ctt

Interim Report

1st Half of 2018

CTT – Correios de Portugal, S.A. - Public Company
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Lisbon commercial registry and fiscal no. 500 077 568
Share Capital EUR 75,000,000.00

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HIGHLIGHTS OF THE SEMESTER

January

- **Increase of Banco CTT's share capital** by €6.4m, by means of the transfer of Payshop (Portugal), S.A. from CTT to Banco CTT, in line with what was previously approved by the Boards of Directors of the two companies and the information conveyed at the Capital Markets Day 2015.

March

- **Increase of Banco CTT's share capital** by €25m, undertaken by CTT, in line with the financial model submitted to the Bank of Portugal on 6 July 2015.

April

- **Price update** as of 2 April 2018, corresponding to an average annual price change of 4.1% of the basket of letter mail, editorial mail and parcels services. This update also contemplates the reduction of the prices of the reserved services (transmission of judicial and other postal notifications) and the increase of the bulk mail special prices.

- **Annual General Meeting of CTT** which approved, among others, the Company financial statements relating to the financial year of 2017, including the management report, the individual and consolidated accounts, the corporate governance report, the sustainability report and the allocation of profits of the financial year, including the payment of a gross dividend of €0.38 per share, as proposed by the Board of Directors.

May

- A **promissory agreement for the sale** of real estate property owned by the Company located at Rua da Palma, in Lisbon, for a total amount of €10.3m was entered into.

- **Payment of a gross dividend** of €0.38 Euros per share relative to the financial year of 2017, as approved by the Annual General Meeting of CTT.

June

- Signing of a **Revision Agreement for CTT's 2015 Company Agreement** for a salary increase between 1.1% and 1.3% in basic monthly salaries up to €2,790.40, effective 1 January 2018.

- Launch of the **CTT 24H service**, which consists in providing *Parcel Lockers* in strategic locations.

- Expansion of the **Express2Me service** to the United Kingdom, a service that offers its users a customised international address which is currently valid in two of the most representative e-commerce markets, the United States of America and the United Kingdom.

- Conclusion of an agreement for the **creation of a joint-venture with Sonae – SGPS, S.A.**, to operate in the e-commerce sector. The agreement sets up the guidelines for a company that will have CTT (50%) and Sonae (50%) as shareholders.

AWARDS AND RECOGNITIONS

- **CEO WINS "*INDUSTRY LEADERSHIP* 2018" AWARD –** Francisco de Lacerda, Chief Executive Officer of CTT, was presented with the «*Industry Leadership* 2018» award, which was delivered at the *Internacional World Post & Parcel Awards* 2018 event that took place on 12 June, in London.

- **CTT MOST REPUTABLE BRAND OF PSI 20** according to a study conducted by the consulting firm OnStrategy.

- **Readers' Digest TRUSTED BRAND** – first place in the "Postal and Logistics Services" category for the 15th time, with 89% of the votes.

- **ECSI PORTUGAL PRIZE –** Banco CTT was elected the No. 1 Bank for customer satisfaction in Portugal, as per the results of the 2018 National Customer Satisfaction Index (ECSI Portugal).

- **OSCAR OF PHILATELY –** International Prize of Philatelic Art of Asiago for the stamp issue dedicated to the Visit of His Holiness Pope Francis I to Fátima.

- **NEXOFIL GRAND PRIX** - "Marian Sanctuaries – Fátima" considered the Best Souvenir Sheet of 2016 These awards are granted by "El Eco" magazine, the oldest and most renowned Spanish philatelic and numismatic magazine, published without interruption for 73 years.

- **MASTERS OF DISTRIBUTION 2018 AWARDS –** CTT Expresso wins in the Logistics Operation Master category. The winners were elected by the readers of the magazine Distribuição Hoje (Distribution Today), in a joint initiative of this magazine and IFE by Abilways.

- **CTT AND CTT EXPRESSO LINES DISTINGUISHED IN THE APCC BEST AWARDS 2018** - Silver and Bronze medals and APCC (Portuguese Association of Contact Centres) Quality Seals.

- **HUMAN RESOURCES PORTUGAL 2017 AWARD** - in the "Gender Equality" category.

- **"THE INNOVATION FARMER 2017" INNOVATION TROPHY OF THE EXAGO INNOVATION GURUS AWARDS** - For sowing a culture of innovation within the Company.

- **FUNDACOM PRIZES** – first place for CTT TV. Fundacom prizes are awarded for the best work in the field of organisational and strategic communications in Spanish and Portuguese.

- **APCE (Portuguese Association of Business Communication) AWARD –** APCE Grand Prix 2018 for the communication campaign "INOV+ by CTT, Innovate without excuses".

- **5th INTERNATIONAL EDITION OF THE DRIVERS' CHALLENGE IPC** – first place in the international competition of ecodriving in the postal, express and parcels sector, which is held every two years by the International Post Corporation (IPC).

KEY FIGURES

Economic and financial indicators (consolidated IFRS data)

€ thousand or %, except where indicated	1H 2018	1H 2017	Δ% 18/17
Revenues (1)	355,125	352,114	0.9%
Recurring EBITDA (2)	46,070	52,616	-12.4%
Net profit for the period	6,278	17,695	-64.5%
Recurring EBITDA margin	13.0%	14.9%	-1.9 p.p.
Capex	8,265	7,187	15.0%
Operating free cash flow (3)	-14,383	14,632	-198.3%
	30.06.2018	**31.12.2017**	**Δ% 18/17**
Net financial cash (debt) (4)	91,800	163,336	-43.8%

(1) Excluding non-recurring revenues.

(2) Before non-recurring revenues and costs.

(3) Cash flow excluding changes in Net Financial Services payables, Banking customer deposits and other loans, Credit to bank clients, third parties' "Other operating assets and liabilities" regarding Banco CTT, Investments in securities, Deposits at Bank of Portugal and Other banking financial assets.

(4) Including €67.4m of Banco CTT own cash.

Operating Indicators

	1H 2018	1H 2017	Δ% 18/17
Mail			
Addressed mail volumes (million items)	357.3	388.1	-7.9%
Unaddressed mail volumes (million items)	211.1	234.8	-10.1%
Express & Parcels			
Portugal (million items)	9.4	7.8	20.4%
Spain (million items)	8.5	7.2	19.1%
Financial Services			
Payments (number of transactions; millions) (1)	13.1	13.9	-6.0%
Savings and insurance (subscriptions; €m)	1,138.1	2,261.4	-49.7%
Banco CTT			
Number of current accounts	284,521	147,394	93.0%
Client deposits (€m)	736,396	424,293	73.6%
Number of branches	212	203	4.4%
Staff			
Staff (FTE) (2)	12,424	12,593	-1.3%
Retail, Transport and Delivery Networks			
Post offices	580	613	-5.4%
Postal agencies (partnership branches)	1,804	1,744	3.4%
Payshop agents	4,512	4,308	4.7%

(1) Due to the incorporation of Payshop in Banco CTT as of January 2018, the figures regarding Payments were adjusted (proforma), excluding Payshop from Financial Services in the 1st half of 2017.

(2) FTE = Full-time equivalent.

Sustainability indicators

	1H2018	1H2017	Δ%18/17
Customers			
Customer satisfaction (%)	78.9	85.2	-6.3 p.p.
Total number of certified operating units (ISO standard and Retail and Delivery Networks certification)	1 278	1 251	2.2
Retail and delivery networks certification (% coverage)	100	100	0.0
Overall Quality of Service Indicator (in points)	118.9	138.9	-20.0
Staff			
Number of accidents[1]	510	531	-4.0
Training (hours)[1] [2]	103 341	155 518	-33.6
Women in management positions (1st management level) (%)	28.6	31.6	-3.0 p.p.
Community/Environment			
Value chain - contracts with environmental criteria (%)	99.4	99.6	-0.2 p.p.
Total CO2 emissions, scope 1 and 2 (kton.) [1] [2]	8.3	8.2	1.5
Energy consumption (TJ) [1] [2]	198.1	191.8	3.3
Eco-friendly vehicles	353	341	3.5
Weight of Eco product range in Direct Mail line (%) [1] [2]	38.8	38.2	0.6 p.p.
Investment in the Community (€ thousand)	612	539	13.5

(1) Provisional data.

(2) 1H2017 data updated: it was considered training hours, CO_2 emissions, energy consumption and Eco product range volumes that were known after the 1H2017 management report release.

PART I – INTERIM MANAGEMENT REPORT

1. STRATEGIC LINES

The postal sector continues to undergo a period of deep structural change as a result of trends observed globally, particularly digitisation / electronic substitution and the growth of e-commerce. This reality has led to an adaptation of the traditional postal business models with a focus on business diversification, namely the creation of solutions that make the most of the growth of e-commerce and / or focus on financial services, and on improving process efficiency.

Therefore, the CTT strategy is based on two fundamental pillars: (i) Transformation and (ii) Growth, which require significant investment and development initiatives, and which can be summarized in the following objectives and initiatives:

1. Preserve the value of the Mail business through the implementation of a sizeable Operational Transformation Plan to improve profitability, reinforce quality of service and sustain the mid-term transformation of the Company

With regard to the postal business, the focus is on implementing the 4 major Transformation Plan initiatives: i) adjustment of human resources policies and reduction of expenses with External Services Supplies (ES&S); ii) optimisation of human resources and rationalisation of non-core assets (238 exits have already been negotiated under this pillar, and a gain of € 8.6 million from the sale of real estate is expected); iii) Optimisation of the Retail Network; and iv) reengineering the Distribution Network.

2. Consolidate CTT's positioning as a strong and integrated Iberian CEP (Courier, Express & Parcels) operator, leader in the last-mile distribution in Portugal, leveraging on the e-commerce growth trend

I. Strengthening CTT's service offer in the B2B and B2C markets em Portugal, leveraging on the development of e-commerce

II. Exploration of opportunities in market niches with potential for synergy with CTT's operations, particularly logistics and cargo

III. Consolidation of the positioning of CTT as an Iberia-wide operator

IV. Capture of international flows

One of the initiatives to be highlighted in the first half of 2018 was the partnership with Sonae for the creation and operation of an e-commerce platform (marketplace). This initiative, aimed at capturing the growth of e-commerce, will be fundamental to contribute to the development of this ecosystem in Portugal, bringing more companies (namely SMEs) to the sale through the digital channels.

3. Develop an innovative and fast-growing retail banking & financial services player focused on simplicity, transparency and proximity

I. Expansion of the Banco CTT franchise by capturing new clients, accounts and deposits, focusing on the digital channels and preserving simplicity and transparency

II. Boost mortgage loans and consumer credit origination

III. Monetisation of the customer base through cross-selling and the launch of new offers

IV. Migration of Payshop and renewal of the value proposition in the digital context

In the beginning of the 2nd half of 2018, an agreement for the acquisition of 321 Crédito[1], a specialised financial entity operating through a network of car dealers in the attractive used auto loans market expected to continue to show strong growth dynamics. 321 Crédito will allow for the diversification of the existing Banco CTT

[1] The completion opf the transaction is subject to the satisfaction of a set of conditions precedent, including inter alia the customary approvals from the competition and the banking regulatory authorities (CTT expects the acquisition to be concluded in the 1st quarter of 2019).

product portfolio with a profitable consumer credit business and optimise the Banco CTT balance sheet, improving its loan-to-deposits ratio from 20% to over 60%. This was one more logical and important step in Banco CTT's strategy of becoming an integrated player in retails financial services, thus also contributing the CTT's diversification strategy.

4. Stimulate sales and increase profitability

I. Strengthening the commercial approach, following up and monitoring the customers' performance

II. Maximising cross-selling

III. Reviewing the pricing model

IV. Optimising margin/profitability policies

V. Developing specialised segments and business solutions leveraging on CTT's assets

5. Upgrade technology and the data-management platform, enabling the Company to rapidly develop innovative, value-added offers, guarantee the quality of service and a continuous improvement in customer experience, guarantee efficiency and resource optimisation, and strengthen the decision-making process by improving management information.

2. POSTAL REGULATORY FRAMEWORK

At the level of the European Union

From the viewpoint of the European Commission (EC), the cross-border parcel delivery services comprise an essential element to enhance e-commerce across the entire EU. Within the scope of a package of measures to be developed to improve consumer and corporate access to digital goods and services, presented in 2016 by the EC on 18 April 2018, the European Parliament and the Council approved Regulation EU 644/2018 relative to the cross-border parcel delivery services, aimed at increasing the transparency of prices and the regulatory supervision of these services. The Regulation, which entered into force on 22 May 2018, entails the publication by the European Commission, on a specific *website* for the purpose, of the public tariffs of the cross-border delivery service providers and grants the regulators more powers to monitor the parcel delivery market.

In this context, European postal operators jointly implemented the Interconnect, project, which essentially entails 5 commitments: flexible delivery options, return solutions, expansion of the track and trace system, better quality of service for the customer, and harmonised labels. The goal of this project is to thereby remove obstacles that dissuade consumers from making online purchases outside their country by equipping vendors with more flexible efficient delivery solutions with a single standard for customers and, as such, maximise growth potential in cross-border electronic commerce for postal operators and contribute to the development of the Single Digital Market.

At a national level

Under the criteria for formation of prices as established by an ANACOM resolution of 21 November 2014[2], ANACOM approved the **universal service pricing** proposal presented by CTT on 15 February 2018 by a resolution of 23 March 2018. The prices inherent to this proposal, which complied with the established price formation principles and criteria, became effective on 2 April 2018.

This update corresponded to an average annual change of 4.5% in the price of the basket of letter mail, editorial mail and parcel services, not including the universal service offer to bulk mail senders, to which special prices apply.

As regards **special prices for postal services included in the Universal Service**[3] that apply to bulk mail senders, these were also updated on 2 April 2018, following the proposal submitted to the Regulator on 22 March 2018.

Under the company's tariff policy for 2018, the mentioned updates correspond to an average annual change of 4.1% in prices, also reflecting the effect of the updating of prices for reserved services (service of judicial and other postal notifications) and for special prices for bulk mail.

Following the Draft Decision approved on 11 January 2018, on 18 July ANACOM communicated the **final decision on the quality of service criteria applicable to the provision of the postal universal service** for 2019 and 2020. Compared to the Draft decision, the 24 quality of service indicators are maintained, but the reliability targets for the routeing times of ordinary mail, bulk mail, ordinary parcels, and newspapers and periodicals released at greater than weekly intervals were revised downwards and set at 99.7%, instead of the 99.9% laid down in the Draft Decision. Contrary to what was proposed in the Draft Decision, the new indicators shall not apply from 01 July 2018, but rather from 01 January 2019 onwards.

The new set of quality of service indicators, which compare with the previous 11 indicators, as well as the set-up of much more demanding objectives for some of them, shows that they go well beyond the current European practices and trends in this field.

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[2] Under article 14(3) of Law no. 17/2012, of 26 April, amended by Postal Law no. 160/2013, of 19 November, and by Law no. 16/2014, of 4 April.

[3] As amended by article 4 of Decree-Law no. 160/2013, of 19 November.

On 18 July 2018, ANACOM also communicated the **decision on the price formulation criteria for the services comprising the universal postal service** for the three-year period of 2018-2020 following the Draft Decision approved on 11 January 2018. In 2018 the rules currently in force shall apply, as laid down by ANACOM in 2014. The new rules shall be applicable to the prices in force in 2019 and 2020 and set a maximum annual price change of the basket of letter mail, editorial mail and parcels services (non-reserved services), linked to the inflation rate (CPI), including inflation adjustment factors (CPIAF) and volume adjustment factors (VAF), which should take into account the differences that may occur between the actual and the predicted values for those variables.

In 2019 and 2020, the weighted average change in the prices of those services may not exceed, in average nominal terms, CPI + CPIAF -1.33% + VAF. However, in view the modification in the draft decision regarding the methodology to forecast the volumes of those services in the 2018-2020 period, this modification is still subject to public consultation. Hence, the maximum annual price change applicable to the basket of non-reserved services is still pending the final decision to be adopted on said volume forecast methodology.

As regards the services of judicial and other postal notifications (services reserved[4] to CTT), a maximum annual price change of their prices is also set out, which is pegged to same factors considered for the basket of non-reserved services. In 2019 and 2020, the weighted average change in prices of these services in each of these years, may not exceed, in average nominal terms, the CPI + CPIAF – 4.4% + VAF [5].

As the Universal Postal Service provider and in order to provide a standardised and non-discriminatory service to operators that wish to use the Universal Service network, as of February 2016, CTT made available to postal operators with an individual license an offer to access its network that is deemed competitive and that safeguards the network's security and the Universal Service provision efficiency. This offer consists of a basic service of collection, transport, sorting and delivery of non-priority letter mail with a maximum weight of 2 kg that allows items to be sent nationally or internationally using the Business Mail counters of Lisbon, Taveiro (Coimbra) and Maia (Porto) as access points.

With the aim of responding to the competition concerns voiced by the Competition Authority (AdC) within the scope of network access, CTT presented, on 22 December 2017, under the terms and for the purposes set out in article 23 of Law no. 19/2012, of 8 May (Competition Law), a number of commitments which consist in extending the scope of the postal network access offer (access offer), made available to competing postal operators, under the following terms:

(i) extension of mail services included in the access offer, namely the national editorial service, the national priority service and the national registered service;

(ii) introduction of new access points to the postal network, further down the postal distribution chain, namely destination production and logistics offices and 217 destination post offices (with the exception of the National Basic Service, with weight up to 50 g), whose mail is directly forwarded to the postal distribution offices for delivery by postmen;

(iii) introduction of a faster delivery deadline in the case of access through the destination post offices for the national basic service for items weighing more than 50 g and national editorial service;

(iv) possibility of a competing operator being able to carry out additional sorting tasks, namely the separation of mail by distribution area of the postal distribution office and by artery;

(v) network access price list with prices lower than those for final customers, with differentiated prices according to the point of access, mail service and distribution tasks carried out by the competing operator.

Following the public consultation, on 23 March 2018, the commitments presented by CTT were subject to slight changes, having the AdC accepted these commitments on 5 July 2018, which will be implemented within six months as of its notification.

[4] In 2017 these services represented circa 0.5% of the total volumes of the Universal Postal Service.

[5] Instead of CPI + CPIAF – 11.6% + VAF, as provided for in the draft decision.

3. OPERATIONAL AND FINANCIAL PERFORMANCE

This section summarises the consolidated results achieved by CTT ("Company") and the consolidated assets, liabilities and financial position of the Company as at 30 June 2018. It should be read in conjunction with the consolidated financial statements and the accompanying notes, which have more detailed information.

The present review includes the consolidation of the activities of the parent Company and its subsidiaries as included in note 8 of the consolidated financial statements. In addition, a review is carried out by CTT without consolidating Banco CTT, which is treated as a financial investment through the equity method:

(i) To facilitate the analysis of the impact of Banco CTT on the CTT accounts; and

(ii) Allowing CTT to have an overview of the Balance Sheet excluding financial assets, which besides being specific are autonomous and segregated assets.

It is important to highlight the following relevant facts occurred during the first half of 2018 for a better understanding of the Company accounts:

- Price update from 2 April 2018, corresponding to a 4.1% average annual increase of the basket of letter mail, editorial mail and parcels services. This percentage update also covers the price decrease of reserved services (services for the transmission of judicial and other postal notifications) and the increase of special prices for bulk mail.

- Payshop became part of Banco CTT, through a capital increase operation in which all the shares representing the share capital of Payshop for the amount of €6.4m were transferred to Banco CTT on 4 January 2018. This operation is aligned with the strategy of concentrating the Group's financial segment business and had no impact on the consolidated statements, although it had implications on the business segments. Thus, Payshop was included in Banco CTT segment, instead of the Financial Services segment and, as a result, the historical report (2017) was restated, in order to maintain comparability in the new perimeter.

- In the first half of 2018, Transporta contributed to the consolidated accounts €7.0m of revenues and €7.8m of recurring operating costs. As CTT only acquired the total share capital of Transporta in May 2017, the comparable period of the previous year is only approximately 2 months. The Company has continued the integration of this asset in all fronts of its structural optimisation, aiming to consolidate its sustainability within the CTT Group.

Consolidated revenues increased by 0.9% (+€3.0m) compared to the first half of 2017, driven by growth in the Express & Parcels segment (+€11.1m; +17.7%) and Banco CTT (+€2.0m; +23.3%).

The evolution of the revenues was negatively affected by the Financial Services segment (-€9.4m; -31.7%) with the reduction in the placement of Public Debt products, reflecting the effect of the reduction in the annual average interest rates offered.

The Mail segment reflected the reduction of 7.9% in mail volumes, with a drop in external revenues of 0.3% (-€0.7m) in Mail and SU Parcels, offset by a growth of 12.6% (+€0.5m) in business solutions and 37.5% (+€1.6m) in retail products, of which €1.7m are related with the sale of lottery. This segment posted a performance improvement in the second quarter of 2018: revenues rose from -0.8% in the first quarter of 2018 *vs.* the same period of the last year to +1.4% in the second quarter), not only due to the updating of regulated prices, but also to the positive evolution of the level of discounts and the product mix.

Recurring operating costs increased by 3.2% (+€9.6m) *vs.* the first half of 2017, particularly external supplies and services in the Express & Parcels and Banco CTT segments which grew +€9.1m (+18.0 %) and +€2.8m (+33.2%), respectively, as a result of activity increase.

Particular mention should be made of direct costs in the Group, especially those related to the transportation of mail and parcels, delivery, cargo, banking and courier, which grew by 21.2% (+€8.3m) and, conversely, the fall in IT costs of 10.2% (-€1.4m) and of -2.3% in Facilities (-€0.5m).

The operating activity generated earnings before non-recurring items, interest, taxes, impairments, depreciation and amortisation (recurring EBITDA) of €46.1m, -12.4% (-€6.5m) than those obtained in the same period of the previous year, with an EBITDA margin of 13.0% compared to 14.9% in the first half of 2017. The Company's operating performance has been improving, as can be seen in the evolution of the first and second quarters, with an evolution of -18.9% and -5.0%, respectively. This evolution of performance has a very positive profile, considering that:

(i) Revenue increase went from 0.0% in the first quarter to +1.7% in the second quarter;

(ii) The evolution of recurring costs went from an increase of 3.6% to 2.8% (+€ 5.3m to +€4.3m). This growth of the second quarter (€4.3M) includes the growth in Express & Parcels (+€4.0m) costs, resulting from the good performance of the respective Revenue (+€4.6m).

Net profit was mainly affected by non-recurring costs, totalling €17.2m, especially those arising from the operational transformation plan in progress and studies and advisory services for strategic projects, amounting to €15.3m, of which €13.2m are related to staff restructuring costs.

In the first half of 2018, CTT achieved a consolidated net profit attributable to equity holders of €6.3m, -64.8% (-€11.5m) than in the previous year, corresponding to a consolidated net profit per share of €0.04, compared to €0.12 of the first half of 2017.

Consolidated income statement

Thousand Euros	1H2018	1H2017	Δ% 18/17
Revenues	**355,125**	**352,114**	**0.9%**
Sales and services rendered	343,659	340,466	93.8%
Sales	9,211	7,603	21.1%
Services rendered	334,448	332,863	0.5%
Financial margin	3,315	1,161	185.5%
Other operating income	8,151	10,486	-22.3%
Operating costs excluding impairments, provisions, depreciation/amortisation and non-recurring costs	**309,055**	**299,497**	**3.2%**
Cost of sales	6,391	4,968	28.6%
External supplies and services	126,971	116,206	9.3%
Staff costs	169,837	171,367	-0.9%
Other operating costs	5,855	6,956	-15.8%
Earnings before depreciation/amortisation, impairments and provisions, non-recurring results, interest and taxes (recurring EBITDA)	**46,070**	**52,616**	**-12.4%**
Impairment of accounts receivable, net	(292)	110	365.5%
Provisions, net	507	(102)	-597.1%
Impairment of other financial banking assets	142	-	n.a.
Impairment of non-depreciable assets	-	-	n.a.
Depreciation/amortisation and impairment of investments, net	(14,876)	(14,186)	4.9%
Earnings before non-recurring results, financial income and taxes (recurring EBIT)	**31,551**	**38,439**	**-17.9%**
Company restructuring	(13,314)	(2,653)	401.8%
Costs associated to studies and advice services for strategic projects	(2,016)	(4,555)	-55.7%
Other non-recurring income and costs	(1,885)	(677)	178.4%
Earnings before interest and taxes	**14,335**	**30,555**	**-53.1%**
Financial results, net	(2,759)	(2,400)	-15.0%
Gains/losses in associated companies	98	0	n.a.
Earnings before taxes (EBT)	**11,674**	**28,155**	**-58.5%**
Income tax for the period	(5,396)	(10,460)	-48.4%
Net profit before non-controlling interests	**6,278**	**17,695**	**-64.5%**
Non-controlling interests	27	(50)	154.0%
Net profit for the period attributable to equity holders	**6,250**	**17,745**	**-64.8%**

Note: Revenues and costs exclude non-recurring items.

3.1. Revenues

Thousand Euros	1H2018	1H2017 proforma	Δ% 18/17
Mail	270,571	269,810	0.3%
Express & Parcels	73,896	62,759	17.7%
Financial Services	20,213	29,596	-31.7%
Banco CTT	10,753	8,722	23.3%
CTT Central Struture	48,400	52,735	-8.2%
Intragroup eliminations	(68,708)	(71,509)	-3.9%
Revenues	**355,125**	**352,114**	**0.9%**

Note: Revenues exclude non-recurring items.

The Mail segment, which includes the letter mail postal service revenues of CTT, including the USO (Universal Service Obligation), represents the greatest weight in terms of revenues, amounting to €270.6m, an increase of 0.3% (+€0.8m) vis-à-vis the first half of 2017.

The decline of 7.9% in mail volumes corresponded mostly to a decrease of €3.6m (-1.9%) in domestic mail, while registered mail countered this trend (growing by 1.9%, +€1.2m), and to a reduction of €1.3m (-12.8%) in addressed advertising mail. In the first half of 2018, the Company benefited from a particularly positive performance in registered mail as a result of several mailings from the State and Banking and Insurance sectors that improved this revenue.

The less positive mail volumes evolution was mitigated by the raise in the average price per mail item, which benefited not only from the regulated price update (+3.6% *vs.* the same period of the previous year), but also from a positive evolution of the level of discounts and product mix, and also the growth of €4.8m (+39.3%) in inbound international mail, maintaining the high growth trend of the volumes received from Asian countries. The Mail business also saw a positive evolution in:

(i) Business solutions, which increased by €0.5m (+12.6%); and

(ii) Lottery sales, with an increase of €1.7m (+187.4%), benefiting from the comparison with the first half of 2017, when the sale of this product only began to grow significantly in the second quarter, with a very good performance for the Company (+51.7% in the second quarter of 2018 vs. the second quarter of 2017).

With regard to the other revenues of the Mail segment, the increase of €0.3m (+24.2%) in pro-rata VAT recovery was absorbed by the decrease in favourable exchange rate differences (-€1.3m;-72.3%) following the appreciation of the SDR[6] against the Euro in the first six months of 2018 (+1.6% *vs.* December 2017).

The Express & Parcels segment, with €73.9m in revenues, recorded an increase of €11.1m (+17.7%) compared to the same period of the previous year, as a result of business growth in all geographies, in particular:

(i) A growth in Spain of €3.4m (+14.3%), with an increase in volumes of 19.1%;

(ii) The good performance of the banking (+€0.6m; +22.0%) and logistics businesses (+€0.7m; +82.9%), in Portugal.

[6] Special Drawing Rights

There is an inorganic growth component related to the integration of Transporta in the first half of the year, as when compared to the first half of 2017 it had a positive impact of +€4.6m on revenue performance , turning a 10.7% increase in the revenue performance of the Expresso & Parcels segment into a 17.7% increase.

The Financial Services segment, with €20.2m of revenues, registered a decrease of €9.4m (-31.7%) vs. the first half of 2017.

Revenues decreased impacted by the reduction in the placement of one of the Public Debt products, which was replaced, in October 2017, by another one with a lower interest rate (2.25% *vs.* 1.38% - annual average interest rates for 5-year Treasury Certificates Poupança Mais (CTPM) and 7-year Treasury Certificates Poupança Crescimento (CTPC), respectively), therefore the amounts handled within the issuance of Public Debt Certificates fell by 52.6%, representing a reduction in commissions of €9.4m (-56.6%).

In addition, the commission received by the Company for marketing this IGCP product was reduced by 0.05% in May 2018. In order to face this framework, the Company has been developing a set of commercial initiatives to explain the advantages of this product and the reasons to maintain its remuneration compared to other products on the market, having achieved a recovery between the first and second quarters of 2018, where the reduction in overall revenues from Financial Services external revenues went from from -38.8% to -27.7%. It is also worth noticing the decline of €0.4m (-5.9%) in payment solutions (in particular invoices).

The Banco CTT segment reached external revenues of €8.9m, an increase of +€2.2m (+33.9%), mainly leveraged by the financial margin growth of +€2.2m.

The incorporation of Payshop in this segment contributed +€0.2m (+7.7%) of external revenues in payment solutions, mainly in the collection of invoices and Internet-related collections.

The CTT Central Structure showed a decrease in revenues (-€4.3m; -8.2%), due to the reduction in real estate disposals and in the costs, due to of the decrease of this segment costs. Specifically, in the first half of 2017 the following took place:

(i) Recognition of deferred gains from prior years (€1.1m);

(ii) Recognition of deferred gains arising from disposals occurred in this period, amounting to €0.7m, which includes real estate in Praia da Rocha and Monte Estoril; and

(iii) Cost reduction of -€2.6m in the CTT Central Structure to be allocated to the Mail and Financial Services segments.

3.2. Operating costs [7]

Thousand Euros	1H2018	1H2017	Δ% 18/17
Cost of sales	6,391	4,968	28.6%
External supplies and services	126,971	116,206	9.3%
Staff costs	169,837	171,367	-0.9%
Other operating costs	5,855	6,956	-15.8%
Operating costs	**309,055**	**299,497**	**3.2%**

Note: Excluding non-recurring items.

[7] Cost of sales + ES&S + Staff costs + other operating costs (excludes non-recurring items).

Recurring operating costs amounted to €309.1m, +3.2% (+€9.6m) compared to the first half of 2017.

The **cost of sales** increased €1.4m (+28.6%) accompanying the sales evolution, namely in what concerns lottery.

The recurring **external supplies and services** costs increased by +€10.8m (+9.3%), mostly in the Express & Parcels segment (+€9.1m; +18.0%), in the Banco CTT segment (+€2.8m; 33.2%) and in the Mail segment (+€0.9m; +1.8%).

The direct costs of CTT Group (which represent 18.4% of the total operating revenues in the first half of 2018), especially those related to the transportation of mail and parcels, delivery, cargo, banking and courier services, which grew by 21.2% (€8.3m) in line with the increase in activity, are noteworthy. The consolidation of the different Operations that the Group has been integrating into its structure will allow, in a near future, the capture of operational synergies between the networks that will be translated into a costs evolution similar to the external revenues evolution.

The recurring operating costs were negatively impacted by the fuel price increase, which resulted in an increase in fleet costs, namely fuel (+€0.2m; +5.7%). The increase in vehicle maintenance costs (+€0.2m, +16.2%) reflects the renewal of the operational fleet (717 vehicles) and the respective reconditioning costs increase, which is mostly reflected in the Mail segment as it includes the functions of transport and delivery.

The Company reduced IT costs by €1.4m (-10.2%) as a result of several ongoing initiatives to improve the efficiency of IT spending, which include areas of communications and systems administration, and the renegotiation of outsourcing contracts. This impact was mainly reflected in the CTT Central Structure, leading to a reduction in the internal provision of these services and, consequently, reducing the costs allocated to the Mail segment.

The recurring **staff costs** decreased €1.5m (-0.9%), reflecting the strengthening of the HR optimisation programme initiated in the previous year. As at 30 June 2018, the number of CTT employees (permanent and on fixed-term contract) was 12,599, which is 312 (-2.4%) below the same period in 2017.

The salary revision agreed with the organisations representing the workers with effect as of January 2018 represented an increase of €1.3m in staff costs in the first half of the year.

These increases were absorbed by the revision of the performance bonuses, which had an impact of -€2.8m (1H2018 *vs.* 1H2017), reductions in health care costs, social welfare costs, and safety and hygiene at work of €0.3m and the -€0.7m of bonuses related to Financial Services, as a result of the decrease in the revenues of this segment.

The recurring other operating costs decreased by €1.1m (-15.8%), largely due to the unfavourable exchange rate differences (-€1.6m; -79.0%), effecting Mail segment, and whose value is similar to the positive impact on incomes previously mentioned.

Operating costs by segment are as follows:

Recurring operating costs by segment

Thousand Euros	1H2018	1H2017 proforma	Δ% 18/17
Mail	224,884	225,534	-0.3%
Express & Parcels	72,029	62,003	16.2%
Financial Services	13,084	15,284	-14.4%
Banco CTT	19,366	15,450	25.3%
CTT Central Struture	48,400	52,735	-8.2%
Intragroup eliminations	-68,708	-71,509	-3.9%
Operating costs	**309,055**	**299,497**	**3.2%**

Note: excludes non-recurring items.

3.3. Recurring EBITDA

The recurring EBITDA[8] amounted to €46.1m in the first half of 2018, -12.4% (-€6.5m) than the one recorded in the same period of the previous year.

Recurring EBITDA by segment

Thousand Euros	1H2018	Margin	1H2017 proforma	Margin	Δ% 18/17	Δ Margin
Mail	45,687	16.9%	44,276	16.4%	3.2	0.5 p.p.
Express & Parcels	1,867	2.5%	756	1.2%	147.0	1.3 p.p.
Financial Services	7,129	35.3%	14,313	48.4%	-50.2	-13.1 p.p.
Banco CTT	(8,613)	n.a.	(6,728)	n.a.	28.0	n.a.
Recurring EBITDA	**46,070**	13.0%	**52,616**	14.9%	**-12.4**	-2.0 p.p.

Note: Excluding non-recurring items.

[8] Recurring EBITDA = Operating results + amortisation and depreciation + net change in provisions and impairment losses (does not include non-recurring revenues and costs, such as company restructuring, impairment of investment properties, provisions for onerous contracts and labour contingencies).

3.4. Non-recurring results

In the first half of 2018 CTT recorded negative non-recurring results of €17.2m, of which €15.1m affected EBITDA and €2.2m are related to depreciation / amortisation, impairment and net provisions (below EBITDA).

Thousand Euros	1H2018	1H2017	ΔABS 18/17
Other operating income	**(10)**	**(0)**	**10**
Capital gains from the sale of real estate	(10)	(0)	10
External supplies and services	**1,566**	**3,830**	**(2,264)**
Costs associated to studies and advice services for strategic projects	1,566	3,830	(2,264)
Staff costs	**13,314**	**2,854**	**10,460**
Indemnities for termination of employment contracts by mutual agreement - Operational Transformation Plan	13,234	2,071	11,163
Other indemnities for termination of employment contracts by mutual agreement	80	166	(86)
Completion of the "Long-term variable remuneration – Share Plan	0	617	(617)
Other costs	**182**	**185**	**(3)**
Donation and others	182	185	(3)
Non-recurring results to EBITDA	**15,052**	**6,869**	**8,183**
Depreciation/amortisation and impairment of investments, net	**443**	**715**	**(271)**
Incremental costs in the Retail Network with Banco CTT	443	715	(271)
Impairment of accounts receivable, net	**0**	**415**	**(415)**
Closing of franchisees in Spain	-	415	(415)
Provisions, net	**1,720**	**(115)**	**1,836**
Labour contingencies	320	(115)	436
Notification issued to Tourline from the Spanish National Commission on Markets and Competition	1,400	0	1,400
Results *below* EBITDA	**2,164**	**1,015**	**1,149**
Non-recurring results to EBIT	**17,216**	**7,884**	**9,332**

Non-recurring results by segment are as follows:

Non-recurring results

Thousand Euros	1H2018	1H2017	ΔABS 18/17
Non-recurring revenues	**10**	**-**	**n.a.**
CTT Central Struture	10	-	n.a.
Non-recurring operating costs	**15,063**	**6,869**	**8,193**
Mail	7,167	1,093	6,074
Express & Parcels	360	1,572	(1,213)
Financial Services	361	7	354
Banco CTT (including Payshop)	140	2,127	(1,987)
CTT Central Struture	7,035	2,070	4,965
Recurring EBITDA	**(15,052)**	**(6,869)**	**8,183**
Mail	(7,167)	(1,093)	6,074
Express & Parcels	(360)	(1,572)	(1,213)
Financial Services	(361)	(7)	354
Banco CTT (including Payshop)	(140)	(2,127)	(1,987)
CTT Central Struture	(7,024)	(2,070)	4,955
Non-recurring costs below EBITDA	**2,164**	**1,015**	**1,149**
Mail	443	721	(278)
Express & Parcels	1,400	415	985
Financial Services	-	-	-
Banco CTT (including Payshop)	-	-	-
CTT Central Struture	320	(122)	442
Recurring EBIT	**(17,216)**	**(7,884)**	**9,332**
Mail	(7,610)	(1,814)	5,796
Express & Parcels	(1,760)	(1,988)	(228)
Financial Services	(361)	(7)	354
Banco CTT (including Payshop)	(140)	(2,127)	(1,987)
CTT Central Struture	(7,345)	(1,948)	5,397

1H2018 Non-recurring results

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Other operating income	-	-	-	-	10	-	-	10
External supplies and services	(727)	-	-	(137)	(702)	-	-	(1,566)
Staff Costs	(6,433)	(360)	(361)	(3)	(6,157)	-	-	(13,314)
Other costs	(7)	-	-	-	(175)	-	-	(182)
Non-recurring results that affect EBITDA	**(7,167)**	**(360)**	**(361)**	**(140)**	**(7,024)**	**-**	**-**	**(15,052)**
Depreciation/amortisation and impairment of investments, net	(443)	-	-	-	-	-	-	(443)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	-
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Provisions net	-	(1,400)	-	-	(320)	-	-	(1,720)
Non-recurring results that affect EBIT	**(7,610)**	**(1,760)**	**(361)**	**(140)**	**(7,345)**	**-**	**-**	**(17,216)**

1H2017 Non-recurring results

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Other operating income	0	-	-	-	-	-	-	0
External supplies and services	(618)	(195)	(7)	(2,127)	(883)	-	-	(3,830)
Staff Costs	(465)	(1,377)	-	-	(1,012)	-	-	(2,854)
Other costs	(10)	-	-	-	(175)	-	-	(185)
Non-recurring results that affect EBITDA	**(1,093)**	**(1,572)**	**(7)**	**(2,127)**	**(2,070)**	**-**	**-**	**(6,869)**
Depreciation/amortisation and impairment of investments, net	(721)	-	-	-	-	-	7	(715)
Impairment of accounts receivable, net	-	(415)	-	-	-	-	-	(415)
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Provisions net	-	-	-	-	115	-	-	115
Non-recurring results that affect EBIT	**(1,814)**	**(1,988)**	**(7)**	**(2,127)**	**(1,955)**	**-**	**7**	**(7,884)**

3.5. Financial results

The financial results posted a negative amount of €2.7m, representing a decrease of 10.9% (-€0.3m) in relation to the same period of the previous year.

Interest income and financial revenues decreased by 91.2% (-€0.3m) when compared with the first half of 2017, due to the low remuneration rates of term deposits, to lower liquidity levels and to the preservation of a conservative policy regarding liquidity applications by CTT.

Financial costs incurred amounted to €2.8m, mainly incorporating the financial costs of €2.6m associated with the financial update of the employee benefits liability, as well as, but of little relevance, interest associated with financial leasing operations and bank loans (€0.2m).

Financial results

Thousand Euros	**1H2018**	**1H2017**	**Δ% 18/17**
Interest income	25	285	-91.2%
Interest expenses	(2,784)	(2,685)	3.7%
Interest expenses (financial)	(151)	(72)	109.7%
Interest costs with employee benefits (accounting)	(2,632)	(2,613)	0.7%
Gains/losses in associated companies	98	0	n.a.
Financial results	**(2,661)**	**(2,400)**	**-10.9%**

3.6. Net profit

In the first half of 2018 CTT achieved a consolidated net profit attributable to equity holders of €6.3m, 64.8% lower than the one obtained in the same period of the previous year, corresponding to a net margin of 1.8% (5.0% in 1H2017).

3.7. Capex

The Group's investment amounted to €8.3m, +15.0% (-€1.1m), compared to the first half of 2017, of which:

(i) €5.8m are related to IT investments, specifically:

- Banco CTT core and business support IT systems (€2.9m);
- Implementation of the Transformation Programme (€0.6m) with emphasis on the new SAP platform;
- Strategic IT systems development in the areas of commercial excellence and accounting and operational processes, such as, CRM-Customer Relationship Management, New Iberian Offer, new transactional platform for Financial Services.

(ii) €1.9m for works in buildings, such as the postal delivery office in Oporto, the Devesas and Maia buildings, theSanta Marta and Restelo Post Offices.

3.8. Financial position

Consolidated statement of financial position

Thousand Euros	30.06.2018	31.12.2017	Δ% 18/17
Non-current assets	867,084	678,474	27.8%
Current assets	925,516	930,291	-0.5%
Total assets	**1,792,600**	**1,608,765**	**11.4%**
Equity	131,783	183,991	-28.4%
Total liabilities	1,660,817	1,424,774	16.6%
Non-current liabilities	272,171	282,738	-3.7%
Current liabilities	1,388,646	1,142,037	21.6%
Total equity and liabilities	**1,792,600**	**1,608,765**	**11.4%**

Total assets reached €1,792.6m (+€183.8m *vs.* 31.12.2017), of which €658.0m (+€208.1m vs 31.12.2017) are related to applications, financial assets and credit held by Banco CTT broken down as follows:

- €401.5m concerning investment securities;
- €107.3m of other banking financial assets, mainly investments in credit institutions and in the interbank market; and
- €149.2m of credit to banking clients, especially mortgage loans and other credits.

In the total assets it is worth noticing the decrease in cash and cash equivalents of €35.1m (-5.6%).

In the first half of 2018 there is also the effect of:

- +€1.7m recorded as non-recurring assets held for sale, related to the net accounting amount of the building owned by the Company located at Rua da Palma, in Lisbon.
- -€0.1m of other investments (non-listed capital instruments) with the sale of the Eurogiro Network shareholding.

Equity decreased by €52.2m (-28.4%) following the dividend distribution for the year 2017 (€57.0m), which occurred in May 2018, with the appropriation of €27.3m from the net profit for the 2017 financial year, €14.4m booked as retained earnings and €15.4m booked as free reserves. It's also noted the decrease of €1.5m related to the effect of the adoption of IFRS 9 and IFRS 15, as mentioned above.

Total liabilities increased by €236.0m (+16.6%), of which the increase of €140.7m (+52.1%) related to net financial services payables (+€91.1m in CNP money orders – referring to the money orders received from the National Pensions Centre (CNP) with payment date to the corresponding pensioners in the month after the closing of the financial period - reflecting the payment of holiday bonuses in June), and +€117.7m of banking client deposits from Banco CTT.

Liabilities related to employee benefits (post-retirement and other long-term benefits) in the first half of 2018 amounted to €267.7m, -0.9% (-€2.3m) when compared to December 2017, and no actuarial gains and losses were recorded in the period, therefore the reduction derives from the effect of the payments, which more than offset the increase in liabilities arising from Interest cost of the year
current interest and service expenses.

Liabilities with post-retirement benefits and other long-term employee benefits

Thousand Euros	30.06.2018	31.12.2017	Δ% 18/17
Liabilities	**267,723**	**270,020**	**-0.9%**
Healthcare	249,554	253,972	-1.7%
Staff (suspension agreements)	3,265	3,312	-1.4%
Other long-term employee benefits	14,499	12,340	17.5%
Pension plan (Transporta)	345	356	-3.1%
Other benefits	60	40	50.0%

3.9. Cash flow and Net cash / (debt)

The net change in cash and cash equivalents amounted to -€35.1m, which is mainly the result of:

- +€3.6m in cash flows from operating activities (excluding the cash flows from financial services and Banco CTT);
- -€2.5m in operating cash flows related to Banco CTT (including Payshop);
- +€136.5m in changes in financial services receivables/payables;
- +€52.3m in the net change of Banking customer deposits and other loans;
- -€17.1m in payments related to tangible and intangible assets;
- -€118.0m of Banco CTT's financial assets (includes investments and other bank financial assets of Banco CTT);
- - €57.0m of dividend payment;
- -€26.5m of demand deposits at Bank of Portugal and outstanding checks from Banco CTT.

The adjusted cash flow in the first half of 2018 was -€79.4m, as a result of the dividend payment (€57.0m) and the adjusted operating cash flow, which amounted to -€14.4m. Excluding non-recurring items, especially the ones related to the payment of indemnities for termination of employment contracts by mutual agreement (€22.2m), the operating cash flow would be positive, of €9.6m.

Cash flow

Thousand Euros	Reported 1H2018	Reported 1H2017	Reported ΔABS 18/17	Adjusted* 1H2018	Adjusted* 1H2017 proforma	Adjusted* ΔABS 18/17
Cash flow from operating activities	**189,908**	**296,718**	**(106,809)**	**1,109**	**35,846**	**(34,736)**
Cash flow CTT excluding FS and Banco CTT				*3,636*	*42,239*	*(38,604)*
Banco CTT cash flow				*(2,526)*	*(6,393)*	*3,867*
Cash flow from investment activities	**(133,485)**	**(117,901)**	**(15,584)**	**(15,492)**	**(21,214)**	**5,721**
Capex	*(17,135)*	*(22,927)*	*5,792*	(17,135)	(22,927)	5,792
of which Banco CTT	(3,582)	*(4,428)*	*847*	(3,582)	(4,428)	847
*Banco CTT financial assets***	(117,993)	(96,687)	(21,305)			
Other	*1,643*	*1,713*	*(70)*	1,643	1,713	(70)
Operating free cash flow	**56,423**	**178,816**	**(122,393)**	**(14,383)**	**14,632**	**(29,015)**
Cash flow from financing activities	**(64,992)**	**(73,770)**	**8,778**	**(64,992)**	**(73,770)**	**8,778**
of which dividends	*(57,000)*	*(72,000)*	*15,000*	*(57,000)*	*(72,000)*	*15,000*
Other* **	**(26,547)**	**(3,566)**	**(22,981)**	**-**	**135**	**(135)**
Net change in cash	**(35,116)**	**101,480**	**(136,596)**	**(79,375)**	**(59,003)**	**(20,371)**

* Cash flow from operating activities excluding the changes in the financial services receivables/payables and Cash Flow Statement items: "Banking customer deposits and other loans", "Credit to bank clients", "Investment securities", "Other banking financial assets", "Demand deposits at Bank of Portugal", "Other banking financial assets", third parties "Other receivables/payments" regarding Banco CTT.
** Including Investment securities and other banking financial assets held by Banco CTT.
*** These figures were not considered under Cash and equivalents in the Cash flow Statement. However, they are included in Cash and equivalents in the Balanced Sheet.

Net financial cash, excluding third parties receivables/payments, was positive by €91.8m.

Net cash / (debt)

Thousand Euros	30.06.2018	31.12.2017	ΔABS 18/17
Cash and cash equivalents	**591,710**	**626,825**	**(35,116)**
Financial Services payables (net)	(402,420)	(265,896)	136,524
Banco CTT deposits & other financial liabilities	(754,823)	(637,112)	117,711
Banco CTT financial assets & credits & other	659,872	449,896	209,976
Own Cash [1]	**94,339**	**173,714**	**(79,375)**
Short and long-term debt	(2,540)	(10,378)	(7,838)
Net financial cash (debt)	**91,800**	**163,336**	**(71,536)**

[1] Including €67.4m of Banco CTT own cash.

Note: The company holds financial leasing operations (related to the acquisition of basic equipment and vehicles), bank loans in Corre in order to fund operating activities and a cash pooling system used within CTT scope, particularly by Tourline, to support the activity.

3.10. Impact of Banco CTT results on the consolidated results

The analysis of the balance sheet and income statement without the full consolidation of Banco CTT allows for a clear view of the CTT Group without the assets / liabilities related to the activity of Banco CTT (including Payshop).

The economic and financial position of the CTT Group excluding Banco CTT (including Payshop) from the consolidation perimeter, being accounted as a financial participation according to the equity method, would be as follows:

Consolidated income statement

Thousand Euros	1H2018	1H2017 proforma	Δ% 18/17
Revenues	348,033	346,782	0.4%
Operating costs	(308,263)	(292,179)	5.5%
EBITDA	**39,770**	**54,603**	**-27.2%**
EBITDA margin	**11.4%**	**15.7%**	**-4.3 p.p.**
Depreciations, amortisations, impairments & provisions	(15,279)	(13,754)	11.1%
Earnings before financial income and taxes (EBIT)	**24,492**	**40,848**	**-40.0%**
Financial results	**(10,625)**	**(10,593)**	-0.3%
Gains/losses in associated companies	*(7,865)*	*(8,182)*	3.9%
Banco CTT (including Payshop)	*(7,963)*	*(8,182)*	2.7%
Others	*98*	-	n.a.
Earnings before taxes	**13,866**	**30,256**	**-54.2%**
Income tax for the period	(7,589)	(12,561)	-39.6%
Net profit for the period	**6,278**	**17,695**	**-64.5%**
Non-controlling interests	27	(50)	154.0%
Net profit for the period attributable to equity holders	**6,250**	**17,745**	**-64.8%**

Consolidated statement of financial position

Thousand Euros	30.06.2018	31.12.2017 proforma	Δ% 18/17
Non-current assets	415,195	413,409	0.4%
Current assets	620,553	557,340	11.3%
Total assets	**1,035,748**	**970,749**	**6.7%**
Equity	131,783	183,991	-28.4%
Total liabilities	903,965	786,758	14.9%
Non-current liabilities	272,129	282,652	-3.7%
Current liabilities	631,836	504,106	25.3%
Total equity and liabilities	**1,035,748**	**970,749**	**6.7%**

Impact of the exclusion of Banco CTT (including Payshop) from the consolidation perimeter on the economic position (Profit & Loss) in 1H2018:

- +€10.2m on the revenues and +€8.8m of EBITDA;
- -€8.0m of financial results, which reflect the equity method of Banco CTT, due to the negative net profit.

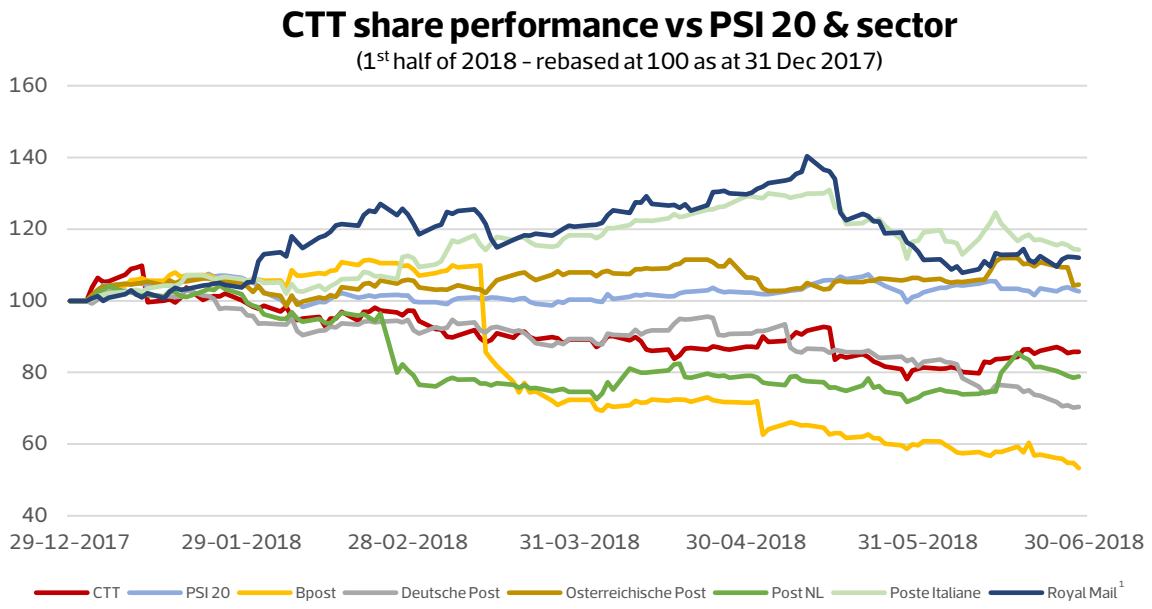
Impact of the exclusion of Banco CTT from the consolidation perimeter on the financial position (Balance Sheet) in 1H2018:

- -€756.9m on assets;
- -€169.5m concerning cash and cash equivalents, of which €162.4m in Banco CTT and €7.2m in Payshop.

4. CTT SHARE PERFORMANCE

During the 1st half of 2018, CTT paid a dividend of €0.38 per share and the CTT share price depreciated by 14.29%. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at the end of 2017) in the period was -3.16%. During the same period, the PSI 20 had a total shareholder return of 6.43%.

In terms of share price appreciation, the best performer of the EU postal sector in the first half of 2018 was Poste Italiane, whose share price appreciated by 14.26% as opposed to Bpost and Deutsche Post's which depreciated by 46.70% and 29.6%, respectively. On the same basis, the PSI 20 index appreciated by 2.60% in the first half of 2018.



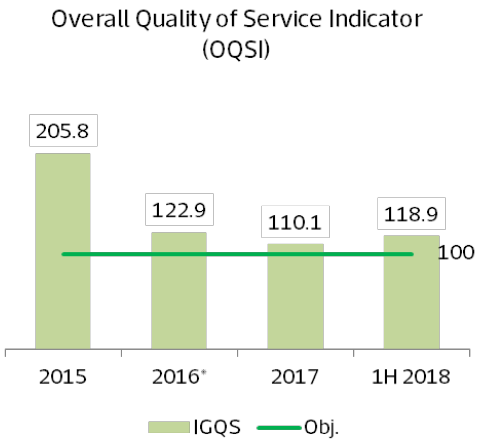
[1] Royal Mail share price in euros

During the 1st half of 2018, circa 155 million CTT shares were traded, corresponding to a daily average of 1.2 million shares, which translates into an annualised turnover ratio of 207% of the share capital, which shows the strong share liquidity. As at the end of the semester, the CTT share price at market close was €3.006.

5. SUSTAINABILITY IN CTT'S ACTIVITIES

Customers

Quality reached 118.9 points in the 1st half of 2018, a result compared to a target of 100 stipulated by the Regulator. In terms of perceived quality, 78.9% of the customers continue to state they were satisfied or very satisfied with the services provided.



* The value of the 2016 OQSI published with the 2016 annual report (126.0) was recalculated according to the final ANACOM decision of November 2017 relative to the formula for calculation of the indicators IQS4 - ordinary mail not delivered within 15 work days and IQS5 - priority mail not delivered within 10 work days.

Additionally, in order to obtain in-depth knowledge and improve satisfaction with the services provided, CTT periodically carries out studies and questionnaires with its customers from both the Retail Segment (customers going to CTT post offices) and the business segment (contractual customers).

Company and staff

The offer of training decreased by 34% compared to last year, during 103 thousand hours, due to the postponement of some measures, but we foresee a potential implementation until the end of the year. In terms of work security 510 labour accidents have occurred, 4% less compared to the same period of the previous year.

Over the 1st half of the year, the employees participated in several initiatives. Among these activities, it is important to note the blood donation campaign at the headquarters of CTT and Banco CTT in Lisbon, with the support of Instituto Português do Sangue e da Transplantação (Portuguese Blood and Transplantation Institute), which had the participation of 65 donors. In order to promote the balance between work and family, we invited the employees to participate in the Lisbon Marathon, the CTT Cup, the Médis race, the Woman's Race, the XXX National CTT Games and the visits to Kidzania and to the Zoo. Among other social and environmental initiatives, CTT sponsored the wheelchair competition in the 28th Lisbon Half Marathon, the CTT Wheelchair Racing, the "Terra dos Sonhos" (Dreamland), the "Associação Salvador" (Salvador Association), the APCL, the Fenacerci and the Iberian lynx in the Zoo. CTT were partners of the Associação Nacional Doentes Oncológicos (National Association of Oncological Patients) and donated vehicles to the Fire Brigade corporations of Bragança, Cabo Ruivo (Lisbon), Castelo Branco and Oliveira do Hospital.

This year, the wage increases were between 1.1% and 1.3% in the remuneration up to € 2,790.40. Within the scope of human resources management, CTT were distinguished for the 3rd consecutive time by the *Human Resources* Portugal 2017 with an award in "Gender Equality" category.

The partnership with EPIS continued to be boosted, with 15 mentors and 13 CTT *trainees*, with the purpose of supporting students who are under-achievers at school. Other *trainees* carry out a volunteer program including the support to an isolated person, duly identified by CTT, to Vitae Association and to Quercus.

Society and the environment

CTT offset the carbon footprint of the Express & Parcels offer and of the "Green" Mail eco range, which represents about 12% of the company's total revenue. Two winning projects were chosen that CTT is going to finance to offset the carbon footprint of "Green" Mail, through a public voting participatory process launched on CTT's website and which reached more than half a million people in the social networks. Consequently, the national "Criar Bosques" (To Plant Woods) project and the international "Utilização de Biomassa Renovável" (Use of Renewable Biomass) project, in Brazil were elected, with environmental and social benefits.

The DM Eco product continued to increase its relative weight in the total Direct Mail range, in spite of a decrease in volumes and respective revenues. DM Eco currently represents 39% of total direct mail volumes. The "Green" Mail eco range also reports a decrease in volumes and revenues. Concerning acquisition, the weight of the ecological purchase reached 99.4% of the total.

There was an increase in electricity (+5.3%) and fuel (+1.5%) consumption for the entire CTT Group, essentially associated to the banking business, as well as express activity. The use of 100% of green electricity for the entire CTT Group, since 2015, has permitted the reduction of scope 1 and 2 emissions by about 17 ktons of CO_2 per year. Notwithstanding, CO_2 emissions of scope 1 and 2 surged 1.5%, associated to the increase in fuel consumption.

Twenty-four Ligier electric tricycles acquired at the end of 2017 began operations. These will contribute towards an annual reduction of about 0.2 tons of CO_2 emissions.

Sixty-five thousand trees were planted, corresponding to the sales of last year of "Uma Árvore pela Floresta" (A Tree for the Forest), a CTT/Quercus project to plant woods more resistant to fire. The intervention areas covered Serras do Gerês, Alvão, Montemuro and Estrela, and were attended by hundreds of volunteers.

A special note is made to the Drivers' Challenge project, which was selected by the "Agência Portuguesa do Ambiente" (Portuguese Environment Agency) as one of the national representatives in the EBAE 2018 - European Business Awards for the Environment. This year, CTT won its 5th international edition, standing out as the most efficient operator in the use of fuels and in the reduction of emissions of CO_2.

Shareholders and investors

Throughout the semester, CTT spent 6.5 days in external meetings with investors, 3 of which in 3 conferences (organised by 3 different brokers in 3 different cities) and 3.5 days in 4 roadshows (organised by 2 different brokers in 4 different cities). The CEO of the Company spent 1 day on these activities and the CFO spent 2.5 days for the same purpose. The CEO of Banco CTT also participated on a roadshow for 1 day. Over the period, the Company met with 87 investors.

As at 30 June 2018, coverage of CTT shares was provided by 9 research analysts from 4 Portuguese brokers (Caixa BI, CaixaBank BPI, Haitong, and Intermoney Valores), 2 from North America (Goldman Sachs and Jefferies), 2 from Spain (BBVA, and Santander) and 1 from the United Kingdom (Barclays).

6. MAIN RISKS

6.1. Risks faced by CTT

The revision of the risk profile of CTT is based on a dynamic and permanent process of collection of *inputs* from internal and external sources, allowing a current overview of the events that, in case they occur in a given context, may adversely affect the attainment of the strategy goals of the company.

The risk profile of CTT has currently 63 risks mapped, of which 21 are considered relevant due to the fact that they have a high probability of occurring and/or have a high impact in case they occur.

Out of the set of relevant risks, 12 priority risks are considered, on which the effort to implement specific mitigation measures has occurred:

Strategic Risks derive from uncertainties arising from the strategy defined by CTT and the way how it is implemented	
Competition	The risk derives from the lack of capacity and agility of response to competing offers and corresponding loss of customers.
Iberian CEP (Courier, Express and Parcels) challenge	The risk derives from the challenge of attracting a market share in the Iberian CEP in an incremental and increasing manner.

Other strategic risks considered relevant are being monitored, namely:

- Public image
- Operational Transformation Plan

Operational Risks derive from failures or defects in the management of the business processes, in people and in IT	
Operational efficacy	The risk derives from the deterioration of the quality of the service provided to the customer arising from operational, recurring or one off inefficacy (or inefficiency).
Continuity of the postal operation	The risk derives from the occurrence of disruptive, unpredictable and unavoidable events, beyond the will and control of CTT, which ultimately may lead to the interruption of the postal operations.
Security of information	The risk arises from the commitment to the confidentiality and/or integrity of the information that may result from deliberate or unintentional behavioural failures of CTT employees or third parties, as well as from unauthorized access to installations or from cyber attacks.

Other operational risks considered relevant are being monitored, namely:

- Labour disputes
- General Data Protection Regulation (GDPR)

Financial Risks derive from exogenous and internal factors, which significantly and directly affect the performance and financial condition of CTT	
Operational investment	The risk derives from the fact that the operational investment projects may have profitability lower than the initial forecast or even negative.
Financial investment	The risk derives from the total or partial loss of the capital invested by CTT in (a) participated company(ies).

External Risks derive from more or less unpredictable factors that are beyond the power of intervention and influence of CTT	
E-substitution	The risk derives from the decrease of postal volumes due to the intensification of the phenomenon of digitalisation and substitution of physical mail by other forms of digital communication.

Additionally, regarding these risks some KRI (Key Risk Indicators) have been developed and some risk appetite policies and the respective tolerance levels were defined to allow to monitor and follow-up the evolution of the exposure level of CTT to each one of them.

6.2. Risk management and internal control system

The Board of Directors, in coordination with the persons responsible for the entire organisational structure, shall ensure the effectiveness of the internal control and risk management systems of CTT Group, ensuring the existence of a control culture based on the definition, implementation and periodic review of the risk management model.

In this sense, the governance model of the CTT Group incorporates an adequate, robust and effective internal control system to mitigate the risks to which the organisation is subject and to enable that the established goals be achieved, namely through:

- Definition of effective and efficient strategic and operational processes.
- Reliable information that enables a timely and appropriate decision-making.
- Compliance with the applicable laws and regulations, as well as the policies, procedures and controls implemented.
- Safeguarding resources against risks of loss, fraud and misuse.
- Security regarding availability, confidentiality and integrity of IT.
- Mechanisms for independent reporting of information to management and supervisory bodies.

The risk management system is supported by a set of standards and procedures and all relevant risks are assessed for their probability and impact, which determines the definition of mitigation strategies, in order to avoid, reduce, share and/or accept a certain level of risk.

The process of identifying and responding to risk events is ensured by the following bodies:

- Risk Management, which is responsible for the centralised coordination of the CTT risk management model, aligned with the strategic goals, as well as the management of the process of planning and implementing mitigation measure regarding the identified risks.
- Internal Audit, which is responsible for the systematic assessment of the adequacy and effectiveness of controls and risks associated to processes and systems, in order to identify any relevant situations that imply the need to make adjustments to the current internal control system.

The internal control system acts as a management tool at all levels of the organisation and includes the following components:

- Control environment - the basis of the internal control system, based on principles and commitments of action assumed by management bodies and employees and formally implemented in codes, prevention policies and internal regulations.
- Information and communication - formal and informal channels that monitor the business activity and are critical to the understanding and execution of controls throughout the organisation.
- Information management - activities that in a continuous and cyclical manner allow to identify, assess, mitigate, monitor, control and report risks.
- Human resources - an essential element in the operation of the organisation, which in alignment with internal benchmarks, influence the behaviour of the remaining levels.
- Organisational structure – a relational matrix of missions, positions and skills.
- Knowledge management - activities to identify potential exposures to risk, aiming to ensure an adequate response.
- Assurance – a supervision activity ensured by the Audit Committee and by the Statutory Auditor, under the terms of the applicable legal provisions and of the Articles of Association.

7. SUBSEQUENT EVENTS

Acquisition of 321 Crédito

On 24 July 2018, through its subsidiary Banco CTT, S.A., CTT entered into an agreement for the acquisition of 321 Crédito, Instituição Financeira de Crédito, S.A., a fast-growing specialised consumer credit business, focused on lending for the purchase of used cars by retail clients through a wide network of car dealers, for the amount of €100m to be paid in cash at completion.

The final price is subject to a post-completion price adjustment mechanism to reflect variations in the regulatory capital of 321 Crédito from 31 December 2017 onwards.

The completion of the transaction is subject to the satisfaction of a set of conditions precedent, including inter alia the customary approvals from the competition and regulatory authorities.

Decisions of ANACOM and AdC

Following the Draft Decision approved on 11 January 2018, on 18 July 2018, ANACOM communicated the final decision on the quality of service criteria applicable to the provision of the universal postal service for 2019 and 2020. Compared to the Draft decision, the 24 quality of service indicators are maintained, but the reliability targets for the routeing times of ordinary mail, bulk mail, ordinary parcels, and newspapers and periodicals released at greater than weekly intervals were revised downwards and set at 99.7%, instead of the 99.9% laid down in the Draft Decision. Contrary to what was proposed in the Draft Decision, the new indicators shall not apply from 01 July 2018, but rather from 01 January 2019 onwards.

The new set of indicators, which compare with the previous 11 indicators, as well as the set-up of much more demanding objectives for some of them, shows that they go well beyond the current European practices and trends in this field.

Following the commitments made by CTT regarding the access to the postal network, as detailed in the chapter on the postal regulatory framework, on 05 July 2018 the AdC (Authority for the Competition) to close the proceedings against CTT and accept the proposed commitments, which will be implemented within six months from the date of the notification.

8. DECLARATION OF CONFORMITY

Pursuant to article 246(1)(c) of the Portuguese Securities Code, the members of the Board of Directors of CTT – Correios de Portugal, S.A. ("CTT") identified below hereby state that, to the best of their knowledge, the interim condensed consolidated accounts relative to the first half of 2018 were prepared in accordance with the applicable accounting rules, providing a true and appropriate reflection of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter, and that the interim report faithfully presents the important events which occurred in the first half of 2018 and their impact on the interim condensed consolidated accounts, as well as the main risks and uncertainties for the second half of this year.

Lisbon, 31 July 2018

The Board of Directors

António Sarmento Gomes Mota
Non-Executive Chairman of the Board of Directors

Francisco José Queiroz de Barros de Lacerda
Chief Executive Officer (CEO) and Vice-Chairman of the Board of Directors

Dionizia Maria Ribeiro Farinha Ferreira
Member of the Board of Directors and of the Executive Committee

Nuno de Carvalho Fernandes Thomaz
Non-Executive Member of the Board of Directors and of the Audit Committee

José Manuel Baptista Fino
Non-Executive Member of the Board of Directors

Céline Dora Judith Abecassis-Moedas
Non-Executive Member of the Board of Directors

António Pedro Ferreira Vaz da Silva
Member of the Board of Directors and of the Executive Committee

Francisco Maria da Costa de Sousa de Macedo Simão
Member of the Board of Directors and of the Executive Committee

João Afonso Ramalho Sopas Pereira Bento
Non-Executive Member of the Board of Directors

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia
Non-Executive Member of the Board of Directors and Chairman of the Audit Committee

Maria Belén Amatriain Corbi
Non-Executive Member of the Board of Directors and of the Audit Committee

Rafael Caldeira de Castel-Branco Valverde
Non-Executive Member of the Board of Directors

Guy Patrick Guimarães de Goyri Pacheco
Member of the Board of Directors and of the Executive Committee (CFO)

PART II – CORPORATE GOVERNANCE

1. Corporate Bodies and Management[9]

Board of Directors

Chairman: António Sarmento Gomes Mota

Vice-Chairman: Francisco José Queiroz de Barros de Lacerda (CEO)

Members: Dionizia Maria Ribeiro Farinha Ferreira
Nuno de Carvalho Fernandes Thomaz (Member of the Audit Committee)
José Manuel Baptista Fino
Céline Dora Judith Abecassis-Moedas
António Pedro Ferreira Vaz da Silva
Francisco Maria da Costa de Sousa de Macedo Simão
João Afonso Ramalho Sopas Pereira Bento
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairwoman of the Audit Committee)
Maria Belén Amatriain Corbi (Member of the Audit Committee)
Rafael Caldeira de Castel-Branco Valverde
Guy Patrick Guimarães de Goyri Pacheco (CFO)[10]

Board of the General Meeting

Chairman: Júlio de Lemos de Castro Caldas

Vice-Chairman: Francisco Maria de Moraes Sarmento Ramalho

Remuneration Committee

Chairman: João Luís Ramalho de Carvalho Talone

Members: Rui Manuel Meireles dos Anjos Alpalhão
Manuel Fernando Macedo Alves Monteiro

[9] As at the date of approval of this Interim Management Report.

[10] Co-opted by deliberation of the Board of Directors of 19 December 2017 for the position of Member of the Board of Directors and Executive Committee (Chief Financial Officer (CFO)). Co-optation ratified by deliberation of the Annual General Meeting of 18 April 2018.

Executive Committee

Chairman:	Francisco José Queiroz de Barros de Lacerda (CEO)
Members:	Dionizia Maria Ribeiro Farinha Ferreira António Pedro Ferreira Vaz da Silva Francisco Maria da Costa de Sousa de Macedo Simão Guy Patrick Guimarães de Goyri Pacheco (CFO)

Audit Committee

Chairwoman:	Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia
Members:	Nuno de Carvalho Fernandes Thomaz Maria Belén Amatriain Corbi

Statutory Auditor [11]

Statutory Auditor:	KPMG & Associados, SROC, S.A., represented by Paulo Alexandre Martins Quintas Paixão
Alternate Statutory Auditor:	Vítor Manuel da Cunha Ribeirinho

Corporate Governance, Evaluation and Nominating Committee

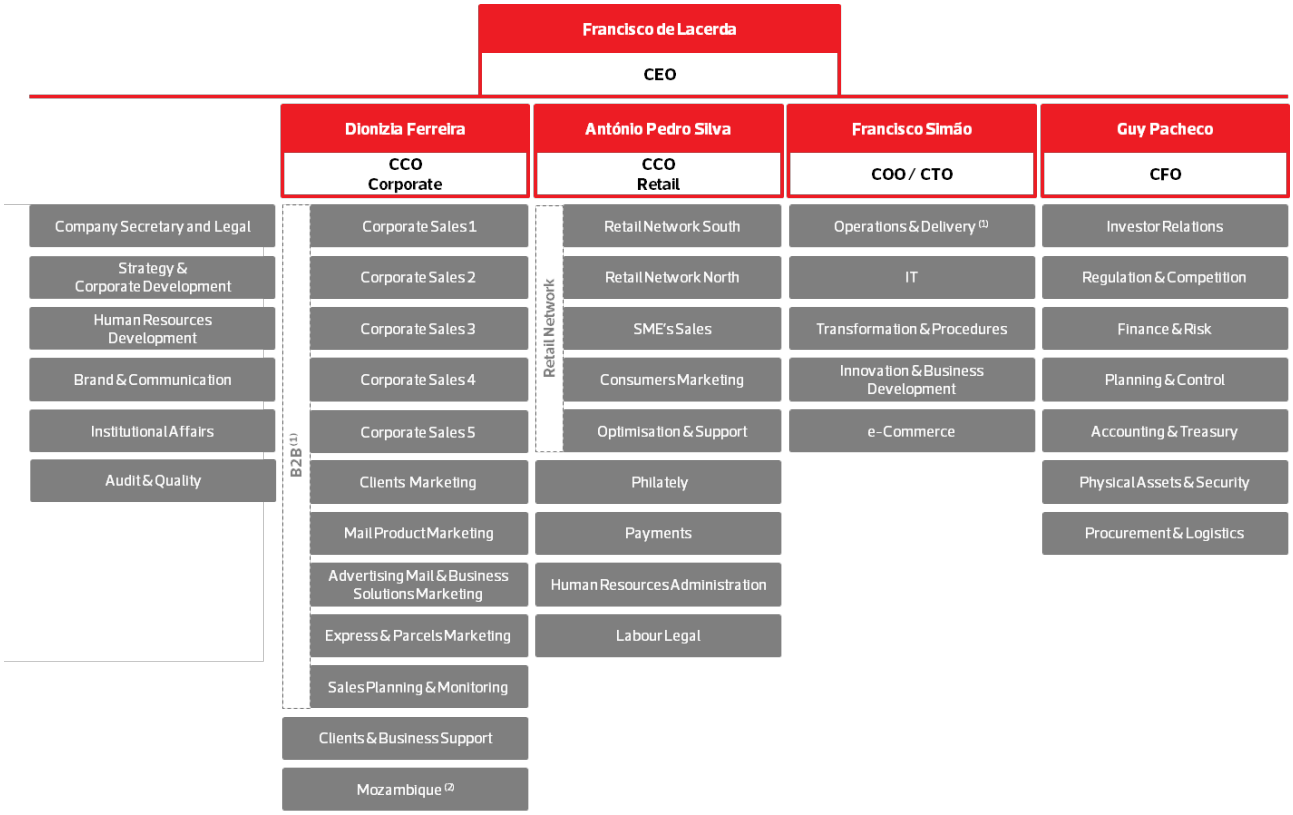
Chairman:	António Sarmento Gomes Mota
Members:	José Manuel Baptista Fino Céline Dora Judith Abecassis-Moedas João Afonso Ramalho Sopas Pereira Bento Rafael Caldeira de Castel-Branco Valverde

Committee for the Monitoring of the Implementation of the Operational Transformation Plan

Chairman:	António Sarmento Gomes Mota
Members:	João Afonso Ramalho Sopas Pereira Bento Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia Rafael Caldeira de Castel-Branco Valverde

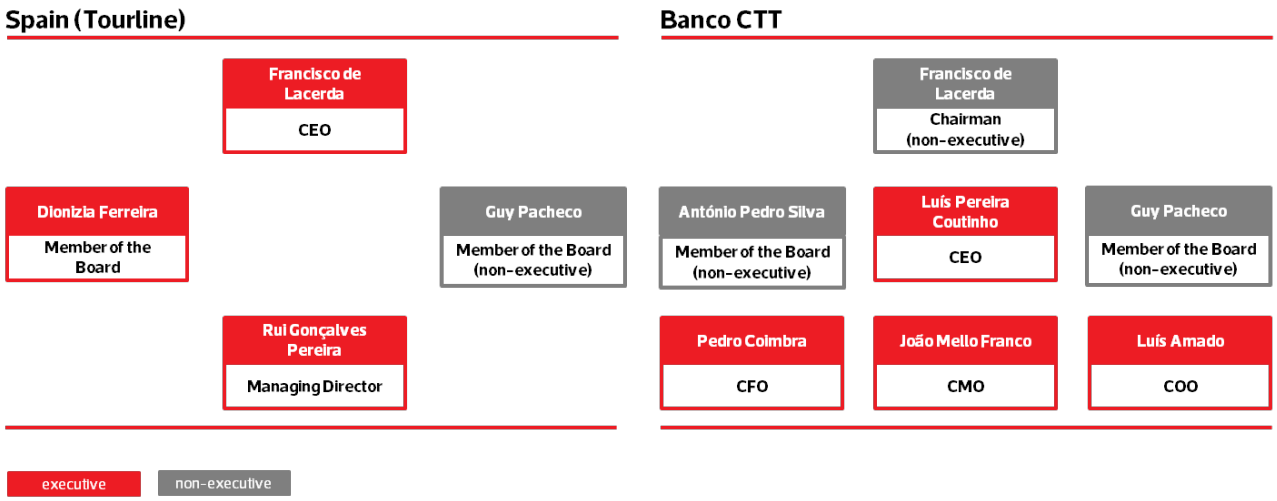
[11] Re-elected for the 2018-2020 term of office at the Annual General Meeting of 18 April 2018.

Management Organisation



(1) Includes Mailtec Comunicação, CTT Contacto, CTT Expresso and Transporta; (2) Includes CORRE.

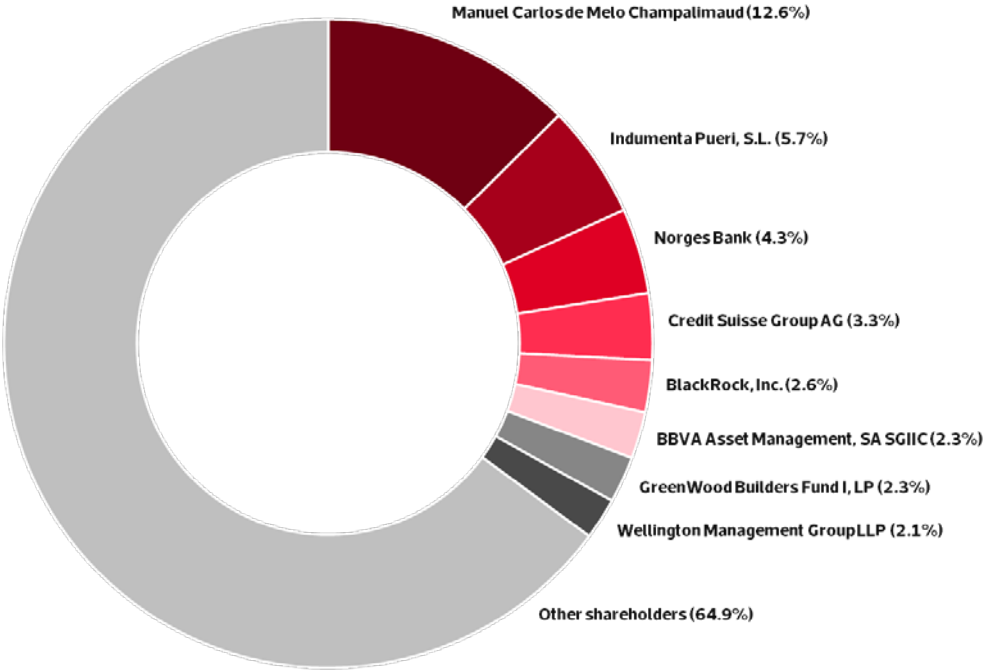
TOURLINE AND BANCO CTT: EXECUTIVE TOP MANAGEMENT AND RELATIONSHIP WITH THE EXECUTIVE BOARD MEMBERS OF CTT



2. Capital structure

In the 1st half of 2018, the share capital of CTT, amounting to €75,000,000, was fully subscribed and paid-up, represented by 150,000,000 ordinary shares with a nominal value of €0.50 each. These shares are registered and in book-entry form having no different categories. All shares representing the capital of the Company are admitted to trading on the regulated market Euronext Lisbon.

As at 30 June 2018, CTT shareholder structure in terms of qualifying holdings was as follows:



3. Holders of qualifying holdings

At the end of the 1st half of 2018, based on the communications made to the Company, the qualifying holdings in CTT, as calculated in accordance with the provisions of article 20 of the Portuguese Securities Code, were as follows:

Holders of Qualifying Shareholdings in CTT as at 30 June 2018 based on the communications made to the Company

Shareholders		No. of shares	% Share capital	% Voting rights
Gestmin SGPS, S.A. [1]		18,589,534	12.393%	12.393%
Manuel Carlos de Melo Champalimaud		284,885	0.190%	0.190%
Manuel Carlos de Melo Champalimaud [2]	**Total**	**18,874,419**	**12.583%**	**12.583%**
Global Portfolio Investments, S.L. [3]		8,492,745	5.662%	5.662%
Indumenta Pueri, S.L. [3]	**Total**	**8,492,745**	**5.662%**	**5.662%**
Norges Bank	**Total**	**6,399,190**	**4.266%**	**4.266%**
Credit Suisse Group AG [4]	**Total**	**4,965,530**	**3.310%**	**3.310%**
BlackRock, Inc. [5]	**Total**	**3,880,684**	**2.587%**	**2.587%**
BBVA BOLSA FI [6]		1,139,308	0.760%	0.760%
BBVA BOLSA EURO FI [6]		674,991	0.450%	0.450%
BBVA BOLSA EUROPA FI [6]		1,335,028	0.890%	0.890%
BBVA BOLSA PLUS FI [6]		346,172	0.231%	0.231%
BBVA Asset Management, SA SGIIC [6]	**Total**	**3,495,499**	**2.330%**	**2.330%**
GreenWood Builders Fund I, LP [7]	**Total**	**3,478,370**	**2.319%**	**2.319%**
Wellington Management Group LLP [8]	**Total**	**3,105,222**	**2.070%**	**2.070%**
CTT, S.A. (own shares) [9]	**Total**	**1**	**0.000%**	**0.000%**
Other shareholders	**Total**	**97,308,340**	**64.872%**	**64.872%**
TOTAL		**150,000,000**	**100.000%**	**100.000%**

[1] Includes 18,465,215 shares directly held by Gestmin SGPS, S.A. and 124,319 shares held by members of its Board of Directors.

[2] Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

[3] Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

[4] The full chain of Credit Suisse Group AG controlled undertakings through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 21 November 2017 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?byInode=true.

[5] The full chain of undertakings controlled by BlackRock, Inc. through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 27 June 2018 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/15411667-923b-486a-96c9-01098bdaffe5/ficheiroPdf/BlackRock%2027June2018_EN.pdf?byInode=true.

[6] Investment funds managed by BBVA Asset Management, SA, SGIIC, entity directly controlled by Cidessa Uno, SL, as per point 10 of the qualifying holdings press release of 26 March 2018 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/a241575b-7dcb-47ff-8374-d5dc44f2bd56/ficheiroPdf/BBVA%20Qualif%20Hold%2026Mar2018_EN.pdf?byInode=true.

[7] Fund managed by GreenWood Investors LLC.

[8] The full chain of controlled undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is shown in point 8 of the qualifying holdings press release of 5 September 2017 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?byInode=true.

[9] See point 4 below.

Updated information on qualifying holdings in the Company as at the date of approval of this report can be found at www.ctt.pt and the Portuguese Securities Commission (CMVM) website, www.cmvm.pt.

4. Own shares

At the present date, CTT holds 1 own share with the nominal value of €0.50 corresponding to 0.000% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the Portuguese Companies Code ("PCC").

5. Shares held by and relevant transactions of the members of the governing and supervisory bodies

On 18 April 2018 the Annual General Meeting ("AGM") of CTT was held, during which KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. was elected as the Statutory Auditor of the Company for the 2018/2020 three-year period. It is represented by Paulo Alexandre Martins Quintas Paixão as effective Chartered Accountant and Vítor Manuel da Cunha Ribeirinho as alternate Chartered Accountant. The AGM also ratified the cooptation of Guy Patrick Guimarães de Goyri Pacheco as Member of the Board of Directors and of the Executive Committee (CFO) of CTT to complete the 2017/2019 term of office.

The tables below show the number of shares held by the members of the managing and supervisory bodies of CTT as well as by the entities closely related to them, including when applicable all the acquisitions, encumbrances or disposals of said shares carried out during the 1st half of 2018, based on the communications made to the Company, pursuant to the terms of article 447(5) of the Portuguese Companies Code and article 14 of CMVM Regulation no. 5/2008.

Board of Directors [(a)]	No. of shares as at 31.12.2017	Date	Acquisition	Encum-brance	Disposal	Price	No. of shares as at 30.06.2018
António Sarmento Gomes Mota	0						0
Francisco José Queiroz de Barros de Lacerda	67,982						67,982
Dionizia Maria Ribeiro Farinha Ferreira	48,828						48,828
António Pedro Ferreira Vaz da Silva	0						0
Francisco Maria da Costa de Sousa Macedo Simão	0						0
Nuno de Carvalho Fernandes Thomaz	0						0
José Manuel Baptista Fino	0						0
Céline Dora Judith Abecassis-Moedas	0						0
João Afonso Ramalho Sopas Pereira Bento	13,550						13,550
Mª Luísa Coutinho F. L. de Castro Anacoreta Correia	0						0
Maria Belén Amatriain Corbi	0						0
Rafael Caldeira de Castel-Branco Valverde	0						0
Guy Patrick Guimarães de Goyri Pacheco	0						0

[(a)] Includes the members of the Executive Committee and those of the Audit Committee.

Closely Related Parties	No. of shares as at 31.12.2017	Date	Acquisition	Encum-brance	Disposal	Price	No. of shares as at 30.06.2018
Gestmin SGPS, S.A.[(b)]	16,642,862	Annex	Annex			Annex	18,465,215

[(b)] Entity closely related to João Afonso Ramalho Sopas Pereira Bento, Vice-Chairman of the Board of Directors of Gestmin SGPS, S.A.. The details of the transactions are included in Annex of this Report.

Statutory Auditor and External Auditor	No. of shares as at 31.12.2017	Date	Acquisition	Encum-brance	Disposal	Price	No. of shares as at 30.06.2018
KPMG & Associados, SROC, S.A.	0						0
Paulo Alexandre Martins Quintas Paixão	0						0
Vítor Manuel da Cunha Ribeirinho	0						0

Other than those indicated above, as at 30 June 2018, the members of the managing and supervisory bodies of CTT did not hold any securities issued by the Company or by companies in a group or control relationship with CTT, or have they performed any other transactions in respect of such securities during the 1st half of 2018, pursuant to article 447 of the PCC.

6. Business with the Company and exercise of other activities by the current members of the Board of Directors

In accordance with the internal control procedures implemented pursuant to the Regulation on Assessment and Control Transactions with Related Parties and Prevention of Situations of Conflict of interest ("Regulation on Related Parties") which is available on www.ctt.pt, it is up to the Audit Committee to internally develop, among others, the control procedures in respect of transactions with related parties with a view to strengthening the mechanisms of prevention, identification and resolution of situations of conflict of interest and thus increase the degree of transparency and objectivity in the management of this type of operations.

In terms of internal functioning, it is up to the Executive Committee of CTT to submit to the Audit Committee for analysis and then to the Board of Directors for authorization, the terms and conditions of transactions to be contracted by CTT with related parties, which include qualified Shareholders, directors and third parties related to any of these through relevant commercial or personal interests (pursuant to the terms in IAS 24) and also subsidiaries, associated companies and joint ventures.

Pursuant to the aforementioned internal control procedures implemented, and for the purposes of point e) of paragraph 5 of article 66 and of article 397 of the Companies Code, by resolution of the Board of Directors of May 24, 2018, the hiring of the Law Company Uría Menéndez-Proença de Carvalho, related party of CTT Administrator Maria Luisa Coutinho Ferreira Leite de Castro Anacoreta Correia, has been authorised, for the provision of legal advisory services to Banco CTT.

With the exception of the business arrangement mentioned in the preceding paragraph, no other business has been conducted between CTT and its Administrators, whether directly or through an intermediary.

For the purposes of reporting as provided for in article 398 of the Companies Code, none of the Administrators of CTT have exercised, during the first half of 2018, in the Company or in companies related to it through a relationship of control or group, any temporary or permanent positions under an employment contract, whether subordinate or autonomous.

The list below indicates the internal and external positions held by members of the management and supervisory bodies at the Company on the date of approval of this Interim Management Report:

Members of the Board of Directors	Internal Appointments	External Appointments
António Sarmento Gomes Mota	• Non-Executive Chairman of the Board of Directors of CTT • Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT • Chairman of the Selection Committee of Banco CTT, S.A. • Member of the Remuneration Committee of Banco CTT, S.A. (elected at the General Meeting)	• Member of the Remuneration Committee of PHAROL, SGPS, S.A. • Vice-Chairman of the Portuguese Institute of Corporate Governance and Chairman of same

Members of the Board of Directors	Internal Appointments	External Appointments
	• Chairman of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT	
Francisco José Queiroz de Barros de Lacerda	• Chief Executive Officer (CEO) of CTT and Vice-Chairman of the Board of Directors • Non-Executive Chairman of the Board of Directors of Banco CTT, S.A. • Chairman of the Board of CTT Expresso – Serviços Postais e Logística, S.A. • Chairman of the Board and of the Executive Committee of Tourline Express Mensajería, S.L.U. • Chairman of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A. • Chairman of the Compensation Committee (within the Board of Directors) • Member of the Selection Committee of Banco CTT, S.A. • Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A.	• Non-Executive Member of the Board of Directors and of the Audit & Compliance Committee and the Nominating & Remunerations Committee of Endesa Energia, S.A. • Member of the Board of COTEC Portugal - Associação Empresarial para a Inovação • Member of the Board of Directors of Fundação Portuguesa das Comunicações (former General Council) • Member of the Remuneration Committee of PHAROL, SGPS, S.A. • Member of the Supervisory Board of the Cascais Yacht Club (Deputy Commodore)
Dionizia Maria Ribeiro Farinha Ferreira	• Member of the Board of Directors and of the Executive Committee of CTT • Chairwoman of the Board of Directors of Transporta – Transportes Porta a Porta, S.A. • Chairwoman of the Board of Directors of CTT Contacto, S.A. • Chairwoman of the Board of Directors of Mailtec Comunicação, S.A. • Member of the Boards of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Member of the Boards of Directors and of the Executive Committee of Tourline Express Mensajería, S.L.U. • Member of the Board of Directors of Correio Expresso de Moçambique, S.A.	

Members of the Board of Directors	Internal Appointments	External Appointments
Nuno de Carvalho Fernandes Thomaz	• Non-Executive Member of the Board of Directors of CTT • Member of the Audit Committee of CTT • Chairman of the Ethics Committee of CTT	• Chairman of the Fiscal Board of Sagasta Finance, STC, S.A. • Manager of I Cook - Organização de Eventos, Lda. • Member of the Advisory Board of Luz Saúde, S.A. • Member of the General Board of the Portuguese Institute of Corporate Governance on behalf of CTT • Chairman of the School Council of Nova School of Business and Economics • Vice-Chairman of the Forum para a Competitividade
José Manuel Baptista Fino	• Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT • Member of the Selection Committee of Banco CTT, S.A.	• Chairman of the Board of Directors of Ramada Energias Renováveis, S.A. • Non-Executive Member of the Board of Directors of SDC – Investimentos, SGPS, S.A. • Sole Director of Dignatis - Investimentos Imobiliários e Turísticos, SGPS, S.A. • Chairman of the Board of Directors of Ramada Holdings SGPS, S.A. • Managing Partner of Nova Algodoeira, Lda. • Sole Director of Dorfino Imobiliário, S.A. • Non-Executive Member of the Board of Directors of Speciality Minerals (Portugal) Especialidades Minerais, S.A.
Céline Dora Judith Abecassis-Moedas	• Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT	• Non-Executive Member of the Board of Directors of José de Mello Saúde, S.A. • Member of the Audit Committee of Europac (*Papeles y Cartones de Europa, S.A.*) • Lead Independent Director and Chairwoman of the Nominations and Remuneration Committee of Europac (*Papeles y Cartones de Europa, S.A.*) • Non-Executive Member of the Board of Directors of Europac (*Papeles y Cartones de Europa, S.A.*) • Member of the Advisory Board of COTEC Portugal – Associação Empresarial para a Inovação • Chairwoman of the Innovation Strategic Council of VdA Vieira de Almeida

Members of the Board of Directors	Internal Appointments	External Appointments
António Pedro Ferreira Vaz da Silva	• Member of the Board of Directors and of the Executive Committee of CTT • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Non-Executive Member of the Board of Directors of Banco CTT, S.A. • Member of the Board of Directors of Payshop (Portugal), S.A.	
Francisco Maria da Costa de Sousa de Macedo Simão	• Member of the Board of Directors and of the Executive Committee of CTT • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Chairman of the Board of Directors of Escrita Inteligente, S.A. • Member of the Board of Directors of CTT Contacto, S.A. • Member of the Board of Directors of Mailtec Comunicação, S.A. • Member of the Board of Directors of Transporta – Transportes Porta a Porta, S.A.	• Non-Executive Member of the Board of Directors of Almonda S.A.
João Afonso Ramalho Sopas Pereira Bento	• Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT • Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT	• Manager of Gestmin Serviços, Unipessoal, Lda. • Chairman of the Board of Directors of OZ Energia, S.A. • Vice-Chairman of the Board of Directors and Chief Executive Officer (CEO) of Gestmin, SGPS, S.A. • Member of the Innovation Strategic Council of VdA Vieira de Almeida • Member of the General Council of the Portuguese Institute of Corporate Governance • Chairman of the Quinta do Peru Golf Club • Member of the Advisory Board of ANI – Agência Nacional de Inovação • Permanent Member of the Advisory Board of AICEP – Agência para o Investimento e Comércio Externo de Portugal • Vice-Chairman of the Engineering Academy • Honorary President of ASECAP – Association of the European Tolled Motorways

Members of the Board of Directors	Internal Appointments	External Appointments
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	• Non-Executive Member of the Board of Directors of CTT • Chairwoman of the Audit Committee of CTT • Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT	• Member of the Management Board of Ordem dos Revisores Oficiais de Contas • Chairwoman of the Fiscal Board of Centro Hospitalar S.João, EPE • Non-Executive Member of the Board of Directors of Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A. • Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A. • Partner of Novais, Anacoreta & Associado, SROC • Non-Executive Member of the Board of Directors and of the Audit Committee of Impresa, S.A. • Member of the Scientific Board of the Portuguese Tax Association • Arbitrator in tax-related matters of CAAD –Administrative Arbitration Board
Maria Belén Amatriain Corbi	• Non-Executive Member of the Board of Directors of CTT • Member of the Audit Committee of CTT	• Non-Executive Member of the Board of Directors of Faes Farma, S.A. • Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee of PRIM, S.A. • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of Euskaltel • Non-Executive Member of the Board of Directors, Member of the Audit & Compliance Committee and Risk Committee and President of the Appointments and Remuneration Commission of Banco Evo (Banking services, Spain) • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of IC-A Instituto de Consejeros-Administradores

Members of the Board of Directors	Internal Appointments	External Appointments
Rafael Caldeira de Castel-Branco Valverde	• Non-Executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT • Member of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A. • Member of the Committee for the Monitoring of the Implementation of the Operational Transformation Plan of CTT	• Vice-Chairman (Non-executive) of the Board of Directors of Banco Caixa Geral – Brasil, S.A.
Guy Patrick Guimarães de Goyri Pacheco	• Member of the Board of Directors and Chief Financial Officer (CFO) of CTT • Non-Executive Member of the Board of Directors of Banco CTT, S.A. • Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. • Non-Executive Member of the Board of Directors of Tourline Express Mensajería, S.L.U.	• Member of the Board of Directors of New Finerge, S.A. • Member of the Board of Directors of Âncora Wind – Energia Eólica, S.A. • Member of the Board of Directors of First State Wind Energy Investments, S.A. • Member of the Board of AEM Associação de Empresas Emitentes de Valores Cotados em Mercado (Portuguese Issuers Association)

ANNEX

Detail of the transactions of CTT shares carried out by Gestmin SGPS, S.A., entity closely related to the Non-Executive Member of the Board of Directors of CTT, João Afonso Sopas Ramalho Pereira Bento, during the 1st half of 2018, according to the communications sent to the Company:

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.570	5,000	02-01-2018
Purchase	XLIS	3.590	12,500	02-01-2018
Purchase	XLIS	3.594	7,500	02-01-2018
Purchase	XLIS	3.600	7,500	02-01-2018
Purchase	XLIS	3.610	7,500	02-01-2018
Purchase	XLIS	3.614	1,250	02-01-2018
Purchase	XLIS	3.618	5,000	02-01-2018
Purchase	XLIS	3.620	10,000	02-01-2018
Purchase	XLIS	3.626	5,000	02-01-2018
Purchase	XLIS	3.630	5,000	02-01-2018
Purchase	XLIS	3.636	8,500	02-01-2018
Purchase	XLIS	3.650	2,700	03-01-2018
Purchase	XLIS	3.672	1,400	03-01-2018
Purchase	XLIS	3.678	5,000	03-01-2018
Purchase	XLIS	3.680	10,000	03-01-2018
Purchase	XLIS	3.684	5,000	03-01-2018
Purchase	XLIS	3.690	10,000	03-01-2018
Purchase	XLIS	3.694	10,000	03-01-2018
Purchase	XLIS	3.698	5,300	03-01-2018
Purchase	XLIS	3.700	20,000	03-01-2018
Purchase	XLIS	3.702	5,000	03-01-2018
Purchase	XLIS	3.704	5,000	03-01-2018
Purchase	XLIS	3.712	10,000	03-01-2018
Purchase	XLIS	3.714	10,000	03-01-2018
Purchase	XLIS	3.718	15,000	03-01-2018
Purchase	XLIS	3.720	3,600	03-01-2018
Purchase	XLIS	3.722	10,000	03-01-2018
Purchase	XLIS	3.726	5,000	03-01-2018
Purchase	XLIS	3.730	5,000	03-01-2018
Purchase	XLIS	3.732	5,000	03-01-2018
Purchase	XLIS	3.740	12,000	03-01-2018
Purchase	XLIS	3.744	5,000	03-01-2018
Purchase	XLIS	3.750	10,000	03-01-2018
Purchase	XLIS	3.668	5,000	04-01-2018
Purchase	XLIS	3.670	12,000	04-01-2018
Purchase	XLIS	3.680	5,000	04-01-2018
Purchase	XLIS	3.682	5,000	04-01-2018
Purchase	XLIS	3.684	1,000	04-01-2018
Purchase	XLIS	3.686	10,000	04-01-2018
Purchase	XLIS	3.690	32,500	04-01-2018
Purchase	XLIS	3.694	10,000	04-01-2018
Purchase	XLIS	3.698	4,601	04-01-2018
Purchase	XLIS	3.700	10,399	04-01-2018
Purchase	XLIS	3.706	5,000	04-01-2018
Purchase	XLIS	3.710	5,837	04-01-2018
Purchase	XLIS	3.716	9,163	04-01-2018
Purchase	XLIS	3.720	10,000	04-01-2018
Purchase	XLIS	3.730	18,000	04-01-2018
Purchase	XLIS	3.750	10,000	04-01-2018
Purchase	XLIS	3.760	5,000	04-01-2018

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.696	66,000	05-01-2018
Purchase	XLIS	3.698	7,030	05-01-2018
Purchase	XLIS	3.700	15,000	05-01-2018
Purchase	XLIS	3.702	5,000	05-01-2018
Purchase	XLIS	3.708	5,000	05-01-2018
Purchase	XLIS	3.710	17,970	05-01-2018
Purchase	XLIS	3.720	10,000	05-01-2018
Purchase	XLIS	3.730	5,000	05-01-2018
Purchase	XLIS	3.732	5,000	05-01-2018
Purchase	XLIS	3.742	10,000	05-01-2018
Purchase	XLIS	3.744	5,000	05-01-2018
Purchase	XLIS	3.748	15,000	05-01-2018
Purchase	XLIS	3.750	24,000	05-01-2018
Purchase	XLIS	3.752	26,000	05-01-2018
Purchase	XLIS	3.756	10,000	05-01-2018
Purchase	XLIS	3.760	5,000	05-01-2018
Purchase	XLIS	3.762	10,000	05-01-2018
Purchase	XLIS	3.770	10,000	05-01-2018
Purchase	XLIS	3.790	10,000	05-01-2018
Purchase	XLIS	3.730	5,000	08-01-2018
Purchase	XLIS	3.734	5,133	08-01-2018
Purchase	XLIS	3.738	5,000	08-01-2018
Purchase	XLIS	3.748	14,867	08-01-2018
Purchase	XLIS	3.750	25,000	08-01-2018
Purchase	XLIS	3.752	21,891	08-01-2018
Purchase	XLIS	3.754	23,109	08-01-2018
Purchase	XLIS	3.756	10,000	08-01-2018
Purchase	XLIS	3.758	5,000	08-01-2018
Purchase	XLIS	3.760	15,000	08-01-2018
Purchase	XLIS	3.762	16,000	08-01-2018
Purchase	XLIS	3.764	10,000	08-01-2018
Purchase	XLIS	3.766	5,000	08-01-2018
Purchase	XLIS	3.770	5,000	08-01-2018
Purchase	XLIS	3.778	10,000	08-01-2018
Purchase	XLIS	3.784	7,500	09-01-2018
Purchase	XLIS	3.786	6,607	09-01-2018
Purchase	XLIS	3.788	3,958	09-01-2018
Purchase	XLIS	3.790	9,435	09-01-2018
Purchase	XLIS	3.792	6,567	09-01-2018
Purchase	XLIS	3.798	6,572	09-01-2018
Purchase	XLIS	3.800	20,000	09-01-2018
Purchase	XLIS	3.802	3,777	09-01-2018
Purchase	XLIS	3.808	5,000	09-01-2018
Purchase	XLIS	3.810	20,000	09-01-2018
Purchase	XLIS	3.814	7,403	09-01-2018
Purchase	XLIS	3.816	7,143	09-01-2018
Purchase	XLIS	3.818	750	09-01-2018
Purchase	XLIS	3.820	53,578	09-01-2018
Purchase	MSSI	3.820	1,781	09-01-2018
Purchase	TRQX	3.820	1,707	09-01-2018
Purchase	MSSI	3.821	1,829	09-01-2018

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.822	8,500	09-01-2018
Purchase	CHIX	3.822	1,238	09-01-2018
Purchase	MSSI	3.822	2,648	09-01-2018
Purchase	XLIS	3.824	1,669	09-01-2018
Purchase	BATE	3.824	1,697	09-01-2018
Purchase	CHIX	3.824	1,659	09-01-2018
Purchase	MSSI	3.824	1,332	09-01-2018
Purchase	CHID	3.825	4,105	09-01-2018
Purchase	XLIS	3.826	3,292	09-01-2018
Purchase	CHIX	3.826	1,657	09-01-2018
Purchase	MSSI	3.826	2,064	09-01-2018
Purchase	MSSI	3.828	875	09-01-2018
Purchase	MSSI	3.829	763	09-01-2018
Purchase	XLIS	3.832	6,222	09-01-2018
Purchase	CHIX	3.832	1,623	09-01-2018
Purchase	MSSI	3.832	4,922	09-01-2018
Purchase	TRQX	3.832	1,670	09-01-2018
Purchase	MSSI	3.833	1,039	09-01-2018
Purchase	MSSI	3.834	891	09-01-2018
Purchase	XLIS	3.834	1,756	09-01-2018
Purchase	MSSI	3.834	1,485	09-01-2018
Purchase	MSSI	3.836	366	09-01-2018
Purchase	BATD	3.837	2,100	09-01-2018
Purchase	XLIS	3.840	1,693	09-01-2018
Purchase	MSSI	3.840	3,720	09-01-2018
Purchase	MSSI	3.841	823	09-01-2018
Purchase	XLIS	3.842	1,562	09-01-2018
Purchase	MSSI	3.842	2,195	09-01-2018
Purchase	TRQX	3.842	1,713	09-01-2018
Purchase	XLIS	3.844	1,530	09-01-2018
Purchase	MSSI	3.845	193	09-01-2018
Purchase	XLIS	3.846	1,352	09-01-2018
Purchase	MSSI	3.846	850	09-01-2018
Purchase	XLIS	3.848	1,324	09-01-2018
Purchase	XLIS	3.850	8,277	09-01-2018
Purchase	XLIS	3.856	1,595	09-01-2018
Purchase	XLIS	3.864	1,728	09-01-2018
Purchase	MSSI	3.865	243	09-01-2018
Purchase	CHIX	3.866	2,440	09-01-2018
Purchase	XLIS	3.870	1,582	09-01-2018
Purchase	XLIS	3.774	5,000	10-01-2018
Purchase	XLIS	3.780	15,000	10-01-2018
Purchase	XLIS	3.784	2,000	10-01-2018
Purchase	XLIS	3.786	15,000	10-01-2018
Purchase	XLIS	3.788	5,000	10-01-2018
Purchase	XLIS	3.790	5,000	10-01-2018
Purchase	XLIS	3.792	12,500	10-01-2018
Purchase	XLIS	3.800	6,715	10-01-2018
Purchase	XLIS	3.802	5,000	10-01-2018
Purchase	XLIS	3.806	5,000	10-01-2018
Purchase	XLIS	3.808	709	10-01-2018
Purchase	XLIS	3.810	14,291	10-01-2018
Purchase	XLIS	3.818	5,000	10-01-2018
Purchase	XLIS	3.820	7,747	10-01-2018
Purchase	XLIS	3.822	10,533	10-01-2018
Purchase	XLIS	3.826	6,752	10-01-2018
Purchase	XLIS	3.830	23,753	10-01-2018

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.810	3,896	11-01-2018
Purchase	XLIS	3.816	2,500	11-01-2018
Purchase	XLIS	3.818	1,489	11-01-2018
Purchase	XLIS	3.822	3,000	11-01-2018
Purchase	XLIS	3.824	1,905	11-01-2018
Purchase	XLIS	3.828	10,000	11-01-2018
Purchase	XLIS	3.830	7,500	11-01-2018
Purchase	XLIS	3.832	2,956	11-01-2018
Purchase	XLIS	3.840	5,000	11-01-2018
Purchase	XLIS	3.844	1,200	11-01-2018
Purchase	XLIS	3.850	45,519	11-01-2018
Purchase	XLIS	3.852	31,552	11-01-2018
Purchase	XLIS	3.854	10,000	11-01-2018
Purchase	XLIS	3.856	12,496	11-01-2018
Purchase	XLIS	3.860	36,095	11-01-2018
Purchase	XLIS	3.864	15,000	11-01-2018
Purchase	XLIS	3.866	6,552	11-01-2018
Purchase	XLIS	3.874	5,000	11-01-2018
Purchase	XLIS	3.878	500	11-01-2018
Purchase	XLIS	3.880	4,500	11-01-2018
Purchase	XLIS	3.882	6,015	11-01-2018
Purchase	XLIS	3.474	5,000	12-01-2018
Purchase	XLIS	3.482	5,000	12-01-2018
Purchase	XLIS	3.490	5,000	12-01-2018
Purchase	XLIS	3.500	10,000	12-01-2018
Purchase	XLIS	3.510	5,000	12-01-2018
Purchase	XLIS	3.520	15,000	12-01-2018
Purchase	XLIS	3.550	10,000	12-01-2018
Purchase	XLIS	3.580	10,000	12-01-2018
Purchase	XLIS	3.590	5,000	12-01-2018
Purchase	XLIS	3.620	5,000	12-01-2018
Purchase	XLIS	3.630	5,000	12-01-2018
Purchase	XLIS	3.658	5,000	12-01-2018
Purchase	XLIS	3.672	5,000	12-01-2018
Purchase	XLIS	3.680	5,000	12-01-2018
Purchase	XLIS	3.740	5,000	12-01-2018
Purchase	XLIS	3.760	5,000	12-01-2018
Purchase	XLIS	3.770	5,000	12-01-2018
Purchase	XLIS	3.780	5,000	12-01-2018
Purchase	XLIS	3.790	5,000	12-01-2018
Purchase	XLIS	3.794	1,400	12-01-2018
Purchase	XLIS	3.796	1,447	12-01-2018
Purchase	XLIS	3.798	4,123	12-01-2018
Purchase	XLIS	3.800	8,030	12-01-2018
Purchase	XLIS	3.812	5,000	12-01-2018
Purchase	XLIS	3.820	10,000	12-01-2018
Purchase	XLIS	3.822	5,000	12-01-2018
Purchase	XLIS	3.832	5,000	12-01-2018
Purchase	XLIS	3.842	5,000	12-01-2018
Purchase	XLIS	3.850	3,500	12-01-2018
Purchase	XLIS	3.868	1,500	12-01-2018

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.120	1,000	13-03-2018
Purchase	XLIS	3.126	5,000	13-03-2018
Purchase	XLIS	3.130	5,000	13-03-2018
Purchase	XLIS	3.136	4,000	13-03-2018
Purchase	XLIS	3.140	27,500	13-03-2018
Purchase	XLIS	3.142	5,000	13-03-2018
Purchase	XLIS	3.150	15,000	13-03-2018
Purchase	XLIS	3.154	5,000	13-03-2018
Purchase	XLIS	3.160	5,000	13-03-2018
Purchase	XLIS	3.170	5,000	13-03-2018
Purchase	XLIS	3.174	5,000	13-03-2018
Purchase	XLIS	3.176	5,000	13-03-2018
Purchase	XLIS	3.180	5,000	13-03-2018
Purchase	XLIS	3.184	10,000	13-03-2018
Purchase	XLIS	3.190	10,000	13-03-2018
Purchase	XLIS	3.194	5,000	13-03-2018
Purchase	XLIS	3.196	1,037	13-03-2018
Purchase	XLIS	3.198	3,963	13-03-2018

Type of transaction	Venue	Price (€)	Volume	Date of the transaction
Purchase	XLIS	3.090	5,000	14-03-2018
Purchase	XLIS	3.094	5,000	14-03-2018
Purchase	XLIS	3.098	5,000	14-03-2018
Purchase	XLIS	3.100	21,928	14-03-2018
Purchase	XLIS	3.104	2,500	14-03-2018
Purchase	XLIS	3.110	12,500	14-03-2018
Purchase	XLIS	3.120	17,500	14-03-2018
Purchase	XLIS	3.130	12,500	14-03-2018

PART III – FINANCIAL STATEMENTS

Interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 AND 31 DECEMBER 2017
Euros

	NOTES	Unaudited 30.06.2018	31.12.2017
ASSETS			
Non-current assets			
Tangible fixed assets	5	189,869,685	199,855,908
Investment properties	7	6,181,251	6,164,849
Intangible assets	6	47,510,348	47,501,684
Goodwill		9,523,180	9,523,180
Investments in associated companies		296,260	296,260
Other investments		1,379,137	1,503,572
Investment securities	9	381,611,966	-
Investments held to maturity	9	-	245,827,759
Other non-current assets		1,573,332	1,375,223
Credit to banking clients	11	128,063,715	64,263,948
Financial assets available for sale	9	-	3,175,180
Other banking financial assets	10	16,934,779	11,831,122
Deferred tax assets	24	84,140,391	87,155,739
Total non-current assets		**867,084,044**	**678,474,423**
Current assets			
Inventories		6,008,086	5,696,996
Accounts receivable		143,339,295	132,480,130
Credit to banking clients	11	21,167,444	15,083,442
Income taxes receivable	21	876,753	1,552,005
Deferrals	12	8,696,784	6,600,115
Investment securities	9	19,867,257	-
Investments held to maturity	9	-	15,721,373
Other current assets		41,726,563	32,338,234
Financial assets available for sale	9	-	2,576,194
Other banking financial assets	10	90,383,101	91,417,084
Cash and cash equivalents		591,709,654	626,825,397
		923,774,936	930,290,969
Non-current assets held for sale		1,741,045	-
Total current assets		**925,515,981**	**930,290,969**
Total assets		**1,792,600,025**	**1,608,765,392**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares		(8)	(8)
Reserves	15	65,847,086	79,947,883
Retained earnings	15	17,149,866	34,268,089
Other changes in equity	15	(32,634,996)	(32,634,996)
Net profit		6,250,289	27,263,244
Equity attributable to equity holders		131,612,237	183,844,211
Non-controlling interests		170,944	146,738
Total equity		**131,783,181**	**183,990,949**
Liabilities			
Non-current liabilities			
Medium and long term debt		64,018	73,689
Employee benefits		250,953,015	252,919,533
Provisions	18	17,558,012	26,028,332
Deferrals	12	311,292	316,892
Deferred tax liabilities	24	3,284,956	3,399,121
Total non-current liabilities		**272,171,293**	**282,737,567**
Current liabilities			
Accounts payable	19	511,648,562	384,533,294
Banking clients' deposits and other loans	20	736,395,503	619,229,680
Employee benefits		16,769,674	17,100,808
Short term debt		2,475,704	10,304,390
Deferrals	12	2,299,042	1,432,696
Other current liabilities		100,629,730	91,553,848
Other banking financial liabilities	10	18,427,335	17,882,160
Total current liabilities		**1,388,645,551**	**1,142,036,875**
Total liabilities		**1,660,816,844**	**1,424,774,442**
Total equity and liabilities		**1,792,600,025**	**1,608,765,392**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017
Euros

		Six months ended		Three months ended	
	NOTES	**Unaudited** 30.06.2018	**Unaudited** 30.06.2017	**Unaudited** 30.06.2018	**Unaudited** 30.06.2017
Revenues		**355,134,939**	**352,113,592**	**178,191,902**	**175,157,996**
Sales and services rendered	4	343,659,196	340,466,142	172,590,167	167,311,889
Financial margin		3,314,927	1,161,179	1,811,690	755,953
Other operating income	22	8,160,815	10,486,271	3,790,045	7,090,154
Operating costs		**(340,800,303)**	**(321,558,792)**	**(173,489,576)**	**(162,186,129)**
Cost of sales		(6,391,685)	(4,968,503)	(3,164,121)	(2,771,830)
External supplies and services		(128,537,101)	(120,035,994)	(65,929,663)	(61,203,746)
Staff costs	23	(183,151,744)	(174,221,448)	(93,409,293)	(85,657,444)
Impairment of accounts receivable, net		(292,253)	(305,009)	(405,272)	(241,218)
Impairment of other financial banking assets		141,687	-	127,650	9,002
Provisions, net	18	(1,213,765)	13,074	194,713	71,106
Depreciation/amortisation and impairment of investments, net		(15,318,720)	(14,900,430)	(7,824,577)	(7,721,878)
Other operating costs		(6,036,723)	(7,140,482)	(3,079,013)	(4,670,121)
Earnings before financial income and taxes		**14,334,635**	**30,554,800**	**4,702,326**	**12,971,867**
Financial results		**(2,661,000)**	**(2,399,840)**	**(1,408,579)**	**(1,321,226)**
Interest expenses		(2,783,554)	(2,684,908)	(1,390,062)	(1,340,516)
Interest income		24,961	285,068	6,682	19,290
Gains/losses in associated companies		97,593	-	(25,199)	-
Earnings before taxes		**11,673,635**	**28,154,960**	**3,293,747**	**11,650,641**
Income tax for the period	24	(5,395,976)	(10,459,815)	(2,396,404)	(4,260,062)
Net profit for the period		**6,277,659**	**17,695,145**	**897,343**	**7,390,579**
Net profit for the period attributable to:					
Equity holders		6,250,289	17,745,099	894,091	7,410,608
Non-controlling interests		27,370	(49,954)	3,252	(20,029)
Earnings per share:	17	0.04	0.12	0.01	0.05

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017
Euros

				Three months ended	
	NOTES	**Unaudited** 30.06.2018	**Unaudited** 30.06.2017	**Unaudited** 30.06.2018	**Unaudited** 30.06.2017
Net profit for the period		**6,277,660**	**17,695,145**	**897,343**	**7,390,579**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(3,164)	(4,644)	(5,060)	(15,062)
Changes to fair value reserves	15	(11,436)	29,052	(12,528)	18,871
Other changes in equity		(3,164)	(4,644)	(5,059)	(15,062)
Other comprehensive income for the period after taxes		**(17,763)**	**19,763**	**(22,647)**	**(11,254)**
Comprehensive income for the period		**6,259,897**	**17,714,908**	**874,696**	**7,379,325**
Attributable to non-controlling interests		24,206	(54,599)	(1,807)	(35,092)
Attributable to shareholders of CTT		6,235,690	17,769,507	876,503	7,414,417

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018 AND 31 DECEMBER 2017
Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2017		**75,000,000**	**(5,097,536)**	**34,891,671**	**(27,137,824)**	**93,589,211**	**62,160,395**	**(79,135)**	**233,326,782**
Share capital increase	15	49,500,000	-	-	-	(49,500,000)	-	367,020	367,020
Share capital decrease	15	(49,500,000)	-	49,500,000	-	-	-	-	-
Appropriation of net profit for the year of 2016	15	-	-	-	-	62,160,395	(62,160,395)	-	-
Dividends	16	-	-	-	-	(72,000,000)	-	-	(72,000,000)
Attribution of own shares		-	5,097,527	(4,480,638)	-	-	-	-	616,890
		-	**5,097,527**	**45,019,362**	**-**	**(59,339,605)**	**(62,160,395)**	**367,020**	**(71,016,090)**
Other movements	15	-	-	-	-	-	-	6,775	6,775
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	(5,497,172)	-	-	-	(5,497,172)
Changes to fair value reserves	15	-	-	36,849	-	-	-	-	36,849
Adjustments from the application of the equity method	15	-	-	-	-	18,482	-	-	18,482
Net profit for the period		-	-	-	-	-	27,263,244	(147,921)	27,115,323
Comprehensive income for the period		**-**	**-**	**36,849**	**(5,497,172)**	**18,482**	**27,263,244**	**(141,146)**	**21,680,257**
Balance on 31 December 2017		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**34,268,089**	**27,263,244**	**146,738**	**183,990,949**
Adjustment on initial application of IFRS 9 (net of tax)	3	-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)	3	-	-	-	-	(1,281,946)	-	-	(1,281,946)
Adjusted balance on 1 January 2018		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**32,800,424**	**27,263,244**	**146,738**	**182,523,285**
Appropriation of net profit for the year of 2017	15	-	-	-	-	27,263,244	(27,263,244)	-	-
Dividends	16	-	-	(15,372,222)	-	(41,627,778)	-	-	(57,000,000)
		-	**-**	**(15,372,222)**	**-**	**(14,364,534)**	**(27,263,244)**	**-**	**(57,000,000)**
Other movements	15	-	-	1,282,861	-	(1,282,861)	-	(3,164)	(3,164)
Changes to fair value reserves	15	-	-	(11,436)	-	-	-	-	(11,436)
Adjustments from the application of the equity method	15	-	-	-	-	(3,164)	-	-	(3,164)
Net profit for the period		-	-	-	-	-	6,250,289	27,370	6,277,660
Comprehensive income for the period		**-**	**-**	**1,271,425**	**-**	**(1,286,025)**	**6,250,289**	**24,206**	**6,259,897**
Balance on 30 June 2018 (Unaudited)		**75,000,000**	**(8)**	**65,847,086**	**(32,634,996)**	**17,149,866**	**6,250,289**	**170,944**	**131,783,181**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017
Euro

	NOTES	Unaudited 30.06.2018	Unaudited 30.06.2017
Cash flow from operating activities			
Collections from customers		337,818,513	325,692,517
Payments to suppliers		(143,564,195)	(119,507,305)
Payments to employees		(170,753,434)	(154,598,461)
Banking customer deposits and other loans		117,202,832	170,437,230
Credit to banking clients		(69,586,527)	(25,502,790)
Cash flow generated by operations		71,117,189	196,521,191
Payments/receivables of income taxes		(2,035,389)	(901,032)
Other receivables/payments		120,826,390	101,097,389
Cash flow from operating activities (1)		189,908,190	296,717,548
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		35,600	3,040,720
Investment properties		1,246,000	-
Financial investments		222,028	-
Investment securities		26,835,918	-
Financial assets available for sale		-	5,600,000
Investments held to maturity		-	1,253,248
Demand deposits at Bank of Portugal		26,575,467	3,721,804
Other banking financial assets		53,005,000	62,965,000
Interest income		138,987	400,470
Payments resulting from:			
Tangible fixed assets		(6,581,222)	(16,133,750)
Intangible assets		(10,553,749)	(6,793,156)
Financial investments		-	(1,728,091)
Investment securities		(167,589,214)	-
Financial assets available for sale		-	(13,733,418)
Investments held to maturity		-	(77,279,085)
Other banking financial assets		(56,820,000)	(79,215,000)
Cash flow from investing activities (2)		(133,485,185)	(117,901,258)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained		11,246,806	4,550,000
Payments resulting from:			
Loans repaid		(19,074,050)	(5,506,409)
Interest expenses		(153,605)	(359,494)
Finance leases		(10,699)	(454,088)
Dividends	16	(57,000,000)	(72,000,000)
Cash flow from financing activities (3)		(64,991,547)	(73,769,991)
Net change in cash and cash equivalents (1+2+3)		(8,568,541)	105,046,299
Changes in the consolidation perimeter		-	134,862
Cash and equivalents at the beginning of the period		592,677,415	613,845,248
Cash and cash equivalents at the end of the period		584,108,874	719,026,409

Cash and cash equivalents at the end of the period	**584,108,874**	**719,026,409**
Sight deposits at Bank of Portugal	6,180,514	70,529
Outstanding checks of Banco CTT / Checks clearing of Banco CTT	1,518,342	1,194,259
Impairment of slight and term deposits	(98,076)	-
Cash and cash equivalents (Balance sheet)	**591,709,654**	**720,291,197**

The attached notes are an integral part of these financial statements.

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements
(Amounts expressed in Euros)

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1. INTRODUCTION

CTT – Correios de Portugal, S.A. – Sociedade Aberta ("CTT" or "Company"), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organisations carried out by the Portuguese state business sector in the Communications area.

Decree-Law no. 49.368 of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92 of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order no. 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onwards represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013 of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by detention and 6.36% by allocation.

On 5 September 2014, the second phase of the privatisation of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated bookbuilding process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

The interim condensed consolidated financial statements attached herewith are expressed in Euros, as this is the functional currency of the Group.

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 31 July 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the changes mentioned in section 3. Changes to accounting policies, errors and estimates.

2.1 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2018, and in accordance with IAS 34 - Interim Financial Reporting.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customer* and IFRS 9 *Financial Instruments* as at 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 established a new impairment model. In this way, loss event will no longer need to occur before an impairment loss is recognised.

As soon as the loss event occur (what is currently defined as "objective evidence of impairment"), the accumulated impairment is allocated directly to the financial asset affected, thus providing, from that point on, a similar treatment the IAS 39, including the treatment of interest revenue.

One of the main amendments resulting from the adoption of this standard is the recognition of the impairment recognition of impairment on the exposure to securities, bank deposits and other financial applications, which was not required under IAS 39, except if there was objective evidence of impairment.

Impact at the time of transition and in the period

The impacts of the adoption of IFRS 9 are detailed as follows:

IFRS 9 - Impact at the time of transition and in the period

	Impact of adopting IFRS 9 at 1 January 2018	Impact on the period	Impact of adopting IFRS 9 at 30 June 2018
Banco CTT - Investments held to maturity, Financial assets available for sale, Cash and Other financial applications	(882,083)	245,732	(636,351)
Banco CTT - Account Receivables	2,713	(1)	(1)
Other Companies - Cash and Equivalents and Fin. Investments	(405,982)	308,788	(97,194)
Other Companies - Account Receivables	883,882	317,635	1,201,517
Related Tax	215,752	(201,411)	14,341
Impact	**(185,718)**	**670,744**	**482,313**

(1) Taking into account that the amount is residual, the impairment was not calculated in accordance with IAS 39 on 30.06.2018

The change in the accounting policy resulting from the adoption of IFRS 9 was applied retrospectively, except for the option not to restate comparative information for prior periods in relation to classification and measurement requirements (including impairment). The differences in the accounting amount of financial assets and liabilities resulting from the adoption of IFRS 9 were recognized in retained earnings with reference to 1 January 2018.

Classification and measurement

Comparing with the previous standard, there was the need to reclassify and re-measure the financial assets and liabilities in accordance with IFRS 9, therefore the new classification and measurement was applied to the amounts as at 1 January 2018, as shown below:

	01.01.2018			
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Assets				
Other Investments	Available-for-sale financial assets	Fair Value through Other Comprehensive Income	1,503,572	1,503,572
Investments held to maturity	Investments held to maturity	Amortised Cost	261,549,132	261,302,060
Other assets	Loans and receivables	Amortised Cost	33,713,457	33,713,457
Financial assets available for sale	Available-for-sale financial assets	Fair Value through Other Comprehensive Income	5,751,374	5,740,688
Credit to bank clients	Loans and receivables	Amortised Cost	79,347,390	79,350,103
Other banking financial assets	Loans and receivables	Amortised Cost	103,248,206	102,624,809
Accounts receivable	Loans and receivables	Amortised Cost	132,480,130	133,364,012
Cash and cash equivalents	Loans and receivables	Amortised Cost	626,825,397	626,418,487
Total Financial Assets			**1,244,418,658**	**1,244,017,188**

Impairment

1. Adoption of IFRS 9 by Banco CTT

The adoption of IFRS 9 represents a significant change to the methodology and calculation of impairments in banks.

Due to the absence of past records, Banco CTT based the calculation on benchmarking of parameters making the needed adjustments in order to migrate from the vision of loss incurred to the vision of expected credit loss (ECL).

The analysis framework of credit risk is based on a model of collective and individual analysis. In the collective analysis, basically, Banco CTT considers that the probability of default (PD) is constant over the instruments' life time and applies in stage 2 a methodology of survival rate to calculate the PD of each period of the instrument's life time that it is multiplied by the Loss Given Default (LGD), which, in turn, is a function of expected exposure in each period and the existing collateral in the operation. Finally, Banco CTT updates the expected value of the all the periods considered (12 months in stage 1, life time in stages 2 and 3).

In the individual analysis, Banco CTT begins by evaluating the existence of objective evidence of impairment. If it does not exist, the credit losses are treated as stage 1. If there is objective evidence of impairment, the impairment losses are calculated by comparing the present value of expected future cash flows discounted at the original effective interest rate of each contract and the accounting value for each credit. The losses are recorded against profit or loss.

In the portfolio of securities and cash and cash equivalents and financial investments, the impairments are calculated by assigning i) a probability of default that derives from the rating of the issuer or counterparty, respectively, and ii) a Loss Given Default (LGD) that results from market parameters.

2. Adoption of IFRS 9 by the remaining companies of the Group

Cash equivalents and financial investments

In the portfolio of securities and cash equivalents and financial investments, the impairments are calculated by assigning i) a probability of default that derives from the rating of the issuer or counterparty, respectively and ii) a Loss Given Default (LGD) that results from market parameters.

Accounts receivable

Regarding the remaining companies, the Group applies the simplified method and registers expected credit losses until maturity for all accounts receivables. The expected credit losses were calculated based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

IFRS 15 – Revenue from Contracts with Customers

The revenue recognition model according to IFRS 15 is based on five steps in order to determine when the revenue should be recognised and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognise revenue.

According to the new model, the revenue recognition depends on whether the "performance obligations" are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time. The revenue should be recognised for the amount that the company expects to receive.

The impacts of the adoption of IFRS 15 are detailed as follows:

IFRS 15 – Impact at the time of transition and in the period

	Impact of adopting IFRS 15 at 1 January 2018	Impact on the period	Impact of adopting IFRS 15 at 30 June 2018
Sales of philatelic and pre-paid products	(782,046)	116,225	(665,821)
Rendering of Express Services	(822,765)	154,338	(668,426)
Related Tax	322,865	(37,470)	285,394
Impact	**(1,281,946)**	**233,092**	**(1,048,853)**

The Group decided to adopt IFRS 15 using the cumulative effect method ("modified retrospective approach"), with the effect of the initial application of this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

According to the analysis performed, in the CTT Group, the adoption of IFRS 15 had the following impacts:

a) Sales of philatelic and pre-paid products

Before the adoption of this new standard, the revenue was recognised when the philatelic and pre-paid products were sold.

Under IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the

revenue should be recognised at the time of the sale. In the remaining situations, the adoption of the IFRS 15 implies the deferral of the revenue given the current policy.

b) Rendering of Express Services

Before the adoption of this new standard, the revenue from the rendering of express services (parcels) was recognised when the customer requested the service at our retail network.

According to IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer. The adoption of the IFRS 15 implies the deferral of the revenue given the current policy.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events.

4. SEGMENT REPORTING

In accordance with IFRS 8, the Group discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

In 2018, Payshop became a subsidiary of Banco CTT, through a capital increase operation in which all the shares representing the share capital of Payshop (Portugal), S.A. were transferred to Banco CTT. This operation is aligned with the strategy of concentrating the Group's business lines related to the financial sector at Banco CTT as well as with the project submitted to Banco de Portugal at the time of its creation.

The comparable information for 2017 has been restated, having Payshop been included in Banco CTT segment.

Therefore, the business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services, but including the retail network, the sales department, the corporate and support areas, CTT Contacto, Mailtec Comunicação and Escrita Inteligente;
- Express & Parcels – includes CTT Expresso, Tourline, CORRE and Transporta;
- Financial Services – CTT, S.A. Financial Services; and
- Banco CTT – Banco CTT, S.A. and Payshop.

The segments cover the three CTT business areas, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Markets, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Banco CTT segments.

Besides the four above mentioned segments, there are two sales channels, which are common to all businesses and products, the Retail Network and the Sales Department. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment as well as the Sales Departments, and integrates internal revenues related to the provision of services to other segments, as well as the sale in its network of third-party products and services.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the financial statements of the companies and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has activity in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through transfer prices.

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated among the Mail and Financial Services segments according to the average number of CTT, S.A. employees affected to each of these segments.

With the allocation of all costs, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the first semester of 2018 and 2017 are as follows:

30.06.2018

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	270,570,689	73,896,022	20,212,923	10,753,461	55,434,745	(75,732,901)	-	355,134,938
Sales and services rendered	250,007,857	72,911,872	19,056,252	5,264,599	-	(3,581,384)	-	343,659,196
Sales	8,794,071	417,370	-	-	-	(242)	-	9,211,199
Services rendered	241,213,786	72,494,502	19,056,252	5,264,599	-	(3,581,142)	-	334,447,997
Financial Margin	-	-	-	3,314,927	-	-	-	3,314,927
Operating revenues external customers	13,459,806	984,150	1,114,927	2,173,935	5,091,944	(14,663,946)	-	8,160,815
Internal services rendered	7,103,026	-	41,744	-	20,614,326	(27,759,096)	-	-
Allocation to CTT central structure	-	-	-	-	29,728,475	(29,728,475)	-	-
Operating costs	(239,039,381)	(72,389,075)	(13,480,749)	(19,506,206)	(55,434,745)	75,732,901	-	(324,117,252)
External supplies and services	(51,496,001)	(59,533,025)	(4,212,233)	(11,537,978)	(19,999,397)	18,241,532	-	(128,537,101)
Staff costs	(130,621,030)	(11,679,097)	(1,240,991)	(6,769,891)	(32,840,735)	-	-	(183,151,744)
Other costs	(7,245,296)	(1,176,953)	(762,613)	(1,198,337)	(2,049,008)	3,799	-	(12,428,406)
Internal services rendered	(20,100,332)	-	(7,113,159)	-	(545,605)	27,759,096	-	-
Allocation to CTT central structure	(29,576,722)	-	(151,753)	-	-	29,728,475	-	-
EBITDA[1]	**31,531,308**	**1,506,947**	**6,732,174**	**(8,752,745)**	**-**	**-**	**-**	**31,017,686**
Depreciation/amortisation and impairment of investments, net	(7,868,079)	(1,705,289)	(277,109)	(1,497,862)	(3,855,971)	-	(114,410)	(15,318,720)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(292,253)
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Impairment of other financial banking assets	-	-	-	-	-	-	-	141,687
Provisions, net	-	-	-	-	-	-	-	(1,213,765)
Interest expenses	-	-	-	-	-	-	-	(2,783,554)
Interest income	-	-	-	-	-	-	-	24,961
Gains/losses in associated companies	-	-	-	-	-	-	-	97,593
Earnings before taxes	-	-	-	-	-	-	-	**11,673,635**
Income tax for the period	-	-	-	-	-	-	-	(5,395,976)
Net profit for the period	-	-	-	-	-	-	-	**6,277,659**
Non-controlling interests	-	-	-	-	-	-	-	27,370
Equity holders of parent company	-	-	-	-	-	-	-	**6,250,289**

[1] Operating results + depreciation/amortisation + provisions and impairment losses, net.

30.06.2017 Restated

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	269,809,610	62,758,747	29,596,448	8,721,872	54,805,193	(73,578,279)	-	352,113,592
Sales and services rendered	248,171,506	61,702,526	29,003,004	5,134,902	-	(3,545,797)	-	340,466,142
Sales	7,212,345	390,807	-	-	-	-	-	7,603,152
Services rendered	240,959,161	61,311,719	29,003,004	5,134,902	-	(3,545,797)	-	332,862,990
Financial Margin	-	-	-	1,161,179	-	-	-	1,161,179
Operating revenues external customers	13,680,193	1,056,221	552,215	2,425,791	7,167,363	(14,395,512)	-	10,486,271
Internal services rendered	7,957,911	-	41,229	-	20,252,700	(28,251,841)	-	-
Allocation to CTT central structure	-	-	-	-	27,385,129	(27,385,129)	-	-
Operating costs	(228,684,076)	(63,574,749)	(15,303,431)	(17,577,259)	(54,805,193)	73,578,279	-	(306,366,427)
External supplies and services	(50,498,019)	(50,630,616)	(4,660,290)	(10,687,789)	(21,406,570)	17,847,290	-	(120,035,994)
Staff costs	(124,562,528)	(11,778,060)	(1,430,554)	(6,443,002)	(30,099,677)	92,373	-	(174,221,448)
Other costs	(6,935,101)	(1,166,073)	(763,802)	(446,468)	(2,799,188)	1,646	-	(12,108,985)
Internal services rendered	(19,468,269)	-	(8,283,814)	-	(499,758)	28,251,841	-	-
Allocation to CTT central structure	(27,220,159)	-	(164,971)	-	-	27,385,129	-	-
EBITDA[1]	**41,125,534**	**(816,002)**	**14,293,017**	**(8,855,387)**	**-**	**-**	**-**	**45,747,165**
Depreciation/amortisation and impairment of investments, net	(7,902,876)	(1,818,196)	(106,024)	(1,353,140)	(3,629,032)	-	(91,161)	(14,900,430)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(305,009)
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Impairment of other financial banking assets	-	-	-	-	-	-	-	-
Provisions, net	-	-	-	-	-	-	-	13,074
Interest expenses	-	-	-	-	-	-	-	(2,684,908)
Interest income	-	-	-	-	-	-	-	285,068
Gains/losses in associated companies	-	-	-	-	-	-	-	-
Earnings before taxes	-	-	-	-	-	-	-	**28,154,960**
Income tax for the period	-	-	-	-	-	-	-	(10,459,815)
Net profit for the period	-	-	-	-	-	-	-	**17,695,145**
Non-controlling interests	-	-	-	-	-	-	-	(49,954)
Equity holders of parent company	-	-	-	-	-	-	-	**17,745,100**

[1] Operating results + depreciation/amortisation + provisions and impairment losses, net.

The revenues are detailed as follows:

Thousand Euros	30.06.2018	30.06.2017 Restated
Mail	270,571	269,809
Transactional mail	210,139	208,122
Editorial mail	7,651	8,273
Parcels (USO)	3,350	3,543
Advertising mail	12,537	14,360
Retail	5,981	4,352
Philately	3,863	3,907
Business Solutions	4,777	4,242
Other	22,272	23,011
Express & Parcels	73,896	62,759
Financial Services	20,213	29,597
Banco CTT	10,753	8,722
Banco CTT	5,472	3,516
Payshop	5,282	5,206
CTT Central Structure	55,435	54,805
Intragroup eliminations	(75,733)	(73,578)
	355,135	**352,114**

The assets by segment are detailed as follows:

		30.06.2018					
Assets (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Non allocated assets	Total
Intagible assets	3,605,373	4,522,623	325,993	22,822,050	8,798,673	7,435,637	47,510,348
Tangible fixed assets	160,811,793	13,820,523	1,877	656,872	12,480,753	2,097,867	189,869,685
Investment properties	-	-	-	-	-	6,181,251	6,181,251
Goodwill	6,161,326	2,955,753	-	406,101	-	-	9,523,180
Deferred tax assets	-	-	-	-	-	84,140,391	84,140,391
Accounts receivable	-	-	-	-	-	143,339,295	143,339,295
Credit to bank clients	-	-	-	149,231,159	-	-	149,231,159
Investment securities	-	-	-	401,479,223	-	-	401,479,223
Other banking financial assets	-	-	-	107,317,880	-	-	107,317,880
Other assets	-	-	-	-	-	60,556,915	60,556,915
Cash and cash equivalents	-	-	-	-	-	591,709,654	591,709,654
Non-current assets held for sale	-	-	-	-	-	1,741,045	1,741,045
	170,578,492	**21,298,899**	**327,870**	**681,913,285**	**21,279,426**	**897,202,055**	**1,792,600,026**

		31.12.2017 Restated					
Assets (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Non allocated assets	Total
Intagible assets	3,119,896	5,005,423	404,038	21,211,707	7,631,667	10,128,953	47,501,684
Tangible fixed assets	167,562,232	14,477,996	2,231	815,209	15,141,231	1,857,009	199,855,908
Investment properties	-	-	-	-	-	6,164,849	6,164,849
Goodwill	6,161,326	2,955,753	-	406,101	-	-	9,523,180
Deferred tax assets	-	-	-	-	-	87,155,739	87,155,739
Accounts receivable	-	-	-	-	-	132,480,130	132,480,130
Credit to bank clients	-	-	-	79,347,390	-	-	79,347,390
Investments held to maturity	-	-	-	261,549,132	-	-	261,549,132
Financial assets available for sale	-	-	-	5,751,374	-	-	5,751,374
Other banking financial assets	-	-	-	103,248,206	-	-	103,248,206
Other assets	-	-	-	-	-	49,362,404	49,362,404
Cash and cash equivalents	-	-	-	-	-	626,825,397	626,825,397
Non-current assets held for sale	-	-	-	-	-	-	-
	176,843,454	**22,439,172**	**406,269**	**472,329,119**	**22,772,898**	**913,974,480**	**1,608,765,392**

Debt by segment is detailed as follows:

Other information (Euros)	30.06.2018					
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	**-**	**64,018**	**-**	**-**	**-**	**64,018**
Bank loans	-	50,659	-	-	-	50,659
Leasings	-	13,359	-	-	-	13,359
Short-term debt	**-**	**2,475,704**	**-**	**-**	**-**	**2,475,704**
Bank loans	-	2,445,015	-	-	-	2,445,015
Leasings	-	30,689	-	-	-	30,689
	-	**2,539,722**	**-**	**-**	**-**	**2,539,722**

Other information (Euros)	31.12.2017					
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	**-**	**73,689**	**-**	**-**	**-**	**73,689**
Bank loans	-	49,596	-	-	-	49,596
Leasings	-	24,093	-	-	-	24,093
Short-term debt	**-**	**10,304,390**	**-**	**-**	**-**	**10,304,390**
Bank loans	-	10,272,258	-	-	-	10,272,258
Leasings	-	32,132	-	-	-	32,132
	-	**10,378,079**	**-**	**-**	**-**	**10,378,079**

The CTT Group is domiciled in Portugal. The result of its Sales and services rendered by geographical areas is disclosed below:

Thousand Euros	30.06.2018	30.06.201 7
Revenue - Portugal	292,776	298,488
Revenue - other countries	50,884	41,978
	343,659	340,466

The financial statements are subject to seasonality, however this does not affect comparability between identical periods in a given year. There are nonetheless atypical / non-recurring factors that may affect comparability between equal periods of the several years such as the number of working days of the period (mobile holidays or weekend holidays), special events (elections, promotional campaigns for clients) which may impact the revenue, leading to its increase / decrease from one period to another.

5. TANGIBLE FIXED ASSETS

During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation, were as follows:

	30.06.2018								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	619,912,904
Acquisitions	-	42,697	738,050	1,637	326,632	105,472	1,724,505	(37,683)	2,901,310
Disposals	-	-	(443,168)	-	-	-	-	-	(443,168)
Transfers and write-offs	(547,279)	(4,243,459)	(4,034,332)	-	-	-	(1,367,511)	(959)	(10,193,540)
Adjustments	-	(9,751)	(34,952)	346	(22,701)	482	-	(47,608)	(114,184)
Closing balance	36,554,860	338,445,233	142,892,989	3,383,266	62,478,486	26,146,068	1,857,561	304,858	612,063,322
Accumulated depreciation									
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	420,007,656
Depreciation for the period	-	4,993,665	2,935,801	15,074	1,357,048	542,482	-	-	9,844,070
Disposals	-	-	(366,112)	-	-	-	-	-	(366,112)
Transfers and write-offs	(53,433)	(3,261,096)	(4,034,444)	-	112	-	-	-	(7,348,861)
Adjustments	-	63	8,548	288	714	(2,069)	-	-	7,544
Closing balance	3,798,061	209,394,116	126,837,923	3,286,435	57,074,275	21,753,487	-	-	422,144,296
Accumulated impairment									
Opening balance	-	-	-	-	-	49,340	-	-	49,340
Other variations	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	49,340	-	-	49,340
Net Tangible fixed assets	32,756,799	129,051,117	16,055,066	96,831	5,404,211	4,343,241	1,857,561	304,858	189,869,685

	31.12.2017								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,903,717	334,909,767	140,435,199	3,269,073	59,021,936	25,037,425	5,016,467	3,351,405	607,944,990
Acquisitions	-	300,889	5,013,385	81,568	2,087,373	741,212	2,277,480	475,458	10,977,364
Disposals	-	(8,315)	(1,125,067)	-	(40,687)	(137)	-	-	(1,174,206)
Transfers and write-offs	1,396	6,396,121	1,673,849	-	750,365	(867,944)	(5,793,379)	(3,425,208)	(1,264,800)
Adjustments	-	(44,923)	(61,259)	(247)	(61,727)	(21,887)	-	(10,547)	(200,588)
Changes in the consolidation perimeter	197,025	1,102,206	731,285	30,889	417,295	1,151,444	-	-	3,630,144
Closing balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	619,912,904
Accumulated depreciation									
Opening balance	3,851,494	197,359,750	121,934,623	3,208,997	52,255,805	20,239,484	-	-	398,850,154
Depreciation for the period	-	9,924,796	7,139,729	34,044	3,426,663	1,113,660	-	-	21,638,891
Disposals	-	(7,026)	(1,096,952)	-	(40,236)	(137)	-	-	(1,144,351)
Transfers and write-offs	-	(39,113)	(158,051)	-	(145,697)	(712,315)	-	-	(1,055,176)
Adjustments	-	274	15,044	(404)	1,082	(6)	-	-	15,989
Changes in the consolidation perimeter	-	422,804	459,736	28,437	218,784	572,388	-	-	1,702,149
Closing balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	420,007,656
Accumulated impairment									
Opening balance	-	-	-	-	-	173,055	-	-	173,055
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	-	-	-	-	-	49,340	-	-	49,340
Net Tangible fixed assets	33,250,644	134,994,262	18,373,263	110,210	6,458,153	4,777,700	1,500,567	391,109	199,855,908

During the six-month period ended 30 June 2018, Land and natural resources and Buildings and other constructions include 608,178 Euros (625,996 Euros as at 31 December 2017), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter relates to the balances of the company Transporta – Transportes Porta a Porta, S.A. acquired in May 2017.

During the six-month period ended 30 June 2018, the most significant movements in Tangible fixed assets were the following:

Land, Buildings and other constructions:
The movements associated to acquisitions and transfers relate mostly to the capitalisation of repairs in own and third-party buildings of CTT and Tourline. They also include the transfer to the caption Non-current assets held for sale of the building located in Rua da Palma by CTT, following the conclusion of the promissory agreement for the sale of this property.

Basic equipment:
The amount of acquisitions mainly relates to the purchase of ATM's in the amount of 19 thousand Euros, bar code readers in the amount of 29 thousand Euros, scales in the amount of 25 thousand Euros and pallets for about 184 thousand Euros by CTT. CTT Contacto acquired a parcel sorting machines in the amount of 148 thousand Euros and Tourline acquired IT equipment worth approximately 231 thousand Euros and PDA's worth approximately 5 thousand Euros.

The amounts recorded under write-offs, are mainly due to the write-offs of CTT assets that were fully depreciated and considerably old.

Office equipment:
The amount of acquisitions relates essentially to the purchase of several administrative equipment, namely safes and security doors totalling 21 thousand Euros, office furniture worth about 66 thousand Euros and the acquisition of personal computers for approximately 118 thousand Euros by CTT.

Other tangible fixed assets:
The amount of acquisitions mainly relates to prevention and safety equipment for approximately 89 thousand Euros by CTT.

Tangible fixed assets in progress:
The amounts under this heading are related to the recognition of improvements in own and third-party properties. The movements associated to transfers relate to the capitalisation of the assets in progress.

The depreciation recorded in the amount of 9,844,070 Euros (10,620,393 Euros on 30 June 2017), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

	30.06.2018
Hardware firewall networks	280,353
Upgrades to mail sorting machines	112,684
CCTV, safes and security doors	81,703
Scales	25,646
Tractor Pneumatic System	9,471
Batteries	5,307
UPS	4,869
	520,032

6. INTANGIBLE ASSETS

During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

	30.06.2018					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Acquisitions	-	2,013,345	13,145	-	3,337,571	5,364,061
Transfers and write-offs	-	5,710,432	-	-	(5,710,432)	-
Adjustments	-	-	8,654	-	-	8,654
Closing balance	4,380,552	87,959,740	13,318,950	444,739	10,881,595	116,985,577
Accumulated amortisation						
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Amortisation for the period	3,852	5,029,357	327,031	-	-	5,360,239
Adjustments	-	-	3,812	-	-	3,812
Closing balance	4,375,086	55,572,004	9,083,399	444,739	-	69,475,228
Net intangible assets	5,466	32,387,736	4,235,551	-	10,881,595	47,510,348

	31.12.2017					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,923	69,732,469	11,722,559	444,739	8,870,277	95,142,968
Acquisitions	-	2,776,195	1,569,908	-	13,167,265	17,513,369
Transfers and write-offs	-	7,727,299	(16,833)	-	(8,802,367)	(1,091,901)
Adjustments	-	-	21,516	-	-	21,516
Changes in the consolidation perimeter	7,629	-	-	-	19,281	26,910
Closing balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Accumulated amortisation						
Opening balance	4,360,060	43,021,166	8,400,280	444,739	-	56,226,245
Amortisation for the period	10,495	8,740,207	361,397	-	-	9,112,100
Transfers and write-offs	-	(1,218,272)	(16,834)	-	-	(1,235,106)
Adjustments	-	(454)	7,713	-	-	7,259
Changes in the consolidation perimeter	679	-	-	-	-	679
Closing balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Net intangible assets	9,318	29,693,316	4,544,595	-	13,254,456	47,501,684

The caption Industrial property includes the license of the trademark "Payshop Internacional" of CTT Contacto, S.A., of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not being amortised.

The transfers to Computer software occurred in the six-month period ended 30 June 2018 in Intangible assets in progress to refer to IT projects which were completed during the period.

The amounts of 474,392 Euros and 424,936 Euros that were capitalised in Computer software or in Intangible assets in progress as at 30 June 2018 and 30 June 2017, respectively, related to the staff costs incurred in the development of IT projects.

As at 30 June 2018, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	30.06.2018	31.12.2017
SAP Hana & Hybris Billing	1,566,989	2,846,202
Management information - Software	1,009,159	901,204
NAVE evolution	788,277	736,189
RAID - Software	492,738	453,856
Business Excellence - Software	305,293	292,317
FATCA/CRS	255,846	170,291
Security Identity Governance and Intelligence	230,791	230,791
SIGPOSTAL - software	192,808	-
Legacy aplications improvements	188,288	617,767
INTRANET CTT	184,117	-
International Accounts - Software	170,547	-
SADIP - Dynamics Change Plans	159,702	141,983
SAP developments	157,059	144,997
Mortgage loans - software	148,884	491,317
APARTADOS - Software	137,348	136,220
CRM - Sales Software	120,266	287,602
Lease Management - software	119,894	-
Customs Portal	105,149	-
DOL - Treatment and generation of schedules	102,137	98,836
BD SQL Server consolidation	-	622,975
Mail products evolution	-	586,899
X86 - Servers, storage and backup	-	342,239
	6,435,292	9,101,687

The amortisation for the period, of 5,360,239 Euros (4,188,876 Euros as at 30 June 2017), was recorded under Depreciation / amortisation and impairment of investments, net.

There are no Intangible assets with restricted ownership or any carrying amounts relative to any Intangible Assets which have been given as a guarantee of liabilities.

Contractual commitments relative to Intangible assets are as follows:

	30.06.2018
SAP S/4 Hana e SAP Hybris	1,573,718
CBS - Core Banking System	479,653
SIG Postal	359,643
Software servers	123,246
Setup Infrastructure	95,624
Mailmanager	52,275
Data Protection Regulation (RGPD)	51,733
Iberian operator Solutions	37,091
App Receipts Online	22,140
New Offer Solutions	22,080
APP Mobility Android	20,295
Worflow Solution	17,188
Online Account Opening	17,042
Transaction Monitoring	16,648
ITSM Solution	14,909
Hybrid Mail	6,642
Consolidation SW	5,230
	2,915,157

7. INVESTMENT PROPERTIES

As at 30 June 2018 and 31 December 2017, the Group has the following assets classified as investment properties:

	30.06.2018			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	2,882,477	11,824,326	-	14,706,803
Disposals	(43,658)	(341,601)	-	(385,259)
Transfers and write-offs	300,837	1,315,536	-	1,616,373
Closing balance	3,139,657	12,798,261	-	15,937,917
Accumulated depreciation				
Opening balance	166,541	7,282,857	-	7,449,397
Depreciation for the period	-	114,410	-	114,410
Disposals	(2,315)	(185,167)	-	(187,482)
Transfers and write-offs	34,103	655,979	-	690,082
Closing balance	198,329	7,868,079	-	8,066,407
Accumulated impairment				
Opening balance	-	1,092,556	-	1,092,556
Transfers/Adjustments	-	597,703	-	597,703
Closing balance	-	1,690,259	-	1,690,259
Net Investment properties	2,941,328	3,239,923	-	6,181,251

	31.12.2017			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,921,049	18,372,780	-	22,293,828
Additions	-	-	43,152	43,152
Disposals	(1,038,572)	(6,591,606)	-	(7,630,178)
Transfers and write-offs	-	43,152	(43,152)	-
Closing balance	2,882,477	11,824,326	-	14,706,803
Accumulated depreciation				
Opening balance	210,097	11,500,249	-	11,710,347
Depreciation for the period	-	242,117	-	242,117
Disposals	(43,557)	(4,459,510)	-	(4,503,066)
Closing balance	166,541	7,282,857	-	7,449,397
Accumulated impairment				
Opening balance	-	1,291,498	-	1,291,498
Transfers/Adjustments	-	(198,942)	-	(198,942)
Closing balance	-	1,092,556	-	1,092,556
Net Investment properties	2,715,936	3,448,913	-	6,164,849

These assets are not allocated to the Group's operating activities, nor have a specific future use.

During the six-month period ended 30 June 2018, the amount of disposals relates to the sale of one property, having the corresponding gains, of 10 thousand Euros, been recorded in the caption Other operating income.

During the year ended 31 December 2017, the amount of disposals relates to the sale of ten properties, having the corresponding gains, of 1.1 million Euros, been recorded in the caption Other operating income.

Depreciation for the period, of 114,410 Euros (159,781 Euros as at 30 June 2017), was recorded in the caption Depreciation / amortisation and impairment of investments, net.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 30 June 2018 and 31 December 2017, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

			30.06.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
Company name	Place of business	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	100	-	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Mailtec Comunicação , S.A. ("Mailtec TI")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona - Spain	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50
Escrita Inteligente , S.A. ("RONL")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 11 1999-001 Lisboa	100	-	100	100	-	100
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521 Cacém	100	-	100	100	-	100

On 4 January 2018, the share capital of Banco CTT was increase by 6,400,000 Euros through the transfer to Banco CTT of all the shares representing the share capital of Payshop (Portugal), S.A.. This transaction had no impact on the consolidated statements.

On 7 March 2018, a new share capital increase was made in Banco CTT in the amount of 25,000,000 Euros through the issue of new shares without nominal value and with the issuance value of 1 Euro each, currently totalling the amount of 156,400,000 Euros.

In June 2018, the subsidiaries Escrita Inteligente, S.A. and Transporta - Transportes Porta a Porta, S.A., underwent a share capital reduction operation, and the amounts of the reduction were transferred to retained earnings. The share capital of these companies, after the mentioned operation, is 37,374 Euros and 250,000 Euros, respectively.

There were also capital increase operations, recognised under the caption "Other Equity Instruments", in the subsidiaries Escrita Inteligente, S.A., Transporta - Transportes Porta a Porta, S.A. and Tourline Express Mensajería, SLU, for the amounts of 285,000 Euros, 3,000,000 Euros and 7,100,000 Euros, respectively.

On 4 May 2017, CTT – Correios de Portugal, S.A., acquired 100% of the share capital of the company Transporta – Transportes Porta a Porta, S.A. for the amount of 1,728,091 Euros.

Joint ventures

As at 30 June 2018 and 31 December 2017, the Group held the following interests in joint ventures, accounted for by the equity method:

			30.06.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
Company name	Place of business	Head office	Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 30 June 2018 and 31 December 2017, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	30.06.2018 Percentage of ownership Direct	Indirect	Total	31.12.2017 Percentage of ownership Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Mafelosa, SL [a]	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL [a]	Spain	Málaga - Spain	-	30	30	-	30	30

[a] Company held by Tourline Mensajeria, SLU, which currently has no activity.

Changes in the consolidation perimeter

During the six-month period ended 30 June 2018, there were no changes in the consolidation perimeter.

During the year ended 31 December 2017, the consolidation perimeter was changed following the acquisition of the company Transporta – Transportes Porta a Porta, S.A. on 4 May 2017.

9. INVESTMENT SECURITIES, INVESTMENTS HELD TO MATURITY AND FINANCIAL ASSETS AVAILABLE FOR SALE

As at 30 June 2018, the caption Investment securities showed the following composition:

	30.06.2018	31.12.2017
Non-current		
Investment securities measured at Fair Value through Other Comprehensive Income [1]		
Debt securities and other fixed-income securities		
Public issuers	552,650	-
Other issuers	1,089,338	-
	1,641,988	-
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	349,887,107	-
Other issuers	30,230,311	-
Impairment	(147,440)	-
	379,969,978	-
	381,611,966	**-**
Current		
Investment securities measured at Fair Value through Other Comprehensive Income [1]		
Debt securities and other fixed-income securities		
Public issuers	4,061	-
Other issuers	2,607,461	-
	2,611,522	-
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	11,326,672	-
Other issuers	5,934,785	-
Impairment	(5,722)	-
	17,255,735	-
	19,867,257	**-**
	401,479,223	**-**

[1] As at 30 June 2018 includes the amount of 5,324 Euros regarding Accumulated impairment losses.

It should be noted that the Group adopted IFRS 9 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period are not restated. Accordingly, the amounts currently shown in the caption Investment securities are shown under the headings Investments held to maturity and Financial assets available for sale.

As at 31 December 2017, the composition of the headings Investments held to maturity and Financial assets available for sale is as follows:

	30.06.2018	31.12.2017
Non-current		
Financial assets available for sale		
Debt securities and other fixed-income securities		
Public issuers	-	562,115
Other issuers	-	2,613,065
	-	3,175,180
Investments held to maturity		
Debt securities and other fixed-income securities		
Public issuers	-	228,806,240
Other issuers	-	17,021,519
	-	245,827,759
Current		
Financial assets available for sale		
Debt securities and other fixed-income securities		
Public issuers	-	13,765
Other issuers	-	2,562,429
	-	2,576,194
Investments held to maturity		
Debt securities and other fixed-income securities		
Public issuers	-	8,729,378
Other issuers	-	6,991,995
	-	15,721,373
Financial assets available for sale	**-**	***5,751,374***
Investments held to maturity	**-**	***261,549,132***
	-	**267,300,506**

The analysis of the Investment securities measured at Fair Value through Other Comprehensive Income and the residual maturity of the investment securities as at 30 June 2018 is detailed as follows:

	30.06.2018		
	Amortised cost	Fair value reserve	Total
Debt securities and other fixed-income securities			
Public-debt securities			
National	530,950	25,761	556,711
Foreign	-	-	-
Other issuers			
National	-	-	-
Foreign	3,683,672	13,127	3,696,799
	4,214,622	38,888	4,253,510

	30.06.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at Fair Value through Other Comprehensive Income [1]							
Debt securities and other fixed-income securities							
Public-debt securities							
National	4,061	-	4,061	552,650	-	552,650	556,711
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	1,596,276	1,011,185	2,607,461	978,287	111,051	1,089,338	3,696,799
	1,600,337	**1,011,185**	**2,611,522**	**1,530,937**	**111,051**	**1,641,988**	**4,253,510**

[1] As at 30 June 2018 includes the amount of 5,324 Euros regarding Accumulated impairment losses.

	30.06.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at amortised cost							
Debt securities and other fixed-income securities							
Public-debt securities							
National	3,973,779	6,665,778	10,639,557	15,820,179	214,084,002	229,904,182	240,543,739
Foreign	687,115	-	687,115	29,868,539	90,114,387	119,982,926	120,670,041
Other issuers							
National	5,032,448	902,337	5,934,785	21,944,547	8,285,764	30,230,311	36,165,096
Foreign	-	-	-	-	-	-	-
	9,693,342	**7,568,115**	**17,261,457**	**67,633,265**	**312,484,153**	**380,117,418**	**397,378,875**

Regarding 31 December 2017, the analysis of the Financial assets available for sale and the corresponding residual maturity as well as the analysis of the residual maturity of the investments held to maturity are detailed as follows:

	31.12.2017		
	Amortised cost	Fair value reserve	Total
Debt securities and other fixed-income securities			
Public-debt securities			
National	545,545	30,335	575,880
Foreign	-	-	-
Other issuers			
National	250,002	-	250,002
Foreign	4,905,504	19,988	4,925,492
	5,701,051	50,323	5,751,374

	31.12.2017						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1year	Total	Over 1year and less than 3 years	Over 3 years	Total	
Financial assets available for sale							
Debt securities and other fixed-income securities							
Public-debt securities							
National	13,765	-	13,765	-	562,115	562,115	575,880
Foreign	-	-	-	-	-	-	-
Other issuers							
National	250,002	-	250,002	-	-	-	250,002
Foreign	239,942	2,072,485	2,312,427	2,500,506	112,559	2,613,065	4,925,492
	503,709	**2,072,485**	**2,576,194**	**2,500,506**	**674,674**	**3,175,180**	**5,751,374**

	31.12.2017						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1year	Total	Over 1year and less than 3 years	Over 3 years	Total	
Investments held to maturity							
Debt securities and other fixed-income securities							
Public-debt securities							
National	3,370,516	5,083,554	8,454,070	11,789,808	142,181,624	153,971,432	162,425,502
Foreign	275,308	-	275,308	20,888,425	53,946,383	74,834,808	75,110,116
Other issuers							
National	1,683,085	5,308,910	6,991,995	14,603,866	2,417,653	17,021,519	24,013,514
Foreign	-	-	-	-	-	-	-
	5,328,909	**10,392,464**	**15,721,373**	**47,282,099**	**198,545,660**	**245,827,759**	**261,549,132**

The impairment losses, for the six-month period ended 30 June 2018, are detailed as follows:

	30.06.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	6	(1,353)	-	4,566	3,219
Investment securities measured at amortised cost	-	81,550	(178,118)	-	244,008	147,440
	-	81,556	(179,471)	-	248,575	150,660
Current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	-	(4,016)	-	6,120	2,104
Investment securities measured at amortised cost	-	2,658	-	-	3,064	5,722
	-	2,658	(4,016)	-	9,184	7,826
Investment securities measured at Fair Value through Other Comprehensive Income	**-**	***6***	***(5,369)***	**-**	***10,686***	***5,323***
Investment securities measured at amortised cost	**-**	***84,208***	***(178,118)***	**-**	***247,072***	***153,162***
	-	**84,214**	**(183,487)**	**-**	**257,759**	**158,486**

10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2018 and 31 December 2017, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	30.06.2018	31.12.2017
Non-current assets		
Investments in credit institutions	-	-
Loans to credit institutions	17,102,890	11,831,122
Impairment	(168,111)	-
	16,934,779	11,831,122
Current assets		
Investments in credit institutions	77,950,983	82,221,285
Loans to credit institutions	10,712,008	7,859,401
Impairment	(308,872)	-
Other	2,028,983	1,336,398
	90,383,101	91,417,084
	107,317,880	**103,248,206**
Current liabilities		
Other	18,427,335	17,882,160
	18,427,335	**17,882,160**

Regarding the captions Investments in credit institutions and Loans to credit institutions, the scheduling by maturity is as follows:

	30.06.2018	31.12.2017
Up to 3 months	37,092,110	16,716,838
From 3 to 6 months	34,000,280	16,078,185
From 6 to 12 months	17,570,602	57,285,663
From 1 to 3 years	10,662,229	7,473,850
Over 3 years	6,440,661	4,357,272
	105,765,881	101,911,808

The impairment losses, for the six-month period ended 30 June 2018, are detailed as follows:

	30.06.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Investments and loans in credit institutions	-	252,873	(201,055)	-	116,293	168,111
	-	252,873	(201,055)	-	116,293	168,111
Current assets						
Investments and loans in credit institutions	-	-	(198,232)	-	507,104	308,872
	-	-	(198,232)	-	507,104	308,872
	-	**252,873**	**(399,287)**	**-**	**623,397**	**476,983**

11. CREDIT TO BANKING CLIENTS

As at 30 June 2018 and 31 December 2017, the caption Credit to banking clients was detailed as follows:

	30.06.2018	31.12.2017
Performing loans	**149,350,911**	**79,393,333**
Mortgage Loans	131,925,256	66,145,178
Overdrafts	462,377	299,170
Other credits	16,963,278	12,948,985
Overdue loans	**99,231**	**71,708**
	149,450,142	79,465,041
Credit risk impairment	**(218,983)**	**(117,651)**
	149,231,159	79,347,390

The breakdown of this heading by type of rate is as follows:

	30.06.2018	31.12.2017
Fixed rate	561,608	370,878
Floating rate	148,888,534	79,094,163
	149,450,142	**79,465,041**
Credit risk impairment	(218,983)	(117,651)
	149,231,159	**79,347,390**

The maturity analysis of the Credit to banking clients as at 30 June 2018 and 31 December 2017 is detailed as follows:

	30.06.2018							
	Current				Non-current			Total
	In cash	Due within 3 months	Over 3 months and less than 1	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	971,494	2,779,255	3,750,749	7,533,706	120,640,801	128,174,507	131,925,256
Overdrafts	561,608	-	-	561,608	-	-	-	561,608
Other credits	-	16,963,278	-	16,963,278	-	-	-	16,963,278
	561,608	17,934,772	2,779,255	21,275,635	7,533,706	120,640,801	128,174,507	149,450,142

	31.12.2017							
	Current				Non-current			Total
	In cash	Due within 3 months	Over 3 months and less than 1	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	465,590	1,357,066	1,822,656	3,680,670	60,641,852	64,322,522	66,145,178
Overdrafts	370,878	-	-	370,878	-	-	-	370,878
Other credits	-	12,948,985	-	12,948,985	-	-	-	12,948,985
	370,878	13,414,575	1,357,066	15,142,519	3,680,670	60,641,852	64,322,522	79,465,041

During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the movement in the Credit to banking clients impairment caption was as follows:

	30.06.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Credit to banking clients	59,078	75,792	(17,489)	-	(6,589)	110,792
	59,078	75,792	(17,489)	-	(6,589)	110,792
Current assets						
Credit to banking clients	58,573	45,742	-	-	3,876	108,191
	58,573	45,742	-	-	3,876	108,191
	117,651	**121,534**	**(17,489)**	**-**	**(2,713)**	**218,983**

	31.12.2017				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Non-current assets					
Credit to banking clients	-	62,628	(3,550)	-	59,078
	-	62,628	(3,550)	-	59,078
Current assets					
Credit to banking clients	417	70,950	(12,794)	-	58,573
	417	70,950	(12,794)	-	58,573
	417	**133,578**	**(16,344)**	**-**	**117,651**

12. DEFERRALS

As at 30 June 2018 and 31 December 2017, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:

	30.06.2018	31.12.2017
Assets deferrals		
Current		
Rents payable	1,323,403	1,375,076
Meal allowances	1,575,509	1,615,852
Other	5,797,872	3,609,187
	8,696,784	6,600,115
Liabilities deferrals		
Non-current		
Investment subsidy	311,292	316,892
	311,292	316,892
Current		
Phone-ix top ups	123,093	143,203
Investment subsidy	14,250	17,299
Contratual liabilities	1,334,247	-
Other	827,452	1,272,194
	2,299,042	1,432,696
	2,610,334	1,749,588

The caption "Contractual liabilities" results from the adoption, as at 1 January 2018, of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced but not yet recognised as revenue because the performance obligations have not yet been met as recommended by the standard.

13. ACCUMULATED IMPAIRMENT LOSSES

During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the following movements occurred in impairment losses:

	30.06.2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	49,340	-	-	-	-	-	-	49,340
Investment properties	1,092,556	-	-	-	597,703	-	-	1,690,259
	1,141,896	-	-	-	597,703	-	-	1,739,599
Investment securities	-	81,556	(179,471)	-	-	-	248,575	150,660
Other non-current assets	1,786,730	-	-	-	154,439	-	-	1,941,169
Credit to banking clients	59,078	75,792	(17,489)	-	-	-	(6,589)	110,792
Other banking financial assets	-	252,873	(201,055)	-	-	-	116,293	168,111
	1,845,808	410,221	(398,015)	-	154,439	-	358,279	2,370,732
	2,987,704	**410,221**	**(398,015)**	**-**	**752,142**	**-**	**358,279**	**4,110,331**
Current assets								
Accounts receivable	32,583,555	749,002	(214,363)	(178,810)	-	-	(883,882)	32,055,502
Credit to banking clients	58,573	45,742	-	-	-	-	3,876	108,191
Investment securities	-	2,658	(4,016)	-	-	-	9,184	7,826
Other current assets	7,335,098	211,134	(144,606)	(10,078)	(154,439)	-	-	7,237,109
Other banking financial assets	-	-	(198,232)	-	-	-	507,104	308,872
Slight and term deposits	-	23,350	(332,310)	127	-	-	406,909	98,076
	39,977,226	1,031,886	(893,527)	(188,761)	(154,439)	-	43,191	39,815,576
Merchandise	1,719,745	186,572	-	(39,390)	-	-	-	1,866,927
Raw, subsidiary and consumable	658,137	20,115	-	-	-	-	-	678,252
	2,377,882	206,687	-	(39,390)	-	-	-	2,545,179
	42,355,108	**1,238,573**	**(893,527)**	**(228,151)**	**(154,439)**	**-**	**43,191**	**42,360,755**
	45,342,812	**1,648,794**	**(1,291,542)**	**(228,151)**	**597,703**	**-**	**401,470**	**46,471,086**

	31.12.2017						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Tangible fixed assets	173,055	-	(123,714)	-	-	-	49,341
Investment properties	1,291,498	49,208	(248,150)	-	-	-	1,092,556
	1,464,553	49,208	(371,864)	-	-	-	1,141,897
Credit to banking clients	-	62,628	(3,550)	-	-	-	59,078
Other non-current assets	1,748,286	233,311	-	(194,868)	-	-	1,786,729
	1,748,286	295,939	(3,550)	(194,868)	-	-	1,845,807
	3,212,839	**345,147**	**(375,414)**	**(194,868)**	**-**	**-**	**2,987,704**
Current assets							
Accounts receivable	30,309,524	2,358,555	(1,302,268)	(1,060,347)	-	2,278,091	32,583,555
Credit to banking clients	417	70,950	(12,794)	-	-	-	58,573
Other current assets	8,173,677	254,470	(445,833)	(974,012)	-	326,796	7,335,098
	38,483,618	2,683,975	(1,760,895)	(2,034,359)	-	2,604,887	39,977,226
Merchandise	1,565,187	236,253	(455)	(81,240)	-	-	1,719,745
Raw, subsidiary and consumable	579,327	78,810	-	-	-	-	658,137
	2,144,514	315,063	(455)	(81,240)	-	-	2,377,882
	40,628,132	**2,999,038**	**(1,761,350)**	**(2,115,599)**	**-**	**2,604,887**	**42,355,108**
	43,840,971	**3,344,185**	**(2,136,764)**	**(2,310,467)**	**-**	**2,604,887**	**45,342,812**

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter refers to the balances of Transporta as at the acquisition date.

The net amount between increases and reversals of impairment losses of inventories is recorded in the Consolidated income statement under the caption Cost of sales.

14. EQUITY

As at 30 June 2018, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 30 June 2018 and 31 December 2017 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

		30.06.2018		
Shareholder		**No. of shares**	**%**	**Nominal value**
Gestmin SGPS, S.A. (1)		18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud		284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud (2)	**Total**	**18,874,419**	**12.583%**	**9,437,210**
Global Portfolio Investments, S.L. (3)		8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. (3)	**Total**	**8,492,745**	**5.662%**	**4,246,373**
Norges Bank	**Total**	**6,399,190**	**4.266%**	**3,199,595**
Credit Suisse Group AG (4)	**Total**	**4,965,530**	**3.310%**	**2,482,765**
BlackRock, Inc. (5)	**Total**	**3,880,684**	**2.587%**	**1,940,342**
BBVA BOLSA FI (6)		1,139,308	0.760%	569,654
BBVA BOLSA EURO FI (6)		674,991	0.450%	337,496
BBVA BOLSA EUROPA FI (6)		1,335,028	0.890%	667,514
BBVA BOLSA PLUS FI (6)		346,172	0.231%	173,086
BBVA Asset Management, SA SGIIC (6)	**Total**	**3,495,499**	**2.330%**	**1,747,750**
GreenWood Builders Fund I, LP (7)	**Total**	**3,478,370**	**2.319%**	**1,739,185**
Wellington Management Group LLP (8)	**Total**	**3,105,222**	**2.070%**	**1,552,611**
CTT, S.A. (own shares) (9)	**Total**	**1**	**0.000%**	**0.50**
Other shareholders	**Total**	**97,308,340**	**64.872%**	**48,654,170**
Total		**150,000,000**	**100.000%**	**75,000,000**

(1) Includes 18,465,215 shares directly held by Gestmin SGPS, S.A. and 124,319 shares held by members of its Board of Directors.

(2) Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

(3) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

(4) The full chain of Credit Suisse Group AG controlled undertakings through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 21 November 2017 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?byInode=true .

(5) The full chain of undertakings controlled by BlackRock, Inc. through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 27 June 2018 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/15411667-923b-486a-96c9-01098bdaffe5/ficheiroPdf/BlackRock%2027June2018_EN.pdf?byInode=true .

(6) Investment funds managed by BBVA Asset Management, SA, SGIIC, entity directly controlled by Cidessa Uno, SL, as per point 10 of the qualifying holdings press release of 26 March 2018 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/a241575b-7dcb-47ff-8374-d5dc44f2bd56/ficheiroPdf/BBVA%20Qualif%20Hold%2026Mar2018_EN.pdf?byInode=true .

(7) Fund managed by GreenWood Investors LLC.

(8) The full chain of controlled undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is shown in point 8 of the qualifying holdings press release of 5 September 2017 available on CTT website at: http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?byInode=true .

(9) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

		31.12.2017		
Shareholder		**No. of shares**	**%**	**Nominal value**
Gestmin SGPS, S.A. (1)		16,733,301	11.156%	8,366,651
Manuel Carlos de Melo Champalimaud		284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud (2)	**Total**	**17,018,186**	**11.345%**	**8,509,093**
Global Portfolio Investments, S.L. (3)		8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. (3)	**Total**	**8,492,745**	**5.662%**	**4,246,373**
Credit Suisse Group AG (4)	**Total**	**4,965,530**	**3.310%**	**2,482,765**
Norges Bank	**Total**	**4,726,966**	**3.151%**	**2,363,483**
BNP Paribas Asset Management, S.A. (5)	**Total**	**4,646,344**	**3.098%**	**2,323,172**
Wellington Management Group LLP (6)	**Total**	**3,105,222**	**2.070%**	**1,552,611**
Kairos Partners SGR SpA (7)	**Total**	**3,075,000**	**2.050%**	**1,537,500**
CTT, S.A. (own shares) (8)	**Total**	**1**	**0.000%**	**0.50**
Other shareholders	**Total**	**103,970,006**	**69.313%**	**51,985,003**
Total		**150,000,000**	**100.000%**	**75,000,000**

(1) Includes 16,642,862 shares directly held by Gestmin SGPS, S.A. and 90,439 shares held by members of its Board of Directors (for this purpose, CTT assumes that the shareholdings of the members of the Board of Directors of Gestmin communicated in the notification to the Company on 4 January 2018 correspond to their shareholdings as at 31 December 2018) . Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud who holds the controlling interest in Gestmin.

(2) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

(3) As per section 10 of the press release of 4 January 2018 available on CTT website (http://www.ctt.pt/contentAsset/raw-data/321d6a50-14fa-47e9-9d42-94d17701a9f8/ficheiroPdf/Global%20Portfolio%2004Jan2018_EN.pdf?byInode=true) Wilmington Capital, S.L., a subsidiary of Indumenta Pueri, S.L. which held the qualifying holding in CTT, transferred all its CTT titles to a sister company controlled by Indumenta Pueri, S.L. – Global Portfolio Investments, S.L.

(4) The full chain of the Credit Suisse Group AG controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at attachments of the qualifying holding press release of 21 November 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?byInode=true).

(5) The full chain of the BNP Paribas Asset Management, S.A. controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at section 10 of the qualifying holding press release of 30 October 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/f68bfc42-2801-406c-996b-510b31319bcd/ficheiroPdf/BNP%20Paribas%20Qualif%20Hold%2030Oct2017_EN.pdf?byInode=true).

(6) The full chain of the Wellington Management Group LLP controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 5 September 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?byInode=true).

(7) The full chain of the Kairos Partners SGR SpA controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 10 November 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/f1388005-a56a-46ff-9527-07b2277d8e7c/ficheiroPdf/Kairos%2010Nov2017_EN.pdf?byInode=true).

(8) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

15. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

As at 30 June 2018 and 31 December 2017, the heading Reserves is detailed as follows:

	30.06.2018				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883
Distribution of dividends (Note 16)	-	-	-	(15,372,222)	(15,372,222)
Other movements	-	-	-	1,282,861	1,282,861
Assets fair value	-	-	(11,436)	-	(11,436)
Closing balance	15,000,000	8	38,888	50,808,190	65,847,086

	31.12.2017				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	5,097,536	13,474	11,708,102	34,891,671
Share capital decrease	-	-	-	49,500,000	49,500,000
Transfers	(3,072,559)	-	-	3,072,559	-
Own shares attribution	-	(5,097,527)	-	5,097,527	-
Assets fair value	-	-	36,849	-	36,849
Share Plan (attribution)	-	-	-	(4,480,638)	(4,480,638)
Closing balance	15,000,000	8	50,323	64,897,551	79,947,883

Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the Company but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

Own shares reserve (CTT, S.A.)

Following the attribution of own shares to executive members of the Board of Directors within the scope of the remuneration policy established by the Remuneration Committee for the 2014-2016 term of office, in January 2017, the correspondent reserve was, reduced in the amount of 5,097,527 Euros.

As at 30 June 2018, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves
This heading records the profits transferred to reserves that are not imposed by the law or the articles of association, nor constituted pursuant to contracts signed by the Company.

Retained earnings
During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the following movements were made in the heading Retained earnings:

	30.06.2018	31.12.2017
Opening balance	34,268,089	93,589,211
Application of the net profit of the prior year	27,263,244	62,160,395
Distribution of dividends (Note 16)	(41,627,778)	(72,000,000)
Share capital increase	-	(49,500,000)
Changes to accounting polices	(1,467,664)	-
Adjustments from the application of the equity method	(3,164)	18,482
Other movements	(1,282,861)	-
Closing balance	17,149,866	34,268,089

The amount of 1,467,664 Euros relates to the effect of the adoption of IFRS 9 and IFRS 15, which is disclosed in more detail in note 3.

Other changes in equity
The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading.

Thus, for the six-month period ended 30 June 2018 and the year ended 31 December 2017, the movements occurred in this heading were as follows:

	30.06.2018	31.12.2017
Opening balance	(32,634,996)	(27,137,824)
Actuarial gains/losses	-	(7,579,217)
Tax effect	-	2,082,045
Closing balance	(32,634,996)	(32,634,996)

16. DIVIDENDS

According to the dividends distribution proposal included in the 2017 Annual Report, at the General Meeting of Shareholders, which was held on 18 April 2018, a dividend distribution of 57,000,000 Euros regarding the financial year ended 31 December 2017 was proposed and approved, the amount of41,627,778 Euros from retained earnings and 15,372,222 Euros from reserves. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.38 Euros.

At the General Meeting of Shareholders, which was held on 20 April 2017, a dividend distribution of 72,000,000 Euros was also approved, corresponding to a dividend per share of 0.48 Euros, regarding the financial year ended 31 December 2016. The dividend was paid on 19 May 2017. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.48 Euros.

17. EARNINGS PER SHARE

During the six-month periods ended 30 June 2018 and 30 June 2017, the earnings per share were calculated as follows:

	30.06.2018	30.06.2017
Net income for the period	6,250,289	17,745,100
Average number of ordinary shares	149,999,999	149,900,464
Earnings per share		
Basic	0.04	0.12
Diluted	0.04	0.12

The average number of shares is detailed as follows:

	30.06.2018	30.06.2017
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	99,536
Average number of shares during the period	149,999,999	149,900,464

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the Group.

As at 30 June 2018, the number of own shares held by the Group is 1 and its average number for the period ended 30 June 2018 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

18. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the six-month period ended 30 June 2018 and the year ended 31 December 2017, in order to face legal proceedings and other liabilities arising from past events, the Group recognised Provisions, which showed the following movement:

	30.06.2018						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	3,390,479	889,344	(590,666)	(162,898)	58,365	-	3,584,624
Restructuring	1,729,651	-	-	(62,177)	(597,703)	-	1,069,771
Other provisions	8,338,601	1,400,078	(484,991)	(4,409)	(58,365)	-	9,190,914
Sub-total - caption "Provisions (increases)/reversals"	**13,458,730**	**2,289,422**	**(1,075,657)**	**(229,483)**	**(597,703)**	**-**	**13,845,309**
Restructuring	11,903,172	9,363,516	(134,866)	(18,402,351)	-	-	2,729,471
Other provisions	666,430	316,802	-	-	-	-	983,232
	26,028,332	**11,969,740**	**(1,210,523)**	**(18,631,834)**	**(597,703)**	**-**	**17,558,012**

	31.12.2017						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	4,838,552	2,316,092	(2,805,272)	(1,140,292)	151,399	30,000	3,390,479
Restructuring	-	1,729,651	-	-	-	-	1,729,651
Other provisions	9,288,931	118,462	(333,053)	(584,340)	(151,399)	-	8,338,601
Sub-total - caption "Provisions (increases)/reversals"	**14,127,483**	**4,164,205**	**(3,138,325)**	**(1,724,632)**	**-**	**30,000**	**13,458,730**
Restructuring	-	13,101,590	(146,221)	(1,052,197)	-	-	11,903,172
Other provisions	-	666,430	-	-	-	-	666,430
	14,127,483	**17,932,225**	**(3,284,546)**	**(2,776,829)**	**-**	**30,000**	**26,028,332**

In the year ended 31 December 2017 the caption Changes in the consolidation perimeter refers to the balances of Transporta as at the acquisition date.

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (1,213,765) Euros (13,074 Euros as at 30 June 2017).

Litigations
The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the Group and are estimated based on information from its lawyers.

Restructuring
On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network, reinforcing the HR optimisation programme and reengineering the distribution network. As a result of this Transformation Plan, a provision for restructuring in the total amount of 13,571,359 Euros was recorded in the year ended 31 December 2017, having 11,841,708 Euros been recorded against the caption Staff costs and the amount of 1,729,651 Euros was recognised under the heading Provisions, net in the income statement.

Following the maintenance of the HR optimisation programme in 2018, reinforcements of this provision in the amount of 9,363,516 Euros were recorded against the caption Staff costs in the income statement. As at 30 June 2018 the provision amounts to 2,729,471 Euros. The utilisations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Other provisions
For the six-month period ended 30 June 2018, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 7,440,682 Euros (7,882,083 Euros as at 31 December 2017).

On 30 June 2018, a provision was recognised in Tourline to face the notification issued by the Spanish National Commission on Markets and Competition, which has now been the subject of an appeal to the Spanish *Audiencia Nacional* (National High Court). The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors.

As at 30 June 2018, in addition to the previously mentioned situations, this heading also includes:

- the amount of 85,591 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,835 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 316,802 Euros regarding the liability, recognised in the company Transporta, with a labour legal proceeding.

Guarantees provided
As at 30 June 2018 and 31 December 2017, the Group had provided bank guarantees to third parties as follows:

Description	30.06.2018	31.12.2017
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	10,987,388	4,844,868
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA (Pension Fund)	3,030,174	3,030,174
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário (Property fund)	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário (Property fund)	1,274,355	1,274,355
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Courts	112,888	126,204
Municipalities	96,665	188,491
Solred (Repsol's fuel cards)	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	21,433
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	46,167	46,167
Fonavi, Nave Hospitalet	40,477	40,477
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	68,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (public service for the management of the national railway network infrastructure)	16,460	16,460
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	16,406	16,406
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area)	13,086	13,086
Other entities	12,603	14,103
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	12,460	12,460
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,909	9,909
Instituto de Segurança Social (Social Security Institute)	8,190	8,190
Promodois (Real estate company)	6,273	6,273
TNT Express Worldwide	6,010	6,010
Consejeria Salud (Local Health Service/Spain)	4,116	4,116
Instituto do emprego e formação profissional (Employment and Professional Training Institute)	3,718	3,718
Casa Pia de Lisboa, I.P. (public institute for the promotion and protection of the children and youngsters' rights)	1,863	1,863
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746
Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)	870	870
SPMS - Serviços Partilhados do Ministério da Saúde (Shared services of the Ministry of Health)	-	30,180
	21,527,309	15,508,150

According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 9,654,198 Euros as at 30 June 2018 and 31 December 2017.

The amounts relating to the Portuguese Tax and Customs Authority ("Autoridade Tributária e Aduaneira") arise essentially from tax enforcement proceedings arising from the inspection process regarding VAT of the fiscal years 2013, 2014 and 2015.

Following the risk assessment carried out by its legal advisors, the Group provided bank guarantees under the opposition presented in the arbitral tribunal, considering these proceedings as contingent liabilities.

Commitments

As at 30 June 2018, the Group had subscribed promissory notes amounting to approximately 43.4 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline and regarding the subsidiary CORRE in the amount of 94,080 Euros, which are still active as at 30 June 2018.

In addition, the Group also assumed commitments relating to real estate rents under lease contracts and rents for operating and financial leases.

The contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6, respectively.

19. ACCOUNTS PAYABLE

As at 30 June 2018 and 31 December 2017, the heading Accounts payable showed the following composition:

	30.06.2018	31.12.2017
Current		
Advances from customers	3,002,447	2,989,508
CNP money orders	283,842,936	192,760,943
Suppliers	62,831,293	67,167,246
Invoices pending confirmation	9,679,779	10,783,684
Fixed assets suppliers	2,918,317	8,069,559
Invoices pending confirmation (fixed assets)	2,585,595	8,934,307
Values collected on behalf of third parties	10,357,688	10,307,613
Postal financial services	127,230,438	77,584,441
Advances regarding disposals	1,117,162	9,947
Other accounts payable	8,082,907	5,926,046
	511,648,562	384,533,294

CNP money orders
The value of CNP money orders refers to the money orders received from the National Pensions Centre (CNP), whose payment date to the corresponding pensioners must occur in the month after the closing of the period.

Postal financial services
This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders.

Advances regarding disposals
The increase of this heading mainly regards the deposit stipulated in the agreement for the sale of the building located at Rua da Palma.

20. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 30 June 2018 and 31 December 2017, the composition of the heading Banking clients' deposits and other loans is as follows:

	30.06.2018	31.12.2017
Sight deposits	523,776,180	408,639,274
Term deposits	114,660,457	129,945,220
Savings deposits	97,958,866	80,645,186
	736,395,503	619,229,680

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 30 June 2018 and 31 December 2017, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

	30.06.2018					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits	523,776,180	-	-	-	-	523,776,180
Term deposits	-	54,383,224	60,277,233	-	-	114,660,457
Savings deposits	97,958,866	-	-	-	-	97,958,866
	621,735,046	54,383,224	60,277,233	-	-	736,395,503

	31.12.2017					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits	408,639,274	-	-	-	-	408,639,274
Term deposits	-	63,510,961	66,434,259	-	-	129,945,220
Savings deposits	80,645,186	-	-	-	-	80,645,186
	489,284,460	63,510,961	66,434,259	-	-	619,229,680

21. INCOME TAXES RECEIVABLE /PAYABLE

As at 30 June 2018 the caption reflects the estimated income tax regarding 2017, which has not yet been received, as well as the estimated income tax regarding the six-month period ended 30 June 2018.

22. OTHER OPERATING INCOME

During the six-month periods ended 30 June 2018 and 30 June 2017, the composition of the heading Other operating income was as follows:

	30.06.2018	30.06.2017
Supplementary revenues	2,195,447	2,211,602
Early settlement discounts received	32,898	32,475
Gains inventories	336	-
Favourable exchange rate differences of assets and liabilities other than financing	533,731	1,829,350
Income from financial investments	244,838	441,070
Income from non-financial investments	70,653	1,761,857
Income from services and commissions	2,151,994	2,270,582
Interest income and expenses - financial services	52,851	102,216
VAT adjustments	2,083,422	1,581,229
Other	794,645	255,890
	8,160,815	10,486,271

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology.

The interest related to the Financial Services segment is recognised under this caption.

23. STAFF COSTS

During the six-month periods ended 30 June 2018 and 30 June 2017, the composition of the heading Staff Costs was as follows:

	30.06.2018	30.06.2017
Remuneration	132,238,459	134,450,304
Employee benefits	2,126,067	2,266,612
Indemnities	13,603,073	2,672,975
Social Security charges	29,621,293	29,450,246
Occupational accident and health insurance	2,205,242	1,664,875
Social welfare costs	3,311,116	3,638,948
Other staff costs	46,494	77,488
	183,151,744	174,221,448

Remuneration of the statutory bodies of CTT, S.A.

In the six-month periods ended 30 June 2018 and 30 June 2017, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, S.A. were as follows:

	30.06.2018				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,096,839	80,143	27,900	14,000	1,218,882
Annual variable remuneration	-	-	-	-	-
	1,096,839	80,143	27,900	14,000	1,218,882
Long-term remuneration					
Defined contribution plan RSP	91,775	-	-	-	91,775
Long-term variable remuneration - Share Plan	20,070	-	-	-	20,070
	111,845	-	-	-	111,845
	1,208,684	80,143	27,900	14,000	1,330,727

	30.06.2017				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	980,176	103,714	18,720	4,500	1,107,110
Annual variable remuneration	448,181	-	-	-	448,181
	1,428,357	103,714	18,720	4,500	1,555,291
Long-term remuneration					
Defined contribution plan RSP	96,389	-	-	-	96,389
Long-term variable remuneration - Share Plan	616,890	-	-	-	616,890
	713,279	-	-	-	713,279
	2,141,636	103,714	18,720	4,500	2,268,570

Following the revision of the Remuneration Regulation for Members of the Statutory Bodies for the term of office 2017-2019, the terms of the Long-term Variable Remuneration were revised, with the payment being now made in cash, not in shares as in the previous plan. The plan is now considered as "cash settlement" which, according to IFRS2, implies that the liability should be annually updated and any changes resulting from the assessment should be recorded in the income statement.

The attribution and calculation of the Long-term Variable Remuneration are based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies.

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 20,070 Euros corresponds to the cost to be assumed in the period between 1 January 2018 and 30 June 2018 based on the assessment performed by an independent entity as at 31.12.2017.

For the six-month period ended 30 June 2018, and in accordance with the provisions of the Operational Transformation Plan, no estimate of Annual Variable Compensation was recorded for the members of the Statutory Bodies of CTT, S.A..

Remuneration

The change in the "Remuneration" caption arises essentially from the combined effect of the HR optimisation programme initiated in the previous year, the salary revision agreed with the workers' representative organisations, as well as the decision not to pay the variable remuneration related to 2017.

Indemnities

During the six-month period ended 30 June 2018, this caption includes the amount of 13.2 million Euros related to compensations established for termination of employment contracts by mutual agreement, a process initiated in 2018.

Social welfare costs

Social welfare costs relate almost entirely to health costs incurred by the Group with active workers, as well as expenses related to Health and Safety at Work.

During the six-month periods ended 30 June 2018 and 30 June 2017, the heading Staff costs includes the amounts of 292,906 Euros and 401,109 Euros, respectively, related to expenses with workers' representative bodies.

For the six-month periods ended 30 June 2018 and 30 June 2017, the average number of staff of the Group was 12,335 and 12,402, respectively.

24. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 Euros up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on the Group and its subsidiaries CTT – Expresso, S.A., Mailtec Comunicação, S.A., Payshop Portugal, S.A, CTT Contacto, S.A., Banco CTT, S.A. and Escrita Inteligente, S.A., through the Special Regime for the Taxation of Groups of Companies ("RETGS"). The remaining companies are taxed individually.

Reconciliation of the income tax rate

In the six-month periods ended 30 June 2018 and 30 June 2017, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	30.06.2018	30.06.2017
Earnings before taxes	11,673,635	28,154,960
Nominal tax rate	21.0%	21.0%
	2,451,463	**5,912,542**
Tax Benefits	(187,933)	(179,010)
Accounting capital gains/(losses)	(6,185)	(144,476)
Tax capital gains/(losses)	(4,127)	73,646
Impairment losses and reversals	39,513	(91,271)
Other situations, net	1,119,968	858,306
Adjustments related with - autonomous taxation	265,681	792,586
Adjustments related with - Municipal Surcharge	206,016	553,056
Adjustments related with - State Surcharge	536,239	1,870,241
Tax losses without deferred tax	771,761	849,309
Insuficiency / (Excess) estimated income tax	203,579	(35,114)
Income taxes for the period	5,395,976	10,459,815
Effective tax rate	46.22%	37.15%
Income taxes for the period		
Current tax	1,752,206	8,809,790
Deferred tax	3,440,190	1,685,139
Insuficiency / (Excess) estimated income tax	203,579	(35,114)
	5,395,976	10,459,815

During the six-month period ended 30 June 2018, the heading Insufficiency/(Excess) estimated income tax mainly relates to the insufficiency of the income tax estimate of previous years in the net amount of 783,025 Euros and to the tax credit related to SIFIDE of 2016 in the amount of 444,943 Euros.

Deferred taxes

As at 30 June 2018 and 31 December 2017, the balance of deferred tax assets and liabilities was composed as follows:

	30.06.2018	31.12.2017
Deferred tax assets		
Employee benefits - healthcare	71,219,110	71,544,019
Employee benefits - pension plan	77,580	80,044
Employee benefits - other long-term benefits	4,084,278	4,409,187
Impairment losses and provisions	3,926,832	6,753,261
Tax losses carried forward	961,445	688,388
Impairment losses in tangible fixed assets	421,963	257,614
Long term variable remuneration	16,962	11,308
Land and buildings	473,844	494,805
Tangible assets' tax revaluation regime	2,419,969	2,581,300
Other	538,408	335,813
	84,140,391	87,155,739
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,490,738	2,591,593
Suspended capital gains	763,212	776,522
Other	31,006	31,006
	3,284,956	3,399,121

As at 30 June 2018, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.6 million Euros and 0.2 million Euros, respectively.

During the six-month period ended 30 June 2018 and the year ended 31 December 2017, the movements which occurred under the deferred tax headings were as follows:

	30.06.2018	31.12.2017
Deferred tax assets		
Opening balances	87,155,739	86,220,762
Effect on net profit		
Employee benefits - healthcare	(324,909)	(1,061,122)
Employee benefits - pension plan	(2,464)	80,044
Employee benefits - other long-term benefits	(324,909)	(892,139)
Deferred accounting gains	-	(606,790)
Impairment losses and provisions	(2,805,196)	3,722,704
Tax losses carried forward	273,057	361,204
Impairment losses in tangible fixed assets	164,349	(102,719)
Long term variable remuneration	5,654	11,364
Share plan	-	(1,268,526)
Land and buildings	(20,961)	(1,365,661)
Tangible assets' tax revaluation regime	(161,331)	(86,657)
Other	(164,439)	61,230
Effect on equity		
Employee benefits - healthcare	-	2,082,045
	345,801	-
Closing balance	84,140,391	87,155,739

	30.06.2018	31.12.2017
Deferred tax liabilities		
Opening balances	3,399,121	4,123,146
Effect on net profit		
Revaluation of tangible fixed assets before IFRS	(100,855)	(560,116)
Suspended capital gains	(13,310)	(158,299)
Other	-	(5,610)
Closing balance	3,284,956	3,399,121

The tax losses carried forward are related to the losses of the subsidiaries Tourline, Escrita Inteligente and Transporta, and are detailed as follows:

Company	Tax losses	Deferred tax assets
Tourline	45,916,808	-
Escrita Inteligente	64,718	13,591
Transporta	4,513,590	947,854
Total	50,495,117	961,445

Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016 and 2017 have no time limit for deduction. As far as Escrita Inteligente is concerned, the tax losses related to the years 2015 and 2016 may be carried forward in the next 12 years and the tax losses of 2017 may be reported in the next 5 years. Regarding Transporta, the tax loss refers to the years 2017 and 2018 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.4 million Euros.

SIFIDE

The Group policy for recognition of fiscal credits regarding SIFIDE is to recognise the credit at the moment of the effective receipt of the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

Regarding the year ended 31 December 2015, for the expenses incurred with R&D of 3,358,151 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 2,556,380 Euros. According to the notification dated 6 April 2017 of the Certification Commission, a tax credit of 1,079,209 Euros was attributed to CTT.

For the year ended 31 December 2016, regarding the expenses incurred with R&D of 1,895,281 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 1,006,271 Euros. According to the notification dated 22 March 2018 of the Certification Commission, a tax credit of 444,943 Euros was attributed to the Group.

For the year ended 31 December 2017, regarding the expenses incurred with R&D of 1,432,825 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 590,740 Euros

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2016 and onwards may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected, even though the deadlines for the years 2014 and 2015 have not yet expired.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 June 2018.

25. RELATED PARTIES

The Regulation on Assessment and Control of Transactions with CTT's Related Parties defines related party as a qualified shareholder, officer, or even a third party related by any commercial or relevant personal interest and subsidiaries or associates or jointly controlled entities (joint ventures).

According to the Regulation, the significant transactions with related parties must be previously approved by the Audit Committee of CTT as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries.

The other transactions with related parties are communicated to the Audit Committee for the purpose of subsequent examination.

During the six-month periods ended 30 June 2018 and 30 June 2017, the following transactions took place and the following balances existed with related parties:

		30.06.2018				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	57,000,000
Other shareholders of Group companies						
Associated companies		2,918	11	6,119	2,619	-
Jointly controlled		166,616	-	204,685	-	-
Members of the	(Note 23)					
Board of Directors		-	-	-	1,096,839	-
Audit Committee		-	-	-	80,143	-
Remuneration Committee		-	-	-	27,900	-
General Meeting		-	-	-	14,000	-
		169,533	11	210,804	1,221,501	57,000,000

		30.06.2017				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	72,000,000
Other shareholders of Group companies						
Associated companies		2,247	25,281	6,110	34,391	-
Jointly controlled		140,067	-	255,130	216	-
Members of the	(Note 23)					
Board of Directors		-	-	-	1,428,357	-
Audit Committee		-	-	-	103,714	-
Remuneration Committee		-	-	-	18,720	-
General Meeting		-	-	-	4,500	-
		142,315	25,281	261,240	1,589,899	72,000,000

The transactions and balances between subsidiaries are eliminated in the consolidation process and are not disclosed in this note.

26. OTHER INFORMATION

Regulatory proceedings

In the daily operation of its business, CTT is regularly subject to inquiry from the supervisory entities for verification of compliance with current legislation and verification of procedures to ensure the provision of services. The Company adopts an attitude of collaboration by providing the necessary clarifications and due answer.

In this context, and following the statement of objections issued by the Competition Authority (AdC) in August 2016 on the basis of CTT's alleged set up of obstacles on the access to its postal network by its competitors, to which CTT reacted within the legal deadline, as well as the investigation carried out by said authority, CTT, with the objective of responding to the competition concerns expressed by the AdC, presented, on 22/12/2017, under the terms and for the purposes set forth in article 23 of Law no. 19/2012, of 8 May (Competition Law), a set of commitments that consist of the extension of the scope of the Offer of Access to the Postal Network (Offer of Access), made available to the competing postal operators, as follows:

1. Extension of the postal services covered by the Access Offer, namely the Domestic Editorial Service, the Domestic Priority Service and the Domestic Registered Service;
2. Introduction of new access points to the postal network, further downstream in the postal distribution chain, namely Destination Production and Logistics Centres and 217 Destination Post Offices (with

the exception of the Domestic Base Service items weighing up to 50 g), whose mail is directly forwarded for delivery by the postmen through the Postal Delivery Offices;

3. Introduction of faster delivery time in the case of access through the Destination Post Offices for the Domestic Base Service items weighing more than 50 g and the Domestic Editorial Service;
4. Possibility for a competing operator to carry out additional mail processing tasks, namely the separation of mail by distribution area within the Postal Delivery Office and by street;
5. Lower pricing for access to the network than that applied to final customers, with differentiated prices depending on the access point, mail service and mail processing tasks carried out by the competing operator.

After the public consultation, minor adjustments were introduced in the commitments submitted by CTT and on 05/07/2018 the AdC decided to accept the mentioned commitments, which CTT has to comply with immediately. On the same date, the AdC decided to close the proceeding against CTT.

Tourline legal proceeding
The Spanish National Commission on Markets and Competition fined Tourline Express Mensajería, S.L.U. in the amount of 3,148,845 Euros (three million, one hundred and forty-eight thousand, eight hundred and forty-five euros), for alleged cartel practice with ICS - International Courier Solution SL, in the courier market in Spain, between October 2013 and April 2016. As it considered the decision completely unfounded, Tourline has appealed to the Spanish *Audiencia Nacional* (National High Court). In this context, Tourline recognised a provision as referred in Note 18.

27. SUBSEQUENT EVENTS

Acquisition 321 Crédito
On 24 July 2018, through its subsidiary Banco CTT, S.A., CTT entered into an agreement for the acquisition of 321 Crédito, Instituição Financeira de Crédito, S.A., a fast-growing specialised consumer credit business, focused on lending for the purchase of used cars by retail clients through a wide network of car dealers, for the amount of €100m to be paid in cash at completion.

The final price is subject to a post-completion price adjustment mechanism to reflect variations in the regulatory capital of 321 Crédito from 31 December onwards.

The completion of the transaction is subject to the satisfaction of a set of conditions precedent, including inter alia the customary approvals from the competition and regulatory authorities.

THE DIRECTOR OF ACCOUNTING & TREASURY

THE BOARD OF DIRECTORS

PART IV – AUDIT REPORT

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LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. (the Group), which comprise the condensed consolidated statement of financial position as of 30 June 2018 (that presents a total of Euro 1,792,600,025 and total equity of Euro 131,783,181, including non-controlling interests of Euro 170,944 and a consolidated net profit attributable to the shareholders of Euro 6,250,289), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management responsibilities

The management is responsible for the preparation of these condensed consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with the international standards on review engagements and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less that those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.915.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489
Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. on 30 June 2018, are not prepared, in all material respects, in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

31 July 2018

SIGNED IN THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A.
(registered at CMVM under the nr. 20161489 and at OROC under the nr. 189)
represented by
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