by the regulatory authority.

On 21 November 2014, ICP-ANACOM approved the pricing criteria for postal services that comprise the universal service, thus revoking the pricing rules set forth in the Quality of Service Convention concluded on 10 July 2008 between CTT and ICP-ANACOM (as updated on 9 July 2010). This decision of ICP-ANACOM defines, as provided in the Postal Law, the pricing criteria for the universal service applicable for the three-year period from 2015 to 2017.

These criteria set a maximum annual price variation for the letter mail, editorial mail and parcels basket (non-reserved services), linked to the inflation rate (CPI), including in 2016 and 2017 the inflation adjustment factor (CPIAF) and volume adjustment factor (VAF) which shall take into account the differences that may occur between the actual and the predicted values for those variables. For summons and postal notifications (services reserved to CTT) a maximum annual price variation is also established linked to the same factors considered in the basket of the non-reserved services.

On 30 December 2014, ICP-ANACOM approved the quality of service parameters and performance targets associated with the provision of the universal postal service for the next three years, thus revoking the rules laid down in the Postal Service Quality Convention concluded between CTT and ICP-ANACOM on 10 July 2008 (and updated on 10 September 2010). In terms of quality of service indicators and respective performance targets to be applied in the 2015-2017 period, the indicators and the minimum and target values currently defined by the Quality Convention are maintained, while a new indicator for transit time of registered mail has been introduced.

6. PRIVATISATION

CTT privatisation process was successfully concluded in the 3rd quarter of 2014 at a turbulent moment for the Portuguese capital market, following the events involving the financial sector in July 2014.

The 2nd stage took place on 5 September 2014 when the remaining 31.5% stake of the Portuguese State in CTT capital was sold through an accelerated bookbuilding process.

The full privatisation of CTT was a very successful process which allowed for the creation of value for all stakeholders:

- Portuguese State: €909m sales proceeds in the several stages of the privatisation, besides the payment of a €19m dividend in May 2014.
- CTT: Solid shareholder base and the necessary conditions to face future challenges.
- Staff: Option to become shareholders and be part of a company that promotes merit and the delivery of results.

CTT became the first Portuguese listed company with a 100% free float.

7. CORPORATE AND ORGANISATIONAL REORGANISATION

The measures taken in this area aimed to adapt the CTT structure to the strategic objectives and the business evolution, promote efficiency and rationalisation, as well as an adequate company management for the new market challenges and the new business model under implementation.

Noteworthy in 2014 is the entry into full functioning of the department of Investor Relations which has the mission of ensuring the compliance of CTT duties as issuer of shares admitted to trade in a regulated market and subject to CMVM's supervision, as well as, under a more operational and market perspective, the creation of a department dedicated to e-commerce with the aim of ensuring that CTT is a participant in and beneficiary of the development of e-commerce in the Iberian Peninsula.

Aiming at simplifying the corporate structure, CTT acquired the five percent stake of CTT Expresso in PostContacto and sold the total share capital of Tourline Express to CTT Expresso. These transactions took place at the end of the month of June 2014. Mailtec Holding SGPS, S.A. was merged into CTT – Correios de Portugal, S.A. with a reference date of 1 January 2015.

8. FINAL NOTE

This press release is based on CTT – Correios de Portugal, S. A. statutory reported financial information for the year 2014, audited by a CMVM registered auditor.

Lisbon, 4 March 2015

The Board of Directors

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Forward-looking statements

This document contains forward-looking statements. All the statements herein which are not historical facts, including, but not limited to, statements expressing our current opinion or, as applicable, those of our directors regarding the financial performance, the business strategy, the management plans and objectives concerning future operations and investments are forward-looking statements. Statements that include the words "expects", "estimates", "foresees", "predicts", "intends", "plans", "believes", "anticipates", "will", "targets", "may", "would", "could", "continues" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements included herein involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the results of our operations, growth strategy and liquidity, and the wider environment (specifically, market developments, investment opportunities and regulatory conditions).

Although CTT believes that the assumptions beyond such forward-looking statements are reasonable when made, any third parties are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of CTT, what could cause the models, objectives, plans, estimates and / or projections to be materially reviewed and / or actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements (in particular, the objectives, estimates and projections as well as the corresponding assumptions) do neither represent a commitment regarding the models and plans to be implemented, nor are they guarantees of future performance, nor have they been reviewed by the auditors of CTT. You are cautioned not to place undue reliance on the forward-looking statements herein.

All forward-looking statements included herein speak only as at the date of this document. Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.