



CORREIOS DE PORTUGAL, S.A.

2011 FINANCIAL STATEMENTS

- **Consolidated Financial Statements**

1 CONSOLIDATED FINANCIAL STATEMENT

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND 31 DECEMBER 2010

Euro

	NOTES	2011	2010
ASSETS			
Non-current assets			
Tangible fixed assets	5	269,246,885	265,484,227
Investment property	7	2,728,373	3,562,552
Intangible assets	6	15,080,232	14,097,499
Goodwill	9	25,528,608	27,471,058
Investments in associated companies	10	552,824	585,645
Other investments	11	130,829	130,829
Other non-current assets	18	6,004,988	851,723
Deferred tax assets	41	109,434,687	105,559,545
Total non-current assets		428,707,426	417,743,078
Current assets			
Inventories	13	6,305,998	6,512,659
Accounts receivable	14	164,395,448	166,489,760
Taxes receivable	29	3	2,121,797
Deferrals	15	5,494,827	5,977,849
Other current assets	18	27,214,044	21,907,679
Cash and cash equivalents	17	426,259,362	480,073,674
Total current assets		629,669,682	683,083,418
Total assets		1,058,377,108	1,100,826,496
EQUITY AND LIABILITIES			
Equity			
Share capital	20	87,325,000	87,325,000
Reserves	21	50,657,421	47,593,690
Retained earnings	21	2,408,870	(17,432,756)
Revaluation reserve	21	58,625,232	61,266,929
Net income for the year		56,712,195	56,304,948
Non-controlling interests	24	1,627,958	1,406,989
Total equity		257,356,676	236,464,799
Liabilities			
Non-current liabilities			
Medium and long term debt	25	5,943,942	7,253,904
Employee benefits	26	300,975,316	285,190,208
Provisions	27	20,440,943	20,180,460
Deferrals	15	32,516,951	35,075,206
Deferred tax liabilities	41	6,165,433	6,365,777
Total non-current liabilities		366,042,585	354,065,555
Current liabilities			
Accounts payable	28	346,905,448	403,880,097
Employee benefits	26	20,455,430	23,065,599
Taxes payable	29	7,381,234	-
Short term debt	25	5,165,248	7,025,423
Deferrals	15	5,934,943	6,981,690
Other current liabilities	30	49,135,544	69,343,333
Total current liabilities		434,977,847	510,296,142
Total liabilities		801,020,432	864,361,697
Total equity and liabilities		1,058,377,108	1,100,826,496

The attached notes are an integral part of these financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE YEARS 2011 AND 2010

Euro

	NOTES	2011	2010
Revenues		761,073,616	794,360,624
Sales and services rendered	4	741,850,362	779,865,993
Other operating revenues	33	19,223,254	14,494,631
Operating costs		(700,635,100)	(741,183,481)
Cost of sales	13	(18,352,702)	(17,004,986)
External supplies and services	34	(256,463,997)	(273,333,030)
Staff costs	36	(373,287,289)	(399,357,221)
Impairment of inventories and accounts receivable, net	37	(3,119,386)	(543,380)
Impairment of non-depreciable assets	9	(1,942,450)	(2,669,084)
Provisions net	27	(6,274,919)	(10,278,851)
Depreciation/amortisation and impairment of investments, net	38	(22,252,306)	(24,221,778)
Other operating costs	39	(18,942,051)	(13,775,151)
Earnings before interest and taxes		60,438,516	53,177,143
Financial income		19,754,268	9,204,451
Interest expenses	40	(1,118,935)	(866,166)
Interest income	40	20,788,608	10,052,400
Gains/losses from associated companies	10	84,595	18,217
Earnings before taxes		80,192,784	62,381,594
Income tax for the year	41	(23,057,746)	(5,801,264)
Net income for the year		57,135,038	56,580,330
Net income for the year attributable to:			
Equity holders of parent company		56,712,195	56,304,948
Non-controlling interests	24	(422,843)	(275,382)
Earnings per share of the parent company	23	3.24	3.22

The attached notes are an integral part of these financial statements

CTT- CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2011 AND 2010

Euro

	NOTES	2011	2010
Net income for the year		57,135,038	56,580,330
Adjustments from application of the equity method	10	(232,826)	(20,114)
Other changes in equity	21	248,485	-
Other comprehensive income for the year after taxes		15,659	(20,114)
Comprehensive income for the year		57,150,697	56,560,216
Attributable to non-controlling interests	24	(422,843)	(275,382)
Attributable to parent company		56,727,854	56,284,834

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2011

Euro

	NOTES	Share capital	Legal reserves	Other reserves	Adjustments in investments	Revaluation reserve	Retained earnings	Net income for the year	Non-controlling interests	Total
Balance on 1 January 2010		87,325,000	9,891,029	10,555,947	26,359,976	63,807,599	(57,787,539)	59,932,463	1,103,270	201,187,745
Appropriation of net income for the year of 2009		-	2,530,673	-	-	-	57,401,790	(59,932,463)	-	-
Dividends	22	-	-	-	-	-	(21,311,499)	-	(157,351)	(21,468,850)
Change in the consolidation perimeter		-	-	-	-	-	-	-	185,688	185,688
		-	2,530,673	-	-	-	36,090,291	(59,932,463)	28,337	(21,283,162)
Realisation of revaluation reserve net of the tax effect	21	-	-	-	(1,723,822)	(2,540,670)	2,540,670	-	-	-
Undistributed earnings of associated companies	10 and 11	-	-	-	(20,114)	-	1,723,822	-	-	(20,114)
Adjustments from the application of the equity method		-	-	-	-	-	-	-	-	-
Net income for the year 2010		-	-	-	(1,743,936)	(2,540,670)	4,264,492	56,304,948	275,382	56,580,330
Comprehensive income for the year 2010		-	-	-	-	-	-	56,304,948	275,382	56,580,330
Balance on 31 December 2010		87,325,000	12,421,702	10,555,947	24,616,040	61,266,929	(17,432,756)	56,304,948	1,406,989	236,464,799
Balance on 1 January 2011		87,325,000	12,421,702	10,555,947	24,616,040	61,266,929	(17,432,756)	56,304,948	1,406,989	236,464,799
Appropriation of net income for the year of 2010		-	2,815,247	-	-	-	53,489,700	(56,304,947)	-	-
Dividends	22	-	-	-	-	-	(36,056,944)	-	(201,874)	(36,258,818)
		-	2,815,247	-	-	-	17,432,756	(56,304,947)	(201,874)	(36,258,818)
Realisation of revaluation reserve net of the tax effect	21	-	-	-	-	(2,641,696)	2,641,696	-	-	-
Undistributed earnings of associated companies	10 and 11	-	-	-	248,485	-	(232,826)	-	-	248,485
Adjustments from the application of the equity method		-	-	-	-	-	-	-	-	(232,826)
Net income for the year 2011		-	-	-	-	-	-	56,712,195	422,843	57,135,038
Comprehensive income for the year 2011		-	-	-	-	-	-	56,712,195	422,843	57,135,038
Balance on 31 December 2011		87,325,000	15,236,949	10,555,947	24,864,525	58,625,232	2,408,870	56,712,195	1,627,958	257,356,676

The attached notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Euros)

INDEX

1.	INTRODUCTION	9
1.1	CTT – Correios de Portugal S.A. (Parent Company)	9
1.2	Business	
2.	SIGNIFICANT ACCOUNTING POLICIES	10
2.1	Basis of presentation	10
2.2	Consolidation principles	15
2.3	Business areas	
2.4	Transactions and balances in foreign currency	17
2.5	Tangible fixed assets	17
2.6	Intangible assets	18
2.7	Investment property	
2.8	Impairment of tangible and intangible assets, except goodwill	19
2.9	Goodwill	20
2.10	Financial assets and liabilities	20
2.11	Inventories	22
2.12	Non-current assets available for sale and discontinued operations	22
2.13	Distribution of dividends	22
2.14	Employee benefits	23
2.15	Provisions and contingent liabilities	25
2.16	Revenues	25
2.17	Subsidies obtained	
2.18	Leases	27
2.19	Borrowing Costs	
2.20	Taxes	27
2.21	Principle of accruals	28
2.22	Judgements and estimates	28

2.23	Consolidated cash flow statement	29
2.24	Subsequent events	30
3.	CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES	30
4.	BUSINESS AREAS	
5.	TANGIBLE FIXED ASSETS	31
6.	INTANGIBLE ASSETS	34
7.	REAL ESTATE INVESTEMENT	
8.	COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER	37
9.	GOODWILL	38
10.	INVESTMENTS IN ASSOCIATED COMPANIES	40
11.	FINANCIAL ASSETS HELD FOR SALE	41
12.	FINANCIAL RISK MANAGEMENT	42
13.	INVENTORIES	44
14.	ACCOUNTS RECEIVABLE	45
15.	DEFERRALS	47
16.	NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS	47
17.	CASH AND CASH EQUIVALENTS	48
18.	OTHER NON-CURRENT AND CURRENT ASSETS	48
19.	ACCUMULATED IMPAIRMENT LOSSES	49
20.	EQUITY	
21.	RESERVES, ADJUSTMENTS IN INVESTMENTS AND RETAINED EARNINGS	50
22.	DIVIDENDS	52
23.	EARNINGS PER SHARE	52
24.	NON-CONTROLLING INTERESTS	52
25.	DEBT	
26.	EMPLOYEE BENEFITS	54
27.	PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS	59
28.	ACCOUNTS PAYABLE	62
29.	TAXES RECEIVABLE AND TAXES PAYABLE	
30.	OTHER NON-CURRENT AND CURRENT LIABILITIES	63
31.	FINANCIAL ASSETS AND LIABILITIES	63
32.	SUBSIDIES OBTAINED	64

33.	OTHER OPERATING REVENUES	64
34.	EXTERNAL SUPPLIES AND SERVICES	
35.	OPERATING LEASES	66
36.	STAFF COSTS	66
37.	IMPAIRMENT OF INVENTORIES AND ACCOUNTS RECEIVABLE	67
38.	DEPRECIATION/ AMORTISATION AND IMPAIRMENT	67
39.	OTHER OPERATING COSTS AND LOSSES	68
40.	INTEREST EXPENSES AND INTEREST INCOME	
41.	INCOME TAX FOR THE PERIOD	69
42.	RELATED PARTIES	72
43.	FEES AND SERVICES OF THE EXTERNAL AUDITORS	73
44.	OTHER INFORMATION	74
45.	SUBSEQUENT EVENTS	74

1. INTRODUCTION

1.1- CTT – Correios de Portugal S.A. - (Parent Company)

CTT – Correios de Portugal, S. A. ("CTT", "Parent company" or "Company"), with head office at Rua de São José, no. 20, in Lisbon, originated from the government department designated "Administração Geral dos Correios Telégrafos e Telefones" and its legal form is the result of successive organisational actions carried out by the Portuguese State 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 January 1, 1970. By Decree-Law no. 87/92, of May 14, CTT – Correios e Telecomunicações de Portugal, E. P. was transformed into a legal person governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92 of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A., which is fully owned by the Portuguese State.

The consolidated financial statements attached herewith are expressed in Euros, as this is the currency mainly used by the Group.

The consolidated financial statements for the period ending on 31 December 2011 were approved by the Board of Directors and authorised for issue on xx April 2012. However, they are still subject to the approval of the General Meeting of Shareholders, under the terms of the commercial legislation in force.

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 their subsidiaries, Tourline Express Mensajería, SLU and its subsidiaries and also EAD – Empresa de Arquivo de Documentação, S.A. business is to establish, manage and operate the Universal Postal Service infrastructure and to render financial services, which include the transfer of funds through current accounts, which can also be operated by a financial operator or para-banking entity to be founded under the Group. In addition, CTT provides services that are complementary, subsidiary or related to these services, 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 convenient or compatible with the normal operation of the public postal network, namely, the provision of information society services, electronic communications networks and services, including related resources and services and a mobile virtual operator (MVNO), with the trade mark "Phone-ix" supported by TMN - Telecomunicações Móveis Nacionais, S. A.'s network.

Law no. 102/99 of 26 July defined the general basis for the establishment, management and operation of postal services on national territory, as well as the international services with origin or

destination on national territory, and ensured the continuity of the universal service, in compliance with the public postal administration services mission.

Decree-Law no. 448/99 of 4 November defined the basis of the concession of the Universal Postal Services and resulted in the signing of a concession contract, on 1 September 2000, between the State and CTT - Correios de Portugal, S.A. Pursuant to this contract, the purposes of the concession are the establishment, management and operation of the public postal network and the provision of various reserved and unreserved mail services defined in the contract.

The provision of concessionary postal services includes, both on a domestic or international basis, a postal service for letter of mail, books, catalogues, newspapers and periodicals up to 2Kg, as well as for parcels up to 20Kg, registered items and insured items. In the context of the progressive liberalisation of the sector defined at the level of the EU, the scope of the reserved services is subject to periodic reviews. Hence, the scope of the services reserved to CTT was once more limited in 2006 to include, until the end of 2011, the postal service for letters weighing up to 50 grams and price up to 2.5 times the reference tariff (1st class mail, in the case of Portugal). The contract has an initial term of 30 years and is subject to renewal for successive periods of 15 years. Under the terms of the act referred to above, as payment for the concession, CTT must annually pay the Portuguese State a rent of an amount corresponding to 1% of the gross revenues from the conceded services rendered on an exclusive basis. Decree-Law no. 112/2006 of 9 June changed the basis of the concession of the Universal Postal Service, with the concessionaire being entrusted with the public electronic mailbox services, and adapting the concession contract to the regulatory postal services environment, as well as giving the Company the degree of flexibility needed to enable it to operate in an increasingly liberalised and competitive sector. The amendments to the concession contract were signed on 26 July 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of the Consolidated financial statements are described below. During the period ended on 31 December 2011, there were no changes to accounting policies in relation to those considered in the preparation of the financial statements of the previous year.

2.1 Basis of presentation

The Consolidated financial statements were prepared under the assumption of business continuity, based on the records of the Company and companies included in the consolidation, kept in accordance with the accounting principles generally accepted in Portugal, adjusted in the consolidation process when necessary, so that the consolidated financial statements are in conformity with the provisions of the International Financial Reporting Standards, as adopted by the European Union on 31 December 2011. These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), and the IAS issued by the International Accounting Standards Committee ("IASC") and respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC").

In addition to the standards that became effective as of 1 January 2011 and which are detailed in the audited financial statements, reported as at 31 December 2011, during the period between 1 January and 31 December 2011, the application of the following standards and interpretations issued and approved by the European Union became mandatory.

A - Standards and Interpretations whose application became effective on 1 January 2011:

A.1 Standards

- **IAS 24** (amendment) 'Related parties'. The amendment to the standard eliminates the general requirements of disclosure of related parties for public entities; however, it is compulsory to disclose the entity's relationship with the State and any significant transactions which have occurred with the State or entities related to the State. Furthermore, the definition of related party has been altered to eliminate inconsistencies in the identification and disclosure of related parties. This amendment had an impact on the Group's financial statements.
- **IAS 32** (amendment), 'Financial instruments: Presentation – classification of issued rights'. This amendment refers to the statement of issued rights denominated in currency other than the functional currency of the issuer. If the rights are issued pro-rata to the shareholders for a fixed amount in any currency, they are considered a transaction with shareholders to be classified under Equity. Otherwise, the rights should be recorded as derivative instrument liabilities. This amendment did not have any impact on the Group's financial statements.
- **IFRS 1** (amendment), 'First time adoption of IFRS'. This amendment enables entities which adopt IFRS for the first time to benefit from the same transitional regime of IFRS 7 – 'Financial instruments – Disclosures, which permits exemption from disclosure of comparative data for the classification of fair value at the three levels required by IFRS 7, provided that the comparative period ends as at 31 December 2009. This amendment did not have any impact on the Group's financial statements since the IFRS are already applied.

Annual improvement of the standards of 2010, applicable mainly to years starting on or after 1 January 2011, affecting the following standards: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. These improvements, when applicable, were adopted by the Group, except for those relative to IFRS 1 since the Group already applies the IFRS.

A.2 Interpretations

- **IFRIC 14** (amendment) IAS 19 – 'Limitation to the assets arising from the defined benefit plans and their interaction with minimum contribution requirements'. This amendment clarifies that when a positive balance arises from voluntary payments in advance on account of future minimum contributions, the positive surplus can be recognised as an asset. This amendment did not have any impact on the Group's financial statements.

- **IFRIC 19**, 'Extinguishing financial liabilities with equity instruments'. This interpretation clarifies the accounting treatment to be adopted when an entity renegotiates the terms of a debt which leads to the payment of the liability through the issue of equity instruments (shares) to the creditor. Any gains or losses are recognised through profit or loss for the year, based on the fair value of the equity instruments issued and compared with the carrying value of the debt. The mere reclassification of the value of the debt to equity is not permitted. This amendment did not have any impact on the Group's financial statements.

B - New standards and amendments to existing standards, which in spite of already being published, are only of mandatory application for annual periods started on or after 1 July 2011 or at a later date:

B.1 Standards

- **IFRS 1** (amendment), 'First-time adoption of the IFRS' (applicable to years starting on or after 1 July 2011). This amendment is still subject to endorsement by the European Union. This amendment is intended to include a specific exemption for entities that previously operated in hyperinflationary economies and adopt the IFRS for the first time. The exemption allows an entity to decide to measure certain assets and liabilities and use the fair value as deemed cost in the opening financial position statement for the IFRS. Another amendment, which was introduced, refers to the replacement of the reference to specific dates by the expression "IFRS transition date", in the exceptions to the retrospective application of the IFRS. This amendment does not have any impact on the Group's financial statements.
- **IFRS 7** (amendment), 'Financial instruments: Disclosures – Financial asset transfers' (applicable to years starting on or after 1 July 2011). This amendment to IFRS 7 refers to the disclosures required in relation to financial assets transferred to third parties but which are not derecognised from the balance sheet because the entity maintains associated or continued liabilities. This amendment does not have any impact on the Group's financial statements.
- **IAS 12** (amendment), 'Income taxes' (applicable to years starting on or after 1 January 2012). This amendment is still subject to endorsement by the European Union. This amendment requires an Entity to measure deferred taxes related to the assets, depending on whether the entity expects to recover the net value of the asset through use or sale, except for investment property measured in accordance with the fair value model. This amendment incorporates in IAS 12 the principles included in SIC 21, which is revoked. This amendment does not have any impact on the Group's financial statements.
- **IAS 1** (amendment), 'Presentation of financial statements' (applicable to years starting on or after 1 July 2012). This amendment is still subject to endorsement by the European Union. This amendment requires that entities individually present the headings recorded as other comprehensive income, depending on whether or not they can be recycled in the future to profit or loss for the year and the respective tax impact, if the headings are presented before taxes. This amendment does not have any impact on the Group's financial statements.

- **IFRS 9** (new), 'Financial instruments – classification and measurement' (applicable to years starting on or after 1 January 2015). This standard is still subject to endorsement by the European Union. IFRS 9 refers to the first part of the new standard on financial instruments, and provides for two measurements categories: amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only when the entity is holding it for the purpose of receiving the contractual cash flows and the cash flows, which represent the principal and interest. Otherwise, the financial instruments are stated at their fair value through profit or loss. The Group will apply IFRS 9 to the year when it becomes effective.
- **IFRS 10** (new), 'Consolidated financial statements' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. IFRS 10 will replace all the principles associated to control and consolidation included in IAS 27 and SIC 12, and will modify the definition of control, as well as the criteria applied to determine control. The basic principle consisting of the consolidated financial statements presenting the parent company and its subsidiaries as a sole entity remains unchanged. The Group will apply IFRS 10 to the year when it becomes effective.
- **IFRS 11** (new), 'Joint arrangements' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. IFRS 11 focuses on the rights and obligations of joint arrangements rather than on the legal form. Joint arrangements can be joint operations (rights to assets and liabilities) or joint ventures (rights to the net assets under the equity method). Proportional consolidation is no longer permitted. The Group will apply IFRS 11 to the year when it becomes effective.
- **IFRS 12** (new) – 'Disclosure of interests in other entities' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. This standard establishes the requirements of disclosure for all types of interests in other entities, including joint ventures, associated companies and special purpose entities, in order to evaluate the nature, risk and financial impact associated with the interest of the entity. An entity can carry out some or all the disclosures without needing to apply IFRS 12 in its entirety or IFRS 10 and 11 and IAS 27 and 28. The Group will apply this standard to the year when it becomes effective.
- **IFRS 13** (new) – 'Fair value: measurement and disclosure' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. The objective of IFRS 13 is to increase the consistency, in establishing a precise definition of fair value and create a single source for the requirements on measurement and disclosure of fair value to be applied transversally to all IFRS. The Group will apply this standard to the year when it becomes effective.
- **IFRS 27** (revision), 'Separate financial statements' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. IAS 27 was revised after the issue of IFRS 10 and includes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associated companies, whenever an entity prepares separate financial statements. The Group will apply this standard to the year when it becomes effective.

- **IFRS 28** (revision 2011), 'Investments in associated companies and joint ventures' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. IAS 28 was revised after the issue of IFRS 11 and stipulates the accounting treatment of investments in associated companies and establishes the requirements for the application of the equity method. The Group will apply this standard to the year when it becomes effective.
- **IFRS 19** (revision 2011), 'Employee benefits' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. This revision introduces significant differences in the recognition and measurement of costs related to defined benefits and employment termination benefits, as well as in disclosures concerning all employment benefits. The actuarial gains and losses will be immediately recognised and only under "Other comprehensive income" (the corridor method is not permitted). The interest cost of plans with a constituted fund is calculated on a net basis of the non-funded liability. Employment termination benefits only qualify as such if there is no obligation on the part of the employee to provide services in the future. The Group will apply this standard to the year when it becomes effective.
- **IFRS 7** (amendment), 'Disclosures – offsetting financial assets and financial liabilities' (applicable to years starting, on or after 1 January 2013). This standard is still subject to endorsement by the European Union. This amendment is part of the IASB's "offsetting assets and liabilities" project and introduces new requirements for the disclosure of not recorded offsetting rights (concerning assets and liabilities), the offset assets and liabilities, as well as the effect that this offsetting has on the exposure to the credit risk. The Group will apply this standard to the year when it becomes effective.
- **IAS 32** (amendment) 'Offsetting financial assets and liabilities' (applicable to years starting on or after 1 January 2014). This standard is still subject to endorsement by the European Union. This amendment is part of the IASB's "offsetting assets and liabilities" project, which clarifies the expression "currently holding the legal right to offset" and clarifies the fact that some settlement systems by the gross amounts (clearing houses) may be equivalent to offsetting by net amounts. The Group will apply this standard to the year when it becomes effective.

B.2 Interpretations

- **IFRIC 20** (new), 'Stripping costs in the production phase of a surface mine' (applicable to years starting on or after 1 January 2013). This standard is still subject to endorsement by the European Union. This interpretation refers to the recording of stripping costs in the initial phase of a surface mine, as an asset, considering that the removal of the waste generates two potential benefits: the immediate extraction of mineral resources and the opening of access to the additional quantity of mineral resources to be extracted in the future. Considering the activity developed, this standard is not applicable to the Group.

2.2 Consolidation principles

Business combinations are recorded by the application of the purchase method.

On the date when the acquisition takes place, it is recorded at its cost. This acquisition cost is measured at the fair value of the assets given in exchange, assumed liabilities and equity interests issued for this purpose. The transaction costs incurred are recorded as costs in the periods when they are incurred, with the exception of debt securities or equity issue costs, which are recorded in accordance with IAS 32 and IAS 39. Identifiable assets and liabilities assumed by the acquisition are measured by the fair value stipulated on the acquisition date.

Goodwill is recognised whenever an excess in the aggregate amount established in relation to: (i) the acquisition cost in accordance with the definition referred to above, the amount of any non-controlling interest held in the acquired entity and the fair value of any interest previously held in the acquired entity; and (ii) the fair value of the identifiable acquired assets and the assumed liabilities and contingent liabilities (Note 2.9).

If any insufficiency is determined between the aggregate amount (i) hereinabove and (ii) hereinabove, the difference will be recognised as a gain for the year.

Subsidiary companies

CTT fully consolidates the financial statements of the subsidiary companies in which the Group carries out the control. Control is presumed to exist when the Group owns more than half the voting rights. There is also a situation of control whenever the Group has, directly or indirectly, the power to manage the financial and operating policy of the company, even when the percentage held of its equity is less than 50%. Subsidiary companies are also referred to as Group companies.

The participation of third parties in the equity and net income of the companies included in the consolidation is presented in the heading “Non-controlling interests” in the consolidated statement of comprehensive income, in the consolidated income statement, in the consolidated statement of financial position and in the consolidated statement of changes in equity (Note 8).

Up to 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interest in the equity of the subsidiary, the excess is attributed to the Group with losses recorded through profit or loss as they are incurred. Profits subsequently obtained are recognised as revenues of the Group until the losses attributable to non-controlling interests previously absorbed by the Group have been recovered. After 1 January 2010, the accumulated losses are attributed to minorities in the held proportions, which might imply the recognition of negative non-controlling interests.

The profit or loss of the subsidiaries, which have been acquired or disposed of during the period are included in the consolidated income statement, from the acquisition date until their disposal date.

Disposal or acquisition transactions concerning holdings in non-controlling interests do not result from the recognition of gains, losses or goodwill, and any difference between the acquisition cost and the carrying value of the traded holding is recognised in the Equity.

Pursuant to the full consolidation method, the assets, liabilities, revenues, costs and cash flows of Group companies are consolidated, and any significant transactions, balances and flows between

these companies are eliminated in the consolidation process. Gains and losses arising from transactions between Group companies are also eliminated.

Whenever necessary, adjustments are made to the financial statements of the subsidiary companies, with a view to the standardisation of the respective accounting policies in relation to the Group's policies.

Joint ventures

Investments in joint ventures are consolidated through the proportional consolidation method, as of the date on which the joint control is acquired. Pursuant to this method, the assets, liabilities, revenues and costs incurred by these companies are included in the consolidated financial statements, item, by item in proportion to the control attributable to the Group (Note 8).

Transactions, balances and dividends to be distributed between the parties are eliminated, in proportion to the control attributable to the Group.

The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control.

Associated companies

Investments in associated companies are recorded in the consolidated statement of financial position by the equity method (Note 8). An associated company is an entity over which the Group has significant influence, through participation in decisions concerning its financial and operating policies, but where the Group does not have control or joint control, which in general, happens whenever the investment is between 20% and 50%.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the associated companies, against "Gains/Losses from associated companies", and by other changes in equity in "Adjustments in investments". Additionally, equity stakes in associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impaired losses are recorded as costs in the Consolidated income statement.

Whenever the losses in associated companies exceed the investment made in these entities, the investment carrying value will be reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the Group incurs in any legal or constructive obligation, assuming all these losses on behalf of the associated company, in which case a Provision is recorded.

The dividends received from associated companies are recorded as a decrease in the value of the "Investments in associated companies".

2.3 Business areas

The Business areas are reported consistently with the internal reporting, which is produced and provided to the Group's management bodies (Note 4). The form of allocation used corresponds to the nature of the services provided: postal service, financial services, express mail service and parcels and documental service.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the Group's functional currency) are recorded at the exchange rates in force on the transaction date. On each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates of that date. The carrying values of non-monetary items recorded at fair value in foreign currency are updated at the exchange rates on the dates the corresponding fair values were determined. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

The exchange rates used in the conversion of the financial statements expressed in foreign currency are the closing exchange rates of that year, in the case of conversion of the assets and liabilities, and the average exchange rate, in the case of profit or loss.

The following exchange rates were used in the conversion of the balances and financial statements in foreign currency:

	2011		2010	
	Close	Average	Close	Average
Mozambican Metical (MZM)	34.96000	40.27833	43.78000	43.67
United States Dollar (USD)	1.29390	1.39200	1.33620	1.32570
Special Drawing Right (SDR)	1.18654	1.13408	1.15966	1.12461

Favourable and unfavourable currency conversion differences arising from differences between the exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting date are recognised through profit or loss for the year.

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly imputable to the purchase, and (iii) the estimated costs of dismantlement or removal of the assets and restoration of the location (Notes 2.15 and 27). Pursuant to the exception of IFRS 1 – First-time Adoption of the International Financial Reporting Standards, the revaluation of tangible assets made, according with Portuguese legislation applying monetary indices, for the years prior to 1 January 2009, was maintained, and the revalued amounts were referred to “as deemed cost” for IFRS purposes.

The depreciation of tangible assets, minus their net residual estimated value, is calculated in accordance with the straight line method, as of the month when they are available for use, during the useful life of the assets, which is determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other tangible fixed assets	5 – 10

Depreciation terminates when the assets are re-classified as available for sale.

On each reporting date, the Group assesses whether there is any indication that an asset might be impaired. Whenever such indications exist, the tangible fixed assets are subject to impairment tests, where any surplus of the carrying value relative to the recoverable amount, should this exist, is recognised in the Consolidated Income Statement.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production, and are recorded at acquisition or production cost. These assets are depreciated as of the month when they are in condition to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs for the period when they are incurred. Major repairs which lead to increased benefits or expected useful life are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gains or loss arising from the disposal of fixed tangible assets are defined by the difference between the sale proceeds and the carrying amount of the assets and are recorded in Consolidated income statement under the heading "Other operating revenues" or "Other operating costs".

2.6 Intangible assets

Intangible assets are registered by the acquisition cost, minus amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Group, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included are expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight line method, as of the month when they are available for use, during their expected useful life, which is situated in a period varying between 3 and 5 years. The exceptions to the above are assets relative to industrial property which are amortised over the period of time during which their exclusive use takes place, and intangible assets with undefined useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis or whenever there is indication that they might be impaired.

2.7 Investment property

Investment property mainly includes land owned by the Group for undetermined future use and from which it has no income and that it is not intended for any activities developed by the Group, or to be sold in the normal course of business.

An investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, tangible fixed assets are measured at cost minus any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates coincide with those of the tangible fixed assets.

The Group ensures that annual assessment of assets qualified as investment property is carried out in order to determine any impairment and to disclose their respective fair value.

Costs incurred in relation to investment property namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period to which they refer. Improvements which are expected to generate additional future economic benefits are capitalised.

2.8 Impairment of tangible and intangible assets, except goodwill

The companies of the Group carry out assessments of impairment of their tangible and intangible fixed assets, whenever any event or situation occurs, which indicate that the amount by which the asset is recorded might not be recovered. In case there is any indication of the existence of such evidence, the Group estimates the recoverable amount of the asset, in order to measure the extent of the impairment loss. When it is not possible to determine the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the amount that would be obtained through the disposal of the asset, in a transaction between independent and expert entities. The value in use arises from the future and estimated cash flows discounted from the assets during the estimated useful life. The discount rate used in the updating of the discounted cash flows reflects the current market assessments of time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the Consolidated Income Statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the Consolidated Income Statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the identifiable net fair value of the assets, liabilities and contingent liabilities of each entity that is acquired and included in the consolidation by the full consolidation method, or subsidiary, a joint venture or associated entity, on the respective acquisition date, according to provisions in IFRS 3 – Business Combinations. Under the exception provided for in IFRS 1 – First-time Adoption of the International Financial Reporting Standards, the Group has applied the provisions of IFRS 3 only to acquisitions made after 1 January 2009. The amounts of goodwill corresponding to acquisitions before 1 January 2009 were kept at the net amounts presented on that date and, since this date, have been subject to impairment tests on an annual basis.

Goodwill is not amortised. The recoverable amount of goodwill is assessed annually or whenever there is indication of a possible loss of value. Any impairment losses are recognised through profit or loss for the period. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. Impairment losses are not reversible.

In the sale of a subsidiary, joint venture or associated company, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Financial assets and liabilities

Financial assets and liabilities are recognised in the Consolidated statement of financial position, when the Group becomes part of the corresponding contractual provisions. A financial asset is any asset, whether money or a contractual right to receive money. A financial liability is any liability which is embodied in a contractual obligation to deliver money.

The Group's financial assets are basically the Accounts receivable, Cash and cash equivalents, and Equity equivalents. The financial assets are fundamentally the funding obtained and the Accounts payable.

Accounts receivable

The balances of customers and other debtors constitute the accounts receivable derived from services rendered by the Group during normal business activity. When it is expected that their collection will occur within one year or less, they are classified as current assets. Otherwise, they are classified as non-current assets.

Accounts receivable that are classified as current assets have no implicit interest and are stated at their respective nominal value, net of any allowances for impairment losses, calculated based on the aging of the accounts receivable. Identified impairment losses are stated against revenues and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

Accounts receivable classified as non-current assets are measured at their respective amortised cost, determined in accordance with the effective interest rate method. When there is evidence that they are impaired, the corresponding loss is recorded in the Consolidated Income Statement.

Cash and cash equivalents

The amounts included under the heading of cash and cash equivalents correspond to the values of cash, sight deposits, time deposits and cash investments which are repayable on demand with insignificant risk of change of value.

For the purposes of the cash flow statement, the heading "Cash and cash equivalents" does not include the bank overdrafts reported in the Consolidated statement of financial position under the item of "Debt".

Equity equivalents

Costs related to the issue of new shares are recognised directly in the share capital as a deduction from the value of the cash inflow.

Costs related to an issue of equity which has not been concluded are recognised as expenditure.

Debt

Loans are recorded in the liabilities at the nominal value received, net of issue expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortised cost, with the corresponding financial costs calculated in conformity with the effective interest rate and stated through income statement according to the accrual basis principle, with the due and unpaid amounts as at the reporting date being classified under the item of "Accounts payable" (Note 28).

Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at the discount value and subsequently measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, by the Group, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

2.11 Inventories

Goods and raw materials, subsidiary materials and consumables, are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost, as the method of valuing warehouse outputs.

Whenever the inventory age is significant, the recorded amount is reduced by the recognition of an impairment loss.

2.12 Non-current assets available for sale and discontinued operations

Non-current assets, namely tangible fixed assets and equity holdings, are classified as available for sale (Note 17) if the corresponding value can be achieved through its sale and not its continuous use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) the Company has made a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as available for sale, are measured at the lowest value between the carrying value before this classification and fair value minus the sale costs. Whenever the fair value is less than the carrying value, the difference is recognised in item "Depreciation / amortisation and impairment of investments, net", in "Consolidated income statement."

Non-current assets available for sale are presented on a specific line, in the item of the "Consolidated statement of financial position".

Non-current assets are not, under any circumstances, subject to depreciation or amortisation.

Earnings of discontinued operations are presented on a specific line, in the Consolidated Income Statement, after Income tax and before Net income for the year.

Whenever the Group is committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as available for sale, provided they meet the above requirements, even if, after the sale, the Group still keeps a residual interest in the subsidiary.

2.13 Distribution of dividends

The distribution of dividends, when approved at the General Meeting of the Company, and until the shareholders are paid, is recognised as a liability.

2.14 Employee benefits

Retirement pensions of the staff integrated in Caixa Geral de Aposentações ("CGA")

Decree-Law no. 246/2003 of 8 October transferred to Caixa Geral de Aposentações, as of 1 January 2003, the liability for retirement pensions due to retired and current personnel covered by that entity, and so, this Decree-Law extinguished the CTT, S.A. Personnel Pension Fund. Upon extinction of the fund, as determined by the same law, the Company transferred to CGA and to the General Directorate of the Treasury, the value of the respective assets, reported to 1 January 2003, plus the respective income and value increases until the date of its effective delivery, in December 2003.

Post-employment benefits - health care

Under the CTT Health Care Plan, up to 31 December 2006 all employees hired by CTT up to 14 May 1992, when it was transformed into a limited liability company, including retired personnel, were not covered by the Portuguese State Social Security system assistance and benefits scheme. Such benefits, namely medical, medication and hospital assistance, auxiliary diagnostic means and nursing services, in addition to other social benefits, were ensured by Instituto das Obras Sociais (Institute of Social Works) ("IOS"). Furthermore, employees hired after that date, covered by the Portuguese State Social Security system schemes, may also benefit from the assistance scheme, provided that they are contributors to the IOS. They are also entitled to benefiting from its assistance scheme, including after retirement, provided that they continue to be contributors to the specific contribution regime. The employees hired after 31 December 2009 and subsequently retired were excluded through the negotiation of the Company Agreement of 2008 and 2010.

The Company adopts the accounting policy for the recognition of its liabilities for the payment of post-retirement health care contributions, the criteria established in IAS 19, namely using the Projected unit credit method.

In order to obtain an estimation of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial valuation is prepared by an independent entity under the assumptions considered appropriate and reasonable. The "Present value of defined benefit obligation" is recorded as a liability in the heading "Employee benefits". Actuarial gains and losses are deferred and amortised over the estimated average period of future service of the employees up to the date of their retirement, as established in IAS 19 (currently estimated at 16.9 years, 17.4 years in 2010). Therefore, the Company does not use the corridor method, but rather a systematic method for their faster recognition.

The funding of the post-retirement health care plan is ensured mostly by the Company, and the remaining costs are covered by the fees paid by the beneficiaries.

The adherence to the post-retirement health plan requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 1.5% of the respective pension. For each family member enrolled a fee is also paid, corresponding to 1.5% or 2% of the pension, depending on the percentage of the amount of the pension. In certain special situations, an exemption from the payment of the fee may be granted to the beneficiaries or their family members.

The management of the health care plan is ensured by the IOS, which in turn, hired Portugal Telecom – Associação de Cuidados de Saúde (Health Care Association) ("PT-ACS") to provide health care services.

Other long term benefits

The Group has also assumed, relative to certain groups of workers, a series of constructive obligations, namely:

- Suspension of contracts, redeployment and release of employment

The liability for the payment of salaries to workers released from their positions, with suspended labour contracts, pre-retirement or equivalent is fully recognised in consolidated income statement at the time they pass into these conditions.

- Telephone subscription charge

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (8,471 beneficiaries as at 31 December 2011, and 8,471 beneficiaries as at 31 December 2010), of the telephone subscription charge, to a monthly amount of 15.30 Euros.

- Pensions for accidents at work

This essentially corresponds to the liability for the payment of pensions for accidents at work, relative to workers who are integrated in CGA.

The Group also supports other liabilities arising from accidents at work suffered by these workers.

According to the legislation in force concerning workers integrated in the CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent handicap or death of the worker. The value of these pensions is updated pursuant to a legal diploma. Currently, because it is not considered as economically justified, no insurance policy has been taken out to meet these liabilities. As at 31 December 2011 and 2010, there were 67 beneficiaries receiving this type of pension.

- Monthly life annuity

This is an allowance provided for in the family benefits legal system set out in DL no. 133-B/97 of 30 May, as amended by Decree-Law no. 341/99 of 25 August and DL no. 250/2001 of 21 September.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the subsidy is the responsibility of CTT. As at 31 December 2011 there were 49 beneficiaries under these conditions (51 beneficiaries as at 31 December 2010), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Order of the Ministério das Finanças and Ministério da Solidariedade, Emprego e Segurança Social.

- Support for cessation of professional activity

This benefit is granted to employees who retire with at least 5 years of seniority at the company. Its amount depends on the seniority on the retirement date. As at 31 December 2011, the table in force provided for a maximum of 1,847.16 Euros for 36 or more years of seniority.

Liabilities concerning "Other long-term benefits" towards employees are determined annually based on actuarial valuations prepared by an independent entity, in accordance with the actuarial methods and assumptions deemed appropriate and reasonable, and their stipulated values are recorded under the heading liabilities "Employee benefits". The main financial and demographic assumptions used in calculating these liabilities, namely the discount rate, mortality and disability tables, are the same as those used in the actuarial assessment of the CTT health care plan.

2.15 Provisions and contingent liabilities

Provisions are recognised whenever: (i) the Group has a present obligation (legal or implicit) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation. Whenever any of these conditions is not met, the Group discloses the events as contingent liability, unless the probability of a cash outflow is remote.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading "Interest and similar costs paid" (Note 40).

The provisions are revised on every reporting date and are adjusted in order to reflect the best estimate at that date.

When losses in associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of further losses is discontinued, except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associate, in which case a Provision is recorded for the investments in associated companies.

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Board of Directors and it has been launched or publicly disclosed.

Provisions are constituted for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. A provision is recorded for ongoing legal costs, whenever there is a reliable estimation of the costs to be incurred with the actions brought by third parties, based on the evaluation of the effectiveness of the probability of payment based on the opinion of the Company's lawyers.

2.16 Revenues

Revenues are measured at the fair value of the consideration that has been or will be received.

Revenues from the sale of merchandising products and from postal business are recognised when the risks and benefits of ownership of the products are transferred to the buyer, which usually occurs at the time of the transaction.

Revenues from postal services are recognised at the moment the customer requests the service, since CTT has no information that would allow a reliable estimate of the amount concerning deliveries not made by the financial reporting date, although it is understood that this issue is not materially relevant, as the date of the service request does not significantly differ from the date of delivery.

Fees from collections made and from the selling of financial products are recognised on the date that the client is charged.

Revenues from PO Boxes and the custody of archives are recognised for the period of the respective contracts.

Revenues from the recharging of prepaid mobile phone services are deferred and recognised in earnings, according to the traffic of the specific client, during the period when the service is rendered.

Revenues and costs relative to international postal services, estimated based on surveys and indices agreed with the fellow postal operators, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and definitive amounts determined in agreement with these services, which are not usually significant, are recognised in the income statement when the accounts become definitive.

Revenues concerning royalties are recognised under the accrual method, according to the substance of the respective contracts, provided that it is probable that economic benefits will flow to the Group and their costs may be measured reliably.

Revenues from interest are recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the Group and their amount can be measured reliably.

2.17 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions required for their assignment.

CAPEX subsidies associated to the acquisition or production of tangible fixed assets are initially recognised in non-current liabilities and are subsequently allocated on a systematic basis as revenues of the period, consistent and proportional to the depreciation of the assets acquired through these grants.

Operating subsidies, namely those for the workers training, are recognised in the Consolidated Income Statement as revenues, for the periods necessary to balance them with the expenses incurred, to the extent that these subsidies are not refundable.

2.18 Leases

The classification of leases is done according to the substance of the transaction and not the form of the contract. Leases are classified as financial whenever their terms imply the substantial transfer, to the lessee, of all the risks and advantages associated to the ownership of the asset. All other leases are classified as operating.

Tangible assets acquired through financial leasing contracts, as well as the corresponding liabilities payable to the lessor, are recorded in the balance sheet at the beginning of the lease at the lowest value between the fair value of the assets and the present value of the minimum lease payments. The discount rate to be used should be the rate implicit in the lease. If this rate is not known, then the Group's funding rate for this type of investment should be used. The policy of depreciation of these assets follows the rules applicable to tangible fixed assets owned by the Group. The interest included in the rents and amortisation of fixed tangible assets is recognised in the Consolidated income statement for the period to which they refer.

For operating leases, the instalments that are owed are recognised as a cost in the Consolidated income statement, during the lease period.

2.19 Borrowing Costs

Borrowing Costs related to loans are recognised in net income, when incurred. Exception: interest is capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

2.20 Taxes

Income tax ("IRC")

The income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded through results, unless they refer to items stated directly under equity. In these cases, current and deferred taxes are also recorded under equity.

Tax currently payable is based on the taxable revenues for the period of the different group companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable revenues differs from carrying value profit, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable revenues also excludes costs and revenues which will never be deductible or taxable.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for the purposes of accounts reporting and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are issued, formally or substantially, on the reporting date.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least in 90% of the share capital and which are, simultaneously, resident in Portugal and taxed under IRC. The remaining companies are taxed individually according to their respective tax base and applicable tax rates.

Value added tax ("VAT")

For purposes of VAT, the Parent Company follows the normal monthly regime, in accordance with the provisions of subparagraph a) of no. 1 of article 41 of the Portuguese VAT Code, with the exemption to various operations in its activity that fall under the provisions of article 9 of the VAT Code, as well as non-exemption to other operations which are subject to Portuguese VAT, and for this reason, using the effective allocating method and the *pro rata* method.

2.21 Principle of accruals

Revenues and costs are recorded according to the principle of accruals, and therefore, are recognised as they are generated, regardless of the moment they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in "Other current assets" or in "Other current liabilities", respectively under "Debtors, by accrued revenues" or "Creditors, by accrued costs". Revenues and costs paid in advance are recorded under the heading "Deferrals", respectively, in the liabilities and in the assets.

2.22 Judgements and estimates

In the preparation of the Consolidated financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Alterations to estimates which occur after the date of the financial statements will be corrected in a prospective manner. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the consolidated financial statements occur in the following areas:

(i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortisation is calculated on the acquisition cost using the straight line method, as of the month when the asset is available for use. The depreciation/amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

(ii) Impairment of Goodwill

The Group tests the goodwill, at least once a year, with the purpose of verifying if it is impaired, in accordance with the policy referred in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment.

(iii) Impairment of accounts receivable

Impairment losses relative to bad debt are based on the Group's assessment of the probability of recovery of balances of accounts receivable. This assessment is made according to the period of time of default, the credit history of the customer and other debtors, and the deterioration of the credit situation of the main customers and other debtors. Should the customers' financial conditions deteriorate, the impairment losses might be higher than that expected.

(iv) Deferred taxes

The recognition of deferred taxes assumes the existence of future net income and taxable amount. The deferred tax assets and liabilities were determined based on the tax legislation currently in force for the Group's companies, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

(v) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with health care plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 26, will have impact on the liabilities carrying amount of employee benefits. CTT has a policy of periodically reviewing the major actuarial assumptions, in case its impact is relevant for the financial statements.

(vi) Provisions

The Group exercises considerable judgement in the measurement and recognition of provisions. Judgement is required in order to appraise the probability of litigation having a successful outcome. Provisions are constituted when the Group expects that the lawsuits underway will lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, real losses might be different from those originally estimated in the provision. These estimates are subject to alterations as new information becomes available. Reviews to the estimates of these losses might affect future results.

2.23 Consolidated cash flow statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

2.24 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the reporting date are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the reporting date, are disclosed in the notes to the financial statements, if considered relevant.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

During the financial year, there were no changes to accounting policies in relation to those considered in the preparation of the financial Information concerning the previous period, presented herein for comparative purposes. Furthermore, no material errors were recognised relative to estimates made in the preparation of the financial statements of previous periods.

The underlying estimates and assumptions were determined based on the best knowledge, at the time the financial statements were approved, of the on-going events and transactions, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Alterations to estimates which occur after the date of the financial statements will be corrected in a prospective manner. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

4. BUSINESS AREAS

The Business of CTT is organized, as follows:

- Mail: CTT without Financial Services plus PostContacto;
- Financial Services: Financial Services and PayShop;
- Express and Parcels: CTT Expresso, Tourline and Corre;
- Documental Service: EAD and Mailtec;
- Other: other services not included in the previous segments, namely those provided by CTT Gest, TIPost and Postal Network.

For the periods ended on 31 December 2011 and 31 December 2010, the earnings of the segments were as follows:

	2011						
	Mail	Financial services	Express service	Documental service	Other	Intra-group operation elimination	Total Group
Revenues	594,791,874	56,412,103	133,917,197	30,566,392	7,211,844	61,825,795	761,073,616
Operating costs	(571,419,557)	(34,789,459)	(124,987,559)	(25,438,697)	(5,825,621)	(61,825,795)	(700,635,100)
Revenues from operations	23,372,317	21,622,644	8,929,638	5,127,695	1,386,223	-	60,438,516
Income before taxes	58,251,576	21,988,790	8,782,691	5,290,055	1,481,060	15,601,387	80,192,784
Income tax	(12,604,928)	(6,247,674)	(2,614,159)	(1,194,236)	(396,748)	-	(23,057,746)
Net income for the year	45,646,647	15,741,116	6,168,531	4,095,819	1,084,312	15,601,387	57,135,039
Non-controlling interests	-	-	20,054	(442,897)	-	-	(422,843)
Net income	45,646,647	15,741,116	6,188,585	3,652,922	1,084,312	15,601,387	56,712,196
	2010						
	Mail	Financial services	Express service	Documental service	Other	Intra-group operation elimination	Total Group
Operating revenues	626,173,316	54,558,775	143,811,096	29,642,575	9,122,519	68,947,656	794,360,624
Operating costs	(605,589,368)	(39,053,475)	(132,776,844)	(25,160,801)	(7,550,650)	(68,947,656)	(741,183,481)
Revenues from operations	20,583,949	15,505,300	11,034,252	4,481,773	1,571,869	-	53,177,143
Income before taxes	45,934,671	15,538,996	10,734,468	4,535,372	1,605,994	15,967,908	62,381,594
Income tax	3,574,331	(4,539,355)	(3,205,408)	(1,196,898)	(433,935)	-	(5,801,265)
Net income for the year	49,509,002	10,999,641	7,529,060	3,338,474	1,172,059	15,967,908	56,580,330
Non-controlling interests	-	-	78,783	(354,165)	-	-	(275,382)
Net income	49,509,002	10,999,641	7,607,843	2,984,309	1,172,059	15,967,908	56,304,948

Intra-group sales and services rendered are transactions between the different segments. These transactions are made at market prices.

5. TANGIBLE FIXED ASSETS

During the periods ended on 31 December 2011 and 31 December 2010, the movement which occurred in the carrying value of the "Tangible fixed assets", as well as the respective accumulated depreciation, was as follows:

	2011								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances payments to suppliers	Total
Tangible fixed assets									
Opening balance	43,644,908	369,425,567	140,661,107	3,527,403	111,613,642	29,089,313	3,072,549	1,912,079	702,946,568
Acquisitions	-	5,699,434	8,343,439	197,595	1,537,902	4,616,294	1,196,277	1,375,782	22,966,723
Disposals	(2,632)	(172,629)	(1,547,839)	(1,115)	(126,236)	(10,943)	-	-	(1,861,394)
Transfers and write-offs	779,701	(973,011)	217,431	(146,602)	2,779,057	(3,016,445)	(2,408,839)	(1,448,639)	(4,217,347)
Adjustments	189,543	1,204,364	25,271	(19,164)	323,054	(459,909)	229,381	46,500	1,539,040
Other variations	-	-	(461)	-	1,822	(1,361)	-	-	-
Closing balance	44,611,520	375,183,725	147,698,948	3,558,117	116,129,241	30,216,949	2,089,368	1,885,722	721,373,590
Accumulated depreciation									
Opening balance	3,970,789	176,123,383	126,195,264	2,931,996	105,906,989	22,333,919	-	-	437,462,341
Depreciation for the period	-	9,532,490	4,754,844	234,700	3,091,360	1,270,748	-	-	18,884,142
Disposals	(134)	(113,028)	(1,546,506)	(1,115)	(121,784)	(10,921)	-	-	(1,793,488)
Transfers and write-offs	229,495	(1,503,322)	(1,077,096)	(136,927)	(349,606)	(151,916)	-	-	(2,989,372)
Adjustments	-	563,082	-	-	-	-	-	-	563,082
Other variations	-	-	(231)	-	1,439	(1,208)	-	-	-
Closing balance	4,200,150	184,602,605	128,326,275	3,028,654	108,528,398	23,440,622	-	-	452,126,705
Net tangible fixed assets	40,411,370	190,581,120	19,372,673	529,463	7,600,843	6,776,327	2,089,368	1,885,722	269,246,885

	2010								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances payments to supplies	Total
Tangible fixed assets									
Opening balance	42,826,937	349,248,893	140,423,247	3,357,010	138,615,754	27,856,336	9,298,798	405,590	712,032,565
Acquisitions	810,865	12,992,173	2,382,788	278,885	1,409,279	2,563,844	1,279,558	2,822,733	24,540,125
Disposals	(2,622)	(150,083)	(2,304,476)	(117,341)	(185,270)	(103,484)	-	-	(2,863,276)
Transfers and write-offs	9,728	7,334,584	159,548	-	(28,153,714)	(795,184)	(7,505,807)	(1,281,257)	(30,232,102)
Other variations	-	-	-	8,849	(72,407)	(432,199)	-	(34,987)	(530,744)
Closing balance	43,644,908	369,425,567	140,661,107	3,527,403	111,613,642	29,089,313	3,072,549	1,912,079	702,946,568
Accumulated depreciation									
Opening balance	3,971,019	167,610,745	122,477,679	2,832,272	131,733,555	21,394,322	-	-	450,019,592
Depreciation for the period	-	8,632,521	6,077,300	215,774	3,420,696	1,062,249	-	-	19,408,541
Disposals	(230)	(104,525)	(2,302,036)	(117,341)	(209,240)	(103,484)	-	-	(2,836,856)
Transfers and write-offs	-	(15,358)	(57,679)	-	(28,964,551)	(19,168)	-	-	(29,056,756)
Other variations	-	-	-	1,291	(73,471)	-	-	-	(72,180)
Closing balance	3,970,789	176,123,383	126,195,264	2,931,996	105,906,989	22,333,919	-	-	437,462,341
Net tangible fixed assets	39,674,119	193,302,184	14,465,843	595,407	5,706,653	6,755,394	3,072,549	1,912,079	265,484,227

The balances of the headings "Land and natural resources" and "Buildings and other constructions" include 6,730,142 Euros related to land and property in co-ownership with PT Communications, S.A.

As a result of the change in the concession contract in 26 July 2006 (Note 1), at the end of the concession the assets included in the public and private domain of the Portuguese State revert automatically, at no cost, to the conceding entity, while under the previous concession contract, all the assets allocated to the concession reverted to the Portuguese State. As the mail 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 period ended on 31 December 2011, the most significant movements in the headings of Tangible Fixed Assets are the following:

- The increases in the heading of Buildings and other constructions of approximately 5,699 thousand Euros, fundamentally refer to the conservation and maintenance works at Lisbon Mail Sorting centre of 2,009 thousand Euros, as well as other conservation and maintenance works at various buildings of CTT, S.A. (Post Offices and Postal Delivery Offices) and CTT Expresso, S.A. (Operating Centres).
- In the heading of Basic equipment and with respect to increases, we highlight the acquisition of optical reading equipment (1,033 thousand Euros), mail sorting machines (4,320 thousand Euros) and 30 heavy goods vehicles, of an approximate value of 2,620 thousand Euros. This also includes the acquisition of 4 (four) note counting machines for the Business Centres of Cabo Ruivo, Pinheiro de Fora and Devesas for a total value of 90 thousand Euros, as well as the acquisition of 5 (five) electric vehicles for dock work, 1 (one) towing vehicle and 1 (one) stacker, all of a total value of 141 thousand Euros. Write-offs due to disposal were recorded for 181 motorcycles, 35 light passenger and goods vehicles, and 19 heavy goods vehicles, whose acquisition value had been 1,530 thousand Euros, which were fully depreciated, leading to the statement of capital gains of approximately 95 thousand Euros.
- Regarding Office equipment, the most substantial acquisitions refer to the acquisition of a series of equipment intended for the roll-out of the NAVE system, composed of

approximately 4,200 PC, recipients, optical line readers and scales, whose total value reached approximately 2,500 thousand Euros. Note should also be made of the acquisitions of furniture, with 83 thousand Euros being for administrative purposes and 291 thousand Euros for the postal service, as well as 25 thousand Euros for the acquisition of security boxes for postal facilities, and the acquisition of medium and large size computer equipment of a value of 209 thousand Euros. Regarding the reductions recorded under this heading, we highlight the write-off of computer equipment, whose acquisition value reached 136 thousand Euros, security boxes of a value of 33 thousand Euros and approximately 263 thousand Euros in furniture, where the majority of these write-offs refer to the sale/write-off of assets which had been in buildings occupied by CTT services, which were in the meantime transferred to the CTT Building.

- With respect to the heading of Other tangible fixed assets, particular note should be made of the prevention and security equipment, of a value of approximately 990 thousand Euros and 140 thousand Euros in orthophotomaps, which are a cartographic product for the GEO10 system. We also note that fixed assets were acquired for the warehouse, in particular computer equipment, of a total value of approximately 3,241 thousand Euros for which close to 2,500 thousand Euros were stated in the assets of the present year.
- The values relative to tangible fixed assets in progress refer to works at various Postal Shops/Mail Distribution Centres (CTT) and Operating Centres (CTT Expresso).
- Advances on payment to suppliers essentially refer to the values disbursed in the context of the acquisition of equipment for the division of correspondence and video-encoding.

The depreciation recorded during the period of these Notes, of the amount of 18,884,142 Euros (19,408,541 Euros in 2010), was recorded in the heading "Depreciation/amortisation and investment impairment (losses / reversals)" of the Consolidated comprehensive income statement (Note 38).

Contractual commitments relative to Tangible Fixed Assets are as follows:

(i) Buildings and other constructions

Acquisition of a building unit to install the Post Office of Corroios, under a promissory contract of purchase and sale concluded with the Município do Seixal, on 26 December 1985.

(ii) Basic equipment

Acquisition of mail sorting machines from the supplier Solystic, S.A. with a foreseen overall value of 276 thousand Euros.

REVALUATION UNDER THE PORTUGUESE GAAP

The details of the historical acquisition costs of tangible fixed assets and corresponding revaluation amounts, as at 31 December 2011 and 31 December 2010, included in the deemed cost, net of depreciation and accumulated impairment losses, are as follows:

	Revaluation date	2011			2010		
		Historical cost	Revaluation surplus	Deemed cost	Historical cost	Revaluation reserve	Deemed cost
Land and natural resources							
	Year 1978	134,678	1,545,871	1,680,549	126,774	1,554,055	1,680,829
	Year 1982	65,905	743,377	809,282	62,172	747,226	809,398
	Year 1984	139,726	1,533,493	1,673,219	132,256	1,541,190	1,673,446
	Year 1986	249,315	2,713,551	2,962,866	236,852	2,726,377	2,963,229
	Year 1988	161,214	1,737,056	1,898,270	153,385	1,745,102	1,898,487
	Year 1991	391,202	4,110,789	4,501,991	363,664	4,117,989	4,481,653
	Year 1992	340,898	3,655,128	3,996,026	318,648	3,661,129	3,979,777
	Year 1998	544,170	5,289,757	5,833,927	512,999	5,298,400	5,811,399
Buildings and other constructions							
	Year 1978	4,612,261	663,728	5,275,989	4,548,109	734,964	5,283,073
	Year 1982	2,649,846	658,178	3,308,024	2,602,865	711,583	3,314,448
	Year 1984	6,015,595	1,757,138	7,772,733	5,930,833	1,908,229	7,839,062
	Year 1986	11,431,154	4,109,460	15,540,614	11,235,011	4,412,703	15,647,714
	Year 1988	7,356,392	2,881,955	10,238,347	7,225,339	3,083,235	10,308,574
	Year 1991	17,377,351	8,074,568	25,451,919	17,023,580	8,596,350	25,619,930
	Year 1992	15,161,288	8,058,570	23,219,858	14,871,006	8,605,176	23,476,182
	Year 1998	22,512,058	14,947,928	37,459,986	22,010,152	15,832,945	37,843,097
Basic equipment							
	Year 1988	1,213,304	-	1,213,304	1,180,207	162	1,180,369
	Year 1991	3,089,481	1,609	3,091,090	3,027,990	5,695	3,033,685
	Year 1992	2,603,376	1,762	2,605,138	2,574,364	5,150	2,579,514
	Year 1998	4,793,128	2,590	4,795,718	4,812,466	7,586	4,820,052
		100,842,342	62,486,508	163,328,850	98,948,672	65,295,246	164,243,918

6. INTANGIBLE ASSETS

During the periods ended on 31 December 2011 and 31 December 2010, the movement which occurred in the main categories of intangible assets, as well as the respective accumulated amortisation, was as follows:

	2011					Total
	Development projects	Computer programmes	Industrial property	Intangible assets in progress	Advances on payments to suppliers	
Intangible assets						
Opening balance	4,325,692	26,889,908	10,750,693	2,719,859	-	44,686,152
Acquisitions	-	1,830,489	155,366	2,112,529	-	4,098,384
Transfers and write-offs	-	800,008	-	(669,348)	-	130,660
Adjustments	-	-	-	8,643	17,986	26,629
Closing balance	4,325,692	29,520,405	10,906,059	4,171,683	17,986	48,941,825
Accumulated depreciation						
Opening balance	4,325,679	20,221,320	6,041,654	-	-	30,588,653
Amortisation for the year	13	3,106,921	199,386	-	-	3,306,319
Transfers and write-offs	-	(33,380)	-	-	-	(33,380)
Closing balance	4,325,692	23,294,861	6,241,040	-	-	33,861,592
Net intangible assets	-	6,225,544	4,665,019	4,171,683	17,986	15,080,232

	2010					Total
	Development projects	Computer programmes	Industrial property	Intangible assets in progress	Advances on payments to suppliers	
Intangible assets						
Opening balance	4,325,692	21,202,669	9,687,432	1,768,704	-	36,984,497
Acquisitions	-	4,737,373	1,063,261	646,651	-	6,447,285
Transfers and write-offs	-	949,866	-	304,504	-	1,254,370
Closing balance	4,325,692	26,889,908	10,750,693	2,719,859	-	44,686,152
Accumulated depreciation						
Opening balance	3,750,923	16,205,045	5,855,530	-	-	25,811,498
Amortisation for the year	574,756	3,983,824	186,124	-	-	4,744,704
Transfers and write-offs	-	32,451	-	-	-	32,451
Closing balance	4,325,679	20,221,320	6,041,654	-	-	30,588,653
Net intangible assets	13	6,668,588	4,709,039	2,719,859	-	14,097,499

Pursuant to the "Contract for the Licensing and Hire of Software and Provision of Supporting, Corrective and Evolutive Maintenance Services", concluded between CTT and CTT Expresso on 23 December 2009, under the "Track & Trace" project, CTT as proprietors of this Software, licensed CTT Expresso to use some of its components and functionalities, for an undetermined period, whose net carrying value as at 31 December 2011 reached 1,806,317 Euros. This value is reflected under the heading of Industrial Property.

Intangible assets in progress concern some computer projects, which are being implemented with the participation of internal and external resources.

The amortisation for the period in question, amounting to 3,306,319 Euros (4,744,704 Euros in 2010) was recorded in the heading "Depreciation / amortisation and impairment of investments, net" (Note 38).

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

There are also no contractual commitments for the acquisition of Intangible Assets.

DEVELOPMENT PROJECTS

During the financial year ended on 31 December 2011 no expenses were recorded relative to research and development.

7. INVESTMENT PROPERTY

As at 31 December 2011 and 31 December 2010, the Group has the following assets classified as investment property:

	2011			Total
	Land and natural resources	Buildings and other construction	Real estate investment in progress	
Real estate investment				
Opening balance	2,889,672	1,218,675	-	4,108,347
Additions	-	97,602	-	97,602
Transfers/Adjustments	(197,056)	(1,218,675)	-	(1,415,731)
Closing balance	2,692,616	97,602	-	2,790,218
Accumulated depreciation				
Opening balance	-	545,795	-	545,795
Depreciation for the period	-	61,845	-	61,845
Transfers/Adjustments	-	(545,795)	-	(545,795)
Closing balance	-	61,845	-	61,845
Net real estate investment	2,692,616	35,757	-	2,728,373
	2010			Total
	Land and natural resources	Buildings and other construction	Real estate investment in progress	
Real estate investment				
Opening balance	2,889,672	760,840	347,659	3,998,171
Additions	-	-	110,176	110,176
Transfers	-	457,835	(457,835)	-
Closing balance	2,889,672	1,218,675	-	4,108,347
Accumulated depreciation				
Opening balance	-	477,262	-	477,262
Depreciation for the period	-	68,533	-	68,533
Closing balance	-	545,795	-	545,795
Net real estate investment	2,889,672	672,880	-	3,562,552

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

The market value of these fixed assets, which are classified as investment property, in accordance with the valuation recorded as at the end of the fiscal year of 2011 conducted by independent entities, amounts to 5,178 thousand Euros and 170 thousand Euros, for land and buildings, respectively.

The objective of this valuation was to estimate the market value for the sublease (rent value) and the current market value for purchase / sale. The valuation criteria were based on the comparative/market method, based primarily on knowledge of the local market and on the basis of comparison with identical values collected in the market covering the assets in question. The objective of this method is to determine the estimated value for the transaction of those properties

between entities, which are not related, at market conditions. The method enables the valuation of revenue generating assets, properties that already generate or may generate revenues.

The depreciation for the period, amounting to 61,845 Euros (68,533 Euros in 2010) was recorded in the heading "Depreciation / amortisation and impairment of investments, net" (Note 38).

For the years ended on 31 December 2011 and 31 December 2010, there were no records concerning impairment losses on investment properties.

8. COMPANIES INCLUDED IN THE CONSOLIDATION PERIMETER

Subsidiary companies

As at 31 December 2011 and 31 December 2010, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds the majority of the voting rights (control) were included in the consolidation through the full method:

Corporate name	Head office	2011			2010		
		Percentage of share capital held			Percentage of share capital held		
		Directly	Indirectly	Total	Directly	Indirectly	Total
Parent company:							
CTT - Correios de Portugal, S.A.	Rua de S. José, 20 1166-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto - Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	95	5	100	95	5	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilha 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Travessa de S. Antão, 24 1150-312 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	100	-	100
Mailtec Comunicação, S.A. (1) ("Mailtec TI")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	17.7	82.3	100	17.7	82.3	100
Mailtec Consultoria, S.A. (2) ("Mailtec COM")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	10	90	100	10	90	100
Mailtec Processos, Lda. (3) ("EQUIP")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	100	100	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona	100	-	100	100	-	100
EAD - Empresa de Arquivo de Documentação, S.A. ("EAD")	Parque Industrial Mata Lobos, Lote 2 Apartado 151 2950- 901 Palmela	51	-	51	51	-	51
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50

(1) Former name - Mailtec -Tecnologias de Informação, S.A.

(2) Former name - DSTS - Desenvolvimento e Integração de Tecnologia, S.A.

(3) Former name - Equipreste - Sociedade Técnica de Serviços, Lda.

The associated company "CORRE" is included in the consolidation due to the fact that the Group exercises effective control on its operating and financial sectors.

Joint Ventures

As at 31 December 2011 and on 31 December 2010, the Group held the following interests in joint ventures, included in the consolidation through the proportional method:

Corporate name	Head office	2011			2010		
		Percentage of share capital held			Percentage of share capital held		
		Directly	Indirectly	Total	Directly	Indirectly	Total
Ti-Post Prestação de Serviços informáticos, ACE ("Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisboa	49	-	49	49	-	49
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 31 December 2011 and on 31 December 2010, the Group held the following interests in associated companies consolidated through the equity method:

Corporate name	Head office	2011			2010		
		Percentage of share capital held			Percentage of share capital held		
		Directly	Indirectly	Total	Directly	Indirectly	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 - Mozambique	-	35	35	-	35	35
AB ADA Courier, SL (b)	Granada Spain	-	-	-	-	50	50
Mafelosa, SL (b)	Castellon Spain	-	25	25	-	25	25
Mensajeria Ugente Rioja Portalada, SL (b)	Logoroño Spain	-	-	-	-	25	25
Urpacsur, SL (b)	Malaga Spain	-	30	30	-	30	30

(a) Company held by Payshop Portugal, S.A.

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

Changes in the consolidation perimeter

During the period that ended on 31 December 2011, there were no changes in the consolidation, in relation to the same period of the previous year.

9. GOODWILL

As at 31 December 2011 and 31 December 2010, the composition of Goodwill was as follows:

Entity	Year of acquisition	2011	2010
Mailtec Holding SGPS, S.A. (51%)	2004	582.970	582.970
Mailtec Consultoria, S.A.	2004	4.718	4.718
Mailtec Comunicação, S.A. (51%)	2004	69.767	69.767
Payshop Portugal, S.A.	2004	406.101	406.101
Mailtec Holding SGPS, S.A. (49%)	2005	6.641.901	6.641.901
Tourline Express Mensajería, SLU	2005	16.592.248	18.238.847
Tourline Express Mensajería, SLU (customer portfolio)	2005	444.739	444.739
EAD - Empresa de Arquivo de Documentação, S.A.	2006	786.164	1.082.015
Payshop Moçambique, S.A. (a)	2008	-	-
		<u>25.528.608</u>	<u>27.471.058</u>

(a) Held by Payshop

During the years ended on 31 December 2011 and 2010, the movements occurred in Goodwill were as follows:

	2011	2010
Opening balance of the year	27,471,058	30,140,142
Impairment	(1,942,450)	(2,669,084)
Closing balance of the year	<u>25,528,608</u>	<u>27,471,058</u>

Impairment of goodwill

The recoverable amount of goodwill is assessed annually or whenever there is indication of an eventual loss of value. For the purpose of these tests, the Company has defined a methodology and a set of assumptions so as to determine the recoverable amount of the investments made, of which the following stand out:

Company	Activity	2011			
		Base for determining the recoverable	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Tourline Express Mensajería, SLU	CEP and Logistics	Equity Value/DCF	5 years	13.0%	2.0%
EAD - Empresa de Arquivo de Documentação, S.A.	Custody and archive management	Equity Value/DCF	5 years	16.4%	2.0%

Company	Activity	2010			
		Base for determining the recoverable	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Tourline Express Mensajería, SLU	CEP and Logistics	Equity Value/DCF	5 years	12.8%	2.0%

The cash flow projections were based on the historical performance and the medium and long term business plans, approved by the Board of Directors, and were prolonged in perpetuity. As a consequence of this impairment analysis, the Company concluded that as at 31 December 2011 and 31 December 2010, the impairment losses in goodwill were as follows:

Entity	Year of acquisition	2011			2010	
		Initial value	Impairment losses for the period	Accumulated impairment losses	Carrying value	Carrying value
Tourline Express Mensajería, SLU	2005	20.671.985	1.646.599	4.079.737	16.592.248	18.238.847
EAD - Empresa de Arquivo de Documentação, S.A.	2006	1.082.015	295.851	295.851	786.164	-
Payshop Moçambique, S.A. (a)	2008	<u>235.946</u>	<u>-</u>	<u>235.946</u>	<u>-</u>	<u>-</u>
		<u>21.989.946</u>	<u>1.942.450</u>	<u>4.611.534</u>	<u>17.378.412</u>	<u>18.238.847</u>

(a) Held by Payshop

10. INVESTMENTS IN ASSOCIATED COMPANIES

As at 31 December 2011 and 31 December 2010, the detail of "Investments in associated companies" was as follows:

	2011	2010
Group's share of net assets	552,824	514,101
Loans granted	-	71,544
	<u>552,824</u>	<u>585,645</u>

Group's share of net assets

As at 31 December 2011 and 31 December 2010, the detail of the heading "Group's share of net assets" was as follows:

	2011	2010
Multicert, S.A.	552,343	500,620
Mensajería Urgente Rioja Portalada, SL	-	13,000
Urpacsur, SL	481	481
	<u>552,824</u>	<u>514,101</u>

The holding in the associated company Mensajería Urgente Rioja Portalada, SL was sold during the present year (05/07/2011).

For the periods ended on 31 December 2011 and 31 December 2010, the "Group's share of net assets" had the following movement:

Investments in associated companies

		2011								
	Head office	Assets	Liabilities	Equity	Net income	% held	Group's share of net assets	Provisions	Loans granted	Proportion of net income
Associated companies:										
Multicert - Serviços de Certificação Electrónica, S.A. (a)	Lisbon	4,167,165	2,013,746	2,761,718	662,248	20%	552,343	-	-	132,450
Payshop Moçambique, S.A. (b)	Maputo - Mozambique	300,938	1,013,717	(712,779)	93,918	35%	-	222,205	-	32,871
Mafelosa, SL (c) (d)	Castellon - Spain	n.d.	n.d.	(340,333)	(93,161)	25%	-	-	-	n.d.
Urpacsur (c) (e)	Spain	n.d.	n.d.	1,924	n.d.	30%	481	-	-	n.d.
						552,824		222,205	-	165,321
		2010								
	Head office	Assets	Liabilities	Equity	Net income	% held	Group's share of net assets	Provisions	Loans granted	Proportion of net income
Associated companies:										
Multicert - Serviços de Certificação Electrónica, S.A.	Lisbon	3,521,451	1,018,352	2,503,099	403,630	20%	500,620	-	-	80,726
Payshop Moçambique, S.A. (b)	Maputo - Mozambique	280,382	926,748	(646,096)	(257,145)	35%	-	226,164	-	(62,509)
ADA Courier, SL (c)	Granada - Spain	145,317	821,999	(676,682)	(72,851)	50%	-	-	71,544	n.d.
Mafelosa, SL (c) (d)	Castellon - Spain	n.d.	n.d.	(340,333)	(93,161)	25%	-	-	-	n.d.
Mensajería Urgente Rioja Portalada (c) (d)	Spain	n.d.	n.d.	86,083	n.d.	25%	13,000	-	-	n.d.
Urpacsur (c) (e)	Spain	n.d.	n.d.	1,924	n.d.	30%	481	-	-	n.d.
						514,101		226,164	71,544	18,217

(a) Data reported on December 2010 (last available)

(b) Company held by Payshop Portugal a subsidiary of CTT Group. The exchange rate used was: 31/12/2011 and 2010 1 Euro= 34.96 Meticals and 1 Euro= 43.05 Meticals

(c) Company held by Tourline Express Mensajería

(d) Data reported on 2008

(e) Data reported on 2007

For the year ended on 31 December 2011, the associated company ADA Courier, SL was absorbed by the company Tourline Express Mensajería, SLU. The holding in the associated company Mensajería Urgente Rioja Portalada, SL was sold during the present year.

11. FINANCIAL ASSETS HELD FOR SALE

As at 31 December 2011 and 31 December 2010, the detail of "Financial assets held for sale", which are stated at cost, was as follows:

	2011	2010
<u>Group's share of net assets</u>	<u>130,829</u>	<u>130,829</u>
	<u>130,829</u>	<u>130,829</u>

Group's share of net assets

As at 31 December 2011 and 31 December 2010, the detail of the heading "Group's share of net assets" was as follows:

Company	Head office	Value
IPC - International Post Corporation	Brussels - Belgium	6,157
Eurogiro Network	Copenhagen - Denmark	124,435
CEPT	Copenhagen - Denmark	237
		<u>130,829</u>

The holdings mentioned above are measured at acquisition cost since the entities are not listed and it is not possible to estimate their fair value reliably.

For the years ended on 31 December 2011 and 31 December 2010, the "Group's share of net assets" recorded no movement.

12. FINANCIAL RISK MANAGEMENT

The Group's activities imply exposure to financial risks, namely: (i) credit risks - risk that debtors will not comply with their financial obligations, (ii) market risks - fundamentally interest rate risk and exchange rate risk, which are associated, respectively, to the risk of the impact of variation of market interest rates on financial assets and liabilities and on net income, and to the risk of fluctuation in the fair value of financial assets and liabilities as a result of changes in exchange rates, and (iii) liquidity risks - risk that difficulties will be found to comply with the obligations related to financial liabilities.

Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus altering the net worth of the Group in a material and unexpected form.

Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the Group's financial performance.

CTT's departments of Corporate Finance and Risk Management, and Accounting and Treasury assure the centralised management of financing operations, investment of surplus liquidity, exchange transactions and the counterpart risk management of the Group, according to the policies approved by the Board of Directors. Additionally, they are responsible for the identification, assessment, and proposal and implementation of mitigation measures of financial risks that the Group is exposed to. The Group is developing an integrated risk management system.

The financial risks of particular importance include credit risks, market risks, interest rate and exchange rate risks, and liquidity risks.

Credit risks

Credit risk essentially refers the risk of a counterpart failing to meet its contractual obligations, resulting in financial losses to the Group. At the Group, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activity.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the Group with the objective of limiting the credit granted to customers, considering the respective profile and aging of receivables from each customer, ensuring the follow-up of the evolution of credit that has been granted, and analysing the recoverability of the values receivable. The deterioration of economic conditions or adversities which affect economies may lead to the incapacity of customers to pay their liabilities, with consequent negative effects on the Group's net income.

The Group is not exposed to significant credit risk relative to any single customer, since its accounts receivable refer to a large number of customers.

The impairment losses for accounts receivable are calculated considering essentially: (i) the aging of the accounts receivable; (ii) the risk profile of the client; and (iii) the financial condition of the client.

The movement of impairment losses of accounts receivable is disclosed in Notes 19 and 37. As at 31 December 2011, the Group believes that impairment losses in accounts receivable are adequately estimated and recorded in the consolidated financial statements.

The risk arising from treasury activities essentially results from the cash deposits investments made by the Group. For the purpose of this risk, the Group's policy is to invest in short/medium term periods at diversified financial institutions with a relatively high credit rating.

As at 31 December 2011 and 31 December 2010, the heading "Cash and cash equivalents" included cash investments which reached a total of 386,391,158 Euros and 407,721,455 Euros, respectively (Note 17).

Interest rate risk

Interest rate risk is essentially related to the interest obtained from the application of surplus liquidity. Gains arising from financial operations are important hence alterations in interest rates have a direct impact on the Group's interest income.

In order to reduce the impact of interest rate risk, the Group monitors market trends on a regular and systematic basis, with a view to leveraging the period/rate relationship on the one hand and the risk/yield relationship on the other hand.

The investment of surplus liquidity, for the years ended on 31 December 2011 and 31 December 2010, received an interest income of 20,788,608 Euros and 10,052,400 Euros, respectively (Note 40).

Foreign currency exchange rate risk

Foreign currency exchange rate risks are related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Right (SDR).

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with reference to previously defined objectives based on the evolution of the international business activities.

As at 31 December 2011 and 31 December 2010, the Group's net exposure (assets minus liabilities) reached, respectively, 1,145,356 SDR (1,359,011 Euros at the exchange rate €/SDR of 1.18654) and 502,647 SDR (582,903 Euros at the exchange rate €/SDR of 1.15966).

In the sensitivity analysis of the balances of accounts receivable and payable to foreign Postal Operators, as at 31 December 2011 and 31 December 2010, assuming an appreciation / depreciation in the €/SDR exchange rate of 10%, the impact on the results would be 135,901 Euros and 58,290 Euros, respectively.

Liquidity risks

Liquidity risk might occur if the funding sources, such as cash balance, operating cash flow and cash flow obtained from divestment operations, credit lines and cash flows obtained from financial operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities, investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash in hand, the Group believes that it has the capacity to meet its obligations.

CTT's principal contractual obligations are related to the funding received (essentially financial leases) and respective interest, employee benefits, the operating leases and other non-contingent financial commitments. The following table sums up the expected contractual obligations and financial commitments of the Company as at 31 December 2011:

	Within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Debt	437,686	1,833,665	730,913	3,002,264
Interest from debt	51,674	123,776	6,579	182,029
Payment of employee benefits (1)	18,763,000	74,876,000	1,006,728,000	1,100,367,000
Operating leases	8,456,733	11,352,750	-	19,809,483
Non-contingent financial commitments (2)	276,456	-	-	276,456
	<u>27,985,549</u>	<u>88,186,191</u>	<u>1,007,465,492</u>	<u>1,123,637,232</u>

(1) The presented amounts correspond to undiscounted payments.

This amount differs from the liability recognised on the balance sheet for the discount in liabilities for past services and also to incorporate the component of future services with the population currently covered by these benefits.

(2) As mentioned in Note 27, the non-contingent financial commitments are essentially related to contracts concluded with investment suppliers.

13. INVENTORIES

As at 31 December 2011 and 31 December 2010, the Groups' "Inventories" are detailed as follows:

	2011			2010		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,148,328	3,275,093	3,873,235	6,447,860	2,854,170	3,593,690
Raw, materials and consumable	3,966,758	1,616,011	2,350,747	4,072,866	1,339,779	2,733,086
Advances on purchases	82,016	-	82,016	185,883	-	185,883
	<u>11,197,102</u>	<u>4,891,104</u>	<u>6,305,998</u>	<u>10,706,609</u>	<u>4,193,949</u>	<u>6,512,659</u>

Cost of sales

During the periods ended on 31 December 2011 and 2010, the details of the "Cost of sales" were as follows:

	2011		
	Merchandise	Raw materials and consumable	Total
Opening balance	6,447,859	4,072,866	10,520,725
Purchases	15,439,092	3,791,814	19,230,906
Offers	(50,059)	(21,908)	(71,967)
Adjustments	(169,272)	(42,605)	(211,877)
Closing balance	(7,133,585)	(3,981,500)	(11,115,085)
Cost of the products sold	14,534,035	3,818,667	18,352,702

	2010		
	Merchandise	Raw materials and consumable	Total
Opening balance	6,470,748	4,404,473	10,875,221
Purchases	13,559,063	3,944,796	17,503,859
Offers	(60,556)	(24,926)	(85,482)
Adjustments	(421,953)	(345,934)	(767,887)
Closing balance	(6,447,859)	(4,072,866)	(10,520,725)
Cost of the products sold	13,099,443	3,905,543	17,004,986

Impairment

For the periods ended on 31 December 2011 and 31 December 2010, the movement in “Accumulated impairment losses of inventories” (Note 19) was as follows:

	2011			
	Opening balance	Increases	Reversals	Closing balance
Merchandise	2,854,170	420,923	-	3,275,093
Raw materials and consumable	1,339,779	276,232	-	1,616,011
	4,193,949	697,155	-	4,891,104

	2010			
	Opening balance	Increases	Reversals	Closing balance
Merchandise	2,727,005	127,165	-	2,854,170
Raw materials and consumable	1,134,918	240,109	(35,248)	1,339,779
	3,861,923	367,274	(35,248)	4,193,949

For the periods ended on 31 December 2011 and 31 December 2010, impairment losses of inventories were recorded net of reversals amounting to 697,155 Euros and 332,026 Euros, respectively, in the heading “Impairment of inventories and accounts receivable, net” (Note 37).

14. ACCOUNTS RECEIVABLE

As at 31 December 2011 and 31 December 2010 the heading of "Accounts receivable" showed the following composition:

	2011	2010
Customers	164,395,256	166,414,841
Associated companies	192	74,919
	164,395,448	166,489,760

Customers

As at 31 December 2011 and 31 December 2010, the age structure of the balance of the heading "Customers" is detailed as follows:

	2011			2010		
	Gross amount	Accumulated impairment	Net book value	Gross amount	Accumulated impairment	Net book value
Current						
Not due	65,652,014	-	65,652,014	58,893,718	-	58,893,718
Past due:						
0-30 days	24,978,505	2,983	24,975,522	36,634,907	640,091	35,994,816
30-90 days	13,271,817	47,232	13,224,585	15,051,133	366,118	14,685,015
90-180 days	10,766,446	86,058	10,680,388	11,436,466	498,704	10,937,762
180-360 days	24,971,589	1,005,569	23,966,020	21,275,611	1,164,352	20,111,259
> 360 days	46,023,585	20,126,858	25,896,727	45,834,921	20,042,650	25,792,271
	<u>185,663,956</u>	<u>21,268,700</u>	<u>164,395,256</u>	<u>189,126,756</u>	<u>22,711,915</u>	<u>166,414,841</u>

Associated companies

As at 31 December 2011 and 31 December 2010, the amount of 177,286 Euros and 74,919 Euros referred to shareholder loans to the company Payshop Moçambique, S.A., granted by the company of the Payshop Portugal, S.A. Group, with an impairment loss on the values granted having been recorded.

Customer impairment

For the years ended on 31 December 2011 and 31 December 2010, the movement occurred in "Accumulated impairment losses" (Note 19) was as follows:

	2011					Closing balance
	Opening balance	Increases	Reversals	Reduction	Transfers	
Customers	<u>22,711,915</u>	<u>2,721,703</u>	<u>(765,154)</u>	<u>(4,501,298)</u>	<u>1,101,534</u>	<u>21,268,700</u>
	<u>22,711,915</u>	<u>2,721,703</u>	<u>(765,154)</u>	<u>(4,501,298)</u>	<u>1,101,534</u>	<u>21,268,700</u>

	2010					Closing balance
	Opening balance	Increases	Reversals	Reduction	Transfers	
Customers	<u>20,544,134</u>	<u>3,376,994</u>	<u>(1,172,888)</u>	<u>(36,325)</u>	-	<u>22,711,915</u>
	<u>20,544,134</u>	<u>3,376,994</u>	<u>(1,172,888)</u>	<u>(36,325)</u>	-	<u>22,711,915</u>

For the periods ended on 31 December 2011 and 31 December 2010, impairment losses were recorded (net increases of reversals) of accounts receivable amounting to 1,956,549 Euros and 2,204,106 Euros, respectively in the heading "Impairment of inventories and accounts receivable, net" (Note 37).

The amount of 1,101,534 Euros recorded under "Transfers", refers to an impairment loss of "Other debtors" of the value of 1,125,669 Euros and another in the opposite direction of the value of 24,135 Euros, relative to IGCP debts and other debtors of CTT Expresso, respectively.

15. DEFERRALS

As at 31 December 2011 and 31 December 2010, the "Deferrals" heading of the current assets and current and non-current liabilities showed the following composition:

	2011	2010
Deferred assets		
Current		
Rents payable	1.170.713	1.046.612
Meal allowances	1.865.875	1.963.056
Works on rented buildings 2009	-	560.479
Other	2.458.239	2.407.702
	<u>5.494.827</u>	<u>5.977.849</u>
Deferred liabilities		
Non-current		
Deferred capital gains	13.273.398	19.537.206
Deferred actuarial gains (Note 26)	18.812.000	15.505.000
Tangible assets subsidies	387.956	-
Other	43.597	33.000
	<u>32.516.951</u>	<u>35.075.206</u>
Current		
Deferred capital gains	2.399.029	3.043.159
Phone-ix Top ups	680.860	691.916
Deferred actuarial gains and losses (Note 26)	1.259.000	841.000
Tangible assets subsidies	7.410	-
Other	1.588.644	2.405.615
	<u>5.934.943</u>	<u>6.981.690</u>
	<u>38.451.894</u>	<u>42.056.896</u>

For the period ended on 31 December 2011, the values relative to "Tangible asset subsidies" previously recorded under "Other non-current and current liabilities" were reclassified to this heading (Note 30).

Actuarial gains and losses arising from (i) differences between the actuarial and financial assumptions used and the values effectively observed and (ii) alterations in the actuarial assumptions, will be amortised over the expected future time of service of the active population, where this portion is re-calculated every year (16.9 years, as mentioned in Note 2.14).

In previous years the Company sold certain property, which it subsequently leased. The capital gains on this disposal were deferred and are recognised over the period of the lease contracts.

16. NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2011 and 31 December 2010, the Group did not have any non-current assets classified as available for sale, nor were there operations classified as discontinued operations.

17. CASH AND CASH EQUIVALENTS

As at 31 December 2011 and 31 December 2010, cash and cash equivalents correspond to the value of cash, sight deposits, time deposits and cash investments on the monetary market, net bank overdrafts and other equivalent short term financing, and is detailed as follows:

	2011	2010
Cash	22,556,735	14,528,420
Sight deposits	17,311,469	57,823,799
Time deposits	386,391,158	407,721,455
Cash and cash equivalents (Consolidated statement of financial position)	426,259,362	480,073,674
Bank overdrafts	-	-
Cash and equivalents (Consolidated Cash Flow Statement)	426,259,362	480,073,674

18. OTHER NON-CURRENT AND CURRENT ASSETS

As at 31 December 2011 and 31 December 2010, the heading "Other non-current assets" and "Other current assets" had the following composition:

	2011	2010
Non-current		
Advances to staff	282,300	570,018
Other receivable from staff	1,354,099	1,252,781
Ministério da Saúde	5,534,797	-
Impairment	(1,166,208)	(971,076)
	<u>6,004,988</u>	<u>851,723</u>
Current		
Advances to suppliers	57,170	41,916
Advances to staff	3,123,524	3,071,937
Ministério da Saúde	1,487,594	6,540,745
Postal financial services	13,838,233	5,113,542
State and other public entities VAT	638,971	685,346
Debtors - accrued income	2,805,370	2,925,198
Other current assets	15,283,827	14,430,549
Impairment	(10,020,645)	(10,901,554)
	<u>27,214,044</u>	<u>21,907,679</u>

The account receivable from the Ministry of Health refers to the Portuguese State contribution to health care costs for the years 2000 to 2006, under the CTT health plan, and pursuant to the protocol signed with this entity, which ended on 31 December 2006. The increase of this heading arises from the conclusions reached by the Work Party composed of the Administração Central do Sistema de Saúde (Central Administration of the Health System) ("ACSS") and IOS/CTT, created for the purpose of assessing the divergences arising with respect to the number of beneficiaries covered by this benefits plan. Based on the prepared documentation and work developed, CTT's

claim was recognised, with a debt being recorded at its present value and classified based on its phased payment.

The amounts recorded under the heading "Postal financial services" refer to values receivable from subscription of savings products and the marketing of insurance.

Debtors - accrued revenues

As at 31 December 2011 and 31 December 2010, the debtors by accrued revenues refer to interest receivable, values to be invoiced, philatelic products, philatelic agents and other values to be invoiced.

Impairment

For the years ended on 31 December 2011 and 31 December 2010, the movement in "Accumulated impairment losses" (Note 19) was as follows:

	2010		
	Opening balance	Increases	Reversals
Other accounts receivable	12,219,070	967,139	(2,914,296)
INESC loan	1,646,313	-	(45,595)
	<u>13,865,383</u>	<u>967,139</u>	<u>(2,959,891)</u>
			<u>11,872,631</u>

For the years ended on 31 December 2011 and 31 December 2010, impairment losses were recorded (increases net of reversals) in "Other current and non-current assets" amounting to 465,682 Euros and (1,992,752) Euros, respectively, under the heading "Impairment of inventories and accounts receivable, net" (Note 37). The value recorded under "Transfers" differs from the amount stated under the same heading of Note 14 by 214,525 Euros which refers to the movements of the associated company Payshop, S.A.

19. ACCUMULATED IMPAIRMENT LOSSES

During the years ended on 31 December 2011 and 31 December 2010, the following movements occurred in the impairment headings:

	2011					Closing balance
	Opening balance	Increases	Reversals	Uses	Transfers	
Other non-current assets (Note 18)						
Other accounts receivable	971,076	195,132	-	-	-	1,166,208
INESC loan	1,550,978	-	(53,885)	-	-	1,497,093
	<u>2,522,054</u>	<u>195,132</u>	<u>(53,885)</u>	<u>-</u>	<u>-</u>	<u>2,663,301</u>
Other current assets (Notes 14 and 18)						
Customers	22,711,915	2,721,703	(765,154)	(4,501,298)	1,101,534	21,268,700
Other accounts receivable	9,300,837	779,807	(455,372)	(264,451)	(887,009)	8,473,812
INESC loan	49,740	-	-	-	-	49,740
	<u>32,062,492</u>	<u>3,501,510</u>	<u>(1,220,526)</u>	<u>(4,765,749)</u>	<u>214,525</u>	<u>29,792,252</u>
Inventories (Note 13)						
Merchandise	2,854,170	420,923	-	-	-	3,275,093
Raw materials and consumable	1,339,779	276,232	-	-	-	1,616,011
	<u>4,193,949</u>	<u>697,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,891,104</u>
	<u>38,778,495</u>	<u>4,393,797</u>	<u>(1,274,411)</u>	<u>(4,765,749)</u>	<u>214,525</u>	<u>37,346,657</u>

	2010				Closing balance
	Opening balance	Increases	Reversals		
Other non-current assets (Note 18)					-
Other accounts receivable	1,020,558	-	(49,482)	971,076	
INESC loan	1,596,573	-	(45,595)	1,550,978	
	<u>2,617,131</u>	<u>-</u>	<u>(95,077)</u>	<u>2,522,054</u>	
Other current assets (Notes 14 and 18)					-
Customers	20,544,134	3,371,814	(1,204,033)	22,711,915	
Other accounts receivable	11,198,512	967,139	(2,864,814)	9,300,837	
INESC loan	49,740	-	-	49,740	
	<u>31,792,386</u>	<u>4,338,953</u>	<u>(4,068,847)</u>	<u>32,062,492</u>	
Inventories (Note 13)					
Merchandise	2,727,005	127,165	-	2,854,170	
Raw materials and consumable	1,134,918	240,109	(35,248)	1,339,779	
	<u>3,861,923</u>	<u>367,274</u>	<u>(35,248)</u>	<u>4,193,949</u>	
	<u>38,271,440</u>	<u>4,706,227</u>	<u>(4,199,172)</u>	<u>38,778,495</u>	

20. EQUITY

As at 31 December 2011 and 31 December 2010, the Company's share capital was composed of 17,500,000 fully subscribed and paid-up shares of 4.99 Euros each, entirely owned by the shareholder, the Portuguese State.

21. RESERVES, ADJUSTMENTS IN INVESTMENTS AND RETAINED EARNINGS

As at 31 December 2011 and 31 December 2010, the heading "Reserves" was detailed as follows:

	2011	2010
Legal reserves	15,236,949	12,421,702
Other reserves	10,555,948	10,555,948
Adjustments in investments	24,864,524	24,616,040
	<u>50,657,421</u>	<u>47,593,690</u>

Legal reserves

The commercial legislation establishes that at least 5% of the annual net income 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 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 articles of association, nor constituted pursuant to contracts signed by the Company.

Adjustments in investments

This heading reflects the adjustments arising from the application of the equity method on equity items other than the net income for the period. Its distribution can only occur when the subsidiary is sold.

Revaluation reserve

The revaluation reserve resulted from the revaluation of tangible fixed assets carried out up to 31 December 1998 in accordance with the Portuguese GAAP. This reserve was transferred to “Retained earnings” under the adoption of the IFRS, since the CTT Group assumed the revalued amount of “Land and natural resources”, “Buildings and other constructions”, and “Basic equipment”, as “deemed cost” as at the IFRS transition date. According to the law in force and the accounting practices in Portugal, this reserve cannot be distributed, and can only be used in future share capital increases or for covering accumulated losses, when carried out.

The reduction in the “Revaluation reserve” essentially arises from the transfer of the amount of revaluation reserve carried out during the period to “Results of previous years”.

	2011	2010
Revaluation reserve	58,625,232	61,266,929
Retained earnings	2,408,870	(17,432,756)
	<u>61,034,102</u>	<u>43,834,173</u>

For the periods ended on 31 December 2011 and 31 December 2010, the following movements were made in the heading “Revaluation reserve”:

	2011	2010
Opening balance	61,266,929	63,807,599
Amortisation (transfer to retained earnings)	(2,276,743)	(136,135)
Disposals and write-offs (transfer to retained earnings)	(364,954)	(2,404,535)
Closing balance	<u>58,625,232</u>	<u>61,266,929</u>

Retained earnings

For the periods ended on 31 December 2011 and 31 December 2010, the following movements were made in the heading “Retained earnings”:

	2011	2010
Opening balance	(17,432,756)	(57,787,539)
Appropriation of net income	53,489,700	57,401,790
Distribution of dividends	(36,056,944)	(21,311,499)
Realisation of revaluation reserve	2,641,696	2,540,670
Unrealised earnings of associated companies	-	1,723,822
Net profit not attributed by subsidiaries	(232,826)	-
Closing balance	2,408,870	(17,432,756)

22. DIVIDENDS

The General Meeting held on 31 May 2011 approved the distribution of dividends of 36,056,944 Euros relative to 2010. The payment was made to the shareholder on 30 June 2011, and subject to tax withholding of 21.5%.

The General Meeting held on 20 May 2010 approved the distribution of dividends of 21,311,499 Euros relative to 2009. The payment was made to the shareholder on 30 June 2010, and subject to tax withholding of 20%.

23. EARNINGS PER SHARE

During the periods ended on 31 December 2011 and 31 December 2010, the earnings per share were calculated as follows:

	2011	2010
Net income for the year	56,712,195	56,304,948
Average number of ordinary shares	17,500,000	17,500,000
Earnings per share:		
Basic	3.24	3.22
Diluted	3.24	3.22

24. NON-CONTROLLING INTERESTS

During the periods ended on 31 December 2011 and 31 December 2010 the following movements occurred in non-controlling interests:

	2011	2010
Opening balance	1,406,989	1,103,270
Net income for the year attributable to non-controlling interests	422,843	275,382
Dividends	(201,874)	(157,351)
Change in the consolidation perimeter	-	185,688
Closing balance	1,627,958	1,406,989

As at 31 December 2011 and 31 December 2010, non-controlling interests refer to the following companies:

	2011	2010
EAD - Empresa de Arquivo de Documentação, S.A.	1,537,513	1,296,490
Correio Expresso de Moçambique, S.A.	90,445	110,499
	1,627,958	1,406,989

25. DEBT

As at 31 December 2011 and 31 December 2010, the heading "Debt" was detailed as follows:

	2011	2010
Non-current liabilities		
Bank loans	114,747	-
Leasings	5,829,195	7,253,904
	<u>5,943,942</u>	<u>7,253,904</u>
Current liabilities		
Bank loans	3,494,551	5,698,794
Leasings	1,409,656	1,326,629
Other loans	261,041	-
	<u>5,165,248</u>	<u>7,025,423</u>
	<u>11,109,190</u>	<u>14,279,327</u>

Bank loans and other loans

As at 31 December 2011 and 31 December 2010, the details of the bank loans were as follows:

Financing entity	2011			2010		
	Limit	Used amount		Limit	Used amount	
		Current	Non-current		Current	Non-current
Millennium BCP (Portugal)	-	-	-	700,000	699,438	-
Caixa Catalunya (Spain)	-	-	-	200,000	7,276	-
Banco Sabadell (Spain)	300,000	176,316	-	300,000	228,547	-
BBVA (Spain)	450,000	84,725	-	450,000	140,221	-
Millennium BCP (Spain)	5,000,000	3,182,063	-	5,000,000	4,623,312	-
BIM (Mozambique)	218,270	51,447	114,747	-	-	-
	<u>5,968,270</u>	<u>3,494,551</u>	<u>114,747</u>	<u>6,650,000</u>	<u>5,698,794</u>	<u>-</u>

The financing receive from Spanish banks is destined to finance the operating activity of the Tourline subsidiary, and the interest rates refer to Eonia.

The financing received from BIM (Mozambique) is intended to finance the transport equipment for distribution (operating activity).

Leasings

As at 31 December 2011 and 31 December 2010, the Group maintains the following assets under Leasings contracts:

	2011		2010
	Cost	Depreciation/ accumulated impairment losses	Carrying value
Land and natural resources	9,651,895	815,990	8,835,905
Buildings and other constructions	5,641,685	1,134,838	4,506,847
Basic equipment	3,570,277	2,407,584	1,162,693
Transport equipment	193,361	118,900	74,461
	<u>19,057,218</u>	<u>4,477,312</u>	<u>14,579,906</u>
			<u>14,807,915</u>

The most significant contracts are the following:

CTT, S.A. is the lessee, under a leasing contract signed with IMOLEASING – Sociedade de locação financeira imobiliária, S.A., relative to a property in the Municipality of Maia (Porto) where the new Mail Sorting Centre is located. The type of lease contract determines its classification as a lease. There are no contingent rents payable, nor the imposition of any restrictions. There is an option to buy for a residual value of approximately 6% of the contract.

The subsidiary EAD is the lessee in:

- (i) Contracts referring to the acquisition of two properties located in the Região Autónoma da Madeira (Autonomous Region of Madeira) and on property located in Vilar do Pinheiro;
- (ii) Contracts referring to the acquisition of metal shelves for stowing clients' archives;
- (iii) Contracts referring to the acquisition of vehicles for use in operating activity.

The subsidiary CTT Expresso is the lessee of a property located in Perafita (Matosinhos) destined to accommodate the Operating Centre of the Northern Region.

The monthly rents are calculated based on the initial contract value, and it is possible to exercise the purchase option by paying a residual value.

There are no other imposed provisions/restrictions in the contracts that have been signed.

As at 31 December 2011 and 31 December 2010 the group's liabilities with leasing contracts presented the following plan of due dates:

	2011			2010		
	Principal	Interest	Lease payments	Principal	Interest	Lease payments
Within 1 year	1,409,656	166,024	1,575,680	1,368,938	96,923	1,465,861
Between 1 to 5 years	4,710,383	325,042	5,035,425	5,614,533	228,944	5,843,477
Over 5 years	1,118,812	31,924	1,150,736	1,597,062	27,021	1,624,083
	5,829,195	356,966	6,186,161	7,211,595	255,965	7,467,560
Total	7,238,851	522,990	7,761,841	8,580,533	352,888	8,933,421

For the periods ended on 31 December 2011 and 2010, the values paid in relation to leasing interest amounted to 167,782 Euros and 134,429 Euros, respectively.

26. EMPLOYEE BENEFITS

The liabilities with employee benefits refer to (i) post-employment benefits – health care, and (ii) other benefits for employees.

During the periods ended on 31 December 2011 and 31 December 2010, these liabilities showed the following movement:

	2011		
	Health care	Other long term benefits	Total
Opening balance	272,123,000	36,132,807	308,255,807
Movement of the year	(21,000)	13,195,939	13,174,939
Closing balance	272,102,000	49,328,746	321,430,746

	2010		
	Health care	Other long term benefits	Total
Opening balance	299,454,000	41,393,728	340,847,728
Movement of the year	(27,331,000)	(5,260,921)	(32,591,921)
Closing balance	272,123,000	36,132,807	308,255,807

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

	2011	2010
Non-current liabilities	300,975,316	285,190,208
Current liabilities	20,455,430	23,065,599
	321,430,746	308,255,807

For the periods ended on 31 December 2011 and 31 December 2010, the costs related to employee benefits recognised in the Consolidated income statement were as follows:

	2011	2010
Costs for the period		
Health care	17,317,000	20,121,000
Other long term benefits	14,057,944	(1,784,736)
	31,374,944	18,336,264

The cost regarding the heading “Other benefits” essentially concern the liabilities arising from the staff reduction programme in 2011. The liabilities with this programme regarding the suspension of work contracts have totalled 14,973,100 Euros, of which 3,997,000 Euros were provisioned in the year ended on 31 December 2010, and the amount of 10,976,100 Euros is recognised under staff costs for the year ended on 31 December 2011.

Health care

As mentioned in Note 2.14, 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 valuation 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.

The main assumptions followed in the actuarial assessment were:

	2011	2010	2009
Financial assumptions			
Discount rate	5.00%	5.50%	5.50%
Salaries growth rate	2.75%	2.75%	3.00%
Pensions growth rate	Law no. 53-B/2006	Law no. 53-B/2006	2.00%
Inflation rate	2.00%	2.00%	2.00%
Health costs growth rate	3.00%	3.00%	3.00%
Demographic assumptions			
Mortality table	TV 88/90	TV 88/90	TV 88/90
Invalidity table	Swiss RE	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA") at the reporting date of the financial position and with a duration equivalent to that of the liabilities with health care.

The reduction of the discount rate to 5.00% is motivated by the analysis performed by the Company of the evolution of the macroeconomic context taking into account a constant need to match the actuarial and financial assumptions to that reality.

The Salaries growth rate expected is determined according to the salary policy defined by the Company.

The Pensions growth rate expected is determined considering the estimated evolution of inflation and GDP growth rate.

The Health costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan's data.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

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

	2011	2010	2009	2008	2007
Liabilities at the end of the period	272,102,000	272,123,000	299,454,000	313,807,000	306,044,000

For the periods ended on 31 December 2011 and 31 December 2010, the movement which occurred in the present value of the defined benefits liability regarding the health care plan was as follows:

	2011	2010
Opening balance	272,123,000	299,454,000
Service costs for the period	4,002,000	4,998,000
Interest costs for the year	14,574,000	16,117,000
Contributions of pensioners	3,422,000	3,426,575
(Payment of benefits)	(15,995,000)	(14,019,043)
(Structural costs)	(1,040,000)	(1,429,000)
Actuarial (gains)/losses	(4,984,000)	(36,424,532)
Closing balance	272,102,000	272,123,000

For the periods ended on 31 December 2011 and 31 December 2010, the composition of costs related to health care recognised in the heading was as follows:

	2011	2010
Cost with the service for the period	4,002,000	4,998,000
Financial cost for the period	14,574,000	16,117,000
Amortisation of actuarial (gains)/losses	(1,259,000)	(994,000)
	<u>17,317,000</u>	<u>20,121,000</u>

The total costs for the period are recognised as follows:

The best estimate that the Company has at this date for costs related to the health care plan, which it expects to recognise in the next annual period of 2012 stands at 16,349 thousand Euros (a value already deducted by 1,259 thousand Euros of amortisation of deferred actuarial gains).

The sensitivity analysis performed for the health care plan leads to the following conclusions:

- (i) If there was a 1% decrease in the growth rate of medical costs, keeping all other variables constant, the liabilities of the health care plan would be 232,601 thousand Euros, falling by approximately 14%.
- (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%, amounting to 291,421 thousand Euros.

Other long term benefits

As mentioned in Note 2.14, in certain situations, the Group has liabilities with the payment of salaries in situation of "Suspension of contracts, redeployment and release of employment", with the allocation of allowances for the "Support for termination of professional activity", with the payment of the "Telephone rental charges", with "Pensions for accidents at work", 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 valuation is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable.

The main assumptions followed in the assessment of these liabilities were as follows:

	2011	2010	2009
Financial assumptions			
Discount rate	5.0%	5.5%	5.5%
Salaries growth rate	2.75%	2.75%	3.0%
Inflation rate	2.0%	2.0%	2.0%
Demographic assumptions			
Mortality table	TV 88/90	TV 88/90	TV 88/90
Disability rate	Swiss RE	Swiss RE	Swiss RE

For the determination of the Company's liabilities to employees in situations of "Suspension of contracts, redeployment and release of employment", salary growth rates of 0% were considered for 2012 and 2013, and 2.25% for the following years. The salary growth rate of 2.75% was applied to the remaining employee benefits, except for the "Telephone subscription charge" for which no value update was considered.

For the periods ended on 31 December 2011 and 31 December 2010, the movement of liabilities with other employee long-term benefits was as follows:

	2011	2010
Suspension of contracts, redeployment and release of employment		
Opening balance	4,131,151	7,996,728
Interest costs for the year	966,283	419,560
Liabilities relative to new beneficiaries	10,976,099	-
Liabilities relative to new beneficiaries (provisioned in previous years)	3,997,001	16,303
(Payment of benefits)	(2,036,534)	(736,713)
Actuarial (gains)/losses	(1,023,839)	(3,564,727)
Closing balance	17,010,161	4,131,151
Telephone subscription charge		
Opening balance	14,841,007	15,722,000
Interest costs for the year	772,281	817,808
(Payment of benefits)	(1,581,133)	(1,705,522)
Actuarial (gains)/losses	264,616	6,721
Closing balance	14,296,771	14,841,007
Pension for accidents at work		
Opening balance	6,936,757	7,219,000
Interest costs for the year	369,869	385,156
Liabilities relative to new pensions	-	70,608
(Payment of benefits)	(425,343)	(432,330)
Actuarial (gains)/losses	285,341	(305,677)
Closing balance	7,166,624	6,936,757
Monthly life annuity		
Opening balance	2,855,189	2,998,000
Interest costs for the year	154,080	161,876
Liabilities relative to new beneficiaries	-	176,400
(Payment of benefits)	(105,526)	(109,591)
Actuarial (gains)/losses	143,688	(371,496)
Closing balance	3,047,431	2,855,189
Support for cessation of professional activity		
Opening balance	7,368,703	7,458,000
Service costs for the period	328,867	341,000
Interest costs for the year	398,923	401,000
Liabilities relative to new beneficiaries	-	1,263
(Payment of benefits)	(710,470)	(492,029)
Actuarial (gains)/losses	421,736	(340,531)
Closing balance	7,807,759	7,368,703
Total closing balances	49,328,746	36,132,807

During the periods ended on 31 December 2011 and 31 December 2010, the composition of expenditure related to other long term benefits, recognised under the heading "Staff costs", was as follows:

	2011	2010
Suspension of contracts, redeployment and release of employment		
Current costs	(57,557)	-
Staff reduction programme	10,976,100	(3,128,864)
Telephone subscription charge	1,036,897	824,529
Pension for accidents at work	655,210	150,087
Monthly life annuity	297,768	(33,220)
Support for cessation of professional activity	1,149,526	402,732
Total costs for the period	14,057,944	(1,784,736)

The best estimate that the Company has at this date for costs with other long-term benefits, which it expects to recognise in the next annual period of 2012, is 2,784 thousand Euros.

The sensitivity analysis done for the “Other long term benefits” plan leads to the conclusion that, if the discount rate was reduced by 50 b.p. compared to the final discount rate on 31/12/2011, keeping everything else constant, this would give rise to an increase of liabilities for past services of approximately 3.8%, reaching 50,675 thousand Euros.

27. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the periods ended on 31 December 2011 and 31 December 2010, in order to meet the requirements of court cases and other liabilities arising from past events, the Group created “Provisions” with the following movement:

	2011			
	Opening balance	Increases	Reversals	Closing balance
Non-current provisions				
Litigations	7,409,988	1,157,264	(62,294)	8,504,958
Investments in associated comp	226,164	28,913	(32,872)	222,205
Other provisions	12,544,308	5,925,419	(6,755,948)	11,713,779
	<u>20,180,460</u>	<u>7,111,596</u>	<u>(6,851,114)</u>	<u>20,440,943</u>

	2010			
	Opening balance	Increases	Reversals	Closing balance
Non-current provisions				
Litigations	7,490,083	248,355	(328,450)	7,409,988
Investments in associated comp	162,338	63,826	-	226,164
Other provisions	2,249,188	10,388,793	(93,673)	12,544,308
	<u>9,901,609</u>	<u>10,700,974</u>	<u>(422,123)</u>	<u>20,180,460</u>

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

The reductions refer to the amounts used during the period due to the occurrence of the provisioned situations. The reversals refer to annulments due to the provisioned amounts proving to be unnecessary.

The provisions for legal actions court cases are destined to meet the requirements arising from cases brought against the Company, estimated based on information from its lawyers.

During the current year, a provision was constituted of the value of 5,480,419 Euros to cover the estimated current value of net expenditure associated to encumbering contracts.

As at 31 December 2011, in addition to the situation mentioned above, this heading also included:

- the amount of 544,159 Euros for coverage of costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the location.

- the amount of 1,430,416 Euros, which arise from the assessment made by the management regarding the possibility of the enforcement of tax contingencies.

- the amount of 3,965,200 Euros intended to meet the liability related to the work contract rescission agreement. This provision seeks to cover employees in a situation of "release from jobs" allocated to departments subject to internal restructuring, or employees relative to whom limitations were identified and incapacity to fully perform the duties inherent to their professional category.

The net value of increases and reversals of the provisions was recorded in the Consolidated income statement under the heading "Provisions " with 6,274,919 Euros, under "Staff costs" with 784,800 Euros relative to the reduction of the provision for rescission, by mutual agreement, of work transfers and a transfer to "Post-employment benefits" of the value of 3,997,000 Euros, and a direct use of the provision of the value of 880,363 Euros relative to the tax contingency.

The transfer of 3,997,000 Euros under the heading "Other long term benefits" is intended to meet costs related to work suspension agreements covering a population aged 55 years old or above who, regardless of their professional category and due to the efficiency programmes that have been taking place, are no longer attributed duties.

Guarantees provided

As at 31 December 2011 and 31 December 2010, the Group had provided bank guarantees to third parties to the amount of, respectively, 1,893,160 Euros and 1,903,202 Euros.

The details of these guarantees were as follows:

Description	2011	2010
Courts	721,733	768,483
Lisboagás, S.A.	190,000	190,000
Municipal Councils	123,887	126,326
Sofinsa	91,618	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	77,969	77,969
Alfândega do Porto	74,820	74,820
Civil Government of Lisbon	25,000	69,120
Authority for Working Conditions (ACT)	34,046	53,137
PT PRO - Serv. Adm Gestão Part., S.A.	50,000	50,000
Regional Office of Administrative Litigation Lisbon	49,880	49,880
Record Rent a Car (Cataluña, Levante)	40,000	40,000
Setgás, S.A.	30,000	30,000
Ana Aeroportos de Portugal, E.P.	29,000	29,000
Santa Casa da Misericórdia de Lisboa	49,817	24,817
Ministry of Education	38,700	20,200
Nature Import	18,096	18,096
Albert Vilella	16,800	16,800
Portugal Telecom, S.A.	16,657	16,657
Ana M. Alcaina Sanchez	14,400	14,400
Petorga, S.A.	10,774	10,694
FUOC	-	10,500
Alquiler Nave Tarragona	7,155	7,155
TNT Express WorldWide	6,010	6,010
Fergil Inversiones	-	6,000
SMAS Torres Vedras	4,002	4,002
Infarmed IP	3,856	3,856
Institute of employment and vocational training (IEFP)	3,720	3,720
Controlplan, S.L	3,400	3,400
ANACOM	20,919	-
Government of Extremadura	1,335	-
Immobiliaria Ederkin	7,800	-
Motorway Infrastructures Institute	3,725	-
Estradas de Portugal, EP	5,000	-
REN Serviços, S.A.	9,818	-
EMEL, S.A	15,000	-
IFADAP	1,746	1,746
Other Entities	16,477	4,796
	<u>1,893,160</u>	<u>1,903,202</u>

Contingent liabilities

As at 31 December 2011, the Group does not have contingent liabilities.

Commitments

As at 31 December 2011, the Group has subscribed promissory notes reaching the total of approximately 1,398 thousand Euros for various rental companies intended to secure complete and timely compliance with the corresponding lease contracts.

28. ACCOUNTS PAYABLE

As at 31 December 2011 and 31 December 2010, the heading "Accounts payable" showed the following composition:

	2011	2010
Advances from customers	2,865,955	3,005,672
CNP money orders	186,484,578	191,661,026
Suppliers c/a	76,906,006	76,121,345
Invoices pending confirmation	3,617,294	3,000,397
Investment suppliers	7,075,314	7,787,467
Invoices pending confirmation (investments)	473,245	238,051
Concession rent	2,883,384	3,128,466
Values collected on behalf of third parties	2,665,104	2,199,508
Postal financial services	61,283,690	108,572,544
Other accounts payable	2,650,879	8,165,621
	<u>346,905,448</u>	<u>403,880,097</u>

CNP money orders

The value of "CNP money orders" refers to the values 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 from divestment in "Savings Certificates" by the savers.

Suppliers and fixed assets suppliers

As at 31 December 2011 and 31 December 2010, the age of the balance of the headings "Suppliers and fixed assets suppliers" is detailed as follows:

	2011	2010
Suppliers		
Not due	28,503,482	29,185,556
0-30 days	2,544,121	8,778,391
30-90 days	12,546,787	6,795,282
90-180 days	2,490,721	3,861,259
180-360 days	9,230,404	7,985,555
> 360 days	21,590,491	19,515,302
	<u>76,906,006</u>	<u>76,121,345</u>
Fixed assets suppliers		
Not due	5,606,515	6,831,211
0-30 days	1,116,305	606,465
30-90 days	151,377	236,718
90-180 days	25,309	46,286
180-360 days	3,454	718
> 360 days	172,354	66,069
	<u>7,075,314</u>	<u>7,787,467</u>

29. TAXES RECEIVABLE AND TAXES PAYABLE

As at 31 December 2011 and 31 December 2010, the heading "Taxes receivable and Taxes payable" presented the following composition:

	2011	2010
Current assets		
Income tax (Note 41)	3	2,121,797
	<u>3</u>	<u>2,121,797</u>
Current liabilities		
Income tax (Note 41)	7,381,234	-
	<u>7,381,234</u>	<u>-</u>

30. OTHER NON-CURRENT AND CURRENT LIABILITIES

As at 31 December 2011 and 31 December 2010, the heading "Other current liabilities" showed the following composition:

	2011	2010
Current		
Estimated holiday salary and holiday bonus	25,901,736	44,262,812
Estimated suppliers and external services	8,497,806	9,097,160
FEDER subsidies	-	402,776
State and other public entities:		
Value added tax	3,969,277	3,544,671
Personal income tax withholding	2,446,948	2,981,206
Social Security Contributions	4,961,356	5,332,614
Caixa Geral de Aposentações	849,025	858,812
Local authority taxes	526,011	490,000
Other taxes	202	3,813
Other	1,983,183	2,369,469
	<u>49,135,544</u>	<u>69,343,333</u>

31. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2011 and 31 December 2010, the categories of financial assets and liabilities were as follows:

	2011			2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Financial assets						
Accounts receivable	164,395,448	164,395,448	-	166,414,841	166,414,841	-
Other current and non-current assets	34,107,529	33,219,032	888,497	23,050,923	22,759,402	291,521
Taxes receivable	3	3	-	2,121,797	2,121,797	-
Shareholders/partners	-	-	-	74,919	74,919	-
	<u>198,502,980</u>	<u>197,614,483</u>	<u>888,497</u>	<u>191,662,480</u>	<u>191,370,959</u>	<u>291,521</u>
Cash and cash equivalents	<u>426,259,362</u>	<u>426,259,362</u>	-	<u>480,073,674</u>	<u>480,073,674</u>	-
	<u>624,762,342</u>	<u>623,873,845</u>	<u>888,497</u>	<u>671,736,154</u>	<u>671,444,633</u>	<u>291,521</u>
Financial liabilities						
Debt	11,109,190	11,109,190	-	14,279,327	14,279,327	-
Accounts payable	346,905,448	346,905,448	-	403,880,097	403,880,097	-
Taxes payable	9,828,182	9,828,182	-	2,981,206	2,981,206	-
Other current liabilities	<u>46,688,596</u>	<u>46,688,596</u>	-	<u>66,362,127</u>	<u>66,362,127</u>	-
	<u>414,531,416</u>	<u>414,531,416</u>	-	<u>487,502,757</u>	<u>487,502,757</u>	-

Except for bank loans and leasing, the remaining financial assets and liabilities fundamentally refer to current assets and liabilities, hence it is believed that their fair value does not differ significantly from the carrying amount.

Regarding bank loans for leases, and other loans in the non-current component, it is considered that the carrying amount corresponds to their fair value.

32. SUBSIDIES OBTAINED

As at 31 December 2011 and 31 December 2010, the information regarding European Union subsidies or grants (Note 2.17) was as follows:

Subsidy	2011				2010	
	Attributed value	Value received	Value receivable	Accumulated revenues	Value to be used	Value to be used
FEDER	9,815,622	9,662,306	153,316	9,420,256	395,366	402,776
	<u>9,815,622</u>	<u>9,662,306</u>	<u>153,316</u>	<u>9,420,256</u>	<u>395,366</u>	<u>402,776</u>

The values received are recognised in the Consolidated income statement, in the heading “Other operating revenues”, as the subsidised assets are amortised.

33. OTHER OPERATING REVENUES

For the years ended on 31 December 2011 and 31 December 2010, the composition of the heading "Other operating revenues" was as follows:

	2011	2010
Income from non-financial investments (a)	7,087,133	3,920,207
Supplementary income	4,528,733	4,550,381
Favourable exchange rate differences of assets and liabilities different from financing	2,724,851	1,985,495
Income from financial investments	1,981,542	707,437
Own work capitalised	805,896	685,066
Prompt-payment discounts obtained	232,464	122,786
Gains in inventories	50,038	41,684
Other	1,812,597	2,481,575
	<u>19,223,254</u>	<u>14,494,631</u>

(a) Includes the value of recognition of the deferred capital gain regarding the building in Praça D. Luís I in Lisbon

34. EXTERNAL SUPPLIES AND SERVICES

During the years ended on 31 December 2011 and 31 December 2010, the composition of the heading "External supplies and services" was as follows:

	2011	2010
Specialised services	68,476,500	79,974,160
Transportation of goods	66,247,680	69,690,138
Rents	40,114,032	36,687,002
Remuneration to Postal operators	16,078,174	16,220,600
Energy and liquids	15,475,601	14,836,782
Agencing	7,626,072	7,519,122
Communication	7,332,462	9,117,655
Subcontracts	5,222,698	8,219,488
Cleaning, hygiene and comfort	5,134,625	6,475,543
Remuneration to Postal Agencies	4,032,734	3,819,817
Insurance	2,391,867	2,800,119
Materials	1,944,798	2,785,168
Staff transportation	1,457,604	1,871,871
Royalties	276,501	59,680
Litigation and notary	137,877	153,831
Other services	14,514,772	13,102,054
	<u>256,463,997</u>	<u>273,333,030</u>

- (i) "Specialised services" refer in particular to the outsourcing contracts for the provision of IT services and the maintenance of IT equipment.
- (ii) "Transportation of goods" refers to costs with the transportation of mail in several ways (sea, air, surface).
- (iii) "Rents" refer to costs with leased facilities from third-parties and the operating lease of vehicles.
- (iv) "Remuneration to Postal operators" refers to costs with fellow postal operator.
- (v) "Energy and liquids" fundamentally refers to diesel for goods vehicles used in the operating process.

35. OPERATING LEASES

As at 31 December 2011 and 31 December 2010, the Group maintained medium and long term liabilities in operating lease contracts of vehicles, with penalty clause in the case of cancellation. The total amount of the future payments relative to operating leases is as follows:

	2011	2010
Within 1 year	10,448,851	10,159,839
Between 1 to 5 years	14,553,876	14,482,398
Over 5 years	420,000	420,000
	<u>25,422,727</u>	<u>25,062,237</u>

During the periods ended on 31 December 2011 and 31 December 2010, the costs incurred with vehicle operating lease contracts of 7,947,241 Euros and 7,505,218 Euros, respectively, are recognised under "Rents" under the heading "External supplies and services " of the Consolidated income statement.

36. STAFF COSTS

During the periods ended on 31 December 2011 and 31 December 2010, the composition of the heading "Staff Costs" was as follows:

	2011	2010
Remuneration of the corporate governance (Note 42)	829,147	1,301,934
Staff remuneration	269,402,775	303,296,718
Employee benefits	30,335,540	13,851,425
Indemnities	2,182	40,459
Social security charges on remuneration	55,421,329	62,952,446
Occupational accident and disease insurance	2,309,799	3,078,475
Social welfare costs	13,313,014	13,419,608
Other staff costs	1,673,503	1,416,156
	<u>373,287,289</u>	<u>399,357,221</u>

For the years ended on 31 December 2011 and 31 December 2010, the average number of staff of the Group was, respectively, 14,371 and 15,184 employees.

Remuneration of the corporate governance

For the periods ended on 31 December 2011 and 31 December 2010, the fixed and variable remunerations attributed to the members of the Board of Directors of the different companies of the Group were as follows:

		2011				
	Board of Directors	Board of Auditors/Statutory Auditor	General Meeting of shareholders	Executive officer	Total 2011	
Fixed remuneration	585,373	242,804	-	4,832,403	5,660,580	
Variable remuneration	-	-	970	-	970	
	<u>585,373</u>	<u>242,804</u>	<u>970</u>	<u>4,832,403</u>	<u>5,661,550</u>	
		2010				
	Board of Directors	Board of Auditors/Statutory Auditor	General Meeting of shareholders	Executive officer	Total 2010	
Fixed remuneration	1,071,124	230,230	-	4,682,522	5,983,876	
Variable remuneration	-	-	580	-	580	
	<u>1,071,124</u>	<u>230,230</u>	<u>580</u>	<u>4,682,522</u>	<u>5,984,456</u>	

Regarding the year ended on 31 December 2011, CTT's Board of Directors was reduced from 5 to 3 members as a result of the resignation of the Chairman of the Board of Directors, taking effect on 1 January 2011, as well as that of a member taking effect in May 2011.

37. IMPAIRMENT OF INVENTORIES AND ACCOUNTS RECEIVABLE

For the periods ended on 31 December 2011 and 31 December 2010, the detail of “Impairment of inventories and accounts receivable (losses/reversals)” was as follows:

	2011	2010
impairment losses		
Customers (Note 14)	2,721,703	3,376,994
Other accounts receivable (Note 18)	974,939	967,139
Inventories (Note 13)	697,155	367,274
	<u>4,393,797</u>	<u>4,711,407</u>
impairment losses		
Customers (Note 14)	765,154	1,172,888
Other accounts receivable (Note 18)	455,372	2,914,296
INESC loan (Note 18)	53,885	45,595
Inventories (Note 13)	-	35,248
	<u>1,274,411</u>	<u>4,168,027</u>
Net movement of the period	<u>3,119,386</u>	<u>543,380</u>

38. DEPRECIATION/ AMORTISATION AND IMPAIRMENT

For the periods ended on 31 December 2011 and 31 December 2010, the detail of “Depreciation and amortisation, net” was as follows:

	2011	2010
Tangible fixed assets		
Depreciation (Note 5)	18,884,142	19,408,541
Intangible assets		
Amortisation (Note 6)	3,306,320	4,744,704
Investment property		
Depreciation (Note 7)	61,845	68,533
	<u>22,252,306</u>	<u>24,221,778</u>

39. OTHER OPERATING COSTS AND LOSSES

For the periods ended on 31 December 2011 and 31 December 2010, the breakdown of the heading "Other costs" was as follows:

	2011	2010
Contractual penalties	4,970,069	-
Concession rent	2,882,309	3,127,091
Unfavourable exchange rate differences of assets and liabilities different from financing	2,723,115	1,652,161
Taxes	1,421,115	1,368,810
Cost from non-financial investments	1,055,435	-
Donations	1,005,505	1,306,186
Banking services	818,186	763,106
Subscriptions	654,264	696,537
Annulled invoices	637,647	469,649
Default interest	511,472	460,934
Bad debts	480,069	1,720,503
Losses in inventories	220,564	773,995
Cost from financial investments	-	4,898
Insufficient estimated income tax	-	20,903
Other costs	1,562,301	1,410,378
	<u>18,942,051</u>	<u>13,775,151</u>

The variation in "Contractual penalties" refers to the termination of a lease contract for which a time limit was established, that, by not being complied with, would imply the payment of compensation to the lessor (property in Praça D. Luís I in Lisbon).

40. INTEREST EXPENSES AND INTEREST INCOME

During the periods ended on 31 December 2011 and 2010, the heading "Interest expenses" had the following detail:

	2011	2010
Interest expenses		
Bank loans	302,719	708,618
Other interest	167,782	134,429
Unfavourable exchange rate differences of financing liabilities	2,051	4,478
Other interest costs	646,383	18,641
	<u>1,118,935</u>	<u>866,166</u>

During the periods ended on 31 December 2011 and 2010, the heading “Interest income” was detailed as follows:

	2011	2010
Interest income		
Deposits in credit institutions	20,750,136	10,026,891
Other supplementary income	38,472	25,509
	<u>20,788,608</u>	<u>10,052,400</u>

41. INCOME TAX FOR THE PERIOD

Companies based in Portugal are subject to the payment of tax on profit through Corporate Income Tax (IRC) at the normal rate of 12.5% on the portion of the taxable amount that does not exceed 12,500 Euros and 25% on any portion above this figure, with the Municipal Surcharge established at a maximum rate of 1.5% of taxable profit, and the State Surcharge of 2.5% of taxable profit above 2,000,000 Euros. Tourline is subject to income tax (Impuesto sobre Sociedades -IS) in Spain at the rate of 30%.

Corporate income tax (IRC) is levied on the Group and its subsidiaries PostContacto – Correio Publicitário, Lda., CTT – Expresso, S.A., Mailtec Holding, SGPS, S.A., MailTec Comunicação, S.A., Mailtec Consultoria, S.A., Mailtec Processos, Lda., Payshop Portugal, S.A. (“Payshop”), and CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A. (“CTT Gest”), through the Special Regime for the Taxation of Groups of Companies (“RETGS”). The remaining companies are taxed individually.

Reconciliation of the income tax rate

For the periods ended on 31 December 2011 and 31 December 2010, the reconciliation between the nominal rate and the effective income tax rate was conducted as follows:

	2011	2010
Income before taxes	80,192,784	62,381,594
Nominal tax rate up to € 12,500	12.5%	12.5%
Nominal tax rate above € 12,500	25.0%	25.0%
	20,046,633	15,593,836
Permanent differences		
Tax benefits	(417,003)	(589,646)
Accounting gains	(30,276)	(113,110)
Tax capital gains	12,358	47,948
Equity method	(12,931)	16,113
Provisions not considered in the calculation of deferred taxes	(75,118)	184,959
Impairment losses and reversals	592,309	182,093
Other situations, net	675,722	417,398
Temporary differences:		
Accounting gains	(1,726,984)	(760,790)
Provisions considered in the calculation of deferred taxes	1,336,055	2,295,218
Impairment losses and reversals	167,405	14,214
Non tax deductible depreciation	27,972	30,102
Derecognition of inventory	(81,240)	(81,240)
Other situations, net	3,203,322	942,813
Autonomous Taxation	684,966	744,547
Municipal Surcharge	1,385,086	1,077,797
State Surcharge	1,994,056	1,472,320
Change of the tax rate	(193,559)	(8,259,975)
Excess estimated income tax	(675,160)	(4,695,541)
Other effects, net	(3,855,867)	(2,717,792)
Income taxes for the period	23,057,746	5,801,264
Effective income tax rate	28.75%	9.30%
Income taxes for the period		
Current tax	27,815,953	21,607,816
Deferred tax	(4,083,047)	(11,092,413)
Excess estimated income tax	(675,160)	(4,714,139)
	23,057,746	5,801,264

As at 31 December 2011 and 31 December 2010, the heading “Excess estimated for taxes” includes the SIFIDE values paid, amounting to 576,914 Euros and 4,214,287 Euros, respectively.

Deferred taxes

As at 31 December 2011 and 31 December 2010, the balance of deferred tax assets and liabilities was composed as follows:

	2011	2010
Deferred tax assets		
Employee benefits - health care	84,730,170	83,656,010
Employee benefits - other long term benefits	14,417,549	10,478,514
Deferred accounting gains	4,640,965	6,548,306
Impairment losses and provisions	4,865,130	4,054,154
Adjustments new GAAP - derecognition of inventories	238,444	303,950
Adjustments new GAAP - value deducted from staff debts	57,271	73,005
Tax losses carried forward	482,388	442,836
Other	2,770	2,770
	<u>109,434,687</u>	<u>105,559,545</u>
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	4,811,756	5,092,835
Suspended capital gains	1,155,930	1,183,902
Other	197,747	89,040
	<u>6,165,433</u>	<u>6,365,777</u>

During the periods ended on 31 December 2011 and 31 December 2010, the movements which occurred under the deferred tax headings were as follows:

	2011	2010
Deferred tax assets		
Balances on 1 January 2011 and 2010	105,559,545	94,304,013
Effect on results		
Employee benefits - health care	1,074,160	9,358,493
Employee benefits - other long term benefits	3,939,035	1,628,309
Deferred accounting gains	(1,907,341)	(241,928)
Impairment losses and provisions	810,976	314,801
Derecognition of inventories	(65,506)	303,950
Value deducted from debts	(15,734)	(10,384)
Tax losses carried forward	39,552	(98,189)
Other	-	480
Closing balance	<u>109,434,687</u>	<u>105,559,545</u>
Deferred tax liabilities		
Balances on 1 January 2011 and 2010	6,365,777	6,163,764
Effect on results		
Revaluation of tangible fixed assets before IFRS	(281,079)	190,675
Suspended capital gains	(27,972)	70,152
Other	108,707	(58,814)
Closing balance	<u>6,165,433</u>	<u>6,365,777</u>

SIFIDE

In the periods of 2006 and 2008, the Group paid research and development (“R&D”) costs, eligible for inclusion in the Tax Incentive System for Corporate Research and Development (SIFIDE), foreseen in Law no. 40/2005, of 3 August, totalling approximately 20,394,000 Euros.

The applications for the Certification Commission for Tax Incentives for Corporate R&D (“Certification Commission”) were prepared and submitted, which resulted in a tax credit of 4,214,286 Euros, recognised on the tax of the year 2010.

Regarding the year of 2009, the submitted application presented the total value of 6,126,128 Euros, with its acceptance by the Certification Commission being awaited, implying that the Group will have the possibility of benefiting from a tax deduction in income tax estimated as 1,262,671 Euros.

Also, and with respect to 2010, the submitted application presented the total value of 12,856,864 Euros, with its acceptance by the Certification Commission being awaited, implying that the Group will have the possibility of benefiting from a tax deduction in income tax estimated at 1,775,058 Euros.

Regarding the expenses incurred with R&D during 2011, approximately amounting to 5,287,949, the Group will have the possibility of benefiting from a tax deduction in income tax estimated at 2,553,349 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 for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or objections are underway, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Group's income tax returns for 2010 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 administration of these tax returns will not have a significant effect on the financial statements on 31 December 2011.

42. RELATED PARTIES

According to the Group's internal rules on financial reporting, the parties related to the Group are the Portuguese State, through the Ministério de Estado e Finanças (“Ministry of Finance”), and other shareholders of companies in which the Group has a stake, the associated companies or joint ventures, and the members of the Boards of Directors, the General Meeting, and the Audit Board.

The terms or conditions applied between the Group's companies and the related parties are, as a rule, substantially identical to those which are normally contracted, accepted and applied between independent entities in comparable operations.

During the years ended on 31 December 2011 and 2010, the following transactions took place and the following balances existed with related parties:

	2011				
	Currents accounts receivable	Current accounts payable	Income	Dividends	Costs
Ministério das Finanças (Finance Ministry)	-	-	-	36,056,944	-
Other shareholders Group companies					
Associated companies (Note 8)	1,729	18,923	23,958	-	-
Joint ventures (Note 8)	89,002	33,004	266,882	-	-
Members of the					
Board of Directors	-	-	-	-	585,373
General Meeting of shareholders	-	-	-	-	970
Board of Auditors	-	-	-	-	242,804
Executive officers	-	-	-	-	4,832,403
	<u>90,731</u>	<u>51,927</u>	<u>290,840</u>	<u>36,056,944</u>	<u>5,661,550</u>
	2010				
	Currents accounts receivable	Current accounts payable	Income	Dividends	Costs
Ministério das Finanças (Finance Ministry)	-	-	-	21,311,449	-
Other shareholders Group companies					
Associated companies (Note 8)	2,777	51,248	38,247	-	127,625
Joint ventures (Note 8)	59,794	-	266,215	-	2,735
Members of the					
Board of Directors	-	-	-	-	1,071,124
General Meeting of shareholders	-	-	-	-	580
Board of Auditors	-	-	-	-	230,230
Executive officers	-	-	-	-	4,682,522
	<u>62,571</u>	<u>51,248</u>	<u>304,462</u>	<u>21,311,449</u>	<u>6,114,816</u>

The transactions and balances between the companies consolidated by the full consolidation method, are eliminated in the consolidation process, and are not disclosed in this Note.

43. FEES AND SERVICES OF THE EXTERNAL AUDITORS

During the periods ended on 31 December 2011 and 31 December 2010, the fees and services provided by the Group's external auditors were as follows:

	2011	2010
Parent Company		
Legal accounts review services	93,470	108,859
External audit services	92,159	88,020
Other services	-	60,170
	<u>185,629</u>	<u>257,049</u>
Subsidiary companies		
Legal accounts review services	54,739	-
External audit services	51,330	89,249
	<u>106,069</u>	<u>89,249</u>
	<u>291,698</u>	<u>346,298</u>

44. OTHER INFORMATION

BANIF

On 7 April 2006, Banco Internacional do Funchal (BANIF) brought an ordinary action against CTT – Correios de Portugal, which was personally cited on 27 June 2006, demanding the execution of the MoU (agreement principles) for the incorporation of Banco Postal and subsidiarily, if this condemnation is deemed non-enforceable, the obligation to indemnify BANIF for emerging damage and loss of profits, with the application amounting to 100,000,000 Euros plus accrued interest. As the Company's legal consultant believes, in a classification at three levels, from low to high probability, that BANIF's demands have little probability of being judged in its favour, the Company decided not to record a provision for it. Moreover, the period for Caixa Geral de Depósitos to exercise its right of preference terminated in January 2008.

On 12 January 2011, the court found that the essential facts that support the claims for compensation by BANIF were not proved, and the facts brought forth by the Company that contradict the thesis defended by BANIF were proved. As sentenced on 2 December 2011, CTT was acquitted from the application lodged by BANIF, which appealed against this decision to the Court of Appeals of Lisbon, where the appeal is currently underway.

SINDETELCO

After the end of the financial year, CTT was notified of the sentence issued by the 4th Court, 2nd Section of the Labour Court of Lisbon in the case brought by SINDETELCO (Democratic Union of Communications and Media Workers) against CTT, based on the incorrect reduction of remunerations and freezing of career progression of their associates, applied under the government measures for all public companies. The Company has decided to appeal this decision, which condemns CTT for the claim, to the Constitutional Court, so as to obtain its suspension, for which a bank guarantee of 500 thousand Euros was given.

45. SUBSEQUENT EVENTS

After the end of the year and up to the present date, no relevant fact has occurred, considered to be material to the Company's activity that has not been disclosed in the notes to the financial statements.