1ST QUARTER 2015 CONSOLIDATED RESULTS

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

1ST QUARTER 2015 CONSOLIDATED RESULTS

EXCELLENT PERFORMANCE IN THE 1ST QUARTER OF 2015, WITH SOLID GROWTH OF EBITDA AND NET PROFIT DRIVEN BY REVENUES GROWTH AND OPERATIONAL EFFICIENCY.
STRATEGIC PROJECTS AS THE LAUNCH OF THE POSTAL BANK AND THE NETWORK OPTIMISATION ARE PROGRESSING WELL ACCORDING TO PLAN.

- **Strong growth in recurring EBITDA**[1] **to €41.7m (+26.2%) – with Mail contributing 62%, Financial Services 36% and Express & Parcels 2% – and Net profit to €22.3m (+23.3% compared to €18.1m in the same period of 2014).**
- **Relevant slowdown in the decline of addressed mail volumes to -1.6% (-9.5% in the 1st quarter of 2014 and -5.7% in the full year 2014), partly due to the negative performance of the 1st quarter of 2014 and to some anticipation of the sale of pre-franked postal products in 2015.**
- **Revenues grow by 8.4% to €191.2m:**
  - **Mail revenues confirm the past trend and grow by 6.7%, due to the slowing down of the rate of decline in addressed mail volumes to -1.6% and the 4.2% increase of the average price of the Universal Postal Service, as well as to the exchange rate effect on international (inbound) mail;**
  - **Express & Parcels revenues grow by 2.1% and volumes by 4.4%;**
  - **Financial Services strengthen their offer and market position, obtaining a strong 50.5% revenues growth (in part due to strong anticipation of savings products subscriptions in January), consolidating as a fundamental overall growth lever for CTT.**
- **Operating costs**[2] **grow by 4.3%, totalling €149.5m, mainly as a result of the monthly accrual of variable incentives (which in 2014 were only accounted for in December), of the salary increases and of growth in the Financial Services and Express & Parcels business units.**
- **Progress of reorganisation initiatives in Express & Parcels in Portugal and Spain and remaining initiatives of the transformation programme under implementation as planned.**
- **Positive evolution of the Human Resources policies, with increased flexibility and efficiency driven by the entry into force of the new Company Agreement, the implementation of salary reviews, and the reintroduction of variable remuneration.**
- **0.2% year-on-year reduction in the number of staff (to 12,213), which accommodates the hiring of new staff in the growing business units as a result of the Transformation Programme implemented in the last two years.**
- **Quality and customer satisfaction remain at high levels.**
- **Strong levels of financial standing and growing liquidity levels preserved as a result of the ongoing working capital optimisation and Financial Services business growth.**

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[1] Before non-recurring revenues and costs.
[2] Excluding depreciation / amortisation, impairments, provisions, and non-recurring costs.

1. Operating Activity

Business Units Performance

Mail

The decrease in addressed mail volumes in the 1st quarter of 2015 was -1.6%, slower than in the full year 2014 (-5.7%) and in the first three months 2014 (-9.5%).

The evolution of volumes in this quarter was positively influenced by (i) dispatches of ordinary and advertising mail from large customers, some of which were additional and others with anticipated timing in relation to those of last year, (ii) a growing number of customers visiting the post offices to buy stamps and pre-franked postal products in anticipation of the price increase effective as of 1 March (in 2014, the impact was felt only in the 2nd quarter as the increases entered into force on 7 April) (iii) the easy year-on-year comparison, as in 2014 there was an unusually high -9.5% decrease in volumes, and (iv) the economic and internal consumption recovery which is growing more apparent.

Although the economic recovery is expected to benefit mail consumption for the rest of the year 2015, the reasons mentioned above and the fact that traditionally a single quarter evolution is not representative of the annual volumes changes lead us to anticipate that the mail volumes decrease for the rest of 2015 may not be identical to that of the 1st quarter for 2015.

Mail Volumes

Million items

	1Q15	1Q14	Δ
Transactional Mail	188.4	190.9	-1.3%
Editorial Mail	11.4	12.0	-5.5%
Advertising Mail	20.9	21.4	-2.3%
Addressed Mail	**220.6**	**224.3**	**-1.6%**
Unaddressed Mail	**109.8**	**112.6**	**-2.4%**

Transactional mail volumes decreased by -1.3%. This evolution is the result of changes in the volumes of ordinary mail (-2.1%), registered mail (-2.4%), international outbound mail (-6.8%), and international inbound mail (-0.1%). These changes were compensated by the very positive evolution of priority mail (+16.5%) and “green mail” / *correio verde* (+24.4%) volumes.

Editorial mail decreased in the 1st quarter of 2015 (-5.5%). On the other hand addressed (-2.3%) and unaddressed (-2.4%) advertising mail volumes, considering their evolution in the last two years, slightly improved in the 1st quarter due to the evolution of the advertising market and to a focused additional commercial effort on the part of the company.

Mail Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	1Q15	1Q14	Δ	1Q15	1Q14	Δ
Revenues	**143.7**	**134.6**	**6.7%**	**143.7**	**134.6**	**6.7%**
Sales and services rendered	132.2	126.6	4.4%	132.2	126.6	4.4%
Other operating income	7.0	3.7	87.8%	7.0	3.7	87.8%
Intragroup revenues	4.4	4.3	4.4%	4.4	4.3	4.4%
Operating costs (*)	**118.8**	**111.6**	**6.5%**	**117.9**	**111.3**	**6.0%**
External supplies and services	25.3	24.2	4.8%	25.3	24.2	4.8%
Staff costs	62.6	60.9	2.9%	62.1	60.7	2.2%
Other costs	6.6	4.2	58.0%	6.6	4.2	58.0%
Intragroup costs	24.3	22.4	8.6%	24.0	22.2	7.7%
EBITDA	**24.8**	**23.1**	**7.8%**	**25.7**	**23.4**	**10.2%**
EBITDA MARGIN	**17.3%**	**17.1%**	**0.2 p.p.**	**17.9%**	**17.3%**	**0.6 p.p.**

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

Despite the volumes decline, the Revenues of the Mail business unit stood 6.7% above those of the 1st quarter of 2014.

The pricing and discounts policy, the product mix, the exchange rate appreciation of international (inbound) mail, and the weight-step structure of the mail items explain the comparison between the changes in revenues and volumes.

The changes in the prices of the Universal Service and bulk mail products, effective on 1 March 2015, resulted in a 4.2% average overall price increase in the 1st quarter of 2015 vs. the same period of 2014. The revision of the discounts policy led to more demanding conditions for clients in terms of a more accurate pre-sorting level and stricter payment deadlines, thus encouraging more efficient behaviours and leading large customers to lose some discounts. This effect started to positively impact revenues as from May 2014, which benefits even more the comparison of the 1st quarter 2015 with the same period of last year.

In spite of the Transformation Programme measures which continued to be implemented throughout the 1st quarter of 2015, which for this business unit concern the optimisation and rationalisation of operations, distribution, and the Retail Network, recurring operating costs increased by 6.0%.

Underlying this increase are the costs with foreign postal operators, unfavourable exchange rate differences (included in Other Costs) and staff costs for the reasons presented below in the section Economic and Financial Analysis – Evolution of Operating Costs.

Together with the 6.7% increase in revenues, the recurring EBITDA margin of this business unit has shown a positive change of 0.6 p.p. to 17.9%.

Besides the Citizen's Bureau Areas project within CTT post offices, which will be mentioned below in a specific section, business improvement and development in the Retail Network in this quarter involved renting space, promoting the *meuselo* product and catalogue sales by offering products with potential for cross-selling with credit solutions.

Express & Parcels

Express & Parcels volumes grew by 4.4% in the 1st quarter of 2015, and revenues grew by 2.1% to €31.9m.

In the 1st quarter of 2015, CTT handled 3.3 million items in **Portugal** (+10.0% vs. the same period of last year) and maintains the lead in the domestic market (source: "Report Postal Services – Statistical Information – 4th quarter 2014", ANACOM – Table 5: Provider shares of total postal traffic).

E-commerce accelerated growth has led CTT to develop increasingly flexible solutions tailored to this type of business and meeting the needs of the B2C (Business to Consumer) segment. These solutions involve the dissemination and diversification of delivery and posting points.

In the 1st quarter of 2015, CTT launched in Portugal a new convenience offer to support e-commerce which includes the pick-up service allowing the e-buyer of a product at an online shop of CTT Expresso customer (e-retailer) to pick up that shipment directly at a point of his / her choice (post office, Worten shop or postal agency), and the drop-off service giving occasional clients the possibility to send a shipment from one of the same points.

In **Spain**, volumes in the 1st quarter of 2015 reached 3.4 million items, which represents flat growth vis-à-vis the same period of 2014.

In **Mozambique**, the expected effects for the 1st quarter of 2015 were felt. These resulted from the restructuring process (stabilisation of the relationship with clients, suppliers and public entities) implemented in CORRE during the 2nd half of 2014. The new management model led to a constant performance which produced a return to sustained positive operating results.

The necessary conditions for normal business activity were resumed and CORRE is now prepared for commercial development based on a quality operational response, thus a sustained revenues growth is anticipated for the next months.

Express & Parcels Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	1Q15	1Q14	Δ	1Q15	1Q14	Δ
Revenues	**31.9**	**31.2**	**2.1%**	**31.9**	**31.2**	**2.1%**
Sales and services rendered	31.4	30.9	1.7%	31.4	30.9	1.7%
Other operating income	0.5	0.4	34.9%	0.5	0.4	34.9%
Operating costs (*)	**31.0**	**29.8**	**4.1%**	**31.0**	**29.7**	**4.2%**
External supplies and services	24.1	23.5	2.6%	24.1	23.5	2.6%
Staff costs	6.3	5.9	7.8%	6.3	5.8	7.8%
Other costs	0.6	0.5	32.1%	0.6	0.4	43.0%
EBITDA	**0.9**	**1.5**	**-39.7%**	**0.9**	**1.5**	**-40.4%**
EBITDA MARGIN	**2.7%**	**4.6%**	**-1.9 p.p.**	**2.8%**	**4.8%**	**-2.0 p.p.**

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

The Express & Parcels business unit revenues of €31.9m represent a 2.1% (+€0.7m) increase, given that the decrease in Spain (-€0.1m) was offset by the growth in Portugal (+€0.7m) and in Mozambique (+€0.05m).

Recurring operating costs growth of €1.3m (+4.2%) stems basically from the increase in the number of staff to handle the growth of activity, and from the increase in operating costs in Spain, the latter due to growth in CTT-managed zones.

The implementation of the restructuring plan of the activity and franchisee network of Tourline Express proceeded, aiming at increased control and improved quality of the franchisees, either at business capacity level or at financial soundness and management skills levels. This process resulted in an increased direct presence either in stronger business areas or temporarily in zones where we do not intend to operate directly but where it was necessary to compensate for the loss of franchisees. This latter aspect continued to penalise the company's profitability.

These were determining factors for the 40.4% reduction in the recurring EBITDA vis-à-vis the same period of the previous year. The measures under implementation in the framework of the Transformation Programme in Portugal (integration of the distribution networks) and in Spain (continuation of the restructuring of the franchisee network, upward revision of the prices, and strengthening of the direct commercial capacity) are expected to revert this trend during 2015.

Financial Services

In the 1st quarter of 2015, the Financial Services business unit grew by 50.5%, thus increasing the weight of this business unit in the CTT total revenues[3] to 12% (9% in the 1st quarter of 2014) and strengthening its future importance within the strategic plan of the company.

Financial Services Business Unit Revenues, Costs and EBITDA

€ Million

	Reported			Recurring		
	1Q15	**1Q14**	**Δ**	**1Q15**	**1Q14**	**Δ**
Revenues	**24.3**	**16.2**	**50.5%**	**24.3**	**16.2**	**50.5%**
Sales and services rendered	24.1	15.4	56.5%	24.1	15.4	56.5%
Other operating income	0.2	0.8	-71.1%	0.2	0.8	-71.1%
Intragroup revenues	0.0	0.0	4.2%	0.0	0.0	4.2%
Operating costs (*)	**10.6**	**7.9**	**33.6%**	**9.2**	**7.9**	**16.0%**
External supplies and services	4.1	2.5	63.2%	2.7	2.5	7.5%
Staff costs	1.8	0.9	108.6%	1.8	0.9	108.6%
Other costs	0.1	0.1	-11.4%	0.1	0.1	-11.4%
Intragroup costs	4.6	4.5	3.6%	4.6	4.5	3.6%
EBITDA	**13.7**	**8.2**	**66.9%**	**15.1**	**8.2**	**83.9%**
EBITDA MARGIN	**56.4%**	**50.8%**	**5.6 p.p.**	**62.1%**	**50.8%**	**11.3 p.p.**

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

An analysis by product lines shows that Savings & Insurance once again performed extraordinarily well in this quarter due to the record level of placements which hit €2.5 billion (135.2% growth vis-à-vis the same period of 2014) mostly related to public debt certificates (Savings Certificates and Treasury Certificates *Poupança Mais*) commercialised by CTT. In the month of January alone, anticipating the update of the interest rate of these products, placements hit historical highs, unparalleled in the 50-year history of public debt certificates and retail marketing by CTT.

In the area of Payments, revenues evolution was slightly below the 1st quarter of 2014, although with important positive marks in some activity segments both in the Payshop and in the CTT Retail Network. In Payshop, although the domestic mobile phone top-up service continued to be impacted by the negative selection practices of the telecom operators of face-to-face collection channels to the benefit of banking channels, it is worth noting, conversely, the 9.2% growth in the remaining portfolio involving the payment of bills, tolls and internet-related products. Within the CTT Retail Network, it is worth highlighting as

[3] Excluding revenues allocated to the CTT Central Structure and intragroup eliminations of -€8.7m in the 1st quarter of 2015.

positive the significant growth in toll payments, which almost offset the unfavourable evolution of the remaining segments of this product line.

Money Orders and Transfers revenues evolved in a similar manner as Payments, slightly below the same quarter of 2014, but with positive signs in several products, where the increase of the main product, the *Vale Ordenador* (Originator Money Order) of the B2C segment, is to be highlighted, as is the return to growth of the international urgent cash transfers.

In the new Consumer Credit area, which was launched in June 2014 and is still at an introductory stage, initiatives to improve awareness of this new offer continued to be carried out for the wide CTT client base as well as for the general public. The first results of 2015 are positive, as the loans granted registered a monthly growth of around 50%.

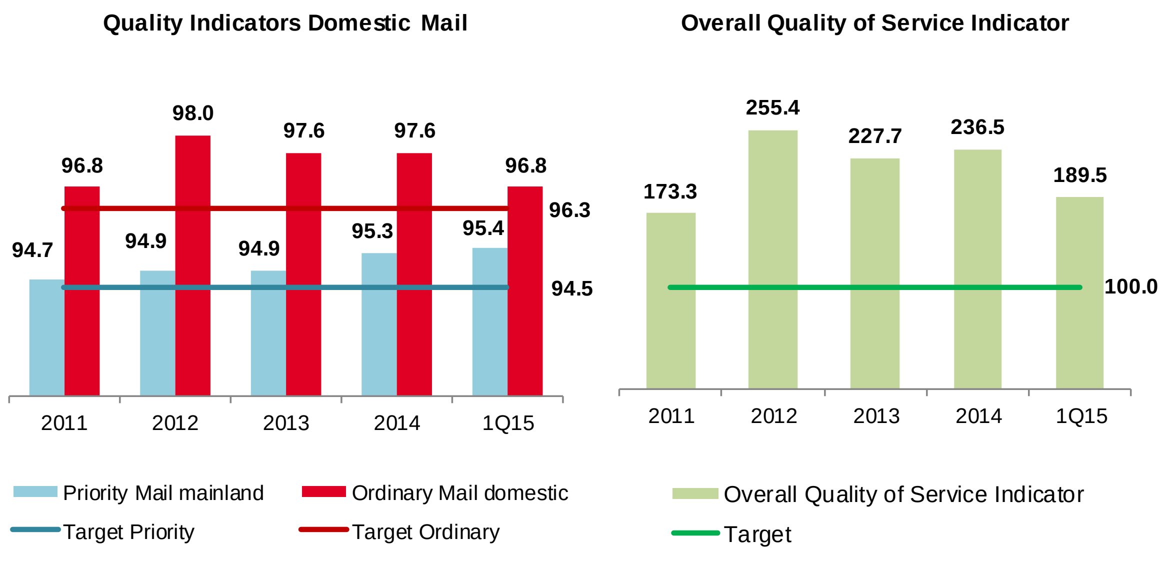
The operating costs of this area increased by 16.0% due to the growing number of post offices with transport of valuables and to the growth of incentives to the Retail Network employees relative to the sale of financial products, the latter resulting from the high placement of Savings products in January.

QUALITY OF SERVICE

In the 1st quarter of 2015, CTT continued to have high quality of service levels, with the OQSI – Overall Quality of Service Indicator – registering 189.5 points, compared to a target of 100.

All the parameters of quality of service defined by ANACOM and set out in article 13(1) of the Postal Law (Law no. 17/2012, of 26 April) performed above the objectives, the slight decrease resulting from the distribution networks optimisation process, which always affects the service levels at the moment of implementation but has already fully recovered.

Quality of Service



When compared to the previous year, the OQSI decreased as a result of the poorer but still above the objective operational performance of the “Ordinary Mail – % of deliveries within 3 days” indicator in the month of January. In February, the ordinary mail indicators went back to normal and, as a consequence, the OQSI improved in the months of February and March, exceeding 200 points (212.1 and 232.3, respectively).

Customer perception regarding CTT Quality of Service reflects the good performance achieved: 85% of the customers say that CTT overall quality of service is good or very good (source: customer satisfaction surveys).

The effort to maintain all the management systems certified continued. In February 2015, an external audit was successfully carried out to maintain the Quality Certification of the Monitoring Systems to determine the following Quality of Service Indicators (QSI): QSI 1 to 5 (Ordinary and priority mail routeing time), QSI 6 (Newspapers and periodicals routeing time), QSI 9 (Domestic parcels routeing time) and QSI 10 (Waiting time in post office queues). In March 2015, an external audit on the maintenance of the CTT Expresso Integrated Management System (Quality, Environment, and Safety and Health at Work) was also performed.

During the 1st quarter of 2015, the final stage of the implementation of three improvement actions, assessed in April 2015, took place, which will allow CTT to obtain once more the Committed to Excellence recognition. Since the first application (1st project submitted in 2006), this methodology has undoubtedly contributed to acknowledged operational improvements and increasingly comprehensive operational coverage. CTT was the first European postal operator to have achieved this recognition within this scope.

The Service Certification process was maintained for all the post offices and postal delivery offices, and for 25 postal agencies, the latter within a project for which the internal preparation for expansion in 2015 is underway.

2. NEW BUSINESS OPPORTUNITIES

POSTAL BANK

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

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

On 6 February 2015, the company CTT Serviços S.A., was created in the context of the incorporation of the Postal Bank. It has been recruiting the initial employees for the future bank. This is one more important step towards the launch of the bank during 2015. This process will go through several stages of authorisation by the Bank of Portugal, as well as the interconnection with other fundamental institutions in the provision of banking services.

On 18 February 2015, the service contracts for the implementation of several components of the computerised Core Banking System for the Postal Bank were signed with Deloitte and Misys. During the 1st quarter, the acquisition of branding services for the bank was awarded. Of the €20m already allocated to the project, a relevant part is aimed at the necessary investment for the launch of the bank, of which is to be highlighted the IT platform.

The design of the banking training programme was also completed and the training course is being given to all the Retail Network employees as from the beginning of the 2nd quarter of 2015.

The project proceeds in several fronts, as planned, with activities scheduled until the bank's opening, and involves the efforts of a wide and multi-skilled team reinforced by the recruitment of technical staff with the necessary skills.

MEMORANDUM OF UNDERSTANDING WITH ALTICE PORTUGAL, S.A.

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

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

As the agreement for sale of PT Portugal to Altice has already been formalised (after being approved by the General Meeting of Shareholders of PT SGPS and later by Oi, S.A.) and the European Commission has approved the transaction on 20 April 2015 subject to the sale of ONI and Cabovisão by Altice, the closing of the transaction is awaited in order to move forward with the conclusion of this agreement.

CITIZEN'S BUREAU AREAS

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

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

At a later stage this partnership will be reassessed by the parties and may be expanded, as long as the economic rationale supports it, based on the services provided but also on the cross-selling potential.

Following this agreement, a training cycle started in the 1st quarter, which provided 111 employees with the necessary skills and knowledge to perform the services of the entities involved in the agreement. This training and the implementation of the inherent logistics will allow CTT to set up, throughout the 2nd quarter of 2015, 52 Citizen's Bureau Areas at the CTT Retail Network.

3. RELEVANT INITIATIVES OF THE TRANSFORMATION PROGRAMME

INTEGRATION OF THE MAIL AND EXPRESS & PARCELS DISTRIBUTION NETWORKS

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

At the end of the 1st quarter of 2015, the coverage area of the basic CTT network in the delivery of parcels was extended. This process is being developed by geographical coverage areas with an integrated rationale and vision. The extension of the coverage area will proceed in 2015 and it is expected that the process will be concluded in the last quarter of 2015.

HUMAN CAPITAL DEVELOPMENT AND RESOURCE OPTIMISATION POLICIES

The annual performance assessment process regarding the 2014 financial year was conducted during the 1st quarter of 2015. Simultaneously, a **new performance management system** was developed and implemented in all CTT companies, aiming at aligning the employees with the strategy and business development of the company, as well as recognising the merit and the results achieved. It is based on the definition of targets and expected behaviours, which are a reference for the assessment at the end of the management cycle. In accordance with this new model, during the 1st quarter, KPIs were defined and expectations for 2015 were agreed for the various functions and company units, and all of those were communicated to the employees.

To strengthen the CTT value proposition as an employer, the **CTT Employer Brand** was designed and the **Trainee Programme** was launched.

In the framework of the development of the business units and the enhancement of the human capital needed for the growth of CTT, the **company's staff was rejuvenated** by recruiting new staff with added knowledge and skills.

In terms of **training**, among the strategically relevant programmes, those associated with the Network Optimisation and the Postal Bank projects are to be highlighted.

On 9 February 2015 and with effect from December 2014, a **new Company Agreement** (CA), valid for the next two years, and a **new Regulation of the Social Works** (RSW), the internal healthcare and social protection system of CTT, were signed with the workers' collective representation structures – Workers' Committee and Trade Unions.

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

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

The changes to the Healthcare Plan, allowances and working hours will result in annual cost savings to the company, while salary increases will impact costs in the opposite direction. The changes to the Healthcare Plan on the company's future liabilities related to employee benefits have a significant impact as mentioned hereinafter and allow for an improvement of the long-term sustainability of the plan.

4. ECONOMIC AND FINANCIAL ANALYSIS

REVENUES

The above-mentioned business developments resulted in revenues of €191.2m, an increase of 8.4% (€14.8m) in relation to the same period of last year.

This growth is the combined consequence of the increases in the prices of mail services, which fully offset the impact of the slight decline in volumes (-1.6%), the exchange rate variation of international inbound mail, and the strong revenue growth in the Financial Services business, all of this maximised by the initiatives carried out under the Transformation Programme.

Revenues

€ Million

	1Q15	1Q14	Change	
			Amount	%
Total reported revenues	**191.2**	**176.4**	**14.8**	**8.4%**
Business units	199.9	182.0	17.8	9.8%
Mail	143.7	134.6	9.0	6.7%
Express & Parcels	31.9	31.2	0.6	2.1%
Financial Services	24.3	16.2	8.2	50.5%
Central Structure and intragroup eliminations	-8.7	-5.6	-3.0	-54.1%

EVOLUTION OF OPERATING COSTS[4]

The evolution of the operating costs in the 1st quarter of 2015 continued to result mostly from the implementation of the **Transformation Programme**. The reductions achieved resulted in consolidated recurring costs growth of only 4.3% (+€6.1m), despite the 8.4% growth in revenues, 40% of which resulting from the similar effect of the exchange rate variations of international mail, outbound in this case.

The initiatives carried out for the **optimisation and rationalisation of the operations and delivery** have led not only to cost reductions in operations but also to increased productivity levels and higher operational efficiency, as well as to greater synergies between the Mail and the Express & Parcels distribution networks. At the end of the 1st quarter of 2015, CTT operated 259 postal delivery offices and 3,455 vehicles.

In relation to the **optimisation of the Retail Network**, the initiatives carried out arise as a follow-up of the work undertaken in 2014 aimed at cost cutting and maintaining adequate quality of service levels, while complying with the Universal Service obligations and supporting the strong growth of Financial Services. At the end of the 1st quarter of 2015, CTT had 2,318 postal outlets, of which 623 were post offices and 1,695 were partnership branches (postal agencies).

As a result of the various measures implemented, **the consolidated operating costs** (excluding depreciation / amortisation, impairments, provisions, and non-recurring costs) amounted to €149.5m, which do not yet reflect the benefits from the growing efficiency associated with the distribution networks integration but only part of the savings from the renegotiation of the Healthcare Plan.

[4] Excluding depreciation / amortisation, impairments, provisions, and non-recurring costs.

Operating Costs

€ Million

	Reported			Recurring		
	1Q15	1Q14	Δ	1Q15	1Q14	Δ
Operating costs (*)	**151.8**	**143.7**	**5.6%**	**149.5**	**143.4**	**4.3%**
External supplies & services	55.9	55.8	0.1%	54.1	55.7	-2.9%
Staff costs	87.5	81.9	6.8%	86.9	81.6	6.4%
Other operating costs	8.5	6.0	40.8%	8.5	6.0	41.6%

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

The €1.6m (-2.9%) reduction of the recurring ES&S costs is the result of the following opposite effects: (i) the reductions brought about by the rationalisation of operations, the Retail Network and the costs with IT outsourcing; (ii) the increase of the costs associated with transport of valuables as a result of the growing number of post offices covered by the transport of valuables to strengthen security within the current legal framework; and iii) of costs with foreign postal operators mentioned above (outbound mail).

The change in costs with foreign postal operators vis-à-vis the 1st quarter of 2014 is mainly the result of the exchange rate appreciation of the SDR (Special Drawing Rights – a basket of international currencies used in the transactions performed among the postal operators of different countries in the processing of international mail) against the Euro, but also of the use of Reims V tariffs in the cost accrual relative to some relevant operators in anticipation of CTT's likely signing of the agreement, and of the added costs linked to the additional premium that the International Priority Mail has to pay for being associated to the premium line of mail handling (Exprès line).

As far as staff costs are concerned, the 6.4% (+€5.3m) increase in recurring costs despite the reduction in the number of staff is mainly due to the growth of incentives to the Retail Network for the performance of the Financial Services business unit, especially in the placement of savings products, to the reinstatement of variable remuneration (inexistent in the 1st quarter of 2014), to the new remuneration model of the members of the Statutory Bodies as defined by the Remuneration Committee, to the salary increases of 2% in CTT S.A. and 1.25% in its subsidiaries (with minimum and maximum thresholds), to the staff costs in CTT Serviços which is in its launching stage, and to the increase in the number of staff in the Express & Parcels business unit to meet the growth in activity.

On the other hand, there was a €1.1m favourable deviation in healthcare costs due to the new Regulation of the Social Works, to a lower use of healthcare services, and to the contracting of a new service provider to manage the Healthcare Plan. The savings resulting from the new regulation shall only be achieved during the 3rd quarter of 2015.

The heading Other operating costs recorded a €2.5m favourable deviation mainly due to the 12% appreciation of the SDR exchange rate in the 1st quarter of 2015 vs. the same period of 2014.This caused a €2.4m deviation in the unfavourable exchange differences. This appreciation has, in return, a €2.5m positive effect in other revenues and gains / favourable exchange differences, thus not affecting EBITDA evolution.

STAFF

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

In the context of the necessary adjustment to the business and volumes evolution, as at 31 March 2015, the company headcount (permanent staff and employees on fixed-term contracts) consisted of 12,213 employees, 22 (-0.2%) less than in the same period of 2014. This reduction, if measured in full-time equivalents, corresponds to -97 (-0.8%). The number of employees includes 6,593 mail operations and delivery staff (including 4,911 delivery postmen) and 2,676 employees in the Retail Network

CTT Headcount

	31.03.2015	31.03.2014	∆ 2015/2014	
Mail	9,711	9,854	-143	-1.5%
Mail & Business Solutions	7,035	7,164	-129	-1.8%
Retail Network	2,676	2,690	-14	-0.5%
Express & Parcels	1,276	1,188	88	7.4%
Financial Services	111	103	8	7.8%
Other	1,115	1,090	25	2.3%
Total, of which:	**12,213**	**12,235**	**-22**	**-0.2%**
Permanent	11,528	11,605	-77	-0.7%
Fixed-term contracts	685	630	55	8.7%
Total in Portugal	11,608	11,680	-72	-0.6%

During the first three months of 2015, 36 employees were hired (14 in Spain and 22 in Portugal), 17 who had been working for TI-POST and Postal Network returned to the company as well as one following a secondment in the public interest, while 47 left. Of these, 23 employees retired, 21 terminated their contracts and 3 deceased.

Employees with special conditions were reassessed, to assign them to more adequate jobs and to optimise mobility among the CTT subsidiaries and business units.

To maximise the use of installed capacities and enhance jobs, the insourcing of operating activities was promoted.

As of 1 January 2015, besides the above-mentioned revision of the Regulation of the Social Works, CTT's Healthcare Plan, which was until then managed by PT-ACS, started to 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 as that of the previous supplier and will allow for a reduction of current costs with the Healthcare Plan management and medical services.

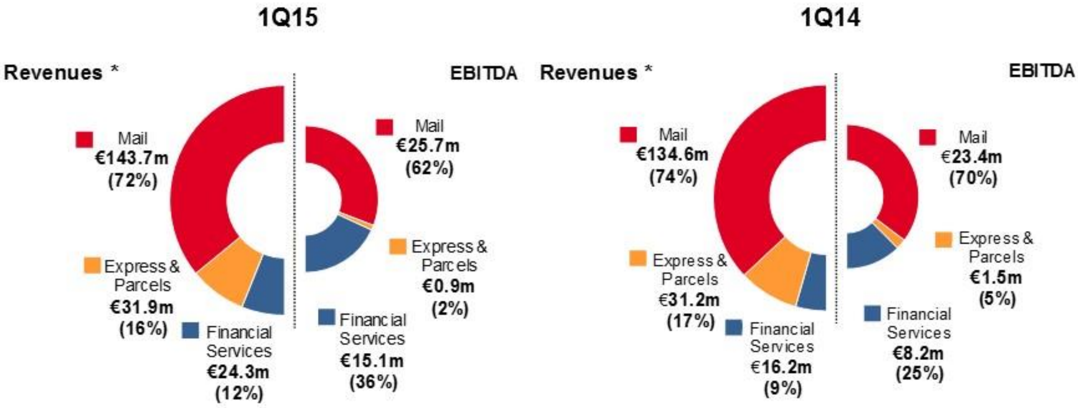
RECURRING EBITDA

The operating activity generated a €41.7m recurring EBITDA (earnings before interests, tax, depreciation and amortisation, impairments, provisions and non-recurring results), 26.2% (+€8.7m) above that of the same period of the previous year, with an EBITDA margin of 21.8% vs. 18.7% in the 1st quarter of 2014.

These results correspond to the evolution described above: €14.8m growth in revenues combined with a lower increase of €6.1m in operating costs (excluding depreciation / amortisation, impairments, provisions, and non-recurring costs).

The company's EBITDA growth resulted from EBITDA growth in the Mail business unit (+€2.3m; +10.2%) and in the Financial Services business unit (+€6.9m; +83.9%), which had a recurring EBITDA of €25.7m and €15.1m, respectively. The EBITDA margin grew due to the increasing weight of Financial Services in CTT revenues.

Recurring Revenues and EBITDA by Business Unit



* Including internal provision of services and intragroup transactions eliminated in the consolidation process; excluding income related to CTT Central Structure and Intragroup Eliminations amounting to -€8.7m in 1Q15 and -€5.6m in 1Q14.

RECURRING EBIT AND NET PROFIT

Recurring EBIT (earnings before interests, tax, and non-recurring results) posted a year-on-year positive change of €8.8m (+32.2%) to €36.2m and the EBIT margin was 18.9%, 3.4 p.p. above that of last year.

In the 1st quarter of 2015, consolidated financial results amounted to -€1.2m, which represents an improvement of €0.2m vs. that of the 1st quarter of 2014. Interest and other financial income decreased by 54.0% vis-à-vis the same period of last year, despite the increase in the amounts placed, as it was affected by the sharp fall in the rates of return on time deposits.

Financial costs incurred reached €1.8m, which includes financial costs associated with employee benefits of €1.7m and interest associated with financial leasing operations and bank loans (€0.1m). There was a €1.2m reduction in financial costs with employee benefits resulting from the effect of the discount rate decrease from 4.0% to 2.5%, and from the decrease in liabilities in 2014 as a consequence of the renegotiation of the Regulation of the Social Works and the Healthcare Plan.

Consolidated net profit totalled €22.3m in the 1st quarter of 2015, which represents a significant positive change of €4.2m (+23.3%) vis-à-vis the previous year and translates into a result of €0.15 per share and an 11.7% net profit margin on the consolidated revenues (+10.2% in the 1st quarter of 2014).

NON-RECURRING COSTS AND REVENUES

In the 1st quarter of 2015, CTT registered -€3.1 million of non-recurring results.

This comes mostly as the result of costs related to strategic projects studies, especially those related to the creation of the Postal Bank, and the continued progress on structural issues, particularly the compensations for termination of the continuous working hours, other compensations resulting from the new Company Agreement 2015, compensations paid for termination of employment contracts by mutual agreement, and the restructuring of the Express & Parcels business unit.

To be noted is also the net reversal of the provision for labour contingencies and an increased provision for possible costs from liabilities related with onerous contracts, resulting mostly from the impact of the adjustment of the discount rate.

Non-recurring costs

€ Million

	1Q15	1Q14
Non-recurring costs	**3.1**	**1.1**
affecting EBITDA	**2.3**	**0.4**
. External supplies & services and other costs	1.8	0.1
. Staff costs	0.6	0.2
affecting only EBIT	**0.8**	**0.8**
. Provisions (reinforcements / reductions)	0.4	0.6
. Impairments (losses / reductions)	0.4	0.2

SUMMARY OF CONSOLIDATED RESULTS

To summarise, the consolidated results of CTT – Correios de Portugal, S.A. are as follows:

Consolidated P&L

€ Million

	Reported			Recurring		
	1Q15	1Q14	Δ	1Q15	1Q14	Δ
Revenues	191.2	176.4	8.4%	191.2	176.4	8.4%
Sales and services rendered	186.4	171.8	8.5%	186.4	171.8	8.5%
Other operating income	4.9	4.7	4.5%	4.9	4.7	4.5%
Operating costs	151.8	143.7	5.6%	149.5	143.4	4.3%
EBITDA	**39.4**	**32.7**	**20.5%**	**41.7**	**33.1**	**26.2%**
Depreciation / amortisation, impairments and provisions	6.4	6.5	-1.4%	5.6	5.7	-2.3%
EBIT	**33.0**	**26.2**	**25.9%**	**36.2**	**27.4**	**32.2%**
Financial income, net	-1.2	-1.7	28.4%	-1.2	-1.7	28.4%
Gains / (losses) in associated companies	0.0	0.3	-100.0%	0.0	0.3	-100.0%
Earnings before taxes (EBT)	**31.8**	**24.9**	**28.1%**	**35.0**	**26.0**	**34.5%**
Income tax for the period (*)	9.5	6.8	39.9%	9.4	7.5	26.1%
Losses / (gains) attributable to non-controlling interests	0.0	0.0	-507.4%	0.0	0.0	-507.4%
Net profit attributable to equity holders	**22.3**	**18.1**	**23.3%**	**25.5**	**18.5**	**37.7%**

(*) Recurring Net profit excludes non-recurring revenues and costs and considers a theoretical (nominal) tax rate (change from prior methodology which considered the effective tax rate from the reported accounts).

FREE CASH FLOW

In the 1st quarter of 2015, the operating free cash flow generated was -€143.0m, vs. €0.6m in the same period of 2014 as a result of the strong cash inflow of the last days of December 2014 (related to the subscription of public debt certificates) which was paid to IGCP – *Agência de Gestão da Tesouraria e da Dívida Pública* (Portuguese public debt agency) in early January 2015.

Significant payments regarding investment in the 1st quarter of 2015 also contributed to this, mostly due to the acquisitions of trucks made at the end of 2014 and of IT equipment.

The change in cash and cash equivalents totalled -€141.8m, -€142.2m below that of the 1st quarter of 2014, due to the €155.6m decrease in the Financial Services payables / receivables which had an impact on the cash and cash equivalents. Hence, the adjusted operating free cash flow (excluding the change in Net Financial Services payables) was €12.6 million.

Cash Flow

€ Million

	Reported			Adjusted (*)		
	1Q15	**1Q14**	**Δ**	**1Q15**	**1Q14**	**Δ**
Cash flow from operating activities	-132.2	0.4	<<	23.4	32.0	-26.9%
Cash flow from investing activities	-10.8	0.2	<<	-10.8	0.2	<<
Operating free cash flow	**-143.0**	**0.6**	**<<**	**12.6**	**32.2**	**-60.8%**
Cash flow from financing activities	1.2	0.5	139.8%	1.2	0.5	139.8%
Change in consolidation perimeter	-	-0.7	-	-	-0.7	-
Change in cash and cash equivalents	**-141.8**	**0.4**	**<<**	**13.8**	**32.0**	**-56.8%**
Cash and cash equivalents at the end of the period	**522.8**	**545.3**	**-4.1%**	**292.7**	**268.8**	**8.9%**

(*) Cash flow from operating activities excluding change in Net Financial Services payables (-€155.6m in 1Q15 and -€31.6m in 1Q14).

INVESTMENT

Capex amounted to €5.2m, 299.4% above that of the same period of last year (€1.3m) and was mainly channelled to IT systems, of which the Core Banking System for the implementation of the Postal Bank (€3.9m) and the E-CIP – International project (€0.3m) for the creation of an e-commerce network of more than 30 postal operators are to be highlighted, the latter promoting CTT as an increasingly important solution for the outbound / inbound flows.

CONSOLIDATED BALANCE SHEET

The highlights of the comparison between the Balance Sheet as at 31 March 2015 and that at the end of the 2014 financial year are:

Total **assets** decreased €107.9m (-9.1%) as a result of (i) the €107.1m decrease in current assets as a result of the reduction in cash and cash equivalents (-€141.8m, -21.3%), partly offset by the increase in other current assets related to postal financial services receivables (+€13.7m, +110.8%) for the reimbursement of insurance premiums; (ii) the slight decrease in non-current assets due to the reduction in net tangible assets as the investment made did not fully offset the depreciations of the period, and the reduction in deferred tax assets.

Equity increased €23.0m (+9.2%) due to the effect of the net profit for the period attributable to equity holders of the CTT Group of the 1st quarter of 2015, while the payment of dividends for the 2014 financial year has not yet occurred.

With regard to **liabilities**, the €130.9m (-14.0%) reduction was mostly due to the €141.9m decrease of Financial Services payables (-35.7%), resulting from the strong growth in the subscription of public debt certificates in December 2014, driven by, amongst other things, the announcement of IGCP to the market of the reduction in the respective interest rate starting from 1 February 2015, which led to a concentration of subscriptions in December 2014 and January 2015.

Consolidated Balance Sheet

€ Million

	31.03.2015	31.12.2014	Δ
Non-current Assets	349.7	350.5	-0.2%
Current Assets	723.4	830.5	-12.9%
Assets	**1,073.1**	**1,181.0**	**-9.1%**
Equity	**272.2**	**249.2**	**9.2%**
Total Liabilities	**800.9**	**931.8**	-14.0%
Non-current Liabilities	311.9	314.4	-0.8%
Current Liabilities	489.0	617.4	-20.8%
Total Equity and Liabilities	**1,073.1**	**1,181.0**	**-9.1%**

In the 1st quarter of 2015, the liabilities related to employee benefits amounted to €277.5m, 0.4% less than in December 2014. At the end of the 1st quarter no actuarial studies are performed, hence the calculation is made on the basis of actuarial projections for 2015 and the actual payments made.

The heading "Other benefits for corporate bodies" includes the liability defined by an independent actuarial study regarding the long-term variable remuneration (to be paid in company shares to the executive members of the Board of Directors at the end of the 2014-2016 term of office) linked to the achievement of objectives for the Total Shareholder Return – TSR (comparison of the TSR performance of the company shares and the average weighted TSR of a peer group – PSI20 companies and other relevant peers of the sector).

Liabilities related to long-term employee benefits

€ Million

	31.03.2015	31.12.2014	Δ
Total responsibilities	277.5	278.7	-0.4%
Healthcare	241.1	241.2	-0.04%
Staff (suspension agreements)	16.5	17.8	-7.1%
Other benefits to Corporate Bodies	1.7	1.4	25.0%
Other long-term benefits	18.2	18.3	-0.8%

DIVIDENDS

For the dividend relative to the 2014 financial year, the Annual General Meeting held on 5 May 2015 approved the proposal of the CTT Board of Directors for the distribution of dividends totalling €69.75m (46.5 cents of Euro per share).

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

The dividends per share relating to the financial year of 2014 shall be payable on the dates and amounts, and under the terms shown below:

Ex-dividend date: 27 May 2015

Dividend payment date: 29 May 2015

Gross dividend	€ 0.46500	Gross dividend	€ 0.46500
Withholding Tax/ Personal Income (28%)(*)	€ 0.13020	Withholding Tax/ Corporate Income (25%)(*)	€ 0.11625
Net dividend	€ 0.33480	Net dividend	€ 0.34875

(*) Dividends are subject to a definitive withholding tax of 35% when paid or made available: (i) in bank accounts opened in name of one or more holders but on behalf of unidentified third parties, except in the case that the effective beneficiary is identified; or (ii) to non-resident entities with no permanent establishment in Portuguese territory, who are domiciled in a country, territory or region under a tax regime clearly more favourable, included in the approved list published by the Ministry of Finance.

In accordance with applicable regulations, payment of the dividend will be made through the *Central de Valores Mobiliários*. The paying agent appointed for this purpose is Banco Comercial Português, S.A..

5. Regulatory Changes in the Postal Sector

Following a proposal on the prices of the universal service submitted by CTT on 17 December 2014, and revised on 6 February 2015, which complied with the pricing criteria defined by a decision of ANACOM of 21 November 2014[5], on 12 February 2015 ANACOM deliberated that the said proposal met the pricing principles and criteria defined. The prices in question entered into force on 1 March 2015.

The annual average price variation of the abovementioned letter mail, editorial mail and parcels basket of services stayed within the annual maximum price defined for 2015 (+2.3%), i.e. CPI + 1.6%, considering an expected inflation rate (CPI) of +0.7% for 2015, as well as an underlying overall volumes variation of this basket of -4.6%.

In 2016, the average weighted variation of the prices of these services shall not exceed CPI + CPIAF + 1.6% + VAF, in average nominal terms, where CPIAF is the CPI adjustment factor and VAF is the volumes adjustment factor, both of which have to take into account the differences that may be observed in the actual and forecasted values of these variables.

Should the inflation rate or the volumes variation observed in 2015 be lower than the values forecasted for this period, the price variation for the following year shall be adjusted accordingly, taking into account the differences observed in these variables.

Also in the pricing field, as far as the special pricing regime for the postal services[6] included in the universal service offer applicable to senders of bulk mail is concerned, such prices were updated on 1 March 2015 following a proposal communicated to the Regulator on 14 January 2015.

6. Corporate Governance

In terms of corporate governance, the following occurrences took place during the 1st quarter of 2015:

- On 20 January 2015, the merger of Mailtec Holding, S.G.P.S. into CTT – Correios de Portugal, S.A., which took place through the transfer of all the assets of Mailtec Holding, S.G.P.S., S.A.; and

- On 6 February 2015, the company CTT Serviços S.A. with a share capital of 5,000,000.00 Euros was incorporated, its corporate objective being the provision of advisory and support services in the acquisition, development, set-up and preparation of the incorporation of the Postal Bank.

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

[6] As drafted in article 4 of the Decree-Law no. 160/2013, of 19 November.

7. FINAL NOTE

This press release is based on CTT – Correios de Portugal, S.A. condensed interim consolidated accounts for the 1st quarter of 2015, which are attached.

Lisbon, 13 May 2015

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code.

This information is also available on CTT's Investor Relations website at:
http://www.ctt.pt/ctt-e-investidores/informacao-financeira/divulgacao-de-resultados.html?com.dotmarketing.htmlpage.language=1#panel1-1

CTT – Correios de Portugal, S.A.

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Disclaimer

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

Forward-looking statements

This press release 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 are forward-looking statements. Statements that include the words "expects", "intends", "plans", "believes", "anticipates", "will", "targets", "may", "would", "could", "continues" and similar statements of a future or forward-looking nature identify to 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.

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, that could cause 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 are not 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 press release. 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

3 months report 2015

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

Interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

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

Euros

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

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

CTT-CORREIOS DE PORTUGAL, S.A.

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

Euros

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

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

CTT-CORREIOS DE PORTUGAL, S.A.

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

Euros

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

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2015 AND 31 DECEMBER 2014

Euros

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

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

CTT-CORREIOS DE PORTUGAL, S.A.

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

Euros

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

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

TABLE OF CONTENTS

1. INTRODUCTION

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

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

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

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December determined the transfer of the investment owned by the Portuguese State in CTT to Parpública.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced from 87,325,000 Euro to 75,000,000 Euro, being from that date onward represented by 150.000.000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

For the year ended 31 December 2013 CTT's capital was opened to the private sector. Thus, and supported by Decree-Law No. 129/2014 of 6 September and the Resolution of the Council of Ministers ("RCM") No. 62-A/2014, of October 10, the RCM No. 62-B/2014 of October 10 and RCM No. 72-B/2014, of November 14, on 5 December 2014 took place the first phase of privatisation of the capital of CTT. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública-Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by detention and 6.36% by allocation.

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

The shares of CTT are listed on Euronext Lisbon.

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

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

1.2- Business

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2014.

2.1- Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2015, and in accordance with IAS 34 - Interim Financial Reporting.

3. SEGMENT REPORTING

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

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

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

The business of CTT is organized in the following segments:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The revenues are detailed as follows:

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

The assets by segment are detailed as follows:

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

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

Debt by segment is detailed as follows:

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

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

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

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

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

4. TANGIBLE FIXED ASSETS

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

	31.03.2015								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Acquisitions	-	83,112	150,493	-	107,998	106,331	476,070	-	924,004
Disposals	-	-	(96,432)	-	-	-	-	-	(96,432)
Transfers and write-offs	-	-	(862,177)	-	2,688	(2,688)	-	(43,363)	(905,541)
Adjustments	-	-	(152)	-	-	(6,978)	-	-	(7,130)
Closing balance	36,831,709	330,734,624	142,823,554	2,620,085	54,056,953	22,587,996	2,213,869	388,041	592,256,832
Accumulated depreciation									
Opening balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Depreciation for the period	-	2,233,183	1,355,257	9,334	570,191	278,851	-	-	4,446,816
Disposals	-	-	(96,432)	-	-	-	-	-	(96,432)
Transfers and write-offs	-	-	(905,541)	-	-	-	-	-	(905,541)
Adjustments	-	13	3,402	95	395	146	-	-	4,051
Closing balance	3,888,710	184,090,063	124,888,783	2,549,357	48,987,929	18,499,442	-	-	382,904,284
Accumulated impairment									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(30,929)	-	-	(30,929)
Closing balance	-	-	-	-	-	389,554	-	-	389,554
Net Tangible fixed assets	32,942,999	146,644,561	17,934,771	70,729	5,069,024	3,699,000	2,213,869	388,041	208,962,994

	31.12.2014								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
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	-	274,607	6,126,576	7,200	2,630,276	728,593	3,062,319	389,863	13,219,435
Disposals	-	-	(7,720)	(166)	(39,509)	(974)	-	-	(48,369)
Transfers and write-offs	-	1,480,911	(8,951,356)	(482,988)	(29,388,060)	(2,525,697)	(1,498,803)	(712,500)	(42,078,492)
Adjustments	-	2,920	681,532	(280,939)	(386,820)	(16,693)	-	-	-
Other variations	(725,969)	(5,467,977)	2,957	-	1,103	(56,521)	-	-	(6,246,407)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
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	-	9,055,496	4,996,397	65,703	2,559,852	1,138,257	-	-	17,815,704
Disposals	-	-	(7,720)	(3,978)	(39,311)	(974)	-	-	(51,983)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,119,633)	(1,658,689)	-	-	(42,040,715)
Adjustments	-	608	292,116	(207,224)	(84,400)	(1,281)	-	-	(181)
Other variations	(11,120)	(2,738,980)	18,645	(3,225)	12,100	313	-	-	(2,722,266)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Accumulated impairment									
Opening balance	-	-	-	-	-	-	-	-	-
Impairments for the period	-	-	-	-	-	2,530	-	-	2,530
Other variations	-	-	-	-	-	417,953	-	-	417,953
Closing balance	-	-	-	-	-	420,483	-	-	420,483
Net Tangible fixed assets	32,942,999	148,794,645	19,099,726	80,157	5,528,924	3,850,403	1,737,799	431,404	212,466,058

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

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

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

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

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

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

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

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

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

Other tangible fixed assets:
The amount of acquisitions, considers essentiality 89 thousand Euros of prevention and safety equipment.

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

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

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

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

5. INTANGIBLE ASSETS

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

	31.03.2015						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-	59,824,001
Acquisitions	-	-	743	-	4,245,762	-	4,246,505
Alienations	-	-	-	-	-	-	-
Transfers and write-offs	-	3,693,057	-	-	(3,693,057)	-	-
Closing balance	4,372,922	42,313,307	11,660,435	444,739	5,279,103	-	64,070,506
Accumulated amortisation							
Opening balance	4,340,765	33,801,244	7,816,346	439,639	-	-	46,397,994
Amortisation for the period	2,412	682,293	87,233	5,100	-	-	777,038
Adjustments	-	-	1,830	-	-	-	1,830
Closing balance	4,343,177	34,483,537	7,905,409	444,739	-	-	47,176,862
Net intangible assets	29,745	7,829,770	3,755,026	-	5,279,103	-	16,893,644

	31.12.2014						
	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	-	586,266	-	-	2,790,181	-	3,376,447
Alienations	-	-	-	-	-	-	-
Transfers and write-offs	-	1,810,188	-	-	(735,847)	-	1,074,341
Adjustments	-	-	1,618	-	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	-	(377,643)
Closing balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-	59,824,001
Accumulated amortisation							
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Amortisation for the period	9,647	2,544,357	382,492	42,783	-	-	2,979,278
Transfers and write-offs	(19,681)	1,094,023	-	-	-	-	1,074,342
Adjustments	-	-	11,570	-	-	-	11,570
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	-	(367,127)
Closing balance	4,340,765	33,801,244	7,816,346	439,639	-	-	46,397,993
Net intangible assets	32,157	4,819,006	3,843,346	5,100	4,726,397	-	13,426,007

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

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

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

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

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

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

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

Contractual commitments relative to Intangible Assets are as follows:

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

6. INVESTMENT PROPERTIES

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

	31.03.2015		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,716,058	45,722,963	53,439,021
Additions	-	-	-
Closing balance	7,716,058	45,722,963	53,439,021
Accumulated depreciation			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	208,049	208,049
Closing balance	259,501	28,607,781	28,867,282
Accumulated impairment			
Opening balance	-	1,450,025	1,450,025
Impairment losses for the period	-	-	-
	-	1,450,025	1,450,025
Net Investment properties	7,456,557	15,665,157	23,121,714

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

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

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

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

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

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

7. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

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

		31.03.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Parent company:							
CTT - Correios de Portugal, S.A.	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto - Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
CTT Serviços, S.A. ("CTT Serviços")	Av. D. João II Edif. Adamastor 1999-001 Lisboa	100	-	100	-	-	-
Payshop Portugal, S.A. ("Payshop")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	-	-	-	100	-	100
Mailtec Comunicação , S.A. ("Mailtec TI")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	100	-	100	17.7	82.3	100
Mailtec Consultoria , S.A. ("Mailtec CON")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	100	-	100	10.0	90.0	100
Mailtec Processos, Lda. ("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
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

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

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

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

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

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

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

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

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

Joint ventures

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

		31.03.2015			31.12.2014		
		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
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisbon	-	-	-	49	-	49
NewPost	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	-	-	-
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

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

		31.03.2015			31.12.2014		
		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., which is in termination process

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

Changes in the consolidation perimeter

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

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

8. GOODWILL

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

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

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

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

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

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

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

Goodwill impairment assessment

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

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

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

9. ACCUMULATED IMPAIRMENT LOSSES

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

	31.03.2015					
	Opening balance	Increases	Reversals	Utilization	Change in consolidation perimeter	Closing balance
Other non-current assets						
Other accounts receivable	1,421,001	45,004	-	-	-	1,466,005
INESC loan	371,891	-	(12,435)	-	-	359,456
	1,792,892	45,004	(12,435)	-	-	1,825,461
Customers and Other current assets						
Customers	30,498,785	1,059,356	(488,376)	(12,532)	-	31,057,233
Other accounts receivable	9,461,922	19,309	(83,219)	-	-	9,398,013
INESC loan	49,740	-	-	-	-	49,740
	40,010,447	1,078,665	(571,594)	(12,532)	-	40,504,986
Inventories						
Merchandise	1,527,827	144,303	-	(38,201)	-	1,633,929
Raw, subsidiary and consumable	676,836	-	(76,871)	-	-	599,965
	2,204,663	144,303	(76,871)	(38,201)	-	2,233,894
	44,008,002	1,267,972	(660,900)	(50,733)	-	44,564,341

	31.12.2014					
	Opening balance	Increases	Reversals	Utilization	Change in consolidation perimeter	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,296,044	124,957	-	-	-	1,421,001
INESC loan	1,397,613	-	(1,025,722)	-	-	371,891
	2,693,657	124,957	(1,025,722)	-	-	1,792,892
Customers and Other current assets (Notes 14 and 18)						
Customers	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785
Other accounts receivable	9,098,933	1,414,221	(1,046,957)	(4,275)	-	9,461,922
INESC loan	49,740	-	-	-	-	49,740
	33,510,658	8,989,580	(1,922,141)	(501,275)	(66,375)	40,010,447
Inventories (Note 13)						
Merchandise	1,812,893	43,671	(323,990)	(4,747)	-	1,527,827
Raw, subsidiary and consumable	685,925	4,863	(13,952)	-	-	676,836
	2,498,818	48,534	(337,942)	(4,747)	-	2,204,663
	38,703,133	9,163,071	(3,285,805)	(506,022)	(66,375)	44,008,002

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

10. EQUITY

As at 31 March 2015, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

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

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

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

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

(3) Company held by Artemis Investment Management LLP.

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

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

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

(7) Subsidiaries of JPMorgan Asset Management Holdings Inc.. According to disclosures of 1 and 14 April 2015, their shareholding, made up exclusively of equity swaps, was as indicated above.

(8) According to a disclosure of 14 April 2015, the shares and equity swaps indirectly held by JPMorgan Asset Management Holdings Inc. through their subsidiaries totalled 3,295,772, corresponding to 2.20% of the share capital and voting rights in CTT. The hierarchies of those subsidiaries are as follows: JPMorgan Asset Management Holdings Inc. - JPMorgan Asset Management International Limited - JPMorgan Asset Management Holdings (UK) Limited - JPMorgan Asset Management (UK) Limited; JPMorgan Asset Management Holdings Inc. - JPMorgan Investment Management Inc.; and JPMorgan Chase & Co. - JPMorgan Chase Bank, National Association.

(9) Fund managed by Pioneer Investments Kapitalangesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.

(10) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.

(11) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited.

(12) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares.

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

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

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

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

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

(5) Subsidiary of the UBS Group AG.

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

(7) The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.

(8) Fund managed by Pioneer Investments Kapitalangesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.

(9) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.

(10) Company held by Artemis Investment Management LLP.

(11) Company owned by FMR LLC.

(12) The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.

(13) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

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

11. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

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

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

Legal reserves

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

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

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

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

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

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

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

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

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

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

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

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

There are no dilutive factors of earnings per share.

14. EMPLOYEE BENEFITS

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

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

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

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

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

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

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

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

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

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

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

<u>Health care</u>

CTT is responsible for financing the health care plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is made by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, having, as at 31 December 2014, performed an actuarial study.

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

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

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

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

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

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

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

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

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

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

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

(i) If there was an increase of 1 per cent in the growth rate of medical costs, keeping all the remaining variables constant, the liabilities of the health care plan would be 300,242 thousand Euros, increasing by approximately 24.5%;

(ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.8%, amounting to 259,977 thousand Euros.

Other long term employee benefits

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

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

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

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

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

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

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

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

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

Other long term benefits for the Statutory Bodies

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

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

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

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

15. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

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

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

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

Litigations

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

Onerous Contracts

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

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

Other provisions

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

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

- the amount of 282,929 Euros for coverage of costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the location;

- the amount of 890,000 Euros, which arise from the assessment made by management regarding the possibility of the enforcement of tax contingencies.

Investments in associated companies

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

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

Guarantees provided

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

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

Guarantees for Contracts

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

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

Commitments

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

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

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

16. ACCOUNTS PAYABLE

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

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

CNP money orders

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

Postal financial services

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

17. STAFF COSTS

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

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

<u>Remuneration of the statutory bodies</u>

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

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

	31.03.2014				
	Board of Directors	Audit Committee /Statutory Auditor	Remuneration Committee	General Meeting of Shareholders	Total
Fixed remuneration	273,225	39,786	-	-	313,012
Variable remuneration	-	-	-	-	-
	273,225	39,786	-	-	313,012

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

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

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

Staff remuneration

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

Indemnities

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

Social welfare costs

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

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

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

18. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and state surcharge is 3% of taxable profit above 1,500,000 Euro and 5% of taxable profit above 7,500,000 up to 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary Corre is subject to corporate income tax in Mozambique ("IRPC").

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

Reconciliation of the income tax rate

In the 3 months periods ended on 31 March 2015 and 31 March 2014, the reconciliation between the nominal rate and the effective income tax rate is as follows:

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

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

Deferred taxes

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

	31.03.2015	31.12.2014
Deferred tax assets		
Employee benefits - health care	67,835,096	67,864,112
Employee benefits - other long term benefits	9,758,803	10,160,424
Deferred accounting capital gains	2,216,189	2,384,961
Impairment losses and provisions	10,015,625	10,134,884
Tax losses carried forward	133,953	-
Impairment losses in tangible fixed assets	481,941	497,238
Share Plan	484,151	387,321
Other	-	-
	90,925,758	91,428,940

	31.03.2015	31.12.2014
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	3,722,635	3,793,815
Suspended capital gains	987,292	994,953
Other	52,916	52,916
	4,762,843	4,841,684

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

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

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

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

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

SIFIDE

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

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

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

Other information

Pursuant to the legislation in force, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, the Group's income tax returns after 2011 may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 March 2015.

19. RELATED PARTIES

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

According to the Regulation the significant transactions with related parties must be previously approved by the Audit Committee of CTT.

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

	31.03.2015				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	-	-
Other shareholders Group companies	-	-	-		
Associated companies	4,955	9,737	4,883	-	34,016
Jointly controlled	135,944	27,876	58,693	-	58,693
Members of the				-	-
Board of Directors	-	-	-	-	915,618
General Meeting	-	-	-	-	-
Audit Committee /Statutory Auditor	-	-	-	-	71,680
Remuneration Committee	-	-	-	-	9,360
	140,899	37,613	63,576	-	1,089,366

	31.03.2014				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	-	-
Other shareholders Group companies	-	-	-		
Associated companies	-	195	4,958	-	4
Jointly controlled	72,953	-	53,844	-	28,953
Members of the				-	-
Board of Directors	-	-	-	-	273,225
General Meeting	-	-	-	-	-
Audit Committee /Statutory Auditor	-	-	-	-	39,786
Remuneration Committee	-	-	-	-	-
	72,953	195	58,803	-	341,968

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

20. SUBSEQUENT EVENTS

Memorandum of understanding with Altice Portugal, SA

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