

# 1<sup>ST</sup> QUARTER 2015 CONSOLIDATED RESULTS







**CTT – Correios de Portugal, S.A.**

Public Company

Avenida D. João II, nº 13

1999-001 LISBON

Share capital EUR 75,000,000.00

Lisbon commercial registry and fiscal no. 500 077 568

# 3 months report 2015

Interim condensed  
consolidated financial  
statements





**CTT – Correios de Portugal, S.A.**

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## Interim condensed consolidated financial statements

### CTT-CORREIOS DE PORTUGAL, S.A.

#### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015 AND 31 DECEMBER 2014

Euros

	NOTES	Unaudited 31.03.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	4	208,962,994	212,466,058
Investment properties	6	23,121,714	23,329,763
Intangible assets	5	16,893,644	13,426,007
Goodwill	8	7,705,457	7,705,457
Investments in associated companies		227,418	227,418
Other investments		1,106,812	1,106,812
Other non-current assets		712,130	790,601
Deferred tax assets	18	90,925,758	91,428,940
<b>Total non-current assets</b>		<b>349,655,927</b>	<b>350,481,056</b>
<b>Current assets</b>			
Inventories		5,715,029	5,785,277
Accounts receivable		146,837,295	131,682,269
Deferrals		7,691,555	5,692,895
Other current assets		40,383,589	22,785,382
Cash and cash equivalents		522,808,427	664,569,744
<b>Total current assets</b>		<b>723,435,895</b>	<b>830,515,567</b>
<b>Total assets</b>		<b>1,073,091,822</b>	<b>1,180,996,623</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	75,000,000	75,000,000
Reserves	11	32,118,069	31,773,967
Retained earnings	11	161,544,903	84,374,563
Other changes in equity	11	(18,831,288)	(18,786,310)
Net profit attributable to equity holders of parent company		22,297,035	77,171,128
Non-controlling interests		67,710	(323,703)
<b>Total equity</b>		<b>272,196,429</b>	<b>249,209,645</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium and long term debt		1,841,400	1,913,118
Employee benefits	14	254,300,846	255,541,102
Provisions	15	45,153,462	45,671,517
Deferrals		5,824,250	6,426,807
Deferred tax liabilities	18	4,762,843	4,841,684
<b>Total non-current liabilities</b>		<b>311,882,801</b>	<b>314,394,228</b>
<b>Current liabilities</b>			
Accounts payable	16	344,121,795	499,536,907
Employee benefits	14	21,465,638	21,750,445
Income taxes payable		14,859,453	6,173,214
Short term debt		3,307,603	1,846,070
Deferrals		5,378,411	5,502,183
Other current liabilities		99,879,692	82,583,931
<b>Total current liabilities</b>		<b>489,012,592</b>	<b>617,392,750</b>
<b>Total liabilities</b>		<b>800,895,393</b>	<b>931,786,978</b>
<b>Total equity and liabilities</b>		<b>1,073,091,822</b>	<b>1,180,996,623</b>

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



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CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2015 AND 31 MARCH 2014

Euros

	NOTES	Unaudited 31.03.2015	Unaudited 31.03.2014
<b>Revenues</b>		<b>191,228,871</b>	<b>176,426,775</b>
Sales and services rendered	3	186,367,218	171,774,077
Other operating income		4,861,653	4,652,698
<b>Operating costs</b>		<b>(158,206,498)</b>	<b>(150,205,614)</b>
Cost of sales		(3,651,176)	(3,848,374)
External supplies and services		(55,875,070)	(55,798,574)
Staff costs	17	(87,459,727)	(81,896,030)
Impairment of inventories and accounts receivable, net		(607,072)	(102,256)
Provisions, net		(394,848)	(1,010,990)
Depreciation/amortisation and impairment of investments, net		(5,400,974)	(5,383,026)
Other operating costs		(4,817,631)	(2,166,364)
<b>Earnings before financial income and taxes</b>		<b>33,022,373</b>	<b>26,221,161</b>
<b>Financial results</b>		<b>(1,195,021)</b>	<b>(1,366,788)</b>
Interest expenses		(1,801,212)	(2,987,031)
Interest income		606,191	1,317,150
Gains/losses in associated companies		-	303,093
<b>Earnings before taxes</b>		<b>31,827,352</b>	<b>24,854,373</b>
Income tax for the period	18	(9,495,327)	(6,785,556)
<b>Net profit for the period</b>		<b>22,332,025</b>	<b>18,068,817</b>
<b>Net profit for the period attributable to:</b>			
Equity holders of parent company		22,297,035	18,077,405
Non-controlling interests		34,990	(8,588)
Earnings per share of the parent company	13	0.15	0.12

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 MONTHS ENDED 31 MARCH 2015 AND 31 MARCH 2014

Euros

	NOTES	Unaudited 31.03.2015	Unaudited 31.03.2014
<b>Net profit for the period</b>		<b>22,332,025</b>	<b>18,068,817</b>
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)		335,015	-
Employee benefits (non re-classifiable adjustment to profit and loss)	14	(62,591)	(407,736)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	18	17,613	121,098
Other changes in equity		20,620	(1,594,100)
<b>Other comprehensive income for the period after taxes</b>		<b>310,657</b>	<b>(1,880,738)</b>
<b>Comprehensive income for the period</b>		<b>22,642,682</b>	<b>16,188,079</b>
Attributable to non-controlling interests		391,413	(1,602,688)
Attributable to shareholders of CTT		22,251,269	17,790,767

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

**CTT-CORREIOS DE PORTUGAL, S.A.**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2015 AND 31 DECEMBER 2014**

Euros

	NOTES	Share capital	Reserves	Other changes in equity	Retained earnings	Net profit for the period	Non-controlling interests	Total
<b>Balance on 1 January 2014</b>		<b>75,000,000</b>	<b>30,397,559</b>	<b>24,548,756</b>	<b>83,367,465</b>	<b>61,016,067</b>	<b>1,604,372</b>	<b>275,934,219</b>
Share capital reduction		-	-	-	-	-	-	-
Appropriation of net profit for the year of 2013		-	-	-	61,016,067	(61,016,067)	-	-
Dividends	12	-	-	-	(60,000,000)	-	(198,423)	(60,198,423)
Share plan		-	1,376,408	-	-	-	-	1,376,408
		-	<b>1,376,408</b>	-	<b>1,016,067</b>	<b>(61,016,067)</b>	<b>(198,423)</b>	<b>(58,822,015)</b>
Other movements		-	-	-	(8,968)	-	(6,482)	(15,450)
Sale of shareholding		-	-	-	-	-	(1,395,678)	(1,395,678)
Actuarial gains/losses - Health Care		-	-	(43,335,066)	-	-	-	(43,335,066)
Adjustments from the application of the equity method	11	-	-	-	-	-	-	-
Net profit for the period	11	-	-	-	-	77,171,128	(327,492)	76,843,636
Comprehensive income for the period		-	-	(43,335,066)	(8,968)	77,171,128	(1,729,652)	32,097,442
<b>Balance on 31 December 2014</b>		<b>75,000,000</b>	<b>31,773,967</b>	<b>(18,786,310)</b>	<b>84,374,563</b>	<b>77,171,128</b>	<b>(323,703)</b>	<b>249,209,645</b>
<b>Balance on 1 January 2015</b>		<b>75,000,000</b>	<b>31,773,967</b>	<b>(18,786,310)</b>	<b>84,374,563</b>	<b>77,171,128</b>	<b>(323,703)</b>	<b>249,209,645</b>
Share capital reduction		-	-	-	-	-	-	-
Appropriation of net profit for the year of 2014		-	-	-	77,171,128	(77,171,128)	-	-
Dividends	12	-	-	-	-	-	-	-
Share plan	11	-	344,102	-	-	-	-	344,102
		-	<b>344,102</b>	-	<b>77,171,128</b>	<b>(77,171,128)</b>	-	<b>344,102</b>
Other movements		-	-	-	(788)	-	21,408	20,620
Sale of shareholding		-	-	-	-	-	-	-
Actuarial gains/losses - Health Care		-	-	(44,978)	-	-	-	(44,978)
Adjustments from the application of the equity method	11	-	-	-	-	-	335,015	335,015
Net profit for the period		-	-	-	-	22,297,035	34,990	22,332,025
Comprehensive income for the period		-	-	(44,978)	(788)	22,297,035	391,413	22,642,682
<b>Balance on 31 March 2015 (Unaudited)</b>		<b>75,000,000</b>	<b>32,118,069</b>	<b>(18,831,288)</b>	<b>161,544,903</b>	<b>22,297,035</b>	<b>67,710</b>	<b>272,196,429</b>

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CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2015 AND 31 MARCH 2014

Euros

	NOTES	Unaudited 31.03.2015	Unaudited 31.03.2014
<b><u>Operating activities</u></b>			
Collections from customers		165,890,438	166,673,218
Payments to suppliers		(64,457,629)	(62,550,154)
Payments to employees		(70,107,581)	(68,926,189)
Cash flow generated by operations		31,325,227	35,196,875
Payments/receivables of income taxes		(819,039)	(862,133)
Other receivables/payments		(162,740,212)	(33,942,311)
Cash flow from operating activities (1)		(132,234,024)	392,431
<b><u>Investing activities</u></b>			
Receivables resulting from:			
Financial investments		12,435	2,007,665
Interest income		815,437	1,073,797
Payments resulting from:			
Intangible assets		(2,450,775)	-
Tangible fixed assets		(9,134,372)	(2,871,876)
Cash flow from investing activities (2)		(10,757,274)	209,586
<b><u>Financing activities</u></b>			
Receivables resulting from:			
Loans obtained		1,620,738	950,000
Payments resulting from:			
Loans repaid		-	(1,990)
Interest expenses		(144,503)	(180,908)
Finance leases		(246,254)	(253,651)
Dividends	12	-	-
Cash flow from financing activities (3)		1,229,981	513,451
Net change in cash and cash equivalents (1+2+3)		(141,761,317)	1,115,468
Changes in the consolidation perimeter		-	(696,922)
Cash and equivalents at the beginning of the period		664,569,744	544,875,803
Cash and cash equivalents at the end of the period		522,808,427	545,294,349

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## **CTT – CORREIOS DE PORTUGAL, S.A.**

### Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

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## **1. INTRODUCTION**

### **1.1- CTT – Correios de Portugal, S.A. (parent company)**

CTT – Correios de Portugal, S. A. – Sociedade Aberta (“CTT, SA”, “Parent Company” 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-organizations 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 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 2468/12 – SETF, of 28 December determined the transfer of the investment owned by the Portuguese State in CTT to Parpública.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced from 87,325,000 Euro to 75,000,000 Euro, being from that date onward 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.

For the year ended 31 December 2013 CTT’s capital was opened to the private sector. Thus, and supported by Decree-Law No. 129/2014 of 6 September and the Resolution of the Council of Ministers (“RCM”) No. 62-A/2014, of October 10, the RCM No. 62-B/2014 of October 10 and RCM No. 72-B/2014, of November 14, on 5 December 2014 took place the first phase of privatisation of the capital of CTT. 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 privatization of CTT’s capital took place. The shares held by Parpública-Participações Públicas, SGPS, S.A., which represented 31.503% of CTT’s capital, were subject to a private offering of Shares (the “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 consolidated financial statements attached herewith are expressed in Euros, as this is the functional currency of the Group.



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These interim condensed consolidated financial statements were approved by the Board of Directors on 13 May, 2015.

## **1.2- Business**

CTT and its subsidiaries (“CTT Group” or “Group”): CTT - Expresso – Serviços Postais e Logística, S.A., Postcontacto – Correio Publicitário, Lda., Payshop (Portugal), S.A., CTT Gest - Gestão de Serviços e Equipamentos Postais, S.A., Mailtec Holding, SGPS, S.A. and its subsidiaries, Tourline Express Mensajería, SLU and its subsidiaries, and Corre – Correio Expresso de Moçambique, establish, manage and operate the Universal Postal Service infrastructure and render financial services, which include the transfer of funds through current accounts, which could also be operated by a financial operator or a para-banking entity. In addition, CTT provides services that are complementary, as well as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, networks and electronic communication services, including related resources and services and a mobile virtual network operator (MVNO), with the trade mark “Phone-ix” operated by TMN - Telecomunicações Móveis Nacionais, S. A..

The postal service is provided by CTT under the Concession contract of the Universal Postal Service signed on 1 September 2000 between the Portuguese State and CTT. In addition to the concessioned services, CTT can provide other postal services as well as develop other activities, particularly those which enable the use of the universal service network in a profitable manner, either directly or through incorporation or interests in companies or other forms of cooperation between companies. Within these activities it should be highlighted the provision of services of public interest or general interest subject to conditions to be agreed with the State.

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, it took place in 2012 its transposition into the national legal order through the adoption of Law no. 17/2012, of 26 April ( "new Postal Law" ), with the changes introduced in 2013 by Decree-Law no. 160/2013, of 19 November, revoking the Law no. 102/99, of 26 July.

The new Postal Law establishes the legal regime for the provision of postal services in full competition in the national territory, as well as international services originating or terminating in the country.

Thus, since the new Postal Law has become effective, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved to the provider of the universal postal service CTT – Correios de Portugal, SA ("CTT"). However, for reasons of general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

According to the new Postal Law the universal postal service includes the following services, of national and international scope:



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- A postal service for letter mail (excluding direct mail) books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg;
- A delivery service for registered items and a service for declared value items.

As a result of the new Postal Law, the Portuguese Government has revised the basis of the concession, through the publication of Decree-Law No. 160/2013 of 19 November, after which it was effected on 31 December 2013 the Fourth Amendment to the concession contract of the Universal Postal Service.

Thus, the concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended on 1 October 2001, 9 September 2003, 26 July 2006 and 31 December 2013, covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place mailboxes on public roads for the acceptance of mail, (ii) the issuance and sale of postage stamps with the word "Portugal" and (iii) the service of registered mail used in legal or administrative proceedings;
- The provision of special payment orders which allows the transference of funds electronically and physically, at national and international level, designated by postal money order service; and
- Electronic Mailbox Service, on a non-exclusive basis.

As the Universal Postal Service incumbent operator, CTT remains the provider of universal postal services until 2020, ensuring the exclusivity of the reserved activities and services mentioned above.

Once the concession ends, in the event that it is not granted to CTT, CTT may provide, together with any other operators, all the postal services, in a system of free competition, in accordance with a strategic and commercial policy, excluding the services granted by concession on an exclusive basis.

In summary, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the Group.

## **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 2014.



## **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 2015, and in accordance with IAS 34 - Interim Financial Reporting.

## **3. 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 allocate resources.

In February 2015, under the process to constitute the Postal Bank, incorporated the company CTT Serviços S.A., which became part of the Financial Services segment.

The business of CTT is organized in the following segments:

- Mail – CTT, S.A. (without financial services), retail network, business solutions and corporate and support areas, including PostContacto, Mailtec Group and CTT Gest;
- Express & Parcels –includes CTT Expresso, Tourline and CORRE; and
- Financial Services – PayShop, CTT Serviços and CTT, S.A. financial services.

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 segment.

Besides the above mentioned segments, there are two sales channels, which are common to all businesses and products, the Retail Network and Large Customers. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment 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 are 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 statements for each business segment are based in the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.



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

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

With the allocation of all costs, earnings before depreciation, provisions, impairments, financial results and taxes by segment in the first quarter of 2015 and 2014 are analysed as follows:

31.03.2015							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	143,673,972	31,891,526	24,314,808	28,430,470	(37,081,906)	-	191,228,871
Sales and services rendered	132,211,169	31,371,215	24,076,100	-	(1,291,267)	-	186,367,218
Sales	4,719,782	239,377	-	-	-	-	4,959,159
Services rendered	127,491,387	31,131,838	24,076,100	-	(1,291,267)	-	181,408,059
Operating revenues external customers	7,020,077	520,312	216,852	3,603,645	(6,499,232)	-	4,861,653
Internal services rendered	4,442,725	-	21,856	13,445,579	(17,910,160)	-	-
Allocation central CTT structure	-	-	-	11,381,246	(11,381,246)	-	-
Operating costs	118,824,304	31,017,861	10,612,874	28,430,470	(37,081,906)	-	151,803,604
External supplies and services	25,324,853	24,089,106	4,092,396	10,153,957	(7,785,241)	-	55,875,070
Staff Costs	62,600,612	6,311,785	1,794,610	16,752,720	-	-	87,459,727
Other costs	6,566,932	616,971	90,618	1,199,543	(5,258)	-	8,468,807
Internal services rendered	13,044,175	-	4,541,735	324,251	(17,910,160)	-	-
Allocation to central CTT structure	11,287,732	-	93,515	-	(11,381,246)	-	-
<b>EBITDA<sup>(1)</sup></b>	<b>24,849,668</b>	<b>873,665</b>	<b>13,701,934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,425,267</b>
Depreciation/amortisation and impairment of investments, net	(3,490,662)	(677,172)	(137,231)	(918,789)	-	(177,120)	(5,400,974)
Impairment of inventories and accounts receivable, net							(607,072)
Impairment of non-depreciable assets							-
Provisions net							(394,848)
Interest expenses							(1,801,212)
Interest income							606,191
Gains/losses in associated companies							-
<b>Earnings before taxes</b>							<b>31,827,352</b>
Income tax for the year							(9,495,327)
<b>Net profit for the year</b>							<b>22,332,025</b>
Non-controlling interests							34,990
<b>Equity holders of parent company</b>							<b>22,297,035</b>

<sup>(1)</sup> Operating results + depreciation/amortisation + provisions and impairment losses, net.



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31.03. 2014							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	134,638,220	31,247,432	16,153,590	28,698,697	(34,311,164)	-	176,426,775
Sales and services rendered	126,646,322	30,861,771	15,381,865	-	(1,115,881)	-	171,774,077
Sales	4,616,281	285,995	-	-	(1,402)	-	4,900,874
Services rendered	122,030,041	30,575,776	15,381,865	-	(1,114,479)	-	166,873,203
Operating revenues external customers	3,737,912	385,661	750,753	5,830,333	(6,051,961)	-	4,652,698
Internal services rendered	4,253,986	-	20,972	17,803,313	(22,078,271)	-	-
Allocation central CTT structure	-	-	-	5,065,051	(5,065,051)	-	-
Operating costs	111,581,764	29,797,429	7,942,616	28,698,697	(34,311,164)	-	143,709,342
External supplies and services	24,165,394	23,475,757	2,506,883	12,811,094	(7,160,554)	-	55,798,574
Staff Costs	60,861,993	5,854,634	860,113	14,319,290	-	-	81,896,030
Other costs	4,155,075	467,038	102,316	1,297,598	(7,288)	-	6,014,738
Internal services rendered	17,373,146	-	4,434,410	270,716	(22,078,271)	-	-
Allocation to central CTT structure	5,026,156	-	38,895	-	(5,065,051)	-	-
<b>EBITDA<sup>(1)</sup></b>	<b>23,056,456</b>	<b>1,450,003</b>	<b>8,210,974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,717,433</b>
Depreciation/amortisation and impairment of investments, net	(3,790,941)	(566,740)	(139,770)	(692,373)	-	(193,203)	(5,383,026)
Impairment of inventories and accounts receivable, net							(102,256)
Impairment of non-depreciable assets							-
Provisions net							(1,010,990)
Interest expenses							(2,987,031)
Interest income							1,317,150
Gains/losses in associated companies							303,093
<b>Earnings before taxes</b>							<b>24,854,373</b>
Income tax for the year							(6,785,556)
<b>Net profit for the year</b>							<b>18,068,817</b>
Non-controlling interests							(8,588)
<b>Equity holders of parent company</b>							<b>18,077,405</b>

<sup>(1)</sup> Operating results + depreciation/amortisation + provisions and impairment losses, net.

The revenues are detailed as follows:

Thousand Euros	31.03.2015	31.03.2014
Mail	143,674	134,638
Transactional mail	109,264	103,580
Press mail	3,824	3,741
Parcels (USO)	1,705	1,704
Advertising mail	8,226	7,909
Retail	3,833	3,928
Philately	1,487	1,583
Business Solutions	3,071	2,946
Other	12,264	9,247
Express & Parcels	31,892	31,247
Financial Services	24,315	16,154
Central CTT Structure	28,430	28,699
Intragroup eliminations	(37,082)	(34,311)
	<b>191,229</b>	<b>176,427</b>


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The assets by segment are detailed as follows:

Assets (Euros)	31.03.2015					Total
	Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	
Intangible assets	2,783,637	3,161,299	4,247,245	5,476,394	1,225,068	16,893,644
Tangible fixed assets	178,102,763	12,541,773	726,585	15,454,615	2,137,258	208,962,994
Investment properties					23,121,714	23,121,714
Goodwill	7,299,356		406,101			7,705,457
Deferred tax assets					90,925,758	90,925,758
Accounts receivable					146,837,295	146,837,295
Other assets					55,836,533	55,836,533
Cash and cash equivalents					522,808,427	522,808,427
	<b>188,185,756</b>	<b>15,703,071</b>	<b>5,379,931</b>	<b>20,931,010</b>	<b>842,892,054</b>	<b>1,073,091,822</b>

Assets (Euros)	31.12.2014					Total
	Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	
Intangible assets	2,110,500	3,213,796	126,432	3,264,482	4,710,797	13,426,007
Tangible fixed assets	181,233,066	12,775,184	830,551	15,988,164	1,639,093	212,466,058
Investment properties					23,329,763	23,329,763
Goodwill	7,299,356	0	406,101			7,705,457
Deferred tax assets					91,428,940	91,428,940
Accounts receivable					131,682,269	131,682,269
Other assets					36,388,385	36,388,385
Cash and cash equivalents					664,569,744	664,569,744
	<b>190,642,921</b>	<b>15,988,979</b>	<b>1,363,085</b>	<b>19,252,646</b>	<b>953,748,991</b>	<b>1,180,996,623</b>

Debt by segment is detailed as follows:

Other information (Euros)	31.03.2015				Total
	Mail	Express & Parcels	Financial Services	Central CTT Structure	
<b>Medium and long term debt</b>	<b>1,072,752</b>	<b>768,648</b>	-	-	<b>1,841,400</b>
Bank loans	-	170,738	-	-	170,738
Leasings	1,072,752	597,910	-	-	1,670,662
<b>Short term debt</b>	<b>460,565</b>	<b>2,847,038</b>	-	-	<b>3,307,603</b>
Bank loans	-	2,339,833	-	-	2,339,833
Leasings	460,565	507,205	-	-	967,770
	<b>1,533,317</b>	<b>3,615,686</b>	-	-	<b>5,149,003</b>





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Other information (Euros)	31.12.2014				Total
	Mail	Express & Parcels	Financial Services	Central CTT Struture	
<b>Medium and long term debt</b>	<b>1,187,975</b>	<b>725,143</b>	-	-	<b>1,913,118</b>
Bank loans	-	0	-	-	-
Leasings	1,187,975	725,143	-	-	1,913,118
<b>Short term debt</b>	<b>460,098</b>	<b>1,385,972</b>	-	-	<b>1,846,070</b>
Bank loans	-	890,586	-	-	890,586
Leasings	460,098	495,386	-	-	955,484
	<b>1,648,073</b>	<b>2,111,115</b>	-	-	<b>3,759,188</b>

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

Thousand Euros	31.03.2015	31.03.2014
Revenue - Portugal	166,110	152,037
Revenue - other countries	20,258	19,737
	<b>186,368</b>	<b>171,774</b>

The financial statements are subject to seasonality, however this does not affect comparability between identical periods in a given year. There are 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 to increase / decrease from one period to another.

#### 4. TANGIBLE FIXED ASSETS

During the 3 months period ended 31 March 2015 and the year ended on 31 December 2014, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:



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	31.03.2015								
	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
<b>Tangible fixed assets</b>									
Opening balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Acquisitions	-	83,112	150,493	-	107,998	106,331	476,070	-	924,004
Disposals	-	-	(96,432)	-	-	-	-	-	(96,432)
Transfers and write-offs	-	-	(862,177)	-	2,688	(2,688)	-	(43,363)	(905,541)
Adjustments	-	-	(152)	-	-	(6,978)	-	-	(7,130)
Closing balance	<u>36,831,709</u>	<u>330,734,624</u>	<u>142,823,554</u>	<u>2,620,085</u>	<u>54,056,953</u>	<u>22,587,996</u>	<u>2,213,869</u>	<u>388,041</u>	<u>592,256,832</u>
<b>Accumulated depreciation</b>									
Opening balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Depreciation for the period	-	2,233,183	1,355,257	9,334	570,191	278,851	-	-	4,446,816
Disposals	-	-	(96,432)	-	-	-	-	-	(96,432)
Transfers and write-offs	-	-	(905,541)	-	-	-	-	-	(905,541)
Adjustments	-	13	3,402	95	395	146	-	-	4,051
Closing balance	<u>3,888,710</u>	<u>184,090,063</u>	<u>124,888,783</u>	<u>2,549,357</u>	<u>48,987,929</u>	<u>18,499,442</u>	<u>-</u>	<u>-</u>	<u>382,904,284</u>
<b>Accumulated impairment</b>									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(30,929)	-	-	(30,929)
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,554</u>	<u>-</u>	<u>-</u>	<u>389,554</u>
<b>Net Tangible fixed assets</b>	<u>32,942,999</u>	<u>146,644,561</u>	<u>17,934,771</u>	<u>70,729</u>	<u>5,069,024</u>	<u>3,699,000</u>	<u>2,213,869</u>	<u>388,041</u>	<u>208,962,994</u>
	31.12.2014								
	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
<b>Tangible fixed assets</b>									
Opening balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	754,041	635,287,457
Acquisitions	-	274,607	6,126,576	7,200	2,630,276	728,593	3,062,319	389,863	13,219,435
Disposals	-	-	(7,720)	(166)	(39,509)	(974)	-	-	(48,369)
Transfers and write-offs	-	1,480,911	(8,951,356)	(482,988)	(29,388,060)	(2,525,697)	(1,498,803)	(712,500)	(42,078,492)
Adjustments	-	2,920	681,532	(280,939)	(386,820)	(16,693)	-	-	-
Other variations	(725,969)	(5,467,977)	2,957	-	1,103	(56,521)	-	-	(6,246,407)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	<u>36,831,709</u>	<u>330,651,512</u>	<u>143,631,822</u>	<u>2,620,085</u>	<u>53,946,268</u>	<u>22,491,331</u>	<u>1,737,799</u>	<u>431,404</u>	<u>592,341,930</u>
<b>Accumulated depreciation</b>									
Opening balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Depreciation for the period	-	9,055,496	4,996,397	65,703	2,559,852	1,138,257	-	-	17,815,704
Disposals	-	-	(7,720)	(3,978)	(39,311)	(974)	-	-	(51,983)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,119,633)	(1,658,689)	-	-	(42,040,715)
Adjustments	-	608	292,116	(207,224)	(84,400)	(1,281)	-	-	(181)
Other variations	(11,120)	(2,738,980)	18,645	(3,225)	12,100	313	-	-	(2,722,266)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	<u>3,888,710</u>	<u>181,856,867</u>	<u>124,532,096</u>	<u>2,539,928</u>	<u>48,417,343</u>	<u>18,220,445</u>	<u>-</u>	<u>-</u>	<u>379,455,389</u>
<b>Accumulated impairment</b>									
Opening balance	-	-	-	-	-	-	-	-	-
Impairments for the period	-	-	-	-	-	2,530	-	-	2,530
Other variations	-	-	-	-	-	417,953	-	-	417,953
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,483</u>	<u>-</u>	<u>-</u>	<u>420,483</u>
<b>Net Tangible fixed assets</b>	<u>32,942,999</u>	<u>148,794,645</u>	<u>19,099,726</u>	<u>80,157</u>	<u>5,528,924</u>	<u>3,850,403</u>	<u>1,737,799</u>	<u>431,404</u>	<u>212,466,058</u>

As at 31 March 2015 and 31 December 2014, Land and natural resources and Buildings and other constructions include 4,925,768 Euros and 4,982,117 Euros, respectively, related to land and property in co-ownership with PT Comunicações, S.A..

In the year ended 31 December 2014, the caption changes in the consolidation perimeter relates to the balances of the company EAD that was sold in the first half of 2014.

In the year ended 31 December 2014, the Group reclassified to investment properties nine properties that are no longer contributing to the Group's operating activities, of 6,627,890 Euros and respective accumulated depreciation of 2,950,936 Euros. One property, which became a part of the Group's activity, was reclassified to tangible fixed assets of 439,417 Euros and respective accumulated depreciation of 223,473 Euros.



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According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1) at the end of the concession the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported by its legal advisors, believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

During the 3 months period ended 31 March 2015, the most significant movements in Tangible Fixed Assets were the following:

**Buildings and other constructions:**

The movements associated to additions relate mostly to the capitalisation of repairs in own and third party buildings of CTT, CTT Expresso and Tourline.

In the year ended 31 December 2014, the company reclassified to investment properties nine properties that are no longer contributing to the company's operating activities. One property which became a part of the company's activity was reclassified to tangible fixed assets.

**Basic equipment:**

The amount in the acquisitions caption relates to acquisitions of postal containers for 10 thousand Euros and upgrades to parcel sorting machines worth about 100 thousand Euros.

**Office equipment:**

The amount of acquisitions relates essentially to the purchase of computers for 44 thousand Euros and several office equipment amounting to 56 thousand Euros.

**Other tangible fixed assets:**

The amount of acquisitions, considers essentially 89 thousand Euros of prevention and safety equipment.

**Tangible fixed assets in progress:**

The amounts under this heading are related to improvements on own property.

The amounts recorded under write-offs, with particular emphasis in Basic equipment and Office equipment, are mainly due to the write-offs of CTT assets that were fully depreciated and which were acquired up to 2008.

The depreciation recorded, amounting to 4,446,816 Euros (4,445,658 Euros on 31 March 2014), was booked under the heading Depreciation/amortisation and impairment of investments, net.

The tangible fixed assets commitments relate to the acquisition of displays to Star Cosmos machines in the amount of 12,372 Euros, acquisition of pallet trucks (15,535 Euros), electric tractor worth 11,205 Euro and upgrades to mail sorting machines amounting to 335,670 Euros.



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## 5. INTANGIBLE ASSETS

During the 3 months period ended 31 March 2015 and the year ended on 31 December 2014, the movements which occurred in the main categories of intangible assets, as well as the respective accumulated amortisation, were as follows:

	31.03.2015					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers
<b>Intangible assets</b>						
Opening balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-
Acquisitions	-	-	743	-	4,245,762	-
Alienations	-	-	-	-	-	-
Transfers and write-offs	-	3,693,057	-	-	(3,693,057)	-
Closing balance	4,372,922	42,313,307	11,660,435	444,739	5,279,103	-
<b>Accumulated amortisation</b>						
Opening balance	4,340,765	33,801,244	7,816,346	439,639	-	-
Amortisation for the period	2,412	682,293	87,233	5,100	-	-
Adjustments	-	-	1,830	-	-	-
Closing balance	4,343,177	34,483,537	7,905,409	444,739	-	-
<b>Net intangible assets</b>	<b>29,745</b>	<b>7,829,770</b>	<b>3,755,026</b>	<b>-</b>	<b>5,279,103</b>	<b>-</b>

  

	31.12.2014					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers
<b>Intangible assets</b>						
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-
Acquisitions	-	586,266	-	-	2,790,181	-
Alienations	-	-	-	-	-	-
Transfers and write-offs	-	1,810,188	-	-	(735,847)	-
Adjustments	-	-	1,618	-	-	-
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	-
Closing balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-
<b>Accumulated amortisation</b>						
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-
Amortisation for the period	9,647	2,544,357	382,492	42,783	-	-
Transfers and write-offs	(19,681)	1,094,023	-	-	-	-
Adjustments	-	-	11,570	-	-	-
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	-
Closing balance	4,340,765	33,801,244	7,816,346	439,639	-	-
<b>Net intangible assets</b>	<b>32,157</b>	<b>4,819,006</b>	<b>3,843,346</b>	<b>5,100</b>	<b>4,726,397</b>	<b>-</b>

The license of the trademark “Payshop International” is booked under Industrial Property of CTT Gest, for 1,200,000 Euros. This license has an indefinite useful life, therefore is not amortised.

The transfers occurred during the 3 months period ended 31 March 2015 in Intangible Assets in progress refer to IT projects, which were completed during the period.

The amounts of 59,757 Euros and 75,591 Euros, capitalized in IT software under intangible assets in progress as at 31 March 2015 and 31 March 2014, respectively, relate to staff costs incurred in the development of these projects.

As at 31 March 2015 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:



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	<u>31.03.2015</u>
CBS - Core Banking System	3,928,808
International (E-CIP)	294,341
Mail products evolution	151,435
NAVE evolution	148,752
Transport Management Information System	134,769
Aplicational Software	71,219
	<u>4,729,325</u>

The amortisation, amounting to 777,038 Euros (744,165 Euros at 31 March 2014), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible Assets are as follows:

(i) Computer Programmes

The purchase commitments relate to IT developments in the software solution "Identity management system and access" of 51,000 Euros, developments to "Users and permissions validation in Enterprise Space" software of 42,800 Euros and developments related to the "Credit simulator Integration in CTT site " of 18,000 Euros. There is also an amount of 6,785,000 Euros related to contractual commitments, under the Postal Bank's creation, related to the development of software that will support the banking activity.

## **6. INVESTMENT PROPERTIES**

As at 31 March 2015 and 31 December 2014, the Group has the following assets classified as investment properties:


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	31.03.2015		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	7,716,058	45,722,963	53,439,021
Additions	-	-	-
Closing balance	7,716,058	45,722,963	53,439,021
<b>Accumulated depreciation</b>			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	208,049	208,049
Closing balance	259,501	28,607,781	28,867,282
<b>Accumulated impairment</b>			
Opening balance	-	1,450,025	1,450,025
Impairment losses for the period	-	-	-
	-	1,450,025	1,450,025
<b>Net Investment properties</b>	<b>7,456,557</b>	<b>15,665,157</b>	<b>23,121,714</b>
	31.12.2014		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	7,237,214	42,551,163	49,788,377
Additions	-	-	-
Disposals	(247,126)	(2,290,703)	(2,537,829)
Transfers/Adjustments	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
<b>Accumulated depreciation</b>			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Transfers/Adjustments	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
<b>Accumulated impairment</b>			
Opening balance	-	1,606,505	1,606,505
Impairment losses for the period	-	(156,480)	(156,480)
	-	1,450,025	1,450,025
<b>Net Investment properties</b>	<b>7,456,557</b>	<b>15,873,206</b>	<b>23,329,763</b>

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



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The market value of these assets, which are classified as Investment property, in accordance with the valuations obtained at the end of fiscal year 2014 which were conducted by independent entities, amounts to 35,978,503 Euros.

The movements associated with disposals relate to the sale of three properties, which occurred during the year of 2014.

In the year ended 31 December 2014, the Group reclassified to investment properties nine properties that are no longer contributing to the Group's operating activities, of 6,627,890 Euros and respective accumulated depreciation of 2,950,936 Euros. One property, which became a part of the Group's activity, was reclassified to tangible fixed assets of 439,417 Euros and respective accumulated depreciation of 223,473 Euros.

Impairment losses for the period, amounting to 208,049 Euros (193,203 Euros on 31 March 2014) were recorded in the caption "Depreciation / amortisation and impairment of investments (losses / reversals)".

## 7. COMPANIES INCLUDED IN THE CONSOLIDATION

### Subsidiary companies

As at 31 March 2015 and 31 December 2014, the parent company, CTT - Correios de Portugal, SA and the following subsidiaries in which it holds control were included in the consolidation:

Company name	Head office	31.03.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
<b>Parent company:</b>							
CTT - Correios de Portugal, S.A.	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
<b>Subsidiaries:</b>							
PostContacto - Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilha 2664-500 São Julião do Tojal	100	-	100	100	-	100
CTT Serviços, S.A. ("CTT Serviços")	Av. D. João II Edif. Adamastor 1999-001 Lisboa	100	-	100	-	-	-
Payshop Portugal, S.A. ("Payshop")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	100	-	100	17.7	82.3	100
Mailtec Consultoria, S.A. ("Mailtec CON")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	100	-	100	10.0	90.0	100
Mailtec Processos, Lda. ("EQUIP")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	100	-	100	-	100	100
Tourline Express Mensajeria, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospital de Llobregat (08908)- Barcelona	-	100	100	-	100	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

(1) Designação anterior - Mailtec -Tecnologias de  
Informação, S.A.

(2) Designação anterior - DSTS - Desenvolvimento e  
Integração de Tecnologia, S.A.

(3) Designação anterior - Equipreste - Sociedade  
Técnica de Serviços, Lda.



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For CORRE as the Group has rights to variable returns and the ability to affect those returns through its power over the Company Corre, it is included in the consolidation due to the fact that the Group controls its operating and financial business.

On 20 January 2015, but with effects as of 1 January 2015, the merger of Mailtec Holding, SGPS was registered through the global transference of the assets of Mailtec Holding, SGPS. Following this merger, the shareholdings held by Mailtec Holding, SGPS in Mailtec Comunicações, SA, Mailtec Consultoria, SA and Mailtec Processos, Lda are now held entirely by the parent company, CTT – Correios de Portugal.

During the first half of 2014 the shareholding in the subsidiary Tourline Express Mensajería, SLU, held by the parent company, was sold to its subsidiary CTT Expresso, SA. This transaction was done at net book value.

The sale of the 5% stake held by CTT Expresso, SA in PostContacto, Lda. to the parent company also took place, which now holds directly 100% of PostContacto, Lda. The sale was done at net book value.

None of these transactions had any impact in the consolidation perimeter.

#### Joint ventures

As at 31 March 2015 and 31 December 2014, the Group held the following interests in joint ventures, registered through the equity method:

Company name	Head office	31.03.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
TI-Post Prestação de Serviços Informáticos, ACE (" TI-Post")	R. do Mar da China, Lote 1.07.2.3 Lisbon	-	-	-	49	-	49
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisbon	-	-	-	49	-	49
NewPost	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	-	-	-
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

#### Associated companies

As at 31 March 2015 and 31 December 2014, the Group held the following interests in associated companies accounted for by the equity method:




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Company name	Head office	31.03.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	R. da Sé, 114-4º. Maputo - Moçambique	-	35	35	-	35	35
Mafelosa, SL (b)	Castellon Espanha	-	25	25	-	25	25
Urpacsur, SL (b)	Málaga Espanha	-	30	30	-	30	30

(a) Company held by Payshop Portugal, S.A., which is in termination process

(b) Company held by Tourline Mensajeria S.A.

### Changes in the consolidation perimeter

During the 3 months period ended 31 March 2015 the consolidation perimeter changed as a result of the incorporation, on 6 February 2015, of CTT Serviços, SA with a share capital of 5,000,000 Euros, following the launching process of the Postal Bank.

In the year ended 31 December 2014, the consolidation perimeter changed due to the sale of the subsidiary EAD. Resulting from this sale, a gain of 256,383 Euros was recorded under Gains / losses in associates in the consolidated income statement.

## 8. GOODWILL

As at 31 March 2015 and 31 December 2014, the Goodwill was made up as follows:

	Year of acquisition	31.03.2015	31.12.2014
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Mailtec Consultoria, S.A.	2004	4,718	4,718
Mailtec Holding SGPS, S.A. (51%)	2004	-	582,970
Mailtec Holding SGPS, S.A. (49%)	2005	-	6,641,901
		<u>7,705,457</u>	<u>7,705,457</u>

As a result of the merger of Mailtec Holding, SGPS in CTT - Correios de Portugal, the Goodwill related to that company, held by CTT, was entirely allocated to Mailtec Communication SA.

During the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the movements in Goodwill were as follows:



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	<u>31.03.2015</u>	<u>31.12.2014</u>
Opening balance	7,705,457	25,083,869
Disposals	-	(786,164)
Impairment	-	(16,592,248)
Closing balance	<u>7,705,457</u>	<u>7,705,457</u>

In the year ended 31 December 2014, following the sale of the investment in EAD, Goodwill in the amount of 786,164 Euros, was eliminated.

During the year ended 31 December 2014, due to the deterioration in the business conditions in Spain, namely because Tourline lost two of its major franchises in 2014, Tourline's results in 2014 were lower than the estimates of management. So, the Group revised the estimates of the evolution of Tourline business, which were incorporated into future cash flows used in the impairment test performed in 2014 and an impairment loss of 16,592,248 Euros was recorded related to the goodwill of Tourline.

#### Goodwill impairment assessment

The recoverable amount of goodwill is assessed annually or whenever there is indication of an eventual loss of value. The recoverable amount is determined based on the value through a discounted cash flow methodology, considering the market conditions, the time value and business risks.

In order to determine the recoverable amount of its investments, CTT performed at 31 December 2014 impairment tests, having recorded on that date the above mentioned impairment related to Tourline's Goodwill.

In the 3 months period ended 31 March 2015, not having identified indicators of impairment, no further impairment tests were performed.

## **9. ACCUMULATED IMPAIRMENT LOSSES**

During the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the following movements occurred in the impairment losses:


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31.03.2015					
Opening balance	Increases	Reversals	Utilization	Change in consolidation perimeter	Closing balance
<b>Other non-current assets</b>					
Other accounts receivable	1,421,001	45,004	-	-	1,466,005
INESC loan	371,891	-	(12,435)	-	359,456
	<u>1,792,892</u>	<u>45,004</u>	<u>(12,435)</u>	<u>-</u>	<u>1,825,461</u>
<b>Customers and Other current assets</b>					
Customers	30,498,785	1,059,356	(488,376)	(12,532)	31,057,233
Other accounts receivable	9,461,922	19,309	(83,219)	-	9,398,013
INESC loan	49,740	-	-	-	49,740
	<u>40,010,447</u>	<u>1,078,665</u>	<u>(571,594)</u>	<u>(12,532)</u>	<u>40,504,986</u>
<b>Inventories</b>					
Merchandise	1,527,827	144,303	-	(38,201)	1,633,929
Raw, subsidiary and consumable	676,836	-	(76,871)	-	599,965
	<u>2,204,663</u>	<u>144,303</u>	<u>(76,871)</u>	<u>(38,201)</u>	<u>2,233,894</u>
	<u>44,008,002</u>	<u>1,267,972</u>	<u>(660,900)</u>	<u>(50,733)</u>	<u>44,564,341</u>
31.12.2014					
Opening balance	Increases	Reversals	Utilization	Change in consolidation perimeter	Closing balance
<b>Other non-current assets (Note 18)</b>					
Other accounts receivable	1,296,044	124,957	-	-	1,421,001
INESC loan	1,397,613	-	(1,025,722)	-	371,891
	<u>2,693,657</u>	<u>124,957</u>	<u>(1,025,722)</u>	<u>-</u>	<u>1,792,892</u>
<b>Customers and Other current assets (Notes 14 and 18)</b>					
Customers	24,361,985	7,575,359	(875,184)	(497,000)	30,498,785
Other accounts receivable	9,098,933	1,414,221	(1,046,957)	(4,275)	9,461,922
INESC loan	49,740	-	-	-	49,740
	<u>33,510,658</u>	<u>8,989,580</u>	<u>(1,922,141)</u>	<u>(501,275)</u>	<u>40,010,447</u>
<b>Inventories (Note 13)</b>					
Merchandise	1,812,893	43,671	(323,990)	(4,747)	1,527,827
Raw, subsidiary and consumable	685,925	4,863	(13,952)	-	676,836
	<u>2,498,818</u>	<u>48,534</u>	<u>(337,942)</u>	<u>(4,747)</u>	<u>2,204,663</u>
	<u>38,703,133</u>	<u>9,163,071</u>	<u>(3,285,805)</u>	<u>(506,022)</u>	<u>44,008,002</u>

Impairment losses regarding Tangible fixed assets, investment properties and goodwill are detailed respectively in Notes 4, 6 and 8.

## 10. EQUITY

As at 31 March 2015, 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 31 March 2015 and 31 December 2014 the Company's shareholders with greater than or equal to 2% shareholdings are as follows:


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		<b>31.03.2015</b>		
<b>Shareholder</b>		<b>Nr shares</b>	<b>%</b>	<b>Nominal value</b>
Standard Life Investments Limited <sup>(1)</sup>		9,910,580	6.607%	4,955,290
Ignis Investment Services Limited <sup>(1)</sup>		97,073	0.065%	48,537
<b>Standard Life Investments (Holdings) Limited</b>	<b>Total</b>	<b>10,007,653</b>	<b>6.672%</b>	<b>5,003,827</b>
<b>Allianz Global Investors GmbH</b> <sup>(2)</sup>	<b>Total</b>	<b>7,552,637</b>	<b>5.035%</b>	<b>3,776,319</b>
Artemis Fund Managers Limited <sup>(3)</sup>		6,935,853	4.624%	3,467,927
<b>Artemis Investment Management LLP</b>	<b>Total</b>	<b>6,935,853</b>	<b>4.624%</b>	<b>3,467,927</b>
Kames Capital plc <sup>(4)</sup>		2,045,003	1.363%	1,022,502
Kames Capital Management Limited <sup>(4)</sup>		3,096,134	2.064%	1,548,067
<b>Aegon NV</b> <sup>(5)</sup>	<b>Total</b>	<b>5,141,137</b>	<b>3.427%</b>	<b>2,570,569</b>
<b>Lyxor International Asset Management S.A.S.</b>	<b>Total</b>	<b>3,400,000</b>	<b>2.267%</b>	<b>1,700,000</b>
JPMorgan Asset Management (UK) Limited <sup>(6)</sup>		3,002,751	2.002%	1,501,376
J.P. Morgan Investment Management Inc. <sup>(7)</sup>		133,367	0.089%	66,684
JPMorgan Chase Bank, National Association <sup>(7)</sup>		49,304	0.033%	24,652
<b>JPMorgan Asset Management Holdings Inc.</b> <sup>(8)</sup>	<b>Total</b>	<b>3,185,422</b>	<b>2.124%</b>	<b>1,592,711</b>
<b>Norges Bank</b>	<b>Total</b>	<b>3,143,496</b>	<b>2.096%</b>	<b>1,571,748</b>
Pioneer Funds - European Equity Target Income <sup>(9)</sup>		613,645	0.409%	306,823
Pioneer Funds - Global Equity Target Income <sup>(10)</sup>		170,047	0.113%	85,024
Pioneer Funds - ABS Return European Equities <sup>(10)</sup>		95,475	0.064%	47,738
Pioneer Funds - European Potential <sup>(10)</sup>		825,082	0.550%	412,541
Pioneer Funds - European Equity Value <sup>(10)</sup>		764,953	0.510%	382,477
Pioneer Funds - European Equity Market Plus <sup>(10)</sup>		15,876	0.011%	7,938
Pioneer Funds - European Research <sup>(10)</sup>		643,204	0.429%	321,602
<b>UniCredit S.p.A.</b>	<b>Total</b>	<b>3,128,282</b>	<b>2.086%</b>	<b>1,564,141</b>
Henderson Global Investors Limited <sup>(11)</sup>		3,037,609	2.025%	1,518,805
<b>Henderson Group plc</b> <sup>(11)</sup>	<b>Total</b>	<b>3,037,609</b>	<b>2.025%</b>	<b>1,518,805</b>
Goldman Sachs International <sup>(12)</sup>				
Goldman Sachs Asset Management, L.P. <sup>(12)</sup>				
Goldman Sachs Asset Management International <sup>(12)</sup>				
<b>The Goldman Sachs Group, Inc.</b> <sup>(12)</sup>	<b>Total</b>	<b>3,019,750</b>	<b>2.013%</b>	<b>1,509,875</b>
<b>Other shareholders</b>	<b>Total</b>	<b>101,448,161</b>	<b>67.632%</b>	<b>50,724,081</b>
<b>Total</b>		<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

(1) Company held by Standard Life Investments (Holdings) Limited.

(2) Previously named Allianz Global Investors Europe GmbH, Allianz Global Investors GmbH currently holds the qualified shareholding mentioned above.

(3) Company held by Artemis Investment Management LLP.

(4) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.

(5) This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

(6) Subsidiary of JPMorgan Asset Management Holdings Inc.. According to disclosures of (i) 1 April 2015, it sold 97,827 shares off-exchange, its shareholding in CTT then becoming 2,573,482 shares and 331,442 equity swaps, corresponding to 1.93% of the share capital and voting rights in CTT and of (ii) 14 April 2015, it purchased off-exchange a total of 157,439 shares, then holding again a qualifying holding of 2,781,659 shares and 331,442 equity swaps, corresponding to 2.08% of the share capital and voting rights in CTT.



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- (7) Subsidiaries of JPMorgan Asset Management Holdings Inc.. According to disclosures of 1 and 14 April 2015, their shareholding, made up exclusively of equity swaps, was as indicated above.
- (8) According to a disclosure of 14 April 2015, the shares and equity swaps indirectly held by JPMorgan Asset Management Holdings Inc. through their subsidiaries totalled 3,295,772, corresponding to 2.20% of the share capital and voting rights in CTT. The hierarchies of those subsidiaries are as follows: JPMorgan Asset Management Holdings Inc. - JPMorgan Asset Management International Limited - JPMorgan Asset Management Holdings (UK) Limited - JPMorgan Asset Management (UK) Limited; JPMorgan Asset Management Holdings Inc. - JPMorgan Investment Management Inc.; and JPMorgan Chase & Co. - JPMorgan Chase Bank, National Association.
- (9) Fund managed by Pioneer Investments Kapitalgesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.
- (10) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.
- (11) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited.
- (12) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares.


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		<b>31.12.2014</b>		
<b>Shareholder</b>		<b>Nr shares</b>	<b>%</b>	<b>Nominal value</b>
Standard Life Investments Limited <sup>(1)</sup>		9,910,580	6.607%	4,955,290
Ignis Investment Services Limited <sup>(1)</sup>		97,073	0.065%	48,537
<b>Standard Life Investments (Holdings) Limited</b>	<b>Total</b>	<b>10,007,653</b>	<b>6.672%</b>	<b>5,003,827</b>
Kames Capital plc <sup>(2)</sup>		2,045,003	1.363%	1,022,502
Kames Capital Management Limited <sup>(2)</sup>		3,096,134	2.064%	1,548,067
<b>Aegon NV <sup>(3)</sup></b>	<b>Total</b>	<b>5,141,137</b>	<b>3.427%</b>	<b>2,570,569</b>
<b>Allianz Global Investors Europe GmbH (AGIE) <sup>(4)</sup></b>	<b>Total</b>	<b>4,695,774</b>	<b>3.131%</b>	<b>2,347,887</b>
UBS AG <sup>(5)</sup>		3,705,257	2.470%	1,852,629
UBS Fund Management (Switzerland) AG <sup>(5)</sup>		55,397	0.037%	27,699
UBS Fund Services (Luxembourg) AG <sup>(5)</sup>		57,770	0.039%	28,885
UBS Global Asset Management (UK) Limited <sup>(5)</sup>		8,330	0.006%	4,165
UBS Global Asset Management (Australia) Ltd <sup>(5)</sup>		3,715	0.002%	1,858
<b>UBS Group AG <sup>(6)</sup></b>	<b>Total</b>	<b>3,830,469</b>	<b>2.554%</b>	<b>1,915,235</b>
Morgan Stanley & Co. International plc <sup>(7)</sup>		3,553,396	2.369%	1,776,698
<b>Morgan Stanley <sup>(7)</sup></b>	<b>Total</b>	<b>3,553,396</b>	<b>2.369%</b>	<b>1,776,698</b>
Pioneer Funds - European Equity Target Income <sup>(8)</sup>		613,645	0.409%	306,823
Pioneer Funds - Global Equity Target Income <sup>(9)</sup>		170,047	0.113%	85,024
Pioneer Funds - ABS Return European Equities <sup>(9)</sup>		95,475	0.064%	47,738
Pioneer Funds - European Potential <sup>(9)</sup>		825,082	0.550%	412,541
Pioneer Funds - European Equity Value <sup>(9)</sup>		764,953	0.510%	382,477
Pioneer Funds - European Equity Market Plus <sup>(9)</sup>		15,876	0.011%	7,938
Pioneer Funds - European Research <sup>(9)</sup>		643,204	0.429%	321,602
<b>UniCredit S.p.A.</b>	<b>Total</b>	<b>3,128,282</b>	<b>2.086%</b>	<b>1,564,141</b>
Artemis Fund Managers Limited <sup>(10)</sup>		3,104,624	2.070%	1,552,312
<b>Artemis Investment Management LLP</b>	<b>Total</b>	<b>3,104,624</b>	<b>2.070%</b>	<b>1,552,312</b>
FMRC-FMR CO., INC. <sup>(11)</sup>		716,444	0.478%	358,222
FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC. <sup>(11)</sup>		2,379,854	1.587%	1,189,927
<b>FMR LLC</b>	<b>Total</b>	<b>3,096,298</b>	<b>2.064%</b>	<b>1,548,149</b>
DSAM Partners LLP <sup>(12)</sup>		3,096,079	2.064%	1,548,040
<b>DSAM Cayman Ltd.</b>	<b>Total</b>	<b>3,096,079</b>	<b>2.064%</b>	<b>1,548,040</b>
Goldman Sachs International <sup>(13)</sup>				
Goldman Sachs Asset Management, L.P. <sup>(13)</sup>				
Goldman Sachs Asset Management International <sup>(13)</sup>				
<b>The Goldman Sachs Group, Inc. <sup>(13)</sup></b>	<b>Total</b>	<b>3,019,750</b>	<b>2.013%</b>	<b>1,509,875</b>
<b>Restantes acionistas</b>	<b>Total</b>	<b>107,326,538</b>	<b>71.551%</b>	<b>53,663,269</b>
<b>Total</b>		<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

(1) Company held by Standard Life Investments (Holdings) Limited.

(2) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.

(3) This qualified shareholding is imputable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

(4) By virtue of the merger of Allianz Global Investors Luxembourg, S.A. (AGIL) into Allianz Global Investors Europe (AGIE), the qualified shareholding mentioned above became imputable to AGIE.

(5) Subsidiary of the UBS Group AG.

(6) As a result of the acquisition of UBS AG by UBS Group AG the shares of UBS AG were transferred to UBS Group AG. The UBS AG subsidiaries also became controlled by UBS Group AG.



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- (7) The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.
- (8) Fund managed by Pioneer Investments Kapitalangesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.
- (9) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.
- (10) Company held by Artemis Investment Management LLP.
- (11) Company owned by FMR LLC.
- (12) The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.
- (13) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

Expiration / Exercise / Conversion Period/Date	No. of shares/ voting rights that may be acquired if the instrument is exercised / converted	% of voting rights that may be obtained if the instrument is exercised/converted
25-Nov-2019	2,453	0.0016%
22-Nov-2019	1,278	0.0009%
4-Dec-2024	506,660	0.3378%
4-Dec-2024	4,869	0.0032%
9-Dec-2024	600	0.0004%
23-Sep-2024	11,502	0.0077%
26-Sep-2024	360,000	0.2400%
11-Nov-2024	1,024	0.0007%
<b>Total Number of voting rights and percentage of voting rights</b>	<b>888,386</b>	<b>0.59%</b>

## 11. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

### Reserves

As at 31 March 2015 and 31 December 2014, the heading Reserves is detailed as follows:

	31.03.2015	31.12.2014
Legal reserves	18,072,559	18,072,559
Other reserves	14,045,509	13,701,407
	<u>32,118,069</u>	<u>31,773,967</u>

### 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.

#### Other reserves

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

As at 31 March 2015 and 31 December 2014 it also records the amount recognised in the year related to the Share Plan, that constitutes the long term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee.

#### Retained earnings

During the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the following movements occurred in “Retained earnings”:

	31.03.2015	31.12.2014
Opening balance	84,374,563	83,367,465
Application of the net profit of the prior year	77,171,128	61,016,067
Distribution of dividends (Note 12)	-	(60,000,000)
Other movements	(788)	(8,969)
Closing balance	<u>161,544,903</u>	<u>84,374,563</u>

#### 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 (Note 14).

Thus, for the 3 months period ended 31 March 2015 and the year ended 31 December 2014 the movements occurred in this heading were as follows:

	31.03.2015	31.12.2014
Opening balance	(18,786,310)	24,548,756
Actuarial gains/losses	(62,591)	(61,041,103)
Tax effect	17,613	17,706,037
Closing balance	<u>(18,831,288)</u>	<u>(18,786,310)</u>

## 12. DIVIDENDS

According to the dividends distribution proposal included in the 2014 Annual Report, at the General Meeting of Shareholders, which took place on 5 May 2015, a dividend distribution of 69,750,000 Euros was proposed and approved.





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At the General Meeting of shareholders held on 5 May 2014, the shareholders approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at 31.12.2013) relative to 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

### 13. EARNINGS PER SHARE

During the 3 months period ended 31 March 2015 and 31 March 2014, the earnings per share were calculated as follows:

	31.03.2015	31.03.2014
Net profit for the period	22,297,035	18,077,405
Average number of ordinary shares	150,000,000	150,000,000
Earnings per share:		
Basic	0.15	0.12
Diluted	0.15	0.12

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares.

There are no dilutive factors of earnings per share.

### 14. EMPLOYEE BENEFITS

Liabilities related to employee benefits refer to (i) post-employment benefits – health care, (ii) other benefits and (iii) other long term benefits for the Statutory Bodies.

During the 3 months period ended 31 March 2015 and the year ended 31 December 2014, these liabilities presented the following movement:

	31.03.2015				
	Liabilities			Equity	
	Health care	Other long term employee benefits	Total	Other long term benefits statutory bodies	Total
Opening balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954
Movements for the period	(103,113)	(1,421,950)	(1,525,063)	344,102	(1,180,961)
Closing balance	241,062,887	34,703,597	275,766,484	1,720,509	277,486,993



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	31.12.2014				
	Liabilities			Equity	
	Health care	Other long term employee benefits	Total	Other long term benefits statutory bodies	Total
Opening balance	263,371,000	35,172,054	298,543,054	-	298,543,054
Movements for the period	(22,205,000)	953,493	(21,251,507)	1,376,407	(19,875,100)
Closing balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954

The heading “Other long term benefits” essentially refers to the on-going staff reduction programme.

Other long term benefits for the Statutory Bodies refers to the long term variable remuneration assigned to the executive members of the Board of Directors.

The details of liabilities related to employee benefits, considering their chargeability, are as follows:

	31.03.2015	31.12.2014
Equity (Other reserves)	1,720,509	1,376,407
Non-current liabilities	254,300,847	255,541,102
Current liabilities	21,465,638	21,750,445
	<u>277,486,993</u>	<u>278,667,954</u>

For the 3 months period ended 31 March 2015 and 31 March 2014, the costs related to employee benefits recognised in the consolidated income statement and the amount recognised directly in “Other changes in equity” were as follows:

	31.03.2015	31.03.2014
Costs for the period		
Health care	2,485,500	3,523,250
Other long term employee benefits	37,341	449,202
Other long term benefits statutory bodies	344,102	-
	<u>2,866,943</u>	<u>3,972,452</u>
Other changes in equity		
Health care	(62,591)	(407,736)
	<u>(62,591)</u>	<u>(407,736)</u>

The impacts as at 31 March 2015 were obtained by the company supported on the 2015 cost estimate included in the actuarial study as at 31 December 2014, not having been performed a new actuarial study with reference to 31 March 2015.

#### Health care

CTT is responsible for financing the health care plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is



made by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, having, as at 31 December 2014, performed an actuarial study.

The evolution of the present value of the liabilities related to the health care plan has been as follows:

	31.03.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Liabilities at the end of the period	<u>241,062,887</u>	<u>241,166,000</u>	<u>263,371,000</u>	<u>252,803,000</u>	<u>272,102,000</u>

For the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the health care plan was as follows:

	31.03.2015	31.12.2014
Opening balance	241,166,000	263,371,000
Service costs of the period	1,010,500	3,825,000
Interest cost of the period	1,475,000	10,268,000
Curtailment	-	(82,998,327)
Pensioners contributions	1,320,909	3,607,690
(Payment of benefits)	(3,802,613)	(16,894,342)
(Other costs)	(169,500)	(1,054,123)
Actuarial (gains)/losses	62,591	61,041,103
Closing balance	<u>241,062,887</u>	<u>241,166,000</u>

In February 2015 CTT signed with effects as at 31 December 2014, with the eleven trade unions represented in the company, the new Regulation of the Social Works (“RSW”) system, the internal healthcare and social protection system of CTT. The new RSW of CTT maintains a high but balanced protection level, while rationalising the use of benefits. Accordingly, the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments, while the all-encompassing feature of the system was maintained and some social support measures were strengthened.

The new plan entailed a significant reduction in the estimate of CTT future health care expenses and therefore a corresponding reduction in past services liability as at 31 December 2014, which has been considered an amendment to the plan and therefore recognised in profit and loss.

During the 3 months periods ended 31 March 2015 and 31 March 2014, the total costs for the period are recognised as follows:



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	31.03.2015	31.03.2014
Staff costs/employee benefits (Note 17)	841,000	667,500
Other costs	169,500	288,750
Interest expenses	1,475,000	2,567,000
	<u>2,485,500</u>	<u>3,523,250</u>

On 31 March 2015 the actuarial (gains)/losses amounting to 62,591 Euros (61,041,103 Euros as at 31 December 2014) were recognised in equity under Other changes in equity, net of deferred taxes of 17,613 Euros (17,706,037 Euros as at 31 December 2014).

The best estimate the Group has at this date for costs related to the health care plan, which it expects to recognise in the next annual period of 2015 is 9,965 thousand Euro.

The sensitivity analysis performed on 31 December 2014, for the health care plan leads to the following conclusions:

- (i) If there was an increase of 1 per cent in the growth rate of medical costs, keeping all the remaining variables constant, the liabilities of the health care plan would be 300,242 thousand Euros, increasing by approximately 24.5%;
- (ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.8%, amounting to 259,977 thousand Euros.

#### Other long term employee benefits

In certain situations, the Group has liabilities related to the payment of salaries in situations of “Suspension of contracts, redeployment and release of employment”, the allocation of subsidies of “Support for termination of professional activity”, which was eliminated as of 1 April 2013, the payment of the “Telephone subscription fee”, “Pensions for work accidents”, and “Monthly life annuity”. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable.

As at 31 December 2014, the Company requested an actuarial study from an independent entity to assess the liabilities at the reporting date.

For the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the movement of liabilities with other employee long-term benefits was as follows:


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	31.03.2015	31.12.2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,810,243	19,743,891
Interest cost of the period	95,262	696,465
Liabilities relative to new beneficiaries	-	393,318
(Payment of benefits)	(1,252,641)	(5,738,282)
Actuarial (gains)/losses	(112,280)	2,714,852
Closing balance	16,540,583	17,810,243
Telephone subscription charge		
Opening balance	4,832,775	4,800,195
Interest cost of the period	28,714	178,544
(Payment of benefits)	(56,375)	(303,781)
Actuarial (gains)/losses	(62,927)	157,817
Closing balance	4,742,185	4,832,775
Pension for accidents at work		
Opening balance	8,161,400	7,004,370
Interest cost of the period	49,666	271,647
(Payment of benefits)	(88,050)	(437,324)
Actuarial (gains)/losses	(19,344)	1,322,707
Closing balance	8,103,673	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the period	32,675	139,714
(Payment of benefits)	(27,704)	(112,271)
Actuarial (gains)/losses	740	1,710,168
Closing balance	5,288,105	5,282,395
Support for cessation of professional activity		
Opening balance	38,734	78,814
Interest cost of the period	-	1,576
(Payment of benefits)	(34,521)	(57,602)
Actuarial (gains)/losses	24,837	15,946
Closing balance	29,051	38,734
Total closing balance	34,703,597	36,125,547

During the 3 months periods ended on 31 March 2015 and 31 March 2014, the total costs for the period were recognised as follows:

	31.03.2015	31.03.2014
Staff costs/employee benefits (Note 17)		
Suspension of contracts, redeployment and release of employment	(112,280)	222,926
Telephone subscription charge	(62,927)	(89,793)
Pension for accidents at work	(19,344)	(14,296)
Monthly life annuity	740	2,540
Support for cessation of professional activity	24,837	7,798
subtotal	(168,975)	129,175
Interest expenses	206,316	320,027
	37,341	449,202



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In the year ended 31 December 2014, due to Law 11/2014, of 6 of March, which establishes convergence mechanisms of social protection system for civil servants to the general social security scheme, by modifying the retirement schemes, the retirement age has changed from 65 to 66 years of age for employees covered by “Caixa Geral de Aposentações” (“CGA”). This change had a more significant impact on the liability related to the "Suspension of contracts, relocation and release of employment" where the increase in the liability was about 2,137 thousand Euros.

The best estimate that the Group has at this date for costs with other long-term benefits, which it expects to recognise in the next annual period, is 794,033 Euros.

The sensitivity analysis done for the Other long term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4%, increasing to 37,571 thousand Euros.

#### Other long term benefits for the Statutory Bodies

CTT approved with effect on 31 December 2014 the Remuneration Regulations for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company's shares. The number of shares allocated to members of the Executive Board of CTT is based on the performance evaluation results during the mandate period until 1 January 2017, which consists in the comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT's shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

The evaluation period of CTT TSR performance compared to peers is 1 January 2014 to 31 December 2016. The long-term variable remuneration is paid on 31 January 2017, by allocating shares of the Company subject to a positive TSR of the shares of the Company at the end of the evaluation period, according to a maximum number of shares defined in the Regulation and corrected by maximum limits for each member of the Executive Committee.

On 31 December 2014 the liability of this long term remuneration was calculated, based on the fair value of shares, by an independent expert and by using a Black-Scholes methodology and through the production of a Monte Carlo model simulation, assuming a volatility of the shares of 30% and a risk free rate of -0.12%, corresponding to a cost of 4,129,221 Euros for the evaluation period.

Thus, for the 3 months period ended 31 March 2015 CTT recorded a cost of 344,102 Euros (1,376,407 Euros at 31 December 2014 corresponding to the period from 1 January 2014 to 31 December 2014), against Other reserves.

## **15. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS**

### Provisions

For the 3 months period ended 31 March 2015 and the year ended 31 December 2014, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which showed the following movements:


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31.03.2015						
	Opening balance	Increases	Reversals	Reduction	Transfers	Closing balance
Non-current provisions						
Litigations	9,907,427	285,708	(587,568)	(240,226)	415,149	9,780,490
Onerous contracts	16,854,955	696,708	-	(639,423)	-	16,912,240
Other provisions	18,693,363	-	-	(33,254)	(415,149)	18,244,960
Investments in associated companies	215,772	-	-	-	-	215,772
	<b>45,671,517</b>	<b>982,416</b>	<b>(587,568)</b>	<b>(912,903)</b>	<b>-</b>	<b>45,153,462</b>

  

31.12.2014						
	Opening balance	Increases	Reversals	Reduction	Transfers	Closing balance
Non-current provisions						
Litigations	10,868,975	4,848,272	(4,019,596)	(3,216,034)	1,425,810	9,907,427
Onerous contracts	12,643,714	6,728,727	-	(2,517,486)	-	16,854,955
Other provisions	14,775,306	6,452,173	-	(690,354)	(1,843,762)	18,693,363
Investments in associated companies	213,840	-	-	-	1,932	215,772
	<b>38,501,835</b>	<b>18,029,172</b>	<b>(4,019,596)</b>	<b>(6,423,874)</b>	<b>(416,020)</b>	<b>45,671,517</b>

### Litigations

The provisions for litigation are due to the liabilities resulting from lawsuits brought against the Group and are estimated based on information from its lawyers.

### Onerous Contracts

During the 3 months period ended 31 March 2015 the provision to cover the estimate of the net present value of the expenditure associated with onerous contracts was increased by 696,708 Euros. This increase was mainly a result of the update of the assumptions used on 31 December 2014, namely the discount rates. The reductions, in the amount of 639,423 Euros are related to the rental payments that occurred during the period.

As at 31 March 2015 and 31 December 2014 the amount provided for onerous contracts is 16,912,240 Euros and 16,854,955 Euros, respectively.

### Other provisions

For the 3 months period ended 31 March 2015 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings, and related to remuneration differences required by workers, amounts to 15,959,000 Euros (16,374,091 Euros as at 31 December 2014). During the year ended on 31 December 2014 this provision had been increased by 5,287,767 Euros.

As at 31 March 2015, in addition to the previously mentioned situations, this heading also included:

- the amount of 282,929 Euros for coverage of costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the location;
- the amount of 890,000 Euros, which arise from the assessment made by management regarding the possibility of the enforcement of tax contingencies.



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#### Investments in associated companies

The provision for investments in subsidiary and associated companies corresponds to the assumption by the Group of legal or constructive obligations regarding the associated company PayShop Moçambique, S.A..

The net amount between increases and reversals of provisions was recorded in the Consolidated Income Statement under the headings “Provisions, net” and amounted to 394,848 Euros and 1,010,990 Euros as at 31 March 2015 and 31 March 2014, respectively.

#### Guarantees provided

As at 31 March 2015 and 31 December 2014 the Group had provided bank guarantees to third parties as follows:





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Description	31.03.2015	31.12.2014
Courts	197,943	325,684
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE-Sociedade Imobiliária, Lda	2,944,833	2,944,833
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Lisboagás, S.A.	190,000	190,000
Autarquias	154,677	154,677
Sofinsa	-	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	-	77,969
Alfândega do Porto	-	74,820
Secretaria Geral do Ministério da Administração Intern	-	44,547
ACT Autoridade Condições Trabalho	67,638	67,638
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Record Rent a Car (Cataluña, Levante)	40,000	40,000
SetGás, S.A.	30,000	30,000
ANA - Aeroportos de Portugal	34,000	34,000
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Natur Import (nave Barbera)	-	18,096
Portugal Telecom, S.A.	16,657	16,657
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180
Instituto Gestão Financeira Segurança Social	12,681	-
Petrogal, S.A.	8,280	10,774
Águas do Porto, E.M	10,720	10,720
Alquiler Nave Tarragona	7,155	7,155
TNT Express Worldwide	6,010	6,010
SMAS Torres Vedras	2,808	4,001
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	-	3,400
Inmobiliaria Ederkin	7,800	7,800
Instituto Infra-Estruturas Rodoviárias	3,725	3,725
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira , SA	-	12,681
REN Serviços, S.A.	9,818	9,818
EMEL, S.A.	19,384	19,384
IFADAP	1,746	1,746
Casa Pia de Lisboa, I.P.	1,863	1,863
Martinez Estevez	-	3,000
Gexploma	-	3,000
Consejeria Salud	6,433	6,433
Universidad Sevilha	4,237	4,237
Fonavi, Nave Hospitalet	40,477	40,477
Other entities	7,694	7,694
	<u>14,311,108</u>	<u>14,758,985</u>



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### Guarantees for Contracts

According to the determinations in some lease contracts of the buildings occupied by the Company's services, having the Portuguese State ceased to hold the majority of the share capital of CTT- Correios de Portugal, S.A., bank guarantees on first demand should be provided.

These guarantees have already been issued and amount to 12.6 million Euros.

### Commitments

As at 31 March 2015 and 31 December 2014 the Group subscribed promissory notes amounting to approximately 78.8 thousand Euros and 73.8 thousand Euros, respectively, for various rental companies intended to secure complete and timely compliance with the corresponding lease contracts.

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 4 and 5.

## **16. ACCOUNTS PAYABLE**

As at 31 March 2015 and 31 December 2014, the heading Accounts payable showed the following composition:

	31.03.2015	31.12.2014
Advances from customers	3,027,476	2,996,416
CNP money orders	195,417,442	200,879,441
Suppliers	64,985,785	64,572,970
Invoices pending confirmation	7,832,908	12,958,575
Fixed assets suppliers	2,015,870	8,063,263
Invoices pending confirmation (fixed assets)	706,864	1,997,480
Values collected on behalf of third parties	5,105,758	5,645,991
Postal financial services	60,708,861	197,152,263
Other accounts payable	4,320,831	5,270,507
	<u>344,121,795</u>	<u>499,536,907</u>

### 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

The decrease in this heading arises mainly from values collected related to taxes, insurance, savings certificates and other money orders.



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## 17. STAFF COSTS

During the 3 months periods ended 31 March 2015 and 31 March 2014, the composition of the heading Staff Costs was as follows:

	31.03.2015	31.03.2014
Statutory bodies remuneration (Note 19)	996,658	313,012
Staff remuneration	67,657,250	62,833,069
Employee benefits	1,063,252	796,675
Indemnities	381,574	806,588
Social Security charges	14,747,124	13,398,203
Occupational accident and health insurance	616,880	645,775
Social welfare costs	1,981,816	3,085,648
Other staff costs	15,173	17,060
	<u>87,459,727</u>	<u>81,896,030</u>

### Remuneration of the statutory bodies

In the 3 months periods ended on 31 March 2015 and 31 March 2014, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

	31.03.2015				
	Board of Directors	Audit Committee / Statutory Auditor	Remuneration Committee	General Meeting of Shareholders	Total
Short term remuneration					
Fixed remuneration	558,811	71,680	9,360	-	639,851
Annual variable remuneration	356,807	-	-	-	356,807
	<u>915,618</u>	<u>71,680</u>	<u>9,360</u>	<u>-</u>	<u>996,658</u>
Long term remuneration					
Defined contribution plan RSP	47,125	-	-	-	47,125
Long term variable remuneration - Share Plan	344,102	-	-	-	344,102
	<u>391,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,227</u>
	<u>1,306,845</u>	<u>71,680</u>	<u>9,360</u>	<u>-</u>	<u>1,387,885</u>
	31.03.2014				
	Board of Directors	Audit Committee / Statutory Auditor	Remuneration Committee	General Meeting of Shareholders	Total
Fixed remuneration	273,225	39,786	-	-	313,012
Variable remuneration	-	-	-	-	-
	<u>273,225</u>	<u>39,786</u>	<u>-</u>	<u>-</u>	<u>313,012</u>

Bearing in mind the new reality of CTT as an entity of private capital and admitted to trading on a regulated market, the Remuneration Committee (elected by the General Meeting on 24 March 2014 and composed of independent members) defined the new remuneration model for the statutory bodies which followed a benchmark study performed by a specialist firm. Thus, the increase in the caption Remuneration of statutory bodies results from the application of this remuneration policy with effect from the date of the election for the term 2014-2016.

Following the remuneration model approved by the Remuneration Committee, it was determined the allocation of a fixed monthly amount for an Open Pension Fund or Retirement Savings Plan to the executive members of the Board of Directors.



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The long term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 mandate in company shares, and the amount of 344,102 Euros corresponds to the expense to be recognised in the 3 months period ended 31 March 2015 and was determined by an independent expert as at 31 December 2014 based on the Black-Scholes methodology and through the production of a Monte Carlo model simulation. The annual variable remuneration will be determined and paid on an annual basis and was also defined by a study performed by an independent entity.

#### Staff remuneration

The variation in the heading "Staff remuneration" is mainly a result of the effect of the 2% increase in the fixed salaries which followed the new Company Agreement that produced effects on 1 January 2015. Combined with this effect, the impact of variable remuneration should also be added.

#### Indemnities

During the 3 months period ended 31 March 2015 the caption Indemnities includes 85,011 Euros related to compensations paid for termination of employment contracts by mutual agreement.

#### Social welfare costs

Social welfare costs relate almost entirely to health costs incurred by the Group with the active workers, as well as expenses related to the Health and Safety at work. The decrease in this caption results from changes that took place in CTT's Health Care Plan following the new Regulation of the Social Works ("RSW"), according to which the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments.

During the 3 months periods ended 31 March 2015 and 31 March 2014 the heading "Staff costs" includes 128,191 Euros and 165,811 Euros, respectively, related to expenses with workers' representative bodies.

For the 3 months periods ended 31 March 2015 and 31 March 2014, the average number of staff of the Group was 12,171 and 12,253 employees, respectively.

## **18. 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% (23% in 2014), 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 Euro and 5% of taxable profit above 7,500,000 up to 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").

Corporate income tax (IRC) is levied on the Group and its subsidiaries Postcontacto – Correio Publicitário, Lda., CTT – Expresso, S.A., Mailtec Comunicação, S.A., Mailtec Consultoria, S.A., Mailtec Processos, Lda., Payshop Portugal, S.A. ("Payshop"), CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest"), and CTT Serviços, 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 3 months periods ended on 31 March 2015 and 31 March 2014, the reconciliation between the nominal rate and the effective income tax rate is as follows:

	31.03.2015	31.03.2014
Earnings before taxes	31,827,352	24,854,373
Nominal tax rate	21.0%	23.0%
	<b>6,683,744</b>	<b>5,716,506</b>
Tax Benefits	(42,993)	(64,656)
Accounting capital gains	(3,134)	(163)
Tax capital gains	1,567	103
Provisions not considered in the calculation of deferred tax	-	62,899
Impairment losses and reversals	(6,581)	(88,057)
Other situations, net	431,661	(83,457)
Adjustments related with autonomous taxation	127,414	170,079
Adjustments related with Municipal Surcharge	531,443	340,437
Adjustments related with State Surcharge	1,344,981	736,029
Tax losses without deferred tax	427,225	-
Excess estimated income tax	-	(4,164)
Income taxes for the period	<b>9,495,327</b>	<b>6,785,556</b>
Effective tax rate	<b>29.83%</b>	<b>27.30%</b>
Income taxes for the period		
Current tax	9,054,161	6,093,089
Deferred tax	441,166	696,631
Excess estimated income tax	-	(4,164)
	<b>9,495,327</b>	<b>6,785,556</b>

In the year ended 31 December 2014 the heading Excess estimated income tax includes 487,839 Euros relating to the tax credit allocated under the SIFIDE program of 2006 and 2008 of the subsidiary CTT Expresso.

### Deferred taxes

As at 31 March 2015 and 31 December 2014, the balance of deferred tax assets and liabilities was composed as follows:



	31.03.2015	31.12.2014
Deferred tax assets		
Employee benefits - health care	67,835,096	67,864,112
Employee benefits - other long term benefits	9,758,803	10,160,424
Deferred accounting capital gains	2,216,189	2,384,961
Impairment losses and provisions	10,015,625	10,134,884
Tax losses carried forward	133,953	-
Impairment losses in tangible fixed assets	481,941	497,238
Share Plan	484,151	387,321
Other	-	-
	<u>90,925,758</u>	<u>91,428,940</u>
	31.03.2015	31.12.2014
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	3,722,635	3,793,815
Suspended capital gains	987,292	994,953
Other	52,916	52,916
	<u>4,762,843</u>	<u>4,841,684</u>

As at 31 March 2015, expected deferred tax assets and liabilities to be settled within 12 months amount to 3,677,167 Euros and 315,364 Euros, respectively.

During the 3 months period ended 31 March 2015 and the year ended 31 December 2014, the movements which occurred under the deferred tax headings were as follows:

	31.03.2015	31.12.2014
Deferred tax assets		
Opening balances	91,428,940	103,645,256
Effect on net profit		
Employee benefits - health care	(46,629)	(28,063,112)
Employee benefits - other long term benefits	(401,621)	(273,016)
Deferred accounting gains	(168,772)	(844,727)
Impairment losses and provisions	(119,259)	1,482,942
Impairment losses in tangible fixed assets	(15,297)	44,378
Derecognition of inventories	-	(77,821)
Value deducted from debts	-	(18,692)
Tax losses carried forward	133,953	(2,432,701)
Share plan	96,830	387,321
Other	-	(124,155)
Effect on net profit		
Employee benefits - health care	17,613	17,706,037
Change in consolidation perimeter		
Other	-	(2,770)
Closing balance	<u>90,925,758</u>	<u>91,428,940</u>



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	<u>31.03.2015</u>	<u>31.12.2014</u>
Deferred tax liabilities		
Opening balances	4,841,684	5,481,878
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(71,180)	(495,037)
Suspended capital gains	(7,661)	(87,502)
Other	-	(57,655)
Closing balance	<u>4,762,843</u>	<u>4,841,684</u>

The tax losses carried forward recorded in the 3 months period ended 31 March 2015 are related to the losses of the subsidiary CTT Serviços, SA.

SIFIDE

The Group policy for recognition of fiscal credits regarding SIFIDE is to recognize 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.

Relating to the expenses incurred with R&D during 2013, of 33,987 Euros, the Group will have the possibility of benefiting from a tax deduction in IRC estimated at 9,519 Euros. According to the notification of the Certification Commission dated 16 January 2014 a tax credit of 8,337 Euros was attributed to CTT.

Regarding the expenses incurred with R&D during 2014, of 736,033 Euros, the Group will have the possibility of benefiting from a tax deduction in IRC estimated at 514,753 Euros.

Other information

Pursuant to the legislation in force, 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, the Group's income tax returns after 2011 may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

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 consolidated financial statements as at 31 March 2015.



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## 19. RELATED PARTIES

The Regulation on Assessment and Control of Transactions with CTT's Related Parties defines a 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.

During the 3 months period ended on 31 March 2015 and 31 March 2014, the following transactions took place and the following balances existed with related parties:

	31.03.2015				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	-	-
Other shareholders Group companies	-	-	-	-	-
Associated companies	4,955	9,737	4,883	-	34,016
Jointly controlled	135,944	27,876	58,693	-	58,693
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	915,618
General Meeting	-	-	-	-	-
Audit Committee /Statutory Auditor	-	-	-	-	71,680
Remuneration Committee	-	-	-	-	9,360
	<u>140,899</u>	<u>37,613</u>	<u>63,576</u>	<u>-</u>	<u>1,089,366</u>
	31.03.2014				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	-	-
Other shareholders Group companies	-	-	-	-	-
Associated companies	-	195	4,958	-	4
Jointly controlled	72,953	-	53,844	-	28,953
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	273,225
General Meeting	-	-	-	-	-
Audit Committee /Statutory Auditor	-	-	-	-	39,786
Remuneration Committee	-	-	-	-	-
	<u>72,953</u>	<u>195</u>	<u>58,803</u>	<u>-</u>	<u>341,968</u>

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





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## **20. SUBSEQUENT EVENTS**

### Memorandum of understanding with Altice Portugal, SA

At the present date, the sale of PT Portugal to Altice has already been approved by the interested parties - Oi and its shareholder PT SGPS via approval by the General Meeting – and, according to publicly available information, the process has been authorised by the European Commission on 20 April 2015, under the European Union Merger Regulation. The decision depends currently on the divestment by Altice in their current businesses in Portugal. The sale is expected to take place during the 2<sup>nd</sup> semester of 2015, the conditions agreed upon in the MoU entering then into force.