Consolidated Results

9 Months 2014

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CTT – Correios de Portugal, S.A.
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CTT – CORREIOS DE PORTUGAL, S.A.
PUBLIC COMPANY

9 MONTHS 2014 CONDENSED CONSOLIDATED RESULTS

- **Strong growth of recurring EBITDA[1] to €101.7m (16.8%) and of Net profit to €52.6m (+16.5% compared to €45.2m in the same period of 2013).**
- **Slowing down of the rate of addressed mail volume decline to -6.1% (-7.0% in 1H14) in line with CTT estimates.**
- **Revenues grow[2] by 2.1%:**
    - **Mail revenues revert historic trend and grow by 0.3%[2], due to the slowing down of the rate of decline in addressed mail volumes to -6.1% and the 4.3% increase in the average price of the Universal Postal Service;**
    - **Financial Services strengthen their offer and market position, with a strong 23.4% recurring revenues growth, consolidating as a solid overall growth lever for CTT;**
    - **Express & Parcels revenues decline by 1.2%, despite 8.0% volumes growth, as a result of product mix effect, due to the fact that growth is occurring mainly in the B2C segment and seasonal effects.**
- **Operating Costs[3] decrease by 1.5% despite revenues increase, as a result of economies of scale and leveraging of installed capacity.**
- **Transformation programme initiatives under implementation as planned, with a favourable impact on EBITDA of around €19m.**

✓ Recurring[1] EBITDA grows by 16.8% to €101.7m, with Mail contributing 67% of total EBITDA, Financial Services 28% and Express & Parcels 5%.

✓ Recurring revenues of €527.9m, reversing the 5-year declining trend and growing by 2.1%[2] vs. those of the same period of 2013 (excluding EAD figures from the 2013 financials for comparison purposes).

✓ Operating Costs[3] decrease by 1.5% to €426.2m, maintaining the declining trend, despite growth in Express & Parcels and Financial Services volumes. This comes as the result of the growing use of the available capacity in the Mail distribution network and the Retail Network, respectively.

✓ Reorganisation initiatives in Express & Parcels proceed and volumes continue to grow (+8.0% year-on-year in the first 9 months of 2014). The effects of some of these measures can already be seen in +0.7 p.p. growth in the EBITDA margin vis-à-vis the first half of 2014.

✓ 2.5% year-on-year reduction in the number of staff (to 12,689), due to non-replacement of retiring permanent employees and non-renewal of fixed-term contracts, made possible as a result of the Transformation Programme implemented in 2013.

✓ Strong levels of financial standing preserved and liquidity levels grow as a result of ongoing working capital optimisation and of Financial Services business growth.

✓ Quality and customer satisfaction remain at high levels.

[1] Before non-recurring revenues and costs.

[2] Rate of change of the recurring revenues relative to the period from January to September 2013 pro-forma when EAD was excluded from the consolidation.

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

1. Operating Activity

Business Units Performance

Mail

The decrease in addressed mail volumes in the 3rd quarter of 2014 in relation to the same period of 2013 (-4.3%) slowed down significantly when compared to the 1st half of the year (-7.0%), resulting in a rate of decline of -6.1% for the 9-month period of 2014.

Mail Volumes

Million items

	1H14	1H13	∆ %	3Q14	3Q13	∆ %	9M14	9M13	∆ %
Transactional Mail	369.4	391.6	-5.7	172.3	178.0	-3.2	541.7	569.5	-4.9
Editorial Mail	23.7	24.5	-3.4	11.5	11.3	1.2	35.2	35.9	-2.0
Advertising Mail	38.3	47.5	-19.4	15.7	19.2	-18.2	54.0	66.7	-19.1
Addressed Mail	**431.4**	**463.6**	**-7.0**	**199.5**	**208.5**	**-4.3**	**630.9**	**672.1**	**-6.1**
Unaddressed Mail	**251.1**	**241.1**	**4.1**	**118.0**	**148.9**	**-20.7**	**369.1**	**390.0**	**-5.4**

The rate of decline of transactional mail volumes reduced from -5.7% at the end of the 1st semester to -3.2% in the 3rd quarter, resulting in a decrease of -4.9% for the period from January to September 2014. To the whole picture contributed the changes in the volumes of ordinary mail (change of -5.4% in the first nine months; -5.2% in the 3rd quarter), priority mail (-2.4%; +14.9%), registered mail (-2.8%; +6.9%), international mail (-2.6%; -0.9%) due to outbound mail (-7.0%; -4.1%), and “green” mail / *correio verde* (-4.6%; +9.4%). International inbound mail grew by 2.7% in the first nine months (+3.6% in the 3rd quarter).

Editorial mail (-2.0%; +1.2%) also recovered in the 3rd quarter of 2014. In addressed (-19.1%; -18.2%) and unaddressed advertising mail (-5.4%; -20.7%) a similar recovery as that of the other mail products has not yet taken place. Despite the fact that the advertising market is showing some signs of recovery, there has still been no impact on advertising by physical means (press and mail).

Mail Business Unit Revenues, Costs and EBITDA

€ million

	Reported			Recurring		
	9M14	9M13	∆%	9M14	9M13	∆%
Revenues	**400.8**	**402.7**	**-0.5**	**400.8**	**402.7**	**-0.5**
Sales and services rendered	374.5	377.6	-0.8	374.5	377.6	-0.8
Other operating income	13.4	12.4	7.5	13.4	12.4	7.5
Intragroup revenues	12.9	12.7	1.3	12.9	12.7	1.3
Operating costs (*)	**335.2**	**335.6**	**-0.1**	**332.3**	**341.7**	**-2.8**
External supplies and services	76.1	80.4	-5.3	76.1	80.4	-5.3
Staff costs	177.7	179.3	-0.9	177.3	178.8	-0.8
Other costs	13.3	15.3	-13.3	13.3	15.3	-13.3
Intragoup costs	68.1	60.5	12.5	65.6	67.2	-2.4
EBITDA	**65.6**	**67.1**	**-2.3**	**68.5**	**61.0**	**12.3**
EBITDA MARGIN	**16.4%**	**16.7%**	**-0.3 p.p.**	**17.1%**	**15.2%**	**1.9 p.p.**

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

The pricing and discounts policy pursued allowed to partially mitigate the effects of mail volumes decline (-6.1%) in the revenues of the Mail business unit in the first nine months of the year. The revenues declined slightly by 0.5% (-0.9% in the 1st of half 2014). This decrease translates actually into growth of 0.3% if one takes into consideration adjustments of around €3.0m relative to revenues of the former subsidiary EAD which are no longer consolidated as a consequence of the sale of the CTT stake in its capital.

The changes in the prices of Universal Service products implemented during the 1st half of 2014 (on the 1st of January for bulk mail, 7 April for the remaining services and 1st of June for editorial mail) resulted in a 4.3% average overall price increase in the first nine months of the year vs. same period of the previous year. The revised discounts policy obliges the customers to higher pre-sorting standards and more strict payment deadlines, which led a few major customers to lose some discounts. This effect will fade away in the future as those customers adapt to the new conditions.

The Transformation Programme measures implemented throughout 2013 and 2014, which for this business unit are related to the optimisation and rationalisation of operations and delivery, and the Retail Network, resulted in a 2.8% (€9.4m) reduction in operating costs in the first nine months of 2014 and, despite the decrease in revenues (unadjusted for the sale of EAD), in a 1.9 p.p. positive change (1 p.p. in the 1st semester) in the recurring EBITDA margin of this business unit, excluding the effect of non-recurring costs.

Express & Parcels

Express & Parcels volumes grew by 8.0% year-on-year in the first nine months of 2014, while revenues decreased by 1.2% to €94.0m.

Express & Parcels Business Unit Revenues, Costs and EBITDA

€ million

	Reported			Recurring		
	9M14	9M13	∆%	9M14	9M13	∆%
Revenues	**94.0**	**95.1**	**-1.2**	**94.0**	**95.1**	**-1.2**
Sales and services rendered	92.5	93.9	-1.5	92.5	93.9	-1.5
Other operating income	1.5	1.2	26.9	1.5	1.2	26.9
Operating costs (*)	**89.6**	**88.9**	**0.8**	**89.5**	**88.9**	**0.7**
External supplies and services	70.7	70.0	1.0	70.7	70.0	1.0
Staff costs	17.6	17.4	1.6	17.6	17.4	1.3
Other costs	1.3	1.5	-17.2	1.2	1.5	-20.0
EBITDA	**4.4**	**6.2**	**-29.2**	**4.5**	**6.2**	**-27.7**
EBITDA MARGIN	**4.7%**	**6.5%**	**-1.8 p.p.**	**4.8%**	**6.5%**	**-1.7 p.p.**

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

In the first nine months of 2014, CTT handled 10.0 million items in Portugal (+13.9% vs. the same period of last year) and maintain the lead in the domestic market with a 27.7% share (1st quarter 2014 data; source: ANACOM). In Spain, volumes in the period reached 9.7 million items, which represents a 1.8% growth vis-à-vis the same period of 2013. The resizing of Tourline Express sales points temporarily affected the collection of new items in the Spanish market, while at the same time a business slowdown was particularly felt in the month of August of the 3rd quarter of 2014.

The month of August is the main reason for a slower growth in the 3rd quarter than in the 1st half of the year, as the activity significantly decreases when compared to the other months of the year and does not grow (due to the holiday season).

During the 1st half of 2014, CTT launched the Iberian offer for the Express & Parcels market, offering the customers the same delivery solutions in Portugal and Spain and providing an integrated, simplified and competitive Iberian service portfolio.

In Mozambique, volumes grew by 132.1% as CORRE became in 2014 the sole supplier of one of the main banks of the country for the logistics, handling and delivery activities to all its branches nationwide. The conditions of the country and the company's development stage created pressures on profitability and collections from customers, which are being decisively addressed, with return to normality expected in the short term.

Taking into account the growing importance of e-commerce, which has been an essential lever for the growth of parcels, a new department named "E-Commerce" reporting directly to the Executive Committee was created during the month of September. Its general mission is to ensure that CTT is the agent and beneficiary of e-commerce development in the Iberian Peninsula, especially in last-mile delivery, and in particular i) to study the market reality and its evolution, ii) to make the offer evolve so as to be always in accordance with market preferences, iii) to promote a growing proximity of CTT to the main international and domestic market players, and iv) to accompany the harmonisation of e-commerce solutions with international postal operators, especially through the e-CIP (e-Commerce Interconnect Programme). CTT joined this project managed by the International Post Corporation (IPC), whose membership includes the majority of the world postal operators and aims at creating an integrated cross-border offer for the e-commerce market. Ten other postal operators have joined this programme in the 3rd quarter of 2014.

The 1.2% decline in the revenues of this business unit is attributable to the decrease in average prices together with the impact of the above-mentioned reorganisation in Spain, and entailed a 27.7% reduction in the recurring EBITDA vis-à-vis the same period of 2013. The implementation measures within the Transformation Programme in Portugal (integration of the distribution networks) and in Spain (reorganisation of the franchisee network) have started to bear fruit in terms of EBITDA margin growth and it is expected that this trend continues.

Financial Services

The first nine months of 2014 were marked by a 30.2% year-on-year growth in the revenues of this business unit (23.4% excluding non-recurring revenues), elevating it to a relevant position both within the CTT portfolio of businesses and within the strategic development plan of the company. When analysing the revenues, the amount from the front fee of the agreement with BNP Paribas Personal Finance for the sale and distribution of consumer credit products was considered as non-recurring.

Financial Services Business Unit Revenues, Costs and EBITDA

€ million

	Reported			Recurring		
	9M14	**9M13**	**∆%**	**9M14**	**9M13**	**∆%**
Revenues	**57.5**	**44.1**	**30.2**	**54.5**	**44.1**	**23.4**
Sales and services rendered	52.4	41.8	25.4	52.4	41.8	25.4
Other operating income	5.0	2.3	115.3	2.0	2.3	-14.1
Intragroup revenues	0.1	0.0	>>	0.1	0.0	>>
Operating costs (*)	**25.8**	**24.2**	**6.6**	**25.7**	**24.2**	**6.3**
External supplies and services	8.4	7.8	7.9	8.4	7.8	7.9
Staff costs	3.5	2.3	51.3	3.5	2.3	51.3
Other costs	0.3	0.3	12.2	0.3	0.3	12.2
Intragoup costs	13.5	13.8	-1.7	13.5	13.8	-2.2
EBITDA	**31.7**	**19.9**	**58.9**	**28.7**	**19.9**	**44.3**
EBITDA MARGIN	**55.1%**	**45.2%**	**9.9 p.p.**	**52.7%**	**45.1%**	**7.6 p.p.**

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

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Savings placement surpassed €3.8 billion in the first nine months of 2014 and was once more the growth driver of the business unit. In the 3rd quarter, placements increased significantly, with a monthly average above €560 million. Simultaneously, the launch of new PPR – Retirement Savings Scheme and financial insurance products continued, in the framework of the partnerships with the insurance companies Mapfre and Fidelidade.

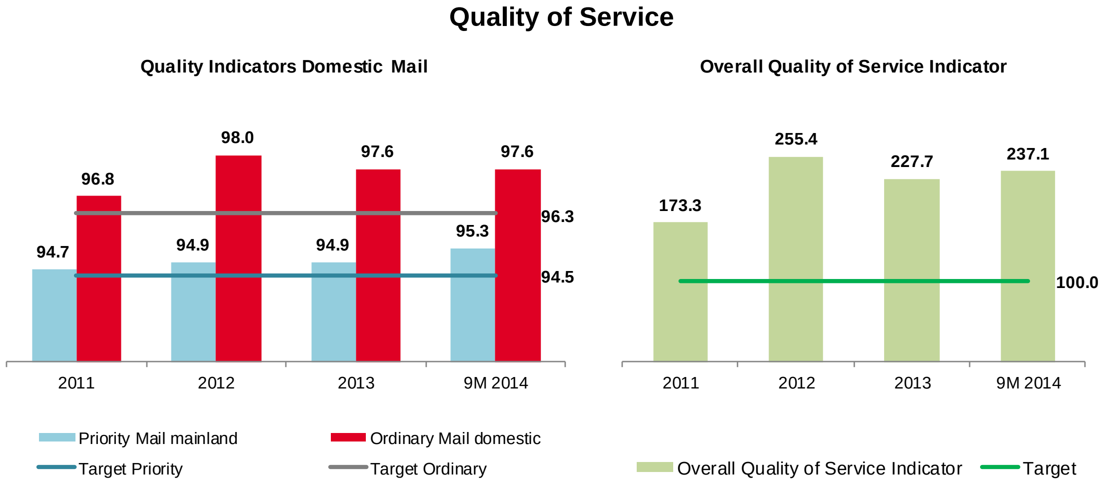
The second highlight goes to the launch of the new consumer credit offer throughout CTT Retail Network in a partnership with BNP Paribas Personal Finance, thus demonstrating the capacity of CTT to design, implement and operate financial services. It is to be mentioned that during the 3rd quarter for 2014 a mass market communication campaign was launched.

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

The strong increase in revenues, combined with only 6.3% growth in recurring operating costs, allowed for a 44.3% year-on-year increase in the recurring EBITDA of this business unit in the first nine months of the year and 7.6 p.p. in the EBITDA margin. Staff costs substantially grow due to the new method of payment of incentives to the sales force, previously included in ES&S.

QUALITY OF SERVICE

In the first nine months of 2014, CTT continued to have high quality of service levels, with the OQSI – Overall Quality of Service Indicator – registering 237.1 points, compared to a target of 100, and in line with those achieved in the same period of 2013.



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

Throughout the first nine months of 2014, the operational performance levels, as measured by the Customer Satisfaction Surveys, have shown a positive perception by customers: 84.9% have classified postal service quality as good or very good.

In the 3rd quarter a mystery client survey was undertaken to evaluate the 624 CTT post offices. This survey produced very good results, with 99.7% favorable opinions.

In the first nine months of 2014, all the variables of the quality agreement signed between the regulator and CTT surpassed the specified targets.

In this period, CTT continued to implement the operating improvements set forth in its application to the Committed to Excellence level of the European Excellence Model of EFQM (European Foundation for Quality Management). This application aims to cover the whole CTT operational network: Retail Network, postal distribution offices and sorting centres. Those improvements will be subject to analysis by APQ – the Portuguese Association for Quality in the 1st quarter of 2015, after which CTT expects to renew the Committed to Excellence level. It is worth noting that CTT has been obtaining this recognition since 2006, having been the first European postal operator to have achieved it.

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

2. NEW BUSINESS OPPORTUNITIES

CITIZEN'S BUREAU AREAS

The provision of services of general economic interest by the CTT Retail Network following the signature (in November 2013) of a protocol with the Government for the creation of Citizen's Bureau Areas in the CTT Retail Network showed significant progress during the 1st half of 2014 and stabilised in the 3rd quarter. Counters for the Citizen's Bureau Areas are working in 24 CTT post offices. These counters provide a wide number of services on behalf of 11 entities.

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

Work on the economic model underlying this partnership continued during the 3rd quarter of 2014, building upon a pilot test experience. Upon completion of this process the conditions will be met to structure an agreement between the Government and CTT, which will evolve according to the 1st year results.

POSTAL BANK

The Board of Directors approved the project to create a Postal Bank which was under analysis by CTT following the process started in 2013 with the request to and the concession by the Bank of Portugal of a banking license. As mentioned previously, this project is developed in continuation of one of CTT's strategic pillars: Expand Financial Services.

During the current year a more detailed and in-depth market survey was carried out to confirm some of the assumptions of the 2013 project to set up a Postal Bank. Based on this survey and on a more thorough analysis of the market trends and the capabilities, resources and distinctive factors of CTT, the previous business plan was updated.

The main conclusions of this process, which led to the decision of launching the Postal Bank, are as follows:

- There is a clear market opportunity to launch a bank addressed at low to average-income, financially conservative consumers;
- Highly capillary CTT Retail Network allows for building up a retail banking network at reduced marginal costs;

- CTT already has a long and extensive experience in a broad range of financial services targeted at the previously mentioned consumers;
- The projected business plan will allow for break-even point in only 3 years with estimated maximum injected capital totalling €100m in 5 years;
- The project's ROE, given the use of the CTT Retail Network for the retail offer on a marginal cost basis, is expected to be above average for the sector, around 25% at cruising speed;
- The capital and balance sheet risk is limited as the credit offer will only focus on conservative Loan-to-Value mortgage loans, never exceeding 50% of total assets;
- Various business plan assumptions were subject to several sensitivity analyses and they all produced a positive and high Net Present Values for the project.

As previously announced, considering the Postal Bank project as a strategy to accelerate growth in the Financial Services business unit with a clearly positive added value and given that it is not expected that it could compromise the dividend policy of CTT, the company decided to go ahead with its implementation.

The Postal Bank creation and development project is based on an organic plan, however, CTT will analyse opportunities for minor inorganic acquisitions that might fit within the business plan strategy. Either the acquisition of a small bank with a very reduced or inexistent retail network, or other suitable solutions may be considered.

For more details on the business plan, please refer to the 3rd Quarter 2014 Results Presentation and to the Postal Bank press release.

3. Other Relevant Initiatives of the Transformation Programme

Integration of the Mail and Express & Parcels Delivery Networks

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

Throughout the first nine months of 2014 the sphere of influence of the CTT network in the collections at stores and clients' premises, in the delivery and in the collection of Express Mail, was expanded, and a new stage of the automated processing of bulky items has started.

New Contracts for the Supply of IT and Communication Services

The initiative aiming at the transformation of the Information Technologies (IT) area addresses different aspects of the management: organisation / governance model; architecture and applications; launch of tender procedures for the renewal of IT outsourcing contracts; and process optimisation, having progressed as scheduled in the first nine months of the year.

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

The contracts regarding the three procedures and five service batches at stake (i.e. basic infrastructure services, helpdesk & desktop management services, and fixed voice and data telecommunications services) have already been signed and entered into force on the 1st October 2014. On this date the transfer of the services to the new provider of each service batch started.

A similar procurement process will also be carried out for the supply of mobile communications, which is expected to be concluded by the end of 2014.

HUMAN CAPITAL DEVELOPMENT AND RESOURCE OPTIMISATION POLICIES

Several initiatives aiming at developing and strengthening CTT human capital were launched, involving active policies of training, functional framework and professional development, as well as variable remuneration based upon short and medium-term objectives. These measures, which are still in the design stage to be progressively implemented, aim to strengthen the CTT brand as a brand employer and will allow the company to retain valuable human resources and attract new talent.

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

A balanced remuneration policy, which allows for the reward of performance and productivity, is underway and foresees the progressive introduction of variable remuneration component for the staff. This latter feature is being developed simultaneously with several initiatives to rationalise and make more effective and objective some of the employee benefits, one of the most relevant being the review of several components of the healthcare plan. The recently decided change of the healthcare systems from PT-ACS to Médis is one example.

4. ECONOMIC AND FINANCIAL ANALYSIS

REVENUES

The above-mentioned business developments resulted in recurring **revenues** of €527.9m, an increase of 2.1% (€10.9m) in relation to the same period of last year, excluding non-recurring revenues and considering like-for-like adjustment to the 2013 figures, excluding the consolidation of the subsidiary EAD given the sale by CTT of its 51% stake in that company during the 1st half of 2014.

The €3.0m front fee received from the agreement with the new partner for the sale and distribution of consumer credit products was considered as a non-recurring item in the 1st half of 2014.

This growth, confirming a reversal of the declining trend observed since 2009 (i.e. 5 consecutive years of decline), is the combined consequence of the implemented increases in the prices of mail services, which have allowed CTT to mitigate the impact of declining volumes (-6.1%), and of the strong revenues growth in the Financial Services businesses, maximised by the initiatives defined for this unit under the Transformation Programme. Important in this quarter was also the contribution of the recovery of the mail volumes which significantly mitigated the decline that took place until the end of the 1st half of 2014 (-7.0%).

Revenues

€ million

	9M14	9M13	Change	
			Amount	%
Total reported revenues	**530.9**	**520.0**	**11.0**	**2.1**
Business units	552.2	541.9	10.3	1.9
Mail	400.8	402.7	-1.9	-0.5
Express & Parcels	94.0	95.1	-1.1	-1.2
Financial Services	57.5	44.1	13.3	30.2
Central structure and Intragroup eliminations	-21.3	-21.9	0.7	3.0
Comparison excluding EAD from 1H13 and non-recurring revenues				
Total recurring revenues	**527.9**	**517.0**	**10.9**	**2.1**
Business units	549.2	538.9	10.3	1.9
Mail	400.8	399.8	1.0	0.3
Express & Parcels	94.0	95.1	-1.1	-1.2
Financial Services	54.5	44.1	10.3	23.4
Central structure and Intragroup eliminations	-21.3	-21.9	0.7	3.0

The business performance described above resulted in the offsetting of the 1.2% (-€1.1m) decrease in Express & Parcels by the 0.3% growth (+€1.0m considering the like-for-like comparison without EAD) in Mail revenues and of 23.4% (+€10.3m) in Financial Services revenues (excluding the effects of non-recurring revenues, and by the increase of revenues allocated to the Central Structure mainly due to the recovery of taxes, namely VAT paid, as a consequence of a more efficient and active management of the tax component of the company.

Evolution of Operating Costs[1]

The evolution of the operating costs in 2014 stemmed mostly from the implementation of the 2nd stage of the **Transformation Programme** described above and from the impacts of the 1st stage initiatives which were implemented in the 2nd half of 2013. The reductions achieved resulted in the decrease of the consolidated costs in the first nine months of 2014 vis-à-vis the previous year, despite the growth of the Financial Services business and Express & Parcels volumes, the latter with a strong percentage of variable costs.

The initiatives carried out for the **optimisation and rationalisation of the operations and distribution** have led not only to cost reductions in operations but also to increased productivity levels and more operational efficiency, as well as to greater synergies between the Mail and the Express & Parcels distribution networks. At the end of the 3rd quarter of 2014 CTT had 266 postal delivery offices and operated 3,442 vehicles.

With regard to the **optimisation of the Retail Network**, the initiatives carried out arise as a follow-up of the work undertaken in 2013. This aims at cost cutting and maintaining quality of service, safeguarding the Universal Service obligations and supporting growth in Financial Services. As at 30 September 2014, CTT had 2,330 stores, of which 624 were own post offices and 1,706 were partnership branches (postal agencies).

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

As a result of the various measures implemented, consolidated operating costs (excluding impairments, provisions, depreciation and non-recurring costs) amounted to €426.2m, -€6.6m (-1.5%) below those of the same period of 2013. The sale of CTT's stake in EAD also contributed to this year-on-year reduction, as EAD costs amounted to €2.2m of the consolidated costs of the first nine months of 2013.

Operating Costs[1]

€ million

	Reported			Recurring		
	9M14	**9M13**	**∆%**	**9M14**	**9M13**	**∆%**
Operating costs (*)	**429.3**	**426.7**	**0.6**	**426.2**	**432.9**	**-1.5**
External supplies & services	172.3	176.2	-2.2	170.4	176.2	-3.3
Staff costs	239.1	231.6	3.2	238.0	237.8	0.1
Current costs	237.6	237.5	0.0	235.8	236.9	-0.5
Employee benefits	1.5	- 5.9	126.0	2.2	0.9	151.4
Other operating costs	18.0	18.9	-5.0	17.9	18.9	-5.2

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

ES&S costs were significantly reduced as a result of the above-mentioned initiatives and of the additional use of the installed capacity in Financial Services, as a result of the automation measures in (online) front office procedures implemented at the end of 2013 and throughout 2014.

In terms of staff costs, the slight increase of 0.1% in recurring costs despite the significant reduction in the number of staff is due to changes in the applicable law / regulations as a result, on one hand, of the privatisation which led to changes in the remuneration regime (such as the end of State-imposed remuneration reductions and the resumption of the career progressions) and, on the other hand, of the 2013 State Budget Law that modified the contribution base for CGA (State Pension Scheme). These changes increased the unit labour costs. Among the human capital development measures, which will include the introduction of a variable remuneration component associated to the performance of the company and the personnel, staff costs may grow vis-à-vis 2013.

CTT Headcount

	30.09.2014	**30.09.2013**	**∆ 2014/2013**	
Mail	10,304	10,620	-316	-3.0%
Mail & Business Solutions	7,599	7,871	-272	-3.5%
Retail Network	2,705	2,749	-44	-1.6%
Express & Parcels	1,177	1,168	9	0.8%
Financial Services	102	103	-1	-1.0%
Other	1,106	1,119	-13	-1.2%
Total, of which:	**12,689**	**13,010**	**-321**	**-2.5%**
Permanent	11,553	11,804	-251	-2.1%
Fixed-term contracts	1,136	1,206	-70	-5.8%
Total in Portugal	12,140	12,464	-324	-2.6%

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

STAFF

Human resources management continued to be driven by the following priorities: (i) maintaining a sound social climate; (ii) continued investment in training and qualification; and (iii) optimisation and adequacy of staff to meet the evolving needs and challenges of the markets CTT operates in.

Throughout the first nine months of 2014, only 61 employees were hired (43 in Spain and 18 in Portugal), while 156 left. Of these, 54 employees retired and 102 terminated their contracts.

Additionally, employees with special conditions were reassessed, to assign them to more adequate jobs within the CTT subsidiaries and business units, while the insourcing of operating activities, whenever possible, was promoted.

As a result of the necessary policy to match human resources and market evolution, on 30 September 2014 CTT headcount (permanent staff and employees on fixed-term contracts) consisted of 12,689 employees, 321 (-2.5%) less than in the same period of 2013. This includes 7,149 mail operations and delivery staff (including around 5,000 delivery postmen) and 2,705 employees in the Retail Network.

In the 3rd quarter of 2014, the 1st programme of identification and development of potential for young managerial staff of CTT and its subsidiaries was concluded. This programme was part of the human capital development initiatives in a perspective of talent and competence management. It covered a first group of 100 participants and involved their respective managers.

During the 3rd quarter the preparation of a new performance management system and CTT employer brand strengthening initiatives commenced.

On 14 August, CTT terminated the Company Agreement, which had been in force since 27 April 2013 and was valid until 27 October 2014. CTT has also communicated such termination to the 12 trade unions that represent the employees and has sent them the draft of a new Company Agreement aiming to start a negotiation process. The proposed new Agreement aims at obtaining a conventional framework that allows for a more efficient human resources management, particularly with regard to: geographical mobility of workers, length of working time and flexible working hours, adjustments to the remuneration structure and professional framework. The negotiation process has already started and the first meeting was held on 16 October.

As of the 1st of January 2015, CTT's health plan system, which is so far managed by PT-ACS, will be managed by Médis following a call for tender addressed to 4 relevant players. The transition to Médis ensures continuity of the healthcare system for employees in a similar manner and under the same principles as those currently followed by the present health plan manager, PT-ACS. This change will allow for a reduction in current staff costs and in the liabilities with healthcare. The amount of the savings is still being determined.

RECURRING EBITDA

The operating activity generated a €101.7m recurring EBITDA (before depreciation and amortisation, impairments, non-recurring results, financing costs and taxes), 16.8% (€14.6m) above that of the same period of 2013, with an EBITDA margin of 19.3% vs. 16.8% in the same period of 2013. The impact of the sale of the stake in EAD in these figures is €0.8m (contribution of EAD to the consolidated EBITDA in the first nine months of 2013), which means that the actual growth of recurring EBITDA was €15.4m (+17.8%).

These results correspond to the evolution described above: €8.0m (€10.9m excluding the impact of EAD sale) revenues growth (excluding non-recurring revenues) combined with a €6.6m (€4.4m excluding the impact of EAD sale) cost reduction (excluding impairments, provisions, depreciation and amortisation and non-recurring costs).

The EBITDA, including non-recurring revenues and costs, was €101.6m, 9.0% higher than that of the 9-month period of 2013, resulting in a 19.1% EBITDA margin.

Non-recurring costs affecting EBITDA in the period amounted to -€0.1m (vs. -€6.2m in same period of 2013). This was a result of €3.0m non-recurring revenues from the front fee of the agreement for the sale and distribution of consumer credit products and of non-recurring costs totalling €3.1m.

Non-recurring items affecting only EBIT totalled €3.0m (mainly due to increases and reversals of provisions), which were similar to those of 2013.

Non-recurring costs and revenues

€ million

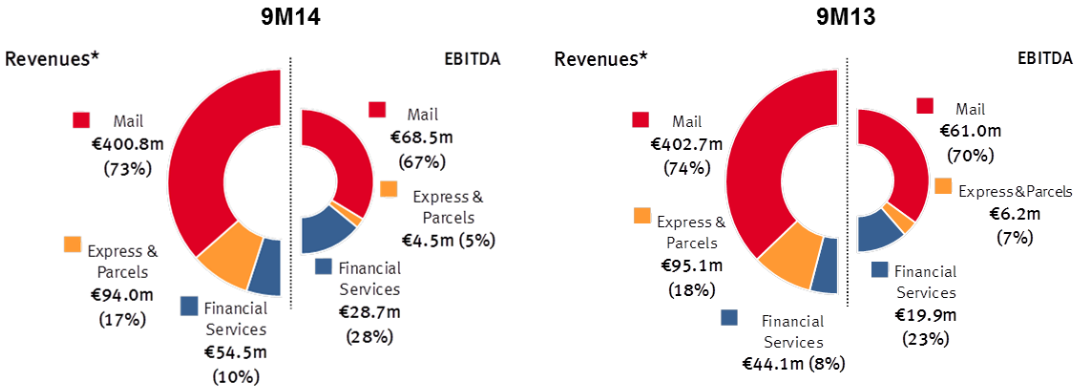
	9M14	9M13	Δ %
Non-recurring costs and revenues	3.1	-3.2	4.1
affecting EBITDA	0.1	-6.2	101.4
affecting only EBIT	3.0	3.0	0.2

The company's EBITDA growth resulted from the EBITDA growth of the Mail business unit (+€7.5m; +12.3%) and Financial Services business unit (+€8.8m; +44.3%), which in the first nine months of 2014 registered a recurring EBITDA of €68.5m and €28.7m, respectively.

The EBITDA margin of the Mail segment increased from 15.2% to 17.1% as a result of the cost reduction due to the operations and Retail Network optimisation and rationalisation initiatives which surpassed the revenues evolution resulting from the price increase and from a much more favourable evolution in the 3rd quarter of 2014 mail volumes than that of the first half of 2014.

The Express & Parcels EBITDA margin decreased year-on-year, amounting to 4.8% in the nine months of 2014, as a result of a 1.2% decrease in revenues due to a reduction of average prices and a 0.7% increase in operating costs caused by Tourline Express reorganisation and by increased variable costs from volumes growth. However, as a consequence of the ongoing distribution networks insourcing and integration process, the EBITDA margin grew by 0.7 p.p. vis-à-vis the end of the 1st half of 2014.

Recurring Revenues and EBITDA by Business Unit



* Includes internal services rendered and intragroup transactions which are eliminated in the consolidated accounts . Does not include revenues related to CTT Central Structure and Intragroup Eliminations amounting to -€21.3m in 9M14 and -€21.9m in 9M13.

RECURRING EBIT AND NET PROFIT

In the 9 months of 2014, recurring EBIT increased by €21.1m (+33.0%) year-on-year to €84.9m. The EBIT margin was 16.1%, 3.8 p.p. above that of last year, as a consequence of lower depreciation and improvements in recurring impairments resulting from a more active management of bill collection and the recovery of the economy.

In the period from January to September 2014, consolidated financial results amounted to -€5.1m, which represents a year-on-year decrease of €2.9m. Interest income was affected by lower remuneration rates and decreased 38.4% vis-à-vis the same period of last year. Interest expenses incurred in this quarter reached €8.9m, which includes interest costs associated with employee benefits of €8.7m.

Financial results also include gains in associated companies of €0.3m related to the capital gain on the sale of the 51% stake in EAD – Empresa de Arquivo de Documentação, S.A.

Tax on income reached €24.2m, 23.6% higher vis-à-vis the same period of last year, resulting from a 18.4% (+€11.9m) higher EBT than the one of last year. The effective tax rate was 31.6%, due to 2p.p. increase in State surtax rate for taxable profits above €35m as well as the exclusion for corporate tax purposes of tax losses registered during the reorganisation process in Spain.

Consolidated Net profit amounts to €52.6m, which represents a positive change of €7.5m (+16.5%) vis-à-vis the previous year. This corresponds to a 9.9% Net profit margin.

To summarise, the consolidated results of CTT – Correios de Portugal, S.A. for the first nine months of 2014 are as follows:

Consolidated P&L

€ million

	Reported			Recurring		
	9M14	**9M13**	**∆ %**	**9M14**	**9M13**	**∆ %**
Revenues	530.9	520.0	2.1	527.9	520.0	1.5
Sales and services rendered	515.9	509.7	1.2	515.9	509.7	1.2
Other operating income	15.0	10.2	47.0	12.0	10.2	17.7
Operating costs	429.3	426.7	0.6	426.2	432.9	-1.5
EBITDA	**101.6**	**93.3**	**9.0**	**101.7**	**87.1**	**16.8**
Depreciation / amortisation, impairments and provisions	19.8	26.2	-24.6	16.8	23.2	-27.8
EBIT	**81.9**	**67.0**	**22.1**	**84.9**	**63.9**	**33.0**
Financial income, net	-5.4	-2.2	-143.0	-5.4	-2.2	-143.0
Gains / (losses) in associated companies	0.3	0.0	-	0.3	0.0	-
Earnings before taxes (EBT)	**76.8**	**64.9**	**18.4**	**79.8**	**61.7**	**29.5**
Income tax for the year (*)	24.2	19.6	23.6	25.2	18.6	35.1
Losses / (gains) attributable to non-controlling interests	-0.07	0.08	-188.2	-0.07	0.08	-188.2
Net profit attributable to equity holders	**52.6**	**45.2**	**16.5**	**54.7**	**42.9**	**27.4**

(*) The income tax on recurring EBT is calculated by using the effective tax rate from the reported accounts.

FREE CASH FLOW

In the first nine months of 2014, the operating free cash flow generated was €211.8m, vs. €176.6m in same period of 2013. The change in cash and cash equivalents was €151.6m, which is €30.9m (+25.5%) above that of same period of the previous year due to the positive effect of the improvements made in payment and collection deadlines and procedures, and to the sale of EAD which offset the €10.0m additional dividends paid in 2014 vs. 2013 (in 2014 a €60.0m dividend was paid, while in 2013 the dividend paid was €50.0m.)

Cash Flow

€ million

	Reported			Adjusted (*)		
	9M14	**9M13**	**Δ %**	**9M14**	**9M13**	**Δ %**
Cash flow from operating activities	207.4	176.8	17.3	68.9	34.4	100.4
Cash flow from investing activities	4.4	-0.1	>>	4.4	-0.1	>>
Operating free cash flow	**211.8**	**176.6**	**19.9**	**73.3**	**34.2**	**114.0**
Cash flow from financing activities	-59.5	-55.8	6.5	-59.5	-55.8	6.5
Change in consolidation perimeter	-0.7	-	-	-0.7	-	-
Change in cash and equivalents (free cash flow)	**151.6**	**120.8**	**25.5**	**13.1**	**-21.6**	**160.8**

(*) Cash flow from operating activities excluding change in Net Financial Services payables.

In the 9 month period ended on 30 September 2014, the Net Financial Services creditors increased by €138.5m, which impacted CTT's cash and equivalents, therefore, the operating free cash flow (excluding Net Financial Services creditors) was €73.3m, 114% above that of the same period last year.

CONSOLIDATED BALANCE SHEET

The highlights of the comparison between the Balance Sheet as at 30 September 2014 and that at the end of the 2013 financial year are as follows:

In terms of **total assets**, the €146.0m (+13.3%) increase resulted mainly from the increases in cash and treasury applications (€151.6m, +27.8%) and in other Financial Services current assets (€10.0m, +515.6%).

Equity decreased €9.5m (-3.4%) vis-à-vis 31 December 2013, as a result of the distribution of dividends of the 2013 financial year (€60.0m), which occurred in May and was not fully offset by the Net profit for the 9-month period of 2014 (€52.6m).

The sale of the 51% stake in EAD that took place in the 1st semester had a €1.6m impact in the reduction of non-controlling interests and €0.8m in the respective goodwill.

With regard to **liabilities**, the €155.4m (+18.9%) increase originated mostly from the €148.5m increase of Financial Services creditors, driven by the growth in this business unit.

Consolidated Balance Sheet

€ million

	30.09.2014	**31.12.2013**	**Δ% 14/13**
Non-current Assets	371.8	391.7	-5.1
Current Assets	874.3	708.4	23.4
Assets	**1,246.1**	**1,100.1**	**13.3**
Equity	**266.5**	**275.9**	**-3.4**
Total Liabilities	**979.6**	**824.2**	4.1
Non-current Liabilities	324.0	334.7	-3.2
Current Liabilities	655.7	489.5	34.0
Total Equity and Liabilities	**1,246.1**	**1,100.1**	**13.3**

As at 30 September 2014, liabilities related to employee benefits amounted to €294.9m, 1.2% less than as at 31 December 2013.

Liabilities related to employee benefits

€ million

	30.09.2014	31.12.2013	∆ %
Total responsibilities	294.9	298.5	-1.2
Healthcare	263.9	263.4	0.2
Staff (suspension agreements)	16.0	19.7	-18.7
Other employee benefits	14.9	15.4	-3.4

5. Regulatory Changes in the Postal Sector

On 28 August 2014, following a proposal submitted by CTT and a public hearing, the Portuguese regulatory authority ICP-ANACOM approved the final decision on the objectives for the density of the postal network and minimum services to be made available by CTT in the next three years.

As far as the network of postal outlets (CTT post offices and postal agencies) is concerned, the decision corresponds to the current state of CTT network, so no significant changes are expected in the current network. It should be mentioned that the current density of the postal network in Portugal is above the European average and offer a very comprehensive range of services.

With respect to letter-boxes, an increase in such equipment is expected (around 600) as well as a better geographic distribution of same as each council shall have one letter-box to receive mail for posting.

In general terms, the objectives defined for the density of the postal network and minimum services do not significantly modify the current postal network. Instead, they strengthen the guarantee of availability and accessibility of the postal Universal Service provision, which CTT is entrusted with.

On the 1st of August 2014, a draft decision of ICP-ANACOM, which is now temporarily in force, defined the criteria for the formulation of universal postal service pricing, which aims to revoke the price-setting rules set forth in the Universal Postal Service Price Convention concluded on 10 July 2008 between CTT and ANACOM (as amended on 9 July 2010).

The draft decision document, which was subject to public hearing until 5 September, stipulates that the criteria for price-setting are in force for a period of three years (2015-2017) with an inflation-linked maximum annual change to the basket of universal postal services. For the years 2016 and 2017, inflation-linked and volume-linked corrective factors shall be introduced, taking into consideration deviations vis-à-vis the forecasts. The services covered by this decision represent circa 45% of the total Universal Service volumes in 2013. The final decision has not been approved so far. CTT submitted a number of arguments to support some changes to the draft decision document.

Also on the 1st of August, ICP-ANACOM approved a draft decision, which is temporarily in force, on the quality of service standards an performance targets associated with the provision of the universal postal service which aims to revoke the rules set forth in the Quality of Service Convention concluded on 10 July 2008 between CTT and ANACOM (as amended on 10 September 2010). The quality of service indicators and the minimum and maximum quality levels for the three-year period 2015-2017 remain the same of the current Quality Convention, while a new indicator for registered mail was introduced. This draft decision was subject to public hearing until 5 September and the final decision has not been approved so far.

6. Privatisation

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

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

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

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

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

7. Corporate Reorganisation

With a view to adapt the CTT structure to the new challenges of the postal sector, a corporate reorganisation is underway under which CTT – Correios de Portugal, S. A., Public Company (CTT) has bought from CTT Expresso – Serviços Postais e Logística, SA (CTT Expresso) on 25 June 2014 the 5% stake that the latter held in Postcontacto – Correio Publicitário, Lda.. As of that date CTT directly holds the full share capital of that subsidiary.

Within the scope of said reorganisation, CTT Expresso acquired CTT's 100% stake in Tourline Express Mensajería, SLU (Tourline), thus becoming the sole direct shareholder of this subsidiary.

Some additional measures will still take place to simplify the company structure by adapting its 3-business units' organisational structure and concentrating the specific competencies of several areas.

8. Final Note

This press release is based on CTT – Correios de Portugal, S. A. condensed interim consolidated accounts for the 3rd quarter of 2014, which are attached.

Lisbon, 4 November 2014

The Board of Directors

Disclaimer

This document has been prepared by CTT – Correios de Portugal, S.A. (the "Company" or "CTT") exclusively for communication of the financial results of the 3rd quarter of 2014 and has a mere informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

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By reading this document, you agree to be bound by the foregoing restrictions.

Forward-looking statements

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

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

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

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

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

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

9 month report

2014

Interim Condensed Consolidated Accounts

INTERIM CONDENSED CONSOLIDATED ACCOUNTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014 AND 31 DECEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	31.12.2013
ASSETS			
Non-current assets			
Tangible fixed assets	4	206,569,829	225,364,429
Investment properties	6	24,284,612	21,761,886
Intangible assets	5	12,993,723	13,049,308
Goodwill	8	24,297,705	25,083,869
Investments in associated companies		475,018	710,723
Other investments		1,106,812	130,829
Other non-current assets		528,262	1,951,139
Deferred tax assets	18	101,553,139	103,645,256
Total non-current assets		**371,809,100**	**391,697,439**
Current assets			
Inventories		6,141,989	5,993,971
Accounts receivable		138,556,990	135,589,645
Deferrals		5,899,975	4,875,139
Other current assets		27,180,289	17,102,436
Cash and cash equivalents		696,507,442	544,875,803
Total current assets		**874,286,685**	**708,436,994**
Total assets		**1,246,095,785**	**1,100,134,433**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	75,000,000	75,000,000
Reserves	11	30,397,559	30,397,559
Retained earnings	11	84,381,037	83,367,465
Other changes in equity	11	24,131,871	24,548,756
Net profit attributable to equity holders of parent company		52,633,572	61,016,067
Non-controlling interests		(68,422)	1,604,372
Total equity		**266,475,617**	**275,934,219**
Liabilities			
Non-current liabilities			
Medium and long term debt		2,155,547	3,282,126
Employee benefits	14	275,086,809	278,638,868
Provisions	15	34,473,719	38,501,835
Deferrals		7,029,365	8,837,037
Deferred tax liabilities	18	5,211,951	5,481,878
Total non-current liabilities		**323,957,391**	**334,741,744**
Current liabilities			
Accounts payable	16	540,894,070	391,958,039
Employee benefits	14	19,789,259	19,904,186
Income taxes payable		10,188,026	93,968
Short term debt		5,544,232	3,716,557
Deferrals		3,279,708	4,103,751
Other current liabilities		75,967,482	69,681,969
Total current liabilities		**655,662,777**	**489,458,470**
Total liabilities		**979,620,168**	**824,200,214**
Total equity and liabilities		**1,246,095,785**	**1,100,134,433**

The attached notes are an integral part of these interim condensed consolidated financial statements

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
Revenues		**530,942,458**	**519,974,482**
Sales and services rendered		515,901,806	509,741,715
Other operating income		15,040,652	10,232,767
Operating costs		**(449,083,990)**	**(452,925,482)**
Cost of sales		(11,297,900)	(11,454,663)
External supplies and services		(172,256,768)	(176,219,532)
Staff costs	17	(239,117,468)	(231,606,569)
Impairment of inventories and accounts receivable, net		(2,029,852)	(1,929,832)
Provisions, net		(1,668,679)	(4,753,575)
Depreciation/amortisation and impairment of investments, net		(16,060,818)	(19,521,496)
Other operating costs		(6,652,506)	(7,439,814)
Earnings before financial income and taxes		**81,858,468**	**67,049,000**
Financial results		**(5,067,432)**	**(2,189,965)**
Interest expenses		(8,909,462)	(8,951,587)
Interest income		3,538,937	6,741,114
Gains/losses in associated companies		303,093	20,508
Earnings before taxes		**76,791,036**	**64,859,035**
Income tax for the period	18	(24,229,675)	(19,607,642)
Net profit for the period		**52,561,361**	**45,251,393**
Net profit for the period attributable to:			
Equity holders of parent company		52,633,572	45,169,483
Non-controlling interests		(72,211)	81,910
Earnings per share of the parent company		0.35	0.30

The attached notes are an integral part of these interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
Net profit for the period		**52,561,361**	**45,251,393**
Employee benefits (non re-classifiable adjustment to profit and loss)	14	(593,008)	(5,579,230)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	18	176,123	1,617,977
Other changes in equity		(1,603,077)	26,260
Other comprehensive income for the period after taxes		**(2,019,962)**	**(3,934,993)**
Comprehensive income for the period		**50,541,399**	**41,316,400**
Attributable to non-controlling interests		(1,672,794)	131,318
Attributable to shareholders of CTT		52,214,193	41,185,082

The attached notes are an integral part of these interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2014 AND 31 DECEMBER 2013

Euros

	NOTES	Share capital	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2013		**87,325,000**	**28,628,508**	**33,079,577**	**87,105,292**	**35,735,268**	**1,607,508**	**273,481,153**
Share capital reduction		(12,325,000)	12,325,000	-	-	-	-	-
Appropriation of net profit for the year of 2012		-	-	-	35,735,268	(35,735,268)	-	-
Dividends	12	-	(10,555,949)	-	(39,444,053)	-	(64,174)	(50,064,175)
		(12,325,000)	**1,769,051**	**-**	**(3,708,784)**	**(35,735,268)**	**(64,174)**	**(50,064,175)**
Other movements		-	-	-	-	-	(28,181)	(28,181)
Actuarial gains/losses - Health Care	11	-	-	(8,530,821)	-	-	-	(8,530,821)
Adjustments from the application of the equity method	11	-	-	-	(29,043)	-	-	(29,043)
Net profit for the period		-	-	-	-	61,016,067	89,218	61,105,285
Comprehensive income for the period		**-**	**-**	**(8,530,821)**	**(29,043)**	**61,016,067**	**61,038**	**52,517,241**
Balance on 31 December 2013		**75,000,000**	**30,397,559**	**24,548,756**	**83,367,465**	**61,016,067**	**1,604,372**	**275,934,219**
Balance on 1 January 2014		**75,000,000**	**30,397,559**	**24,548,756**	**83,367,465**	**61,016,067**	**1,604,372**	**275,934,219**
Share capital reduction		-	-	-	-	-	-	-
Appropriation of net profit for the year of 2013		-	-	-	61,016,067	(61,016,067)	-	-
Dividends	12	-	-	-	(60,000,000)	-	-	(60,000,000)
		-	**-**	**-**	**1,016,067**	**(61,016,067)**	**-**	**(60,000,000)**
Other movements		-	-	-	(2,495)	-	(6,482)	(8,977)
Participation sale		-	-	-	-	-	(1,594,100)	(1,594,100)
Actuarial gains/losses - Health Care	11	-	-	(416,885)	-	-	-	(416,885)
Adjustments from the application of the equity method		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	52,633,572	(72,211)	52,561,361
Comprehensive income for the period		**-**	**-**	**(416,885)**	**(2,495)**	**52,633,572**	**(1,672,794)**	**50,541,399**
Balance on 30 September 2014 (Unaudited)		**75,000,000**	**30,397,559**	**24,131,871**	**84,381,037**	**52,633,572**	**(68,422)**	**266,475,617**

Tl The attached notes are an integral part of these interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
Operating activities			
Collections from customers		499,504,748	495,899,243
Payments to suppliers		(186,766,494)	(208,230,808)
Payments to employees		(222,057,752)	(221,418,537)
Cash flow generated by operations		90,680,502	66,249,898
Payments/receivables of income taxes		(14,389,554)	(15,137,387)
Other receivables/payments		131,146,395	125,662,535
Cash flow from operating activities (1)		207,437,343	176,775,046
Investing activities			
Receivables resulting from:			
Tangible fixed assets		904,275	185,786
Financial investments		4,032,535	45,595
Interest income		3,832,042	3,664,492
Dividends		198,423	-
Payments resulting from:			
Tangible fixed assets		(4,529,983)	(3,648,499)
Intangible assets		(72,859)	(395,804)
Cash flow from investment activities (2)		4,364,433	(148,430)
Financing activities			
Receivables resulting from:			
Loans obtained		4,687,967	3,209,780
Payments resulting from:			
Loans repaid		(2,632,829)	(7,122,725)
Interest expenses		(789,009)	(1,190,166)
Finance leases		(739,344)	(744,922)
Dividends	12	(60,000,000)	(50,000,000)
Cash flow from financing activities (3)		(59,473,215)	(55,848,033)
Net change in cash and cash equivalents (1+2+3)		152,328,561	120,778,583
Changes in the consolidation perimeter		(696,922)	-
Cash and cash equivalents at the beginning of the period		544,875,803	489,303,463
Cash and cash equivalents at the end of the period		696,507,442	610,082,046

The attached notes are an integral part of these interim condensed consolidated financial statements

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

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1. INTRODUCTION

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

CTT – Correios de Portugal, S. A. – Sociedade Aberta ("CTT", "Parent Company" or "Company"), with head Office at Avenida D. João II, Nr. 13, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" a government department and its present legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the Communications area.

Decree-Law Nr. 49.368 of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law Nr. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law Nr. 277/92 of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A.

On 31 January 2013 the Portuguese State through Dispatch Nr. 2468/12 – SETF, 28 December determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October2013, the registered capital of CTT was reduced from 87,325,000 Euros to 75,000,000 Euros, being from that date onwards represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros per share.

For the period ended 31 December 2013 CTT's capital was opened to the private sector. Thus, and supported by Decree-Law Nr. 129/2013 of 6 September and the Resolution of the Council of Ministers ("RCM") Nr. 62-A/2013, 10 October, RCM Nr. 62-B/2013 of 10 October and RCM Nr. 72-B/2013, 14 November, on 5 December, 2013 the first phase of the privatization of CTT's capital took place. On this date, 63.64% of the shares of CTT (95.5 million shares) were transferred to the private sector, of which 14% (21 million shares) were sold in Public Offering and 49.64% (74.5 million shares) by an Institutional Direct Sale. On 31 December, 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 30.00% by direct ownership and 6.36% by attribution, of the shares of CTT.

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

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 4 November 2014.

1.2- Activity

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 associates, and Corre – Correio Expresso de Moçambique, establish, manage and operate the Universal Postal Service infrastructure and render financial services, which include the transfer of funds through current accounts and that might also be operated by a financial operator or a para-banking entity to be set up by the Group. In addition, CTT provides services that are complementary, as well as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that these are related with the normal operations of the public postal network, namely, the provision of information, networks and electronic communication services, including related resources and services and a mobile virtual network operator (MVNO), with the trade mark "Phone-ix" operated by TMN - Telecomunicações Móveis Nacionais, S. A..

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

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, it was transposed into national law in 2012 through the adoption of Law Nr. 17/2012, of 26 April ("new Postal Law"), with the amendments introduced in 2013 by Decree-Law Nr. 160/2013, of 19 November, revoking Law Nr. 102/99, of 26 July.

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

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

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

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

As a result of the new Postal Law, the Portuguese Government revised the basis of the concession, through the publication of Decree-Law Nr. 160/2013 of 19 November, after which the fourth amendment to the concession Contract of the Universal Postal Service was made on 31 December 2013.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The adopted accounting policies, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2013.

2.1- Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted in the European Union as at 1 January 2014, and in accordance with IAS 34 - Interim Financial Reporting.

3. SEGMENT REPORTING

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

The Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

It is remarked that in 2014 the Business Solutions segment, existing in 2013, became part of the Mail segment.

With the sale in the first half of 2014 of the 51% participation in EAD, held by CTT, S.A., this company was excluded from the scope of the Mail segment in 2014.

The business of CTT is organized in the following segments:

- Mail – CTT, S.A. (without financial services), retail network, business solutions and corporate and support areas, including PostContacto, Mailtec Group and CTT Gest (EAD only in the first quarter of 2013);
- Express & Parcels –includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop and CTT, S.A. financial services.

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

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

Besides the abovementioned segments, there are two sales channels, which are crosswide to all businesses and products, the Retail Network and Large Customers. In this analysis, the Retail Network, which is connected to the obligations of the universal postal service concession, is incorporated in the Mail segment and integrates internal revenues related to the provision of services to other segments, as well as the sale in its network of third party products and services.

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

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

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

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

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

With the allocation of all costs, earnings before depreciation, provisions, impairments, financial results and taxes by segment for the 9 months ended on 30 September 2014 and 2013 are defined as follows:

30.09.2014							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	400,794,101	93,957,174	57,450,992	84,415,179	(105,674,988)	-	530,942,458
Sales and services rendered	374,540,370	92,495,029	52,398,541	-	(3,532,134)	-	515,901,806
Sales	14,403,541	754,123	-	-	(4,307)	-	15,153,357
Services rendered	360,136,829	91,740,906	52,398,541	-	(3,527,827)	-	500,748,449
Operating revenues external customers	13,356,736	1,462,145	4,993,940	14,979,839	(19,752,007)	-	15,040,652
Internal services rendered	12,896,994	-	58,512	51,392,014	(64,347,519)	-	-
Allocation central CTT structure	-	-	-	18,043,327	(18,043,327)	-	-
Operating costs	335,239,023	89,578,415	25,767,014	84,415,179	(105,674,988)	-	429,324,642
External supplies and services	76,119,948	70,671,245	8,445,563	40,290,912	(23,270,899)	-	172,256,768
Staff Costs	177,730,412	17,628,152	3,512,338	40,246,567	-	-	239,117,468
Other costs	13,276,281	1,279,018	297,086	3,111,264	(13,242)	-	17,950,406
Internal services rendered	50,204,012	-	13,377,070	766,438	(64,347,519)	-	-
Allocation to central CTT structure	17,908,370	-	134,957	-	(18,043,327)	-	-
EBITDA[(1)]	**65,555,078**	**4,378,760**	**31,683,979**	**-**	**-**	**-**	**101,617,816**
Depreciation/amortisation and impairment of investments, net	(11,317,338)	(1,721,048)	(437,865)	(2,073,938)	-	(510,628)	(16,060,818)
Impairment of inventories and accounts receivable, net							(2,029,852)
Impairment of non-depreciable assets							-
Provisions net							(1,668,679)
Interest expenses							(8,909,462)
Interest income							3,538,937
Gains/losses in associated companies							303,093
Earnings before taxes							**76,791,036**
Income tax for the year							(24,229,675)
Net profit for the year							**52,561,361**
Non-controlling interests							(72,211)
Equity holders of parent company							**52,633,572**

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

30.09.2013							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	402,714,806	95,062,706	44,108,293	73,210,230	(95,121,553)	-	519,974,482
Sales and services rendered	377,560,158	93,910,419	41,777,132	-	(3,505,994)	-	509,741,715
Sales	14,106,343	943,069	-	-	(18,979)	-	15,030,433
Services rendered	363,453,815	92,967,350	41,777,132	-	(3,487,015)	-	494,711,282
Operating revenues external customers	12,419,396	1,152,287	2,320,062	11,127,289	(16,786,268)	-	10,232,767
Internal services rendered	12,735,252	-	11,099	53,994,301	(66,740,652)	-	-
Allocation central CTT structure	-	-	-	8,088,639	(8,088,639)	-	-
Operating costs	335,585,569	88,881,938	24,164,396	73,210,230	(95,121,553)	-	426,720,579
External supplies and services	80,403,903	69,979,503	7,828,509	38,160,167	(20,152,550)	-	176,219,532
Staff Costs	179,335,951	17,357,757	2,321,024	32,591,838	-	-	231,606,569
Other costs	15,320,148	1,544,678	264,845	1,904,519	(139,712)	-	18,894,477
Internal services rendered	52,497,528	-	13,689,417	553,706	(66,740,652)	-	-
Allocation to central CTT structure	8,028,038	-	60,601	-	(8,088,639)	-	-
EBITDA[1]	**67,129,237**	**6,180,768**	**19,943,897**	**-**	**-**	**-**	**93,253,903**
Depreciation/amortisation and impairment of investments, net	(11,951,402)	(2,390,640)	(540,786)	(2,929,595)	-	(1,709,073)	(19,521,496)
Impairment of inventories and accounts receivable, net							(1,929,832)
Impairment of non-depreciable assets							-
Provisions net							(4,753,575)
Interest expenses							(8,951,587)
Interest income							6,741,114
Gains/losses in associated companies							20,508
Earnings before taxes							**64,859,035**
Income tax for the year							(19,607,642)
Net profit for the year							**45,251,393**
Non-controlling interests							81,910
Equity holders of parent company							**45,169,483**

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

The revenues are detailed as follows:

Thousand Euros	30.09.2014	30.09.2013
Mail	400,794	402,715
Transactional mail	305,650	300,446
Press mail	11,064	10,992
Parcels (USO)	5,098	5,209
Advertising mail	22,302	25,676
Retail	12,218	12,756
Philately	5,256	4,948
Business Solutions	9,149	12,505
Other	30,057	30,183
Express & Parcels	93,957	95,063
Financial Services	57,451	44,108
Central CTT Structure	84,415	73,210
Intragroup eliminations	(105,675)	(95,122)
	530,942	**519,974**

The assets by segment are detailed as follows:

Assets (Euros)	30.09.2014 Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	Total
Intagible assets	2,241,112	3,502,901	147,399	3,455,123	3,647,187	12,993,723
Tangible fixed assets	178,853,597	11,036,809	939,084	13,596,254	2,144,084	206,569,829
Investments properties					24,284,612	24,284,612
Goodwill	7,299,356	16,592,248	406,101			24,297,705
Deferred tax assets					101,553,139	101,553,139
Account receivable					138,556,990	138,556,990
Other assets					41,332,346	41,332,346
Cash and cash equivalents					696,507,442	696,507,442
	188,394,066	**31,131,958**	**1,492,585**	**17,051,377**	**1,008,025,800**	**1,246,095,785**

Assets (Euros)	31.12.2013 Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	Total
Intagible assets	3,054,729	3,347,318	255,217	3,983,456	2,408,587	13,049,308
Tangible fixed assets	194,124,953	12,076,231	847,969	16,621,726	1,693,549	225,364,429
Investments properties					21,761,886	21,761,886
Goodwill	8,085,520	16,592,248	406,101			25,083,869
Deferred tax assets					103,645,256	103,645,256
Account receivable					135,589,645	135,589,645
Other assets					30,764,237	30,764,237
Cash and cash equivalents					544,875,803	544,875,803
	205,265,201	**32,015,798**	**1,509,287**	**20,605,183**	**840,738,964**	**1,100,134,433**

Debt by segment is detailed as follows:

Other information (Euros)	30.09.2014 Mail	Express & Parcels	Financial Services	Central CTT Struture	Total
Medium and long term debt	**1,303,835**	**851,712**	**-**	**-**	**2,155,547**
Bank loans	-	-	-	-	-
Leasings	1,303,835	851,712	-	-	2,155,547
Short term debt	**458,781**	**5,085,451**	**-**	**-**	**5,544,232**
Bank loans	-	4,582,454	-	-	4,582,454
Leasings	458,781	502,997	-	-	961,778
	1,762,616	**5,937,163**	**-**	**-**	**7,699,779**

Other information (Euros)	31.12.2013 Mail	Express & Parcels	Financial Services	Central CTT Struture	Total
Medium and long term debt	**2,047,077**	**1,235,049**	**-**	**-**	**3,282,126**
Bank loans	-	0	-	-	-
Leasings	2,047,077	1,235,049	-	-	3,282,126
Short term debt	**729,676**	**2,986,881**	**-**	**-**	**3,716,557**
Bank loans	1,990	2,478,647	-	-	2,480,637
Leasings	727,686	508,233	-	-	1,235,919
	2,776,753	**4,221,930**	**-**	**-**	**6,998,683**

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

Thousand Euros	**30.09.2014**	**30.09.2013**
Revenue - Portugal	460,573	453,198
Revenue - other countries	55,329	56,544
	515,902	509,742

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

4. TANGIBLE FIXED ASSETS

During the 9 months period ended 30 September 2014 and year ended on 31 December 2013, the movement which occurred in the carrying value of "Tangible fixed assets", as well as the respective accumulated depreciation, was as follows:

30.09.2014	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	754,041	635,287,457
Acquisitions	-	311,412	980,209	-	193,234	202,828	1,044,185	101,250	2,833,118
Disposals	-	(23,210)	(5,242)	(166)	(17,887)	(359)	-	-	(46,864)
Transfers and write-offs	-	120,090	(9,785,427)	(482,988)	(29,847,203)	(1,946,687)	(120,090)	-	(42,062,305)
Adjustments	-	(2,656)	685,184	(280,939)	(398,509)	(59,528)	-	-	(56,448)
Other variations	(725,969)	(5,462,503)	-	-	-	-	-	-	(6,188,472)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	36,831,709	329,304,185	137,654,555	2,612,885	51,058,912	22,558,876	1,098,378	855,291	581,974,791
Accumulated depreciation									
Opening balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Depreciation for the period	-	6,793,761	3,665,278	48,003	1,935,212	847,479	-	-	13,289,733
Disposals	-	(23,210)	(5,242)	(3,978)	(17,689)	(359)	-	-	(50,478)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,107,946)	(1,665,224)	-	-	(42,035,563)
Adjustments	-	613	292,073	(207,224)	(84,218)	(1,244)	-	-	-
Other variations	(11,119)	(2,716,299)	14,050	(2,247)	1,669	620	-	-	(2,713,327)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	3,888,711	179,594,608	123,198,817	2,523,206	47,815,763	17,924,090	-	-	374,945,194
Accumulated impairment									
Opening balance	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	2,458	-	-	2,458
Other variations	-	-	-	-	-	457,309	-	-	457,309
Closing balance	-	-	-	-	-	459,768	-	-	459,768
Net Tangible fixed assets	32,942,998	149,709,577	14,455,738	89,679	3,243,149	4,175,019	1,098,378	855,291	206,569,829

31.12.2013	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	44,445,963	379,539,356	148,886,925	3,603,033	80,895,249	23,433,801	230,108	150,174	681,184,609
Acquisitions	393,899	3,865,339	2,771,881	5,037	861,425	1,169,866	166,995	712,500	9,946,942
Disposals	(376,886)	(3,443,845)	(1,256,101)	-	(50,122)	(1,030)	-	-	(5,127,984)
Transfers and write-offs	(19,706)	(34,538)	(1,741,726)	(8,823)	50,094	(189,454)	(222,820)	(111,684)	(2,278,657)
Adjustments	-	(80)	-	-	(8,913)	(33,919)	-	3,051	(39,861)
Other changes	(5,902,715)	(42,485,510)	-	8,086	(811)	(16,642)	-	-	(48,397,592)
Closing balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	754,041	635,287,457
Accumulated depreciation									
Opening balance	4,200,150	194,808,481	128,603,899	3,243,403	73,670,810	17,581,154	-	-	422,107,897
Depreciation for the period	-	9,199,355	5,569,980	167,315	3,176,149	1,168,689	-	-	19,281,488
Disposals	(26,370)	(2,019,718)	(1,256,101)	-	(49,689)	(203)	-	-	(3,352,081)
Transfers and write-offs	-	(2,226)	(1,860,092)	(8,823)	(107,664)	(6,869)	-	-	(1,985,674)
Adjustments	-	-	-	-	(5,862)	-	-	-	(5,862)
Other changes	(273,950)	(25,834,403)	-	(14,624)	190	47	-	-	(26,122,740)
Closing balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Net Tangible fixed assets	34,640,725	161,289,233	17,603,293	220,062	5,062,988	5,619,804	174,283	754,041	225,364,429

As at 30 September 2014 and 31 December 2013, Land and natural resources and Buildings and other constructions include 5,038,585 Euros and 5,205,814 Euros, respectively, related to land and property in co-ownership with PT Comunicações, S.A..

In the 9 months period ended 30 September 2014, the caption changes in the consolidation perimeter relates to the balances of the company EAD that was sold in the first half of 2014.

As a result of the change in the Concession contract on 26 July 2006, at the end of the concession the assets included in the public and private domain of the State revert at no cost to the conceding entity, while before the previous change, all the assets allocated to the concession reverted to the Portuguese State. Since the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT Group 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 9 months period ended 30 September 2014, the most significant movements in Tangible Fixed Assets were the following:

Land and natural resources:
The movements associated to additions relate mostly to the capitalization of repairs in own and third party buildings of CTT, CTT Expresso and Tourline.

In the period ended at 30 September 2014, the Group reclassified to investment properties a set of nine properties that are no longer contributing to the Group's operating activities. On the other hand, one property which became a part of the Group's activity was reclassified to tangible fixed assets.

Basic equipment:
The amount in the additions caption relates to acquisitions of bikes and trailers for 347 thousand Euros, upgrade system for TOP labelling machines worth about 76 thousand Euros and acquisition of payment terminals, by Payshop, totalling 396 thousand Euros.

The amount in the adjustments caption, relates to the reclassification to basic equipment, performed in CORRE, against the remaining balances of Tangible Fixed Assets.

Tangible fixed assets in progress:
The amounts under this heading are related to improvement works on own property.

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

The depreciation recorded amounting to 13,289,733 Euros (14,365,265 Euros on 30 September 2013), is stated in the heading "Depreciation/amortisation and impairment of investments, net".

Contractual commitments relative to Tangible Fixed Assets are as follows:

Basic equipment
These commitments relate to the acquisition of sorting equipment upgrades of 397,000 Euros, improvements in OCR System (Optical code reading system) of 210,000 euros, transportation vans with a value of 2,464,600 Euros, electric vans (67,000 Euros), motorcycles (376,900 Euros), trailers (188,000 Euros) and pallet trucks of 15,500 Euros.

5. INTANGIBLE ASSETS

During the 9 months period ended 30 September 2014 and the year ended on 31 December 2013, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

30.09.2014	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Acquisitions	-	149,772	-	-	2,071,143	-	2,220,915
Transfers and write-offs	-	1,549,435	-	-	(475,093)	-	1,074,342
Adjustments	-	-	1,618	-	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	-	(377,643)
Closing balance	4,372,922	37,923,003	11,659,692	444,739	4,268,114	-	58,668,469
Accumulated amortisation							
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Amortisation for the period	7,236	1,934,341	291,793	27,087	-	-	2,260,457
Transfers and write-offs	(19,682)	1,094,024	-	-	-	-	1,074,342
Adjustments	-	-	7,144	-	-	-	7,144
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	-	(367,127)
Closing balance	4,338,353	33,191,228	7,721,221	423,943	-	-	45,674,746
Net intangible assets	34,569	4,731,775	3,938,471	20,796	4,268,114	-	12,993,723

31.12.2013	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,325,692	33,546,260	11,687,619	-	2,925,511	22,366	52,507,448
Acquisitions	47,230	961,720	10,554	-	2,027,086	-	3,046,590
Transfers and write-offs	-	2,032,613	(28,086)	-	(2,356,239)	(22,366)	(374,078)
Adjustments	-	-	-	444,739	75,706	-	520,445
Other changes	-	-	48,833	-	-	-	48,833
Closing balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Accumulated amortisation							
Opening balance	4,325,692	26,795,624	7,031,072	-	-	-	38,152,388
Amortisation for the period	25,107	3,684,037	440,712	396,856	-	-	4,546,712
Other variations	-	-	830	-	-	-	830
Closing balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Net intangible assets	22,123	6,060,932	4,246,306	47,883	2,672,064	-	13,049,308

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

Under Computer Software, there are 1,133,699 Euros included in the Transfers and write-offs caption, that respect to the reclassification occurred in CTT of the HR Access software which was previously classified under Office Equipment.

The transfers occurred on 30 September 2014 in Intangible Assets in progress refer to Computer Software, which were completed during the period.

The amounts of 285,571 Euros and 209,206 Euros, capitalized under Computer Software on intangible assets in progress as at 30 September 2014 and 30 September 2013, respectively, relate to staff costs incurred in the development of these projects.

As at 30 September 2014 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	30.09.2014
New humam resources management application	964,829
Certification of invoices	375,676
Evolution SAP	345,358
Repository business information Nave (Commercial ODF)	273,314
International (E-CIP)	221,520
Sales force automation	194,544
Mobility	176,389
Operational control security	113,740
Invoice management	110,604
Mail products evolution	99,639
Occasional customers data base	96,534
Web client application	96,387
Geo 10 (georeferencing system)	84,904
Corvendas	84,483
Treasury management system	84,216
Automatic addresses processing software	69,006
	3,391,142

The amortisation, amounting to 2,260,457 Euros (3,442,166 Euros at 30 September 2013) was recorded in the heading Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible Assets are as follows:

<u>Computer Programmes</u>
The purchase commitments relate to developments in software for Litigation and Legal Advisory of 13,200 Euros and the acquisition of a control system for delivery routes for PostContacto of 52,100 Euros.

6. INVESTMENT PROPERTIES

As at 30 September 2014 and 31 December 2013, the Group has the following assets classified as Investment properties:

	30.09.2014		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(35,211)	(1,080,605)	(1,115,816)
Transfers/Adjustments	725,969	5,462,503	6,188,472
Closing balance	7,927,972	46,933,061	54,861,033
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	571,218	571,218
Disposals	(1,545)	(684,157)	(685,702)
Transfers/Adjustments	11,119	2,716,342	2,727,462
Closing balance	283,524	28,749,439	29,032,963
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairment losses	-	-	-
Transfers/Adjustments	-	(63,048)	(63,048)
Closing balance	-	1,543,457	1,543,457
Net Investment properties	7,644,448	16,640,164	24,284,612

	31.12.2013		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	1,334,499	65,653	1,400,152
Transfers/Adjustments	5,902,715	42,485,510	48,388,225
Closing balance	7,237,214	42,551,163	49,788,377
Accumulated depreciation			
Opening balance	-	31,209	31,209
Depreciation for the period	-	782,537	782,537
Transfers/Adjustments	273,950	25,332,290	25,606,240
Closing balance	273,950	26,146,036	26,419,986
Accumulated impairment			
Opening balance	-	-	-
Impairment losses	-	1,104,392	1,104,392
Transfers/Adjustments	-	502,113	502,113
Closing balance	-	1,606,505	1,606,505
Net Investment properties	6,963,264	14,798,622	21,761,886

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 valuations obtained at the end of fiscal year 2013 which were conducted by independent entities, amounts to 29,374,185 Euros.

The movements associated with disposals relate to the sale of three properties, which occurred during the 9 months period ended 30 September 2014.

In the 9 months period ended 30 September 2014, the Group reclassified to investment properties a set of nine properties that are no longer contributing to the Group's operating activities. On the other hand, one property which became a part of the Group’s activity was reclassified to tangible fixed assets.

As at 30 September 2013 the impairment loss amounted to 1,031,268 Euros.

Depreciation for the period, amounting to 571,218 Euros (682,800 Euros on 30 September 2013) was recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals).

7. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 30 September 2014 and 31 December 2013, the parent company, CTT – Correios de Portugal, SA and the following subsidiaries in which it holds control were included in the consolidation:

		30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	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	100	-	100	95	5	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Av. D. João II lote 01.12,03 1999-001 Lisboa	100	-	100	100	-	100
CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	100	-	100	100	-	100
Mailtec Comunicação , S.A. (1) ("Mailtec TI")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	17.7	82.3	100	17.7	82.3	100
Mailtec Consultoria , S.A. (2) ("Mailtec CON")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	10	90	100	10	90	100
Mailtec Processos, Lda. (3) ("EQUIP")	Estrada Casal do Canas, Edificio 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. (4) ("EAD")	Parque Industrial Mata Lobos, Lote 2 Apartado 151 2950- 901Palmela	-	-	-	51	-	51
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

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

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

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

(4) The participation held on the subsidiary EAD was sold on 30.04.2014

The associated company CORRE is included in the consolidation due to the fact that the Group exercises effective control.

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

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

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

<u>Joint ventures</u>

As at 30 September 2014 and 31 December 2013 the Group held the following interests in joint ventures, accounted for through the equity method:

		30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestção de Serviços informáticos, ACE (" Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisbon	49	-	49	49	-	49
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 30 September 2014 and 31 December 2013, CTT held the following interests in associated companies accounted for through the equity method:

		30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	R. da Sé, 114-4º. Maputo - Moçambique	-	35	35	-	35	35
Mafelosa, SL (b)	Castellon Espanha	-	25	25	-	25	25
Urpacksur, SL (b)	Málaga Espanha	-	30	30	-	30	30

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

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

Changes in the consolidation perimeter

During the 9 months period ended 30 September 2014, the consolidation perimeter was changed due to the sale of EAD's participation.

Following this transfer a gain of 256,383 Euros was recorded under the caption Gains / losses in associates in the consolidated income statement.

8. GOODWILL

As at 30 September 2014 and 31 December 2013, Goodwill is detailed as follows:

	Year of acquisition	30.09.2014	31.12.2013
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	16,592,248
EAD - Empresa de Arquivo de Documentação, S.A.	2006	-	786,164
		24,297,705	25,083,869

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movements in Goodwill were as follows:

	30.09.2014	31.12.2013
Opening balance	25,083,869	25,528,608
Transfer / adjustments	-	(444,739)
Disposals	(786,164)	-
Closing balance	24,297,705	25,083,869

In the 9 months period ended 30 September 2014, following the sale of the participation in the company EAD, its related Goodwill in the amount of 786,164 Euros, was eliminated.

In 2013 the amount of 444,739 Euros regarding Tourline's *Fondos de Comércio* was reclassified to Other intangible assets.

Goodwill impairment assessment

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

As at 31 December 2013, CTT performed an impairment test, and not having been identified at 30 September 2014 indicators of impairment, no impairment tests were performed on this date.

As at 30 September 2014 and 31 December 2013, the impairment losses accounted for were as follows:

	30.09.2014				
Company	Year of acquisition	Initial value	Impairment losses for the period	Accumulated impairment losses	Carrying value
Payshop Moçambique, S.A. (a)	2008	235,946	-	235,946	-
		235,946	-	235,946	-

	31.12.2013				
Company	Year of acquisition	Initial value	Impairment losses for the period	Accumulated impairment losses	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	4,079,737	16,592,248
EAD - Empresa de Arquivo de Documentação, S.A.	2006	1,082,015	-	295,851	786,164
Payshop Moçambique, S.A. (a)	2008	235,946	-	235,946	-
		21,989,946	-	4,611,534	17,378,412

(a) Held by Payshop Portugal, S.A., a subsidiary of CTT Group

9. ACCUMULATED IMPAIRMENT LOSSES

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the following movements occurred in the impairment losses:

	30.09.2014					
	Opening balance	Increases	Reversals	Utilization/ Transfers	Changes in the consolidation perimeter	Closing balance
Other non-current assets						
Other accounts receivable	1,296,044	270,244	-	-	-	1,566,288
INESC loan	1,397,613	-	(1,013,287)	-	-	384,326
	2,693,657	270,244	(1,013,287)	-	-	1,950,614
Customers and Other current assets						
Customers	24,361,985	2,848,911	(602,340)	(331,162)	(66,375)	26,211,019
Other accounts receivable	9,098,933	1,239,864	(877,408)	(919)	-	9,460,470
INESC loan	49,740	-	-	-	-	49,740
	33,510,658	4,088,775	(1,479,748)	(332,081)	(66,375)	35,721,229
Inventories						
Merchandise	1,812,893	51,010	(4,967)	-	-	1,858,936
Raw, subsidiary and consumable	685,925	117,825	-	-	-	803,750
	2,498,818	168,835	(4,967)	-	-	2,662,686
	38,703,133	4,527,854	(2,498,002)	(332,081)	(66,375)	40,334,529

	31.12.2013					
	Opening balance	Increases	Reversals	Utilization	Transfers	Closing balance
Other non-current assets						
Other accounts receivable	1,123,171	172,873	-	-	-	1,296,044
INESC loan	1,455,643	-	(58,030)	-	-	1,397,613
	2,578,814	172,873	(58,030)	-	-	2,693,657
Customers and Other current assets						
Customers	22,313,026	4,413,997	(1,505,980)	(859,058)	-	24,361,985
Other accounts receivable	8,924,866	730,691	(147,512)	(84,410)	(324,702)	9,098,933
INESC loan	49,740	-	-	-	-	49,740
	31,287,632	5,144,688	(1,653,492)	(943,468)	(324,702)	33,510,658
Inventories						
Merchandise	1,903,511	4,906	(95,524)	-	-	1,812,893
Raw, subsidiary and consumable	715,248	28,623	(13,846)	(44,100)	-	685,925
	2,618,759	33,529	(109,370)	(44,100)	-	2,498,818
	36,485,205	5,351,090	(1,820,892)	(987,568)	(324,702)	38,703,133

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

10. EQUITY

As at 30 September 2014, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

At the General Meeting held on 30 October, 2013, the registered capital of CTT was reduced from 87,325,000 to 75,000,000 Euros, being from that date forward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros per share. The amount of 12,325,000 Euros related to the reduction of the capital was transferred to Other reserves (Note 11).

As at 30 September 2014 and 31 December 2013 the Company's shareholders with, greater than or equal to 2% shareholdings are as follows:

	30.09.2014		
Shareholder	**Nr shares**	**%**	**Nominal value**
Standard Life Investments (Holdings) Limited (1)	10,007,653	6.672%	5,003,827
Allianz Global Investors Europe GmbH (2)	4,695,774	3.131%	2,347,887
UBS AG (3)	3,605,950	2.404%	1,802,975
Pioneer Asset Management, S.A. (4)	3,128,282	2.086%	1,564,141
Fidelity Management Research LLC (5)	3,096,298	2.064%	1,548,149
DSAM Partners LLP (6)	3,096,079	2.064%	1,548,040
BlackRock, Inc. (7)	3,059,021	2.039%	1,529,511
Other shareholders	119,310,943	79.541%	59,655,472
Total	**150,000,000**	**100.000%**	**75,000,000**

(1) The shares managed by the parent company Standard Life Investments (Holdings) Limited are held by the subsidiaries Standard Life Investments Limited (6.61%) and Ignis Investment Services Limited (0.06%).

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

(3) Of the total shareholding of UBS AG in CTT, 3,246,912 shares are held by UBS AG and the remaining 359,038 are held by subsidiaries of UBS AG.

(4) Participation of several funds indirectly managed by Pioneer Asset Management, S.A., owned by UniCredit S.p.A.

(5) Participation indirectly held by FMR LLC and its affiliates FMRC-FMR CO., INC. and FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC..

(6) The position of DSAM Partners LLP is also imputable to DSAM Capital Partners Ltd, as member of DSAM Partners LLP, to DSAM Cayman LP, as shareholder of DSAM Capital Partners Ltd and to DSAM Cayman Ltd, as general partner of

(7) Participation of several companies controlled by BlackRock, Inc.

Shareholder	31.12.2013 Nr shares	%	Nominal value
Parpública - Participações Públicas (SGPS), SA (1)	45,000,000	30.000%	22,500,000
Parpública - Participações Públicas (SGPS), SA (2)	9,545,455	6.364%	4,772,728
Total (3)	54,545,455	36.364%	27,272,728
Goldman Sachs International (4)	7,496,479	4.998%	3,748,240
Deutsche Bank AG London (5)	3,063,798	2.043%	1,531,899
Other shareholders (6)	84,894,268	56.596%	42,447,134
Total	**150,000,000**	**100.000%**	**75,000,000**

(1) Shares held by Parpública – Participações Públicas (SGPS), SA, which in turn is fully owned by the Portuguese State.
(2) Shares attributed to Parpública - Participações Públicas (SGPS), SA, in accordance with the call option on the Underwriters, represented for the purpose by the Stabilisation Agent (Stabilisation Manager) under direct sales institutional Contract (institutional Underwriting agreement) signed with the Underwriters in the privatization process of CTT. Under this contract the Underwriters also held an option to sell (put option) on Parpública - Participações Públicas (SGPS), SA. The share stabilisation operations were completed on 3 January, 2014, having the underwriters exercised the option to sell 2,253,834 shares of all 9,545,455 shares, representing 1.5% of the share capital of CTT.
(3) Full participation Parpública - Participações Públicas (SGPS), SA as at 31 December 2013, which in turn is owned entirely by the Portuguese State. From 3 January, 2014 Parpública - Public Participation (SGPS), SA holds 47,253,834 shares, i.e. 31.5% of the share capital of CTT.
(4) Shares held by Goldman Sachs International, controlled by Goldman Sachs Holding (UK), which in turn is controlled by Goldman Sachs Group Holdings (UK) Limited, controlled by Goldman Sachs Group UK Limited, controlled by Goldman Sachs (UK) LLC, which in turn is controlled by the Goldman Sachs Group, Inc..
(5) Shares held by Deutsche Bank AG London which in turn is a branch of Deutsche Bank AG.
(6) Includes 2,064,660 shares held by CTT workers who, according to the terms of the offer reserved for employees under the privatization of CTT, were unavailable until 5 March, 2014.

11. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

As at 30 September 2014 and 31 December 2013, the heading "Reserves" was detailed as follows:

	30.09.2014	31.12.2013
Legal reserves	18,072,559	18,072,559
Other reserves	12,325,000	12,325,000
	30,397,559	30,397,559

Legal reserves

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

Other reserves

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

In 2013, an amount of 10,555,949 Euros was used for the payment of an extraordinary dividend (Note 12).

The balance of "Other reserves" as at 30 September 2014 and 31 December 2013 of, 12,325,000 Euros refers to the amount of reduction of the share capital and was transferred to this caption (Note 10).

Retained earnings

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the following movements incurred in Retained earnings:

	30.09.2014	31.12.2013
Opening balance	83,367,465	87,105,292
Application of net profit of the prior year	61,016,067	35,735,268
Distribution of dividends (Note 12)	(60,000,000)	(39,444,051)
Adjustments from the application of the equity method	-	(29,043)
Other movements	(2,495)	-
Closing balance	84,381,037	83,367,465

Other changes in equity

The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 14).

Thus, for the 9 months period ended 30 September 2014 and the year ended 31 December 2013 the movements occurred in this heading were as follows:

	30.09.2014	31.12.2013
Opening balance	24,548,756	33,079,577
Actuarial gains/(losses)	(593,008)	(11,680,870)
Tax effect	176,123	3,150,049
Closing balance	24,131,871	24,548,756

12. DIVIDENDS

At the General Assembly held on 5 May 2014, the Board approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at

31.12.2013) relative to 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

At the General Assembly held on 30 May 2013, the Board approved the distribution of a dividend of 2.20 Euros per share (which took into consideration the 17,500,000 shares existing at 31.12.2012) relative to 31 December 2012 and a total dividend of 38,554,129 Euros was paid, which was subject to a withholding tax of 25% in June 2013. It was also decided to pay an extraordinary dividend in the amount of 11,445,871 Euros (0.65 Euro per share), which was also subject to withholding tax of 25% in June 2013.

For the extraordinary dividend "Other reserves" were used in the amount of 10,555,949 Euros and "Retained earnings" in the amount of 889,922 Euros.

13. EARNINGS PER SHARE

During the 9 months periods ended on 30 September 2014 and 30 September 2013, the earnings per share were calculated as follows:

	30.09.2014	30.09.2013
Net profit for the period	52,633,572	45,169,483
Average number of ordinary shares	150,000,000	150,000,000
Earnings per share:		
Basic	0.35	0.30
Diluted	0.35	0.30

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

In October 2013, the number of shares varied, from 17,500,000 to 150,000,000 following the capital reduction made to reserves and a stock split by reducing the nominal value. Thus, since the change in the number of shares did not comprise the inflow or outflow of Company funds, the calculation of earnings per share on 30 September 2013, took into account the number of existing shares on 31 December 2013 (150,000,000).

There are no dilutive factors of earnings per share.

14. EMPLOYEE BENEFITS

Liabilities related to employee benefits refer to (i) post-employment benefits – health care and (ii) other benefits for employees. During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, these liabilities presented the following movement:

	30.09.2014		
	Health care	Other long term benefits	Total
Opening balance	263,371,000	35,172,054	298,543,054
Movement of the period	552,750	(4,219,736)	(3,666,986)
Closing balance	263,923,750	30,952,318	294,876,068

	31.12.2013		
	Health care	Other long term benefits	Total
Opening balance	252,803,000	50,513,360	303,316,360
Movement of the period	10,568,000	(15,341,306)	(4,773,306)
Closing balance	263,371,000	35,172,054	298,543,054

The heading "Other long term benefits" essentially refer to the on-going staff reduction programme.

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

	30.09.2014	31.12.2013
Non-current liabilities	275,086,809	278,638,868
Current liabilities	19,789,259	19,904,186
	294,876,068	298,543,054

For the 9 months periods ended 30 September 2014 and 30 September 2013, the costs related to employee benefits recognised in the interim condensed consolidated income statement and the amount recognised directly in "Other changes in equity" were as follows:

	30.09.2014	30.09.2013
Costs for the period		
Health care (1)	10,569,750	10,310,250
Other long term benefits (2)	494,941	(6,619,221)
	11,064,691	3,691,029
Other changes in equity		
Health care	(593,008)	(5,579,230)
	(593,008)	(5,579,230)

(1) Includes staff costs, other costs and interest expenses.
(2) Includes staff costs and interest expenses.

The impacts as at 30 September 2014 were obtained by the company supported on the 2014 cost estimate included in the actuarial study as at 31 December 2013.

Health care

CTT is responsible for financing the health care plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is made by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, having, as at 31 December 2013, obtained an actuarial study.

The main assumptions used in the actuarial study performed on 31 December 2013 are detailed as follows:

	31.12.2013
Financial assumptions	
Discount rate	4.00%
Salaries expected growth rate	0% in 2013 and 2014 2.75% from that date
Pensions growth rate	Law no. 53-B/2006 (with ∆ GDP ‹ 2%)
Inflation rate	2.00%
Health costs growth rate	
- Infation rate	2.00%
- Growhth due to ageing	0% in 2013 and 2014 2% from that date
Demographic assumptions	
Mortality table	TV 88/90
Disability table	Swiss RE

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

The maintenance of the discount rate at 4.00% was motivated by the Group's analysis 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 expected growth rate was determined according to the salary policy defined by the Group.

The pensions expected growth rate was determined considering the estimated evolution of inflation and GDP growth rate.

The health care costs growth rate reflects the best estimate for the future evolution of these costs, considering the historic 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:

	30.09.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Liabilities at the end of the period	263,923,750	263,371,000	252,803,000	272,102,000	272,123,000

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movement which occurred in the present value of the defined benefits liability regarding the health care plan was as follows:

	30.09.2014	31.12.2013
Opening balance	263,371,000	252,803,000
Service costs of the period	2,868,750	3,882,000
Interest cost of the period	7,701,000	9,865,000
Pensioners contributions	2,704,562	3,552,478
(Payment of benefits)	(12,448,320)	(17,249,738)
(Other costs)	(866,250)	(1,162,610)
Actuarial (gains)/losses	593,008	11,680,870
Closing balance	263,923,750	263,371,000

During the 9 months periods ended 30 September 2014 and 30 September 2013, the total costs for the period are recognised as follows:

	30.09.2014	30.09.2013
Staff costs/employee benefits (Note 17)	2,002,500	2,074,951
Other costs	866,250	836,549
Interest expenses	7,701,000	7,398,750
	10,569,750	10,310,250

On 30 September 2014 the actuarial gains / (losses) amounting to 593,008 Euros (11,680,870 Euros as at 31 December 2013) were recognised in equity under the caption Other changes in equity, net of deferred taxes amounting to 176,123 Euros (3,150,049 Euros as at 31 December 2013).

The sensitivity analysis performed on 31 December 2013, for the health care plan leads to the following conclusions:

(i) If there was an increase of 1 per cent in the growth rate of medical costs, keeping all the remaining variables constant, the liabilities of the health care plan would be 307,989 thousand Euros, increasing by approximately 16.9%.

(ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 6.8%, amounting to 281,280 thousand Euros.

Other long term benefits

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

The main assumptions used in the actuarial study performed on 31 December 2013 are detailed as follows:

	31.12.2013
Financial assumptions	
Discount rate	4.00%
Salaries growth rate	0% in 2013 and 2014 2.75% from that date
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP ‹ 2%)
Inflation rate	2.00%
Demographic assumptions	
Mortality table	TV 88/90
Disability rate	Swiss RE

For the determination of the Group's liabilities to employees in situations of "Suspension of contracts, redeployment and release of employment", salary growth rates of 0% were considered for 2013 and 2014, and 2.75% for the following years. The salary growth rate of 2.75% was applied to the remaining employee benefits, except for the "Telephone subscription fee" and "Support for cessation of professional activity" for which no updated value was considered.

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movement of liabilities with other long-term employee benefits was as follows:

	30.09.2014	31.12.2013
Suspension of contracts, redeployment and release of employment		
Opening balance	19,743,891	24,084,448
Interest cost of the period	517,653	844,267
Liabilities relative to new beneficiaries	286,725	1,914,115
(Payment of benefits)	(4,064,883)	(7,459,833)
Curtailment	(908,166)	-
Actuarial (gains)/losses	468,661	360,894
Closing balance	16,043,881	19,743,891
Telephone subscription charge		
Opening balance	4,800,195	14,242,125
Interest cost of the period	133,908	451,814
Curtailment	-	(8,211,129)
(Payment of benefits)	(203,828)	(1,445,398)
Actuarial (gains)/losses	(301,055)	(237,217)
Closing balance	4,429,220	4,800,195
Pension for accidentes at work		
Opening balance	7,004,370	7,563,939
Interest cost of the period	203,735	293,948
(Payment of benefits)	(317,538)	(422,708)
Actuarial (gains)/losses	(2,722)	(430,809)
Closing balance	6,887,845	7,004,370
Monthly life annuity		
Opening balance	3,544,784	3,691,640
Interest cost of the period	104,786	145,503
(Payment of benefits)	(84,622)	(108,120)
Actuarial (gains)/losses	6,722	(184,239)
Closing balance	3,571,670	3,544,784
Support for cessation of professional activity		
Opening balance	78,815	931,209
Interest cost of the period	-	18,624
(Payment of benefits)	(43,806)	(871,064)
Actuarial (gains)/losses	(15,305)	46
Closing balance	19,704	78,815
Total closing balance	30,952,319	35,172,055

During the 9 months periods ended on 30 September 2014 and 30 September 2013, the total costs for the period were recognised as follows:

	30.09.2014	30.09.2013
Staff costs/employee benefits (Note 17)		
Suspension of contracts, redeployment and release of employment	(152,780)	1,024,334
Telephone subscription charge	(301,055)	(8,448,347)
Pension for accidents at work	(2,722)	(430,809)
Monthly life annuity	6,722	(184,239)
Support for cessation of professional activity	(15,305)	46,231
subtotal	(465,141)	(7,992,830)
Interest expenses	960,082	1,373,609
	494,941	(6,619,221)

In the year ended 31 December 2013, the Portaria 378-G/2013 of 31 December changed the retirement age from 65 to 66 years of age for employees covered by the Social Security. This change had a more significant impact on the liability in connection with the "Suspension of contracts, relocation and release of jobs" where the addition of the responsibility was approximately 642 thousand Euros.

In the year ended 31 December 2013, the Board of Directors of CTT, decided to substitute the payment from 1 January 2014 of the telephone subscription fee, with an equivalent measure to retired workers and surviving spouses who translated this benefit by in replacing the financial support for a benefit in kind.

The sensitivity analysis performed at 31 December 2013 for the employees Other long term benefits leads to the conclusion that, if the discount rate was reduced by 0.5 per cent, keeping everything else constant, this would give rise to an increase of liabilities for past services of approximately 3.1%, increasing to 36,262 thousand Euros.

15. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which show the following movement:

	30.09.2014					
	Opening balance	Increases	Reversals	Reduction	Transfers	Closing balance
Non-current provisions						
Litigation	10,868,975	3,367,348	(3,329,405)	(2,734,224)	966,460	9,139,154
Investments in associated companies	213,840	-	-	-	-	213,840
Onerous contracts	12,643,714	823,888	-	(1,892,935)	-	11,574,667
Other provisions	14,775,306	806,848	-	(612,327)	(1,423,769)	13,546,058
	38,501,835	4,998,084	(3,329,405)	(5,239,486)	(457,309)	34,473,719

	31.12.2013					
	Opening balance	Increases	Reversals	Reduction	Transfers	Closing balance
Non-current provisions						
Litigation	9,268,429	3,757,359	(3,595,059)	(1,269,365)	2,707,611	10,868,975
Investments in associated companies	220,816	-	-	(6,976)	-	213,840
Onerous contracts	13,212,379	1,844,338	-	(2,413,003)	-	12,643,714
Other provisions	13,894,565	4,387,527	(746,183)	(377,694)	(2,382,909)	14,775,306
	36,596,189	9,989,224	(4,341,242)	(4,067,038)	324,702	38,501,835

Litigation

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

Investments in associated companies

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..

Onerous Contracts

During the 9 months period ended 30 September 2014 the provision to cover the estimate of the net present value of the expenditure associated with onerous contracts was increased by 823,888 Euros (1,844,338 Euros at 31 December 2013). The reductions, in the amount of 1,892,935 Euros are related to the rentals payments that occurred during the period.

As at 30 September 2014 the amount provided for onerous contracts is 11,574,667 Euros (12,643,714 Euros at 31 December 2013).

Other provisions

As at 30 September 2014 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings, and related to remuneration differences amounts to 11,545,733 Euros (12,512,193 Euros at 31 December 2013).

During the 9 months period ended 30 September 2014, in addition to the previously mentioned situations, this heading also includes the amount of 890,000 Euros, which arises from the assessment made by management regarding the possibility of the enforcement of tax contingencies.

The net amount between increases and reversals of provisions was recorded in the Interim Condensed Consolidated income statement under the headings “Provisions, net” and amounted to 1,668,679 Euros and 4,753,575 Euros as at 30 September 2014 and 30 September 2013, respectively.

Guarantees provided

As at 30 September 2014 and 31 December 2013 the Group had provided bank guarantees to third parties as follows:

Description	30.09.2014	31.12.2013
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,000,469	-
EURO BRIDGE- Sociedade Imobiliária, Lda	2,944,833	-
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	-
LandSearch, Compra e Venda de Imóveis	1,775,310	-
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,508,269	-
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,261,863	-
Autoridade Tributária e Aduaneira	515,000	390,000
Tribunais	312,753	754,399
Lisboagás, S.A.	190,000	190,000
Autarquias	155,724	153,674
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
ACT Autoridade Condições Trabalho	70,830	45,733
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Fonavi, Nave Hospitalet	40,477	40,477
Record Rent a Car (Cataluña, Levante)	40,000	40,000
ANA - Aeroportos de Portugal	34,000	29,000
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	16,092
SetGás, S.A.	30,000	30,000
Santa Casa da Misericórdia de Lisboa	25,000	86,917
Ministério Educação	23,700	38,700
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
EMEL, S.A.	19,384	19,384
Natur Import (nave Barbera)	18,096	18,096
Portugal Telecom, S.A.	16,658	16,657
Secretaria Geral do Ministério da Administração Interna	16,000	14,000
Instituto Gestão Financeira Segurança Social	12,681	16,092
Petrogal, S.A.	10,774	10,774
REN Serviços, S.A.	9,818	9,818
Inmobiliaria Ederkin	7,800	7,800
Outras entidades	7,693	2,735
Alquiler Nave Tarragona	7,155	7,155
Consejeria Salud	6,433	6,433
TNT Express Worldwide	6,010	6,010
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira , SA	4,752	4,752
Universidad Sevilha	4,237	4,237
SMAS Torres Vedras	4,001	4,001
Instituto Infra-Estruturas Rodoviárias	3,725	3,725
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	3,400	3,400
Martinez Estevez	3,000	3,000
Gexploma	3,000	3,000
Casa Pia de Lisboa, I.P.	1,863	1,863
IFADAP	1,746	1,746
DRCAL Direcção Regional Contencioso Administrativo Lisb	-	49,880
TIP - Transportes Intermodais do Porto, ACE	-	50,000
Poczta Polska Uslugi Cyfrowe Sp	-	257,783
Infarmed IP	-	8,223
	14,564,774	2,734,022

Relating the guarantees for lease contracts and according to the determinations in some of the contracts of the buildings occupied by the Company's services, having the Portuguese State ceased to hold the majority of the share capital of CTT- Correios de Portugal, S.A., bank guarantees on first demand must be provided. These guarantees have already been issued in the amount of 12,524,326 Euros.

Commitments

There are contractual commitments related to tangible fixed assets and intangible assets that are detailed respectively in Notes 4 and 5.

16. ACCOUNTS PAYABLE

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the heading "Accounts payable" showed the following composition:

	30.09.2014	31.12.2013
Advances from customers	2,954,920	2,826,481
CNP money orders	199,036,678	202,301,462
Suppliers	57,234,068	59,737,076
Invoices pending confirmation	10,731,293	8,816,225
Fixed assets suppliers	730,391	2,463,632
Invoices pending confirmation (fixed assets)	512,158	523,341
Concession rent	-	201,424
Values collected on behalf of third parties	6,072,313	4,180,724
Postal financial services	259,407,909	107,689,039
Other accounts payable	4,214,340	3,218,635
	540,894,070	391,958,039

CNP money orders

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

Postal financial services

The increase in this heading arises, mainly, from values collected related to taxes, associated with the 2nd payment on account that occurred in September, and savings certificates.

17. STAFF COSTS

During the 9 months periods ended 30 September 2014 and 30 September 2013, the composition of the heading "Staff Costs" was as follows:

	30.09.2014	30.09.2013
Board of Directors and Audit Board remuneration (Note 19)	1,737,296	957,994
Staff remuneration	184,245,736	183,873,440
Employee benefits	1,537,359	(5,917,879)
Indemnities	1,752,386	1,374,647
Social security charges	40,622,718	40,842,333
Occupational accident and disease insurance	1,361,062	1,308,728
Social welfare costs	7,823,448	9,083,196
Other staff costs	37,463	84,110
	239,117,468	231,606,569

Remuneration of the statutory bodies

In the 9 months periods ended 30 September 2014 and 30 September 2013, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

	30.09.2014			
	Executive Board of Directors	Audit Board / Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	1,523,828	211,528	-	1,735,356
Variable remuneration	-	-	1,940	1,940
	1,523,828	211,528	1,940	1,737,296

	30.09.2013			
	Board of Directors	Audit Board / Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	803,509	153,225	-	956,734
Variable remuneration	-	-	1,260	1,260
	803,509	153,225	1,260	957,994

Staff remuneration

The variation in the heading "Staff remuneration" is mainly a result of the combined effect between the reduction in the average number of employees working for the Company and the remuneration increase that resulted from the cessation of the salary reductions, the reintroduction of seniority-based payments as well as the modifications on the contributory base of retirement discounts.

Indemnities

During the 9 months period ended 30 September 2014 the caption "Indemnities" includes the amount of 657,711 Euros related to compensations paid in proceedings for termination of employment contracts by mutual agreement.

Social welfare costs

The social welfare costs are almost exclusively composed by health costs supported by the company with active employees and costs related to Health and Safety at work.

During the 9 months periods ended 30 September 2014 and 30 September 2013 the heading "Staff costs" includes the amounts of 632,792 Euros and 601,540 Euros, respectively, related to expenses with workers' representative bodies.

For the 9 months periods ended on 30 September 2014 and 30 September 2013, the average number of staff of the Group was 12,508 and 13,030 employees, respectively.

18. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax (“IRC”) at the normal tax rate of 23% (25% in 2013), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and the state surcharge is 3% of the taxable profit above 1,500,000 Euros, the 5% of taxable profit above 7,500,000 Euros up to for 35,000,000 Euros and 7% on taxable profit exceeding 35,000,000 Euros. Tourline is subject to income taxes in Spain, through Impuesto sobre Sociedades - “IS” at a rate of 30%, and the subsidiary Corre is subject to corporate income tax in Mozambique (“IRPC”).

Corporate income tax (IRC) is levied on CTT 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

In the 9 months periods ended 30 September 2014 and 30 September 2013, the reconciliation between the nominal rate and the effective income tax rate is as follows:

	30.09.2014	30.09.2013
Earnings before taxes	76,791,036	64,859,035
Nominal tax rate	23.0%	25.0%
	17,661,938	**16,214,759**
Tax Benefits	(201,966)	(269,184)
Accounting capital gains	(187,880)	(76,766)
Tax capital gains	64,456	38,383
Equity method	-	(5,127)
Provisions not considered in the calculation of deferred taxe	-	46,765
Impairment losses and reversals	(311,211)	110,560
Other situations, net	2,284,981	392,302
Adjustments related with - autonomous taxation	447,929	523,667
Adjustments related with - Municipal Surcharge	1,129,387	784,345
Adjustments related with - State Surcharge	3,600,631	1,964,199
Excess estimated income tax	(258,590)	(116,261)
Income taxes for the períod	24,229,675	19,607,642
Effective tax rate	31.55%	30.23%
Income taxes for the períod		
Current tax	22,495,217	15,910,768
Deferred tax	1,993,048	3,813,135
Excess estimate of income tax	(258,590)	(116,261)
	24,229,675	19,607,642

Deferred taxes

As at 30 September 2014 and 31 December 2013, the balance of deferred tax assets and liabilities was composed as follows:

	30.09.2014	31.12.2013
Deferred tax assets		
Employee benefits - health care	78,385,354	78,221,187
Employee benefits - other long term benefits	9,097,594	10,433,440
Deferred accounting capital gains	2,695,304	3,229,688
Impairment losses and provisions	8,238,216	8,651,941
Conversion adjustments - derecognition of inventories	19,455	77,821
Conversion adjustments - value deducted from staff debts	4,673	18,692
Tax losses carried forward	2,432,702	2,432,702
Impairment losses in tangible fixed assets	555,685	452,859
Other	124,156	126,926
	101,553,139	103,645,256

	30.09.2014	31.12.2013
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	4,046,201	4,288,852
Suspended capital gains	1,055,179	1,082,455
Other	110,571	110,571
	5,211,951	5,481,878

As at 30 September 2014, expected deferred tax assets and liabilities to be settled within 12 months amount to 2,670,638 Euros and 359,903 Euros, respectively.

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movements which occurred under the deferred tax headings were as follows:

	30.09.2014	31.12.2013
Deferred tax assets		
Opening balances	103,645,256	102,228,537
Effect on net profit		
Employee benefits - health care	(11,956)	1,757,201
Employee benefits - other long term benefits	(1,335,846)	(4,354,755)
Deferred accounting gains	(534,384)	(667,578)
Impairment losses and provisions	(413,725)	(105,163)
Impairment losses in tangible fixed assets	102,826	307,246
Derecognition of inventories	(58,366)	(79,395)
Value deducted from debts	(14,019)	(19,069)
Tax losses carried forward	-	1,358,869
Other	(2,770)	69,314
Effect on equity		
Employee benefits - health care	176,123	3,150,049
Closing balance	101,553,139	103,645,256

	30.09.2014	31.12.2013
Deferred tax liabilities		
Opening balances	5,481,878	5,740,233
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(242,651)	(240,583)
Suspended capital gains	(27,276)	(14,067)
Other	-	(3,705)
Closing balance	5,211,951	5,481,878

The tax losses carried forward are entirety related to the losses of the subsidiary Tourline in the years 2008, 2009, 2011, 2012 and 2013. These losses may be tax reported in the next 15 years, except the tax loss related to 2012 and 2013, which may be carried forward in the next 18 years.

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

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 challenges are in progress, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Group's income tax returns after 2010 may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

CTT believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 September 2014.

19. RELATED PARTIES

According to the Group's internal rules on financial reporting, the parties related to the Group are CTT shareholders, and other shareholders of companies in which the Group has a stake, the associated companies, joint ventures, and the members of the Board of Directors, the General Meeting, and the Audit Committee.

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 9 months the periods ended on 30 September 2014 and 30 September 2013, the following transactions took place and the following balances existed with related parties:

	30.09.2014				
	Accounts receivable current	Accounts payable current	Revenues	Dividends	Costs
Shareholders	-	-	-	60,000,000	-
Other Group companies					
Associated companies	2,929	21,636	13,345	-	70,651
Jointly controlled	25,558	15,084	177,460	-	137,014
Members of the					
Executive Board of Directors	-	-	-	-	1,523,828
General Meeting	-	-	-	-	1,940
Audit Board	-	-	-	-	211,528
	28,487	36,720	190,805	60,000,000	1,944,962

	30.09.2013				
	Accounts receivable current	Accounts payable current	Revenues	Dividends	Costs
Parpública, SGPS (a)	-	-	-	50,000,000	-
Other Group companies					
Associated companies	2,915	51,142	14,911	-	53,789
Jointly controlled	38,377	15,043	179,476	-	145,425
Members of the					
Board of Directors	-	-	-	-	803,509
General Meeting	-	-	-	-	1,260
Statutory Audit Board	-	-	-	-	153,225
	41,292	66,185	194,387	50,000,000	1,157,208

(a) CTT has availed of the exemption available in paragraph 25 of IAS 24, and therefore has not provided detailed disclosure of its transaction with the State of Portugal and related parties. A summary of the Group's transactions with the State of Portugal and it's related parties is included below:

1- CTT sells and render services to the State of Portugal and various of it's related entities.
2- CTT collets various payroll taxes and other taxes on behalf of the State of Portugal and its liable to Portuguese Corporate Tax on profits earned and to employes's Social Security Taxes on its payroll.
3- CTT accounts for VAT in Portugal.
4- CTT Group incurs in costs as result of services provided by several State of Portugal related parties, namely:
   - Water Supply costs;
   - Air transportation costs.

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

20. SUBSEQUENT EVENTS

From 1 January 2015, CTT's healthcare plan until now managed by PTACs, will be managed by Médis, following a competitive tendering process to four agencies.

The transition to Médis ensures continuity of all health care in the same manner and with the same principles that have been being provided by the current manager, PT-ACS.

This change will impact CTT's accounts regarding the healthcare plan, both in the active beneficiaries (workers) as well as the liabilities for post-employment benefits (health care liabilities). Currently is not possible to accurately quantify this impact, however, a significant cost reduction is estimated.

On 4 November 2014, the Board of Directors of CTT approved the launch of the Postal Bank, in continuation of the established strategy to expand the Financial Services product offer. The indicative bases of the model for the Postal Bank are still subject to adjustments related to: the process of authorisation by and registration with the Bank of Portugal; the detailed implementation of the project; the market environment; and any minor inorganic acquisitions that might reduce the time-to-market of the operation.