

# Consolidated Results

January-September 2018



**ctt**





## TABLE OF CONTENTS

### 9 MONTHS 2018 CONSOLIDATED RESULTS

<b>HIGHLIGHTS .....</b>	<b>4</b>
<b>1. OPERATIONAL AND FINANCIAL PERFORMANCE .....</b>	<b>5</b>
<b>2. OTHER HIGHLIGHTS .....</b>	<b>13</b>
<b>3. SUBSEQUENT EVENTS.....</b>	<b>13</b>
<b>INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>19</b>



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

### 9 MONTHS 2018 CONSOLIDATED RESULTS

- **Recurring revenues** grow in the 9 months of 2018 (+1.3%) as the 3<sup>rd</sup> quarter (+2.3%) confirmed the recovery of the 1<sup>st</sup> half, as a result of the growth of the Express & Parcels<sup>1</sup> (+9.1%), Banco CTT<sup>2</sup> (+32.8%) and Mail (+2.1%) business units that offset the decrease occurred mainly in the Financial Services business unit (-23.2%).
- **Mail revenues** grow (+0.9%) as the 3<sup>rd</sup> quarter (+2.1%) confirmed the upward trend of recent quarters, despite the decline of **addressed mail volumes** (-7.1% in 9M18 and -5.3% in 3Q18), which was mitigated by the positive evolution of the product mix (+22.9% growth of international inbound mail and +5.8% of registered mail volumes in the quarter), and by the effective average price increase (+3.9% in the 9 months of 2018).
- **Express & Parcels (E&P) revenues** continue to grow (+14.7%) in the 9 months of 2018 (+10.2% excluding the impact of the incorporation of Transporta).
- **Financial Services revenues** decrease by 29.0%, as they continue to lessen the earlier declining trend as a result of several successful commercial initiatives.
- **Banco CTT (BCTT)**, present in 212 branches, with solid operating performance reaches 317 thousand accounts opened and achieves revenues growth of +26.6%.
- **Recurring operating costs** increased by 2.2% and the 3<sup>rd</sup> quarter (+0,3%) was the best performing of the year. Excluding External Supplies and Services related to the growth of the business, the remaining cost structure decreased by 1.8% in the 3<sup>rd</sup> quarter of 2018 vs the 3<sup>rd</sup> quarter of 2017. The Operational Transformation Plan underway has already allowed for recurring cost savings of €9m in the 9 months of 2018.
- **Recurring EBITDA** stood at €65.0m (-€3.1m; -4.6%), having grown in the 3<sup>rd</sup> quarter (+€3.4m; +22.1%) as a result of an improving performance thus consolidating the trend of recovery of the last quarters with a margin of 12.4% in the 9 months of 2018. The €3.1m decrease in the period is mostly due to the performances of the Financial Services (-€8.3m) and BCTT (-€1.8m) business units, which were not offset by the performances of the Mail (+€5.1m) and E&P (+€2.0m) business units.

#### Consolidated results

	€ million		
	9M 18	9M 17	Δ%
<b>Reported revenues</b>	<b>524.9</b>	<b>518.0</b>	<b>1.3%</b>
<b>Recurring revenues</b>	<b>524.8</b>	<b>518.0</b>	<b>1.3%</b>
Mail	396.8	393.4	0.9%
Express & Parcels	110.4	96.2	14.7%
Financial Services <sup>2</sup>	30.7	43.3	-29.0%
Banco CTT <sup>2</sup>	17.0	13.4	26.6%
CTT Central Structure	71.2	77.8	-8.5%
Intragroup eliminations	-101.3	-106.2	-4.6%
<b>Reported operating costs</b>	<b>479.2</b>	<b>458.7</b>	<b>4.5%</b>
<b>Recurring operating costs</b>	<b>459.8</b>	<b>449.8</b>	<b>2.2%</b>
<i>Of which Transporta<sup>3</sup></i>	<i>11.8</i>	<i>6.4</i>	<i>85.2%</i>
<b>Recurring EBITDA</b>	<b>65.0</b>	<b>68.1</b>	<b>-4.6%</b>
<b>Reported EBITDA</b>	<b>45.8</b>	<b>59.3</b>	<b>-22.7%</b>
Amortisation, depreciation, provisions and impairments	24.6	22.9	7.3%
<b>EBIT</b>	<b>21.2</b>	<b>36.3</b>	<b>-41.7%</b>
Financial income, net	-4.1	-3.7	-10.1%
Gains / (losses) in associated companies	0.1	0.0	-
<b>Earnings before taxes (EBT)</b>	<b>17.2</b>	<b>32.6</b>	<b>-47.4%</b>
Income tax for the period	7.2	13.2	-45.2%
Non-controlling interests	0.0	-0.1	119.9%
<b>Net profit attributable to equity holders</b>	<b>9.9</b>	<b>19.5</b>	<b>-49.3%</b>

<sup>1</sup> Includes Transporta.

<sup>2</sup> Includes the incorporation of Payshop in Banco CTT in the 9 months of 2018 and in the same period of the previous year (proforma); similarly, it is excluded from Financial Services.

<sup>3</sup> Contribution of Transporta to the recurring operating costs.



## 1. OPERATIONAL AND FINANCIAL PERFORMANCE

### REVENUES

The **recurring revenues** totalled €524.8m in the 9 months of 2018, corresponding to a 1.3% increase vis-à-vis the same period of 2017 as a result of the revenues growth in the Express & Parcels (+14.7%) and Banco CTT (+26.6%) business units which offset the decline in the Financial Services revenues (-29.0%).

#### Revenues

	Reported				Recurring				Weight %	
	9M 18	9M 17	Δ	Δ%	9M 18	9M 17	Δ	Δ%	9M 18	9M 17
<b>Revenues</b>	<b>524.9</b>	<b>518.0</b>	<b>7.0</b>	<b>1.3%</b>	<b>524.8</b>	<b>518.0</b>	<b>6.8</b>	<b>1.3%</b>		
Mail	396.8	393.4	3.4	0.9%	396.8	393.4	3.4	0.9%	76%	76%
Express & Parcels	110.4	96.2	14.2	14.7%	110.4	96.2	14.2	14.7%	21%	19%
Financial Services <sup>(1)</sup>	30.7	43.3	-12.6	-29.0%	30.7	43.3	-12.6	-29.0%	6%	8%
Banco CTT <sup>(1)</sup>	17.0	13.4	3.6	26.6%	17.0	13.4	3.6	26.6%	3%	3%
CTT Central Structure	79.1	80.7	-1.6	-2.0%	71.2	77.8	-6.6	-8.5%	15%	16%
Intragroup eliminations	-109.1	-109.0	-0.1	-0.1%	-101.3	-106.2	4.8	4.6%	-21%	-21%

<sup>(1)</sup> Includes the incorporation of Payshop in Banco CTT in the 9 months of 2018 and in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

### MAIL

The **revenues of the Mail** business unit reached €396.8m in the 9 months of 2018, a 0.9% year-on-year growth.

Despite the decline of **addressed mail volumes** (-7.1%), this growth was the result of the product mix positive evolution (22.9% growth of international inbound mail and 5.8% of registered mail volumes in 3Q18), and the effective average price increase (+3.9%).

#### Mail volumes

							Million items		
	3Q 18	3Q 17	Δ%	9M 18	9M 17	Δ%	daily average 9M 18	daily average 9M 17	Δ%
Transactional Mail	137.6	144.3	-4.6%	445.2	475.3	-6.3%	2.4	2.5	-5.8%
Advertising Mail	12.5	13.9	-10.5%	43.1	49.4	-12.8%	0.2	0.3	-12.3%
Editorial Mail	8.4	9.1	-8.1%	27.5	30.7	-10.5%	0.1	0.2	-10.1%
<b>Addressed Mail</b>	<b>158.4</b>	<b>167.4</b>	<b>-5.3%</b>	<b>515.7</b>	<b>555.4</b>	<b>-7.1%</b>	<b>2.7</b>	<b>2.9</b>	<b>-6.6%</b>
<b>Unaddressed Mail</b>	<b>105.6</b>	<b>133.3</b>	<b>-20.8%</b>	<b>316.8</b>	<b>368.2</b>	<b>-14.0%</b>	<b>1.7</b>	<b>1.9</b>	<b>-13.5%</b>

In the 9 months of 2018 addressed mail volumes saw a decline worse than the maximum expected range [-5% to -6%]. This evolution was to some extent negatively influenced by the existence of 1 less working day than in the 9 months of 2017. The year will end with 2 more working days (3 more in the 4<sup>th</sup> quarter of 2018).

The addressed mail volumes decline in the 9 months of 2018 was mainly a result of the decline in **transactional mail** volumes (-6.3%). This decline was due in large part to the decrease of **ordinary mail** (-8.1%) which accounts for circa 77% of the transactional mail volumes.



On the other hand, the Company benefited from the positive performances of: (i) **international inbound mail** volumes, which grew by 12,2% in the 9 months of 2018, corresponding to revenues increase of €9.6m, due to the high growth trend of volumes originated in Asian countries; (ii) **registered mail** volumes, which increased by 1.5%, representing a revenues growth of €3.4m, particularly as a result of mailings from government entities and the Banking and Insurance sectors related to the new regulation on the data protection, and the contribution of private customers; and (iii) the **lottery** business (partially suspended in the 1<sup>st</sup> half of 2017), which posted a year-on-year growth of €1.6m.

## EXPRESS & PARCELS

The **revenues of the Express & Parcels** business unit reached €110.4m in the 9 months of 2018, a 14.7% growth over the same period of the previous year. This business unit is operated by CTT Expresso and Transporta in Portugal, by Tourline in Spain, and by CORRE in Mozambique.

In the 9 months of 2018, businesses in all geographies grew when compared to the same period of the previous year, particularly:

- i. Volumes growth of 16.4% in Spain with revenues growth of €4.2m (+11.6%);
- ii. Good performance of the business in Portugal, particularly the CEP – Courier, Express & Parcels (+€3.2m; +6.9%), Banking (+€1.0m; +26.2%) and Cargo and Logistics (+€5.2m; +77.6%). Excluding the effect of Transporta, the Cargo and Logistics business in Portugal would have grown by €0.4m (+37.3%).

## Portugal

**Revenues** from this business in **Portugal** (excluding internal customers of the Group) grew by 16.8% (+€9.5m) and stood at €66.1m in the 9 months of 2018. In this period, Transporta contributed €10.6m (+€4.9m) to the consolidated accounts. Nevertheless, as CTT has bought its total share capital in May 2017, the comparable period of the previous year is 5 months. Excluding the effect of Transporta, this business in Portugal would have grown by 9.2%.

**Volumes in Portugal** totalled 14.4 million items in the 9 months of 2018, a 14.6% growth over the same period of 2017 (+10.1%, excluding approximately 1.9 million items from Transporta). This evolution is essentially the result of the growth of the CEP business, with the activity growth in the B2B and the B2C segments and e-commerce. The banking business reversed the downward trend seen in recent years, following the addition of two large customers of the sector in the last quarter of 2017.

## Spain

In **Spain**, **revenues** (excluding internal customers of the Group) stood at €40.4m, +11.6% over the same period of the previous year mainly due to the 16.4% increase in **volumes**, greatly influenced by the e-commerce business.

It should be noted that in September Tourline launched its new Madrid hub which significantly increases the handling capacity, essential for pursuing the company's growth strategy, and will allow the achievement of relevant efficiencies in the handling processes.

## Mozambique

**Mozambique revenues** in euros reached €1.4m, +16.2% compared to the 9 months of 2017.

In line with the 1<sup>st</sup> half and in contrast with the Mozambican economy, CORRE maintained a good performance. The results are supported in new businesses, based on the collection, transportation and distribution of clinical samples in the health sector, and on the growth of the banking business.



## FINANCIAL SERVICES

This **Financial Services revenues** reached €30.7m in the 9 months of 2018, recording a decrease of €12.6m (-29.0%) compared to the same period of 2017.

The provision of these services was impacted by the decrease in the placement of one of the Public Debt products, which was replaced, in October 2017, by another with a lower yield<sup>4</sup>, with the result that the amounts traded in the placement of Public Debt Certificates fell by 47.7% (-€1,541m), representing a decrease in commissions of €12.2m (-52.3%).

In the 9 months of 2018, the following should be noted: (i) the placement of €1,687.2m in Public Debt, including €616.3m in the 3<sup>rd</sup> quarter corresponding to a significant recovery in this line of business as it is 3.1% above the 2<sup>nd</sup> quarter of 2018; (ii) in the money orders and transfers segment, 11.6 million transactions were carried out, which translated into €6.2m in revenues (-€0.9m; -12.7% vs 9M17); and (iii) in the payments business 21.0 million transactions were carried out, corresponding to revenues of €10.0m (-€0.7m; -6.8% vs 9M17).

## BANCO CTT

The **revenues of BANCO CTT** business unit reached €17.0m in the 9 months of 2018, a 26.6% growth (+€3.6m) over the same period of the previous year driven mostly by the net interest margin growth (+€3.4m).

The operating performance of the bank in this quarter is to be noted: new records were hit in mortgage loans production with €54.6m and in consumer credit with €11.6m, and this one was the best performing quarter of 2018 in terms of opening of new accounts.

The incorporation of Payshop in this segment contributed €5.1m of external revenues in payment solutions, corresponding to +€0.2m (+3.8%) vs the 9 months of 2017.

On 24 July 2018, Banco CTT consolidated its strategy by acquiring 321 Crédito, a benchmark company specialised in financing the purchase of used cars in Portugal. The acquisition of 321 Crédito will allow for the diversification of the product portfolio of Banco CTT with a consumer credit business, as well as the optimisation of Banco CTT balance sheet by improving its loan-to-deposits ratio from 20% to over 60%. The completion of the transaction is expected to take place in the 1<sup>st</sup> quarter of 2019 and is pending approval of the Bank of Portugal/European Central Bank. On 11 October, the Competition Authority made the decision not to oppose this transaction.

## OPERATING COSTS<sup>5</sup>

**Recurring operating costs** totalled €459.8m, +€9.9m (+2.2%) year-on-year. This evolution is the result of the cost reduction following the implementation of the Operational Transformation Plan, and the increase in variable costs associated with the Express & Parcels volumes growth in Portugal and Spain, which contributed to the growth of direct costs (+€12.0m; +13.8%). To be noted is the increase of the fleet costs (+€1.1m; +7.1%) due to the increase in activity and the rise in fuel prices, which resulted from a 7.6% increase in fuel costs (+€0.4m), as well as from an increase of 60.1% (+€1.3m) in fleet maintenance due to the renewal of the operational fleet.

Operating costs are impacted by the inorganic effect of Transporta (+€5.4m), although costs are not fully comparable as the integration of Transporta occurred as from May 2017.

<sup>4</sup> 2.25% vs. 1.38% - annual average interest rates for 5-year Treasury Certificates Poupança Mais (CTPM) and 7-year Treasury Certificates Poupança Crescimento (CTPC), respectively.

<sup>5</sup> Excluding depreciation / amortisation, impairments and provisions.



### Operating costs

	Reported			Recurring		
	9M 18	9M 17	Δ%	9M 18	9M 17	Δ%
<b>Operating costs <sup>(*)</sup></b>	<b>479.2</b>	<b>458.7</b>	<b>4.5%</b>	<b>459.8</b>	<b>449.8</b>	<b>2.2%</b>
External supplies & services	193.3	182.2	6.1%	190.5	176.8	7.8%
Staff costs	266.1	257.5	3.3%	250.1	254.5	-1.7%
Other operating costs	19.7	19.1	3.5%	19.2	18.6	2.9%

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

IT costs and buildings costs were reduced by €1.8m (-8.9%) and by €0.7m (-2.0%), respectively.

The **recurring staff costs** decreased by €4.3m (-1.7%) year-on-year as a result of the reinforcement of the human resources optimisation programme that started the previous year, and the salary revision agreed with the organisations representing the workers with effect as of January 2018 which as at 30 September 2018 represented an increase of circa €2.0m in staff costs.

### STAFF

As at 30 September 2018, the CTT headcount (permanent and fixed-term staff) consisted of 12,590 employees, 253 less (-2.0%) than as at the same date of 2017.

There was a decrease of 441 in the number of permanent staff and an increase of 188 in the number of staff with fixed-term contracts. The reduction of staff in CTT, S.A. (-412) had a notable impact on this evolution.

	Headcount			
	30.09.2018	30.09.2017	Δ 2018/2017	
Mail & Other	11,148	11,409	-261	-2.3%
Express & Parcels	1,148	1,156	-8	-0.7%
Financial Services <sup>(1)</sup>	58	60	-2	-3.3%
Banco CTT <sup>(1)</sup>	236	218	18	8.3%
<b>Total, of which:</b>	<b>12,590</b>	<b>12,843</b>	<b>-253</b>	<b>-2.0%</b>
Permanent	10,875	11,316	-441	-3.9%
Fixed-term contracts	1,715	1,527	188	12.3%
Total in Portugal	12,133	12,413	-280	-2.3%

<sup>(1)</sup> Includes the incorporation of Payshop in Banco CTT in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

For their importance, two major areas are to be highlighted: Operations and Distribution (with 7,030 employees, with special emphasis on the importance of the delivery postmen who total 4,504 employees) and the Retail Network (with 2,809 employees). Together, these areas represent circa 89% of CTT S.A. headcount.

It should be noted that the figures already reflect 199 exits in 2018, which occurred until the end of the 3<sup>rd</sup> quarter of 2018, and 161 exits in 2017 in the context of the human resources optimisation programme related to the Operational Transformation Plan underway.





## RECURRING EBITDA

The operating activity generated a recurring EBITDA<sup>6</sup> of €65.0m, 4.6% (-€3.1m) lower than that of the 9 months of 2017, with a margin of 12.4%.

The recurring EBITDA was affected by the decline in Financial Services (-€8.3m) and BCTT (-€1.8m), which was not fully offset by the increase in Mail and E&P revenues (€5.1m and €2.0m, respectively).

### EBITDA by business unit

	Reported			Recurring		
	9M 18	9M 17	Δ%	9M 18	9M 17	Δ%
<b>EBITDA</b>	<b>45.8</b>	<b>59.3</b>	<b>-22.7%</b>	<b>65.0</b>	<b>68.1</b>	<b>-4.6%</b>
Mail	46.6	54.3	-14.3%	63.7	58.7	8.6%
Express & Parcels	1.2	-1.5	182.5%	2.2	0.2	>>
Financial Services <sup>(1)</sup>	11.1	19.8	-43.8%	11.5	19.8	-41.9%
Banco CTT <sup>(1)</sup>	-13.1	-13.4	2.5%	-12.4	-10.6	-17.3%

<sup>(1)</sup> Includes the incorporation of Payshop in Banco CTT in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

## EBIT AND NET PROFIT

Reported EBIT stood at €21.2m, corresponding to -€15.2m (-41.7%) vis-à-vis the same period of 2017. The EBIT margin was 4.0%.

The consolidated net financial result totalled -€4.0m, which represents a year-on-year decrease of -€0.3m (-7.4%). Interest and other financial income decreased by 88.0% (-€0.3m), due to the reduced rates of return on term deposits, to lower liquidity levels, and CTT's continued conservative investment policy. Financial costs incurred amounted to €4.1m, mainly incorporating financial costs with post-employment and long-term employee benefits for an amount of €4.0m, as well as, but with lesser impact, the interest associated with finance leases and bank loans (€0.2m).

In the 9 months of 2018, CTT obtained a consolidated net profit attributable to shareholders of €9.9m, which is 49.3% below that obtained in the same period of 2017, and a 1.9% net profit margin (3.8% in the 9 months of 2017). The net profit achieved was strongly influenced by the non-recurring costs in the amount of €16.3m associated with the Operational Transformation Programme.

## NON-RECURRING RESULTS

In the 9 months of 2018, CTT recorded non-recurring costs net of income from disposals of €20.5m, of which €19.3m affected EBITDA and €1.2m refer to depreciation / amortisation, impairments and provisions, net.

<sup>6</sup> Earnings before interest, tax, depreciation and amortisation, impairments, provisions and non-recurring results.



### Non-recurring results

	€ million	
	9M 18	9M 17
<b>Total</b>	<b>-20.5</b>	<b>-10.2</b>
<b>affecting EBITDA</b>	<b>-19.3</b>	<b>-8.9</b>
. Staff costs	-16.0	-3.0
. External supplies & services and other costs	-3.4	-5.9
. Other operating income	0.1	0.0
<b>affecting only EBIT</b>	<b>-1.2</b>	<b>-1.3</b>
. Provisions (reinforcements / reductions)	-1.1	0.3
. Impairments, depreciations and amortisations (losses / reductions)	-0.1	-1.5

Staff costs are mainly those in connection with the human resources optimisation programme, while ES&S and other costs relate to consulting for strategic projects, both included in the Operational Transformation Plan, and to business excellence and new acquisitions. Provisions include an amount relative to the set-up of a provision at Tourline (€1.4m) for the notification issued by the *Comisión Nacional de los Mercados y la Competencia* (National Commission on Markets and Competition).

### INVESTMENT

Capex of the Group stood at €11.6m, which is +12.2% (+€1.3m) above that of the 9 months of 2017.

Special mention to the investment of €8.5m in IT systems: in core IT systems and business support systems for Banco CTT (€4.0m), and in IT strategic projects (€1.2m), especially the new SAP platform. Investment in building refurbishment works and security totalled €2.4m.

### CASH FLOW

In the 9 months of 2018, the adjusted change in cash was -€76.7m due to the payment of -€57.0m in dividends, investment of -€22.1m, the **adjusted operating cash flow** amounting to -€13.5m, and -€6.1m for short-term debt amortisation. This includes **non-recurring items**, particularly the payment of compensation for termination of employment contracts by mutual agreement amounting to €25.3m, of which €11.5m associated with provisions recorded in 2017 and paid in 2018.

In the 3<sup>rd</sup> quarter 2018, the operating cash flow was -€66.5m; excluding Financial Services and Banco CTT customer flows, it was +€0.9m.



## Cash flow

	€ million					
	Reported			Adjusted (*)		
	9M 18	9M 17	Δ ABS 18/17	9M 18	9M 17	Δ ABS 18/17
<b>Cash flow from operating activities</b>	<b>89.7</b>	<b>289.8</b>	<b>-200.1</b>	<b>6.7</b>	<b>35.5</b>	<b>-28.7</b>
Cash flow excluding FS & Banco CTT	-	-	-	13.8	49.0	-35.1
Banco CTT cash flow	-	-	-	-7.1	-13.5	6.4
<b>Cash flow from investing activities</b>	<b>-202.6</b>	<b>-212.7</b>	<b>10.1</b>	<b>-20.2</b>	<b>-23.0</b>	<b>2.8</b>
Capex payments	-22.1	-27.3	5.3	-22.1	-27.3	5.3
Capex payments excluding Banco CTT	-17.5	-22.3	4.8	-17.5	-22.3	4.8
Banco CTT capex payments	-4.6	-5.1	0.4	-4.6	-5.1	0.4
Banco CTT financial assets (**)	-182.4	-189.7	7.3			
Other	1.9	4.3	-2.5	1.9	4.3	-2.5
<b>Operating free cash flow</b>	<b>-112.9</b>	<b>77.1</b>	<b>-190.0</b>	<b>-13.5</b>	<b>12.5</b>	<b>-25.9</b>
<b>Cash flow from financing activities</b>	<b>-63.3</b>	<b>-74.2</b>	<b>10.9</b>	<b>-63.3</b>	<b>-74.2</b>	<b>10.9</b>
of which Dividends	-57.0	-72.0	15.0	-57.0	-72.0	15.0
<b>Other (***)</b>	<b>-24.8</b>	<b>43.6</b>	<b>-68.4</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.1</b>
<b>Net change in cash</b>	<b>-201.0</b>	<b>46.5</b>	<b>-247.5</b>	<b>-76.7</b>	<b>-61.6</b>	<b>-15.1</b>

(\*) Cash flow from operating and investing activities excluding changes in Net Financial Services payables and the following items from the Cash flow statement, all of them relating to the Banco CTT financial activity: "Banking customer deposits and other loans", "Credit to bank clients", third parties' "Other operating assets and liabilities" regarding Banco CTT, "Investments in securities", "Deposits at the Bank of Portugal" and "Other banking financial assets".

(\*\*) Including Investment securities and other banking financial assets held by Banco CTT.

(\*\*\*) These figures were not considered under Cash and equivalents in the Cash flow statement. However, they are included in Cash and equivalents on the Balance Sheet. These amounts correspond to the change in sight deposits at the Bank of Portugal, outstanding cheques of Banco CTT / clearing of cheques of Banco CTT, and impairment of sight and term deposits.

The reported change in cash amounted to -€201.0m, explained mainly by the Banco CTT's liquidity application in financial assets (-€182.4m). Cash flow from operating activities reached €89.7m, including the following amounts underlying the table above:

- +€13.8m cash flow from operating activities (excluding Financial Services and Banco CTT flows);
- -€7.1m in operating flows relative to Banco CTT (including Payshop);
- +€21.9m in Financial Services payables/receivables;
- +€48.4m in deposits from and credit to banking and other clients
- +€12.6m of other bank financial liabilities.

## CONSOLIDATED BALANCE SHEET

The CTT Group consolidated balance sheet excluding Banco CTT from the full consolidation perimeter and accounting it as a financial investment measured by the equity method would be as follows:

### Consolidated balance sheet excluding Banco CTT

	€ million		
	30.09.2018	31.12.2017 proforma	Δ%
Non-current Assets	405.5	413.4	-1.9%
Current Assets	516.1	557.3	-7.4%
<b>Assets</b>	<b>921.6</b>	<b>970.7</b>	<b>-5.1%</b>
<b>Equity</b>	<b>135.4</b>	<b>184.0</b>	<b>-26.4%</b>
<b>Total Liabilities</b>	<b>786.2</b>	<b>786.8</b>	<b>-0.1%</b>
Non-current Liabilities	271.2	282.7	-4.1%
Current Liabilities	515.0	504.1	2.2%
<b>Total Equity and Liabilities</b>	<b>921.6</b>	<b>970.7</b>	<b>-5.1%</b>



In the 9 months of 2018, current assets decreased by €41.3m due to the payment of €57.0m in dividends; mention should also be made to +€1.7m recorded as non-current assets held for sale related to the net book value of the real estate property of the Company located at Rua da Palma, in Lisbon.

Equity decreased by €48.6m as a result of: (i) the payment of dividends for the 2017 financial year (€57.0m) that took place in May 2018; (ii) the reduction of €1.5m of equity due to the adoption of IFRS 9 and IFRS 15; and (iii) the net profit for the period.

#### Consolidated balance sheet

	€ million		
	30.09.2018	31.12.2017	Δ%
Non-current Assets	961.6	678.5	41.7%
Current Assets	780.4	930.3	-16.1%
<b>Assets</b>	<b>1,742.0</b>	<b>1,608.8</b>	<b>8.3%</b>
<b>Equity</b>	<b>135.4</b>	<b>184.0</b>	<b>-26.4%</b>
<b>Total Liabilities</b>	<b>1,606.6</b>	<b>1,424.8</b>	<b>12.8%</b>
Non-current Liabilities	271.2	282.7	-4.1%
Current Liabilities	1,335.4	1,142.0	16.9%
<b>Total Equity and Liabilities</b>	<b>1,742.0</b>	<b>1,608.8</b>	<b>8.3%</b>

The key aspects of the comparison between the balance sheet as at 30 September 2018 and that at the end of the 2017 financial year are:

Total assets amounted to €1,742.0m, representing an increase of €133.2m, of which €771.5m relative to financial investments, financial assets and credit held by Banco CTT, broken down as follows: (i) €449.4m of investments in securities, (ii) €120.4m of other banking financial assets, mostly investments in credit institutions and in the interbank market; and (iii) €201.8m of credit to banking clients, especially mortgage loans and other credit.

Total liabilities increased by €181.8m (+12.8%), with emphasis on the increase in Banco CTT clients' deposits (+€170.4m, +27.5%) and in Financial Services payables (+€28.9, +10.7%).

As at 30 September 2018, the liabilities related to employee benefits (post-employment and long-term benefits) amounted to €267.4m, €2.7m less than in December 2017, as specified in the table below:

#### Liabilities related to long-term employee benefits

	€ million		
	30.09.2018	31.12.2017	Δ%
<b>Total liabilities</b>	<b>267.4</b>	<b>270.0</b>	<b>-1.0%</b>
Healthcare	253.1	254.0	-0.3%
Staff (suspension agreements)	1.8	3.3	-47.0%
Other long-term employee benefits	12.1	12.3	-2.2%
Transporta pension plans	0.3	0.4	-4.8%
Other benefits	0.1	0.0	75.0%



## 2. OTHER HIGHLIGHTS

### QUALITY OF SERVICE

From January to September 2018, the perception of the customers on the quality of service was favourable, as 79.1% of the customers who responded to the customer satisfaction survey considered the overall quality of service of CTT as good or very good.

In the period under analysis, the OQSI – Overall Quality of Service Index stood at 139.0 points, compared to a target of 100 points.

### REGULATORY ISSUES

Following the Draft Decision approved on 11 January 2018, on 18 July 2018, ANACOM communicated the **final decision on the quality of service criteria applicable to the provision of the universal postal service** for 2019 and 2020. Compared to the Draft decision, the 24 quality of service indicators are maintained, but the reliability targets for the routing times of ordinary mail, bulk mail, ordinary parcels, and newspapers and periodicals released at greater than weekly intervals were revised downwards and set at 99.7%, instead of the 99.9% laid down in the Draft Decision. Contrary to what was proposed in the Draft Decision, the new indicators shall not apply from 1 July 2018, but rather from 1 January 2019 onwards.

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

On 18 July 2018, ANACOM has also communicated the **decision on the price formulation criteria for the postal services comprising the Universal Postal Service** for the 2018-2020 three-year period, following the Draft Decision approved on 11 January 2018. In the 2018 the rules in force apply, as defined by ANACOM in 2014.

The new rules shall be applicable to the prices in force in 2019 and 2020 and set a maximum annual price change of the basket of letter mail, editorial mail and parcels services (non-reserved services), linked to the inflation rate ("CPI") including inflation adjustment factors ("CPIAF") and volume adjustment factors ("VAF") which shall take into account the differences that may occur between the actual and the values forecast for those variables. Volume forecasts for the 2018 - 2020 period were subject to a new consultation following a Draft Decision also published on 18 July 2018. The final Decision on this issue has not been published so far.

## 3. SUBSEQUENT EVENTS

### Appeal of the Decision of ANACOM

On 18 October 2018, by means of arbitration and administrative procedures, CTT applied for a declaration of invalidity of the decision of ANACOM regarding the parameters of quality of service and performance targets associated with the provision of the universal postal service ("USO") communicated on 18 July 2018, on the grounds of its disproportionate and inadequate nature, as detailed in the CTT communication to the market of that date, which is available at <http://web3.cmvm.pt/sdi/emitentes/docs/fr69943.pdf>.



## **FINAL NOTE**

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 9 months of 2018 with limited revision by an auditor registered with the Portuguese Securities Commission (CMVM).

Lisbon, 30 October 2018

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. It is also available on CTT's Investor Relations website at:

<http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1>.

## **CTT – Correios de Portugal, S.A.**

Guy Pacheco  
**Market Relations Representative of CTT**

Peter Tsvetkov  
**Director of Investor Relations of CTT**

### **Contacts:**

Email: [investors@ctt.pt](mailto:investors@ctt.pt)

Fax: + 351 210 471 996

Telephone: + 351 210 471 087

**Disclaimer**

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for communication of the financial results of the 9 months of 2018 and has a mere informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

Distribution of this document in certain jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. In particular, this press release and the information contained herein is not for publication, distribution or release in, or into, directly or indirectly, the United States of America (including its territories and possessions), Canada, Japan or Australia or to any other jurisdiction where such an announcement would be unlawful.

Hence, neither this press release nor any part of it, nor its distribution, constitute the basis of, or may be invoked in any context as, a contract, or compromise or decision of investment, in any jurisdiction. Thus being, the Company does not assume liability for this document if it is used with a purpose other than the above.

This document (i) may contain summarised information and be subject to amendments and supplements and (ii) the information contained herein has neither been independently verified, nor audited or reviewed by any of the Company's advisors or auditors. Thus being, given the nature and purpose of the information herein and, except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any of the information contained in this document. This document does not contain all the information disclosed to the market about CTT, thus its recipients are invited and advised to consult the public information disclosed by CTT in [www.ctt.pt](http://www.ctt.pt) and in [www.cmvm.pt](http://www.cmvm.pt). In particular, the contents of this press release shall be read and understood in light of the financial information disclosed by CTT, through such means.

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

**Forward-looking statements**

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

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

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

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

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







# 9 months report 2018

## Interim condensed consolidated financial statements





## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT - CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SETEMBRO 2018 AND 31 DECEMBER 2017

Euros

		Unaudited	
	NOTES	30.09.2018	31.12.2017
ASSETS			
Non-current assets			
Tangible fixed assets	5	185,051,939	199,855,908
Investment properties	7	6,652,520	6,164,849
Intangible assets	6	47,072,124	47,501,684
Goodwill		9,523,180	9,523,180
Investments in associated companies		346,260	296,260
Other investments		1,379,137	1,503,572
Investment securities	9	427,325,289	
Investments held to maturity		-	245,827,759
Other non-current assets		1,596,803	1,375,223
Credit to banking clients	11	178,946,179	64,263,948
Financial assets available for sale	9	-	3,175,180
Other banking financial assets	10	19,699,324	11,831,122
Deferred tax assets		83,993,938	87,155,739
Total non-current assets		961,586,693	678,474,423
Current assets			
Inventories		5,794,559	5,696,996
Accounts receivable		137,881,715	132,480,130
Credit to banking clients	11	22,826,617	15,083,442
Income taxes receivable	21	4,404,804	1,552,005
Deferrals	12	9,653,382	6,600,115
Investment securities	9	22,029,456	-
Investments held to maturity	9	-	15,721,373
Other current assets		49,583,668	32,338,234
Financial assets available for sale	9	-	2,576,194
Other banking financial assets	10	100,672,246	91,417,084
Cash and cash equivalents		425,819,877	626,825,397
		778,666,324	930,290,969
Non-current assets held for sale		1,741,045	-
Total current assets		780,407,369	930,290,969
Total assets		1,741,994,062	1,608,765,392
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(8)
Reserves	15	65,845,778	79,947,883
Retained earnings	15	17,151,025	34,268,089
Other changes in equity	15	(32,634,996)	(32,634,996)
Net profit		9,892,497	27,263,244
Equity attributable to equity holders		135,254,296	183,844,211
Non-controlling interests		172,061	146,738
Total equity		135,426,357	183,990,949
Liabilities			
Non-current liabilities			
Medium and long term debt		51,876	73,689
Employee benefits		250,760,352	252,919,533
Provisions	18	16,832,402	26,028,332
Deferrals	12	308,492	316,892
Deferred tax liabilities	24	3,227,875	3,399,121
Total non-current liabilities		271,180,997	282,737,567
Current liabilities			
Accounts payable	19	400,564,335	384,533,294
Banking clients' deposits and other loans	20	789,631,293	619,229,680
Employee benefits		16,604,109	17,100,808
Short term debt		4,176,021	10,304,390
Deferrals	12	2,045,735	1,432,696
Other current liabilities		97,521,182	91,553,848
Other banking financial liabilities	10	24,844,033	17,882,160
Total current liabilities		1,335,386,708	1,142,036,875
Total liabilities		1,606,567,705	1,424,774,442
Total equity and liabilities		1,741,994,062	1,608,765,392

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



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

	NOTES	Nine months ended		Three months ended	
		Unaudited 30.09.2018	Unaudited 30.09.2017	Unaudited 30.09.2018	Unaudited 30.09.2017
<b>Revenues</b>		<b>524,939,469</b>	<b>517,980,942</b>	<b>169,804,531</b>	<b>165,867,350</b>
Sales and services rendered	4	508,140,647	501,269,188	164,481,451	160,803,046
Financial margin		5,497,113	2,102,591	2,182,186	941,412
Other operating income	22	11,301,709	14,609,163	3,140,894	4,122,892
<b>Operating costs</b>		<b>(503,780,929)</b>	<b>(481,660,395)</b>	<b>(162,980,625)</b>	<b>(160,101,603)</b>
Cost of sales		(9,673,293)	(8,248,399)	(3,281,608)	(3,279,896)
External supplies and services		(193,329,526)	(182,159,109)	(64,792,425)	(62,123,115)
Staff costs	23	(266,101,746)	(257,500,142)	(82,950,002)	(83,278,694)
Impairment of accounts receivable, net		(284,593)	(933,817)	7,660	(628,808)
Impairment of other financial banking assets		27,121	-	(114,566)	-
Provisions, net	18	(978,207)	758,906	235,558	745,832
Depreciation/amortisation and impairment of investments, net		(23,377,369)	(22,755,062)	(8,058,649)	(7,854,632)
Other operating costs		(10,063,315)	(10,822,772)	(4,026,593)	(3,682,290)
<b>Earnings before financial income and taxes</b>		<b>21,158,541</b>	<b>36,320,547</b>	<b>6,823,905</b>	<b>5,765,747</b>
<b>Financial results</b>		<b>(3,997,662)</b>	<b>(3,723,850)</b>	<b>(1,336,662)</b>	<b>(1,324,010)</b>
Interest expenses		(4,131,704)	(4,026,908)	(1,348,150)	(1,342,000)
Interest income		36,449	303,058	11,488	17,990
Gains/losses in associated companies		97,593	-	-	-
<b>Earnings before taxes</b>		<b>17,160,879</b>	<b>32,596,697</b>	<b>5,487,243</b>	<b>4,441,737</b>
Income tax for the period	24	(7,241,053)	(13,224,676)	(1,845,077)	(2,764,861)
<b>Net profit for the period</b>		<b>9,919,826</b>	<b>19,372,021</b>	<b>3,642,166</b>	<b>1,676,876</b>
<b>Net profit for the period attributable to:</b>					
Equity holders		9,892,497	19,509,567	3,642,208	1,764,468
Non-controlling interests		27,328	(137,546)	(42)	(87,592)
<b>Earnings per share:</b>	17	0.07	0.13	0.02	0.01

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

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

	NOTES	Nine months ended		Three months ended	
		Unaudited 30.09.2018	Unaudited 30.09.2017	Unaudited 30.09.2018	Unaudited 30.09.2017
<b>Net profit for the period</b>		<b>9,919,826</b>	<b>19,372,022</b>	<b>3,642,166</b>	<b>1,676,876</b>
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(2,005)	16,174	1,159	20,819
Changes to fair value reserves	15	(12,744)	39,307	(1,309)	10,256
Other changes in equity		(2,005)	5,278	1,160	9,923
<b>Other comprehensive income for the period after taxes</b>		<b>(16,753)</b>	<b>60,760</b>	<b>1,010</b>	<b>40,997</b>
<b>Comprehensive income for the period</b>		<b>9,903,072</b>	<b>19,432,781</b>	<b>3,643,176</b>	<b>1,717,873</b>
Attributable to non-controlling interests		25,323	(132,267)	1,117	(77,668)
Attributable to shareholders of CTT		9,877,749	19,565,049	3,642,059	1,795,542

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



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

NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
<b>Balance on 1 January 2017</b>	<b>75 000,000</b>	<b>(5,097,536)</b>	<b>34,891,671</b>	<b>(27,137,824)</b>	<b>93,589,211</b>	<b>62,160,395</b>	<b>(79,135)</b>	<b>233,326,782</b>
Share capital increase	49,500,000	-	-	-	(49,500,000)	-	367,020	367,020
Share capital decrease	(49,500,000)	-	49,500,000	-	-	-	-	-
Appropriation of net profit for the year of 2016	-	-	-	-	62,160,395	(62,160,395)	-	-
Dividends	-	-	-	-	(72,000,000)	-	-	(72,000,000)
Attribution of own shares	-	5,097,527	(4,480,538)	-	-	-	-	616,989
	-	<b>5,097,527</b>	<b>45,019,362</b>	-	<b>(59,339,605)</b>	<b>(62,160,395)</b>	<b>367,020</b>	<b>(71,016,090)</b>
Other movements	-	-	-	-	-	-	6,775	6,775
Actuarial gains/losses - Health Care, net from deferred taxes	-	-	-	(5,497,172)	-	-	-	(5,497,172)
Changes to fair value reserves	-	-	36,849	-	-	-	-	36,849
Adjustments from the application of the equity method	-	-	-	-	18,482	-	-	18,482
Net profit for the period	-	-	-	-	-	27,263,244	(147,921)	27,115,323
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>36,849</b>	<b>(5,497,172)</b>	<b>18,482</b>	<b>27,263,244</b>	<b>(147,921)</b>	<b>21,680,257</b>
<b>Balance on 31 December 2017</b>	<b>75 000,000</b>	<b>(8)</b>	<b>79,947,883</b>	<b>(32,634,996)</b>	<b>34,268,089</b>	<b>27,263,244</b>	<b>146,738</b>	<b>183,990,949</b>
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	(1,281,946)	-	-	(1,281,946)
<b>Adjusted balance on 1 January 2018</b>	<b>75 000,000</b>	<b>(8)</b>	<b>79,947,883</b>	<b>(32,634,996)</b>	<b>32,800,424</b>	<b>27,263,244</b>	<b>146,738</b>	<b>182,523,284</b>
Appropriation of net profit for the year of 2017	-	-	-	-	27,263,244	(27,263,244)	-	-
Dividends	-	-	(15,372,222)	-	(41,627,778)	-	-	(57,000,000)
	-	-	<b>(15,372,222)</b>	-	<b>(41,364,534)</b>	<b>(27,263,244)</b>	-	<b>(57,000,000)</b>
Other movements	-	-	-	-	-	-	(2,005)	(2,005)
Changes to fair value reserves	-	-	1,282,861	-	(1,282,861)	-	-	(2,005)
Adjustments from the application of the equity method	-	-	(12,744)	-	-	-	-	(12,744)
Net profit for the period	-	-	-	-	(2,005)	9,892,497	27,328	9,919,826
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,284,866)</b>	<b>9,892,497</b>	<b>25,323</b>	<b>9,903,072</b>
<b>Balance on 30 September 2018 (Unaudited)</b>	<b>75 000,000</b>	<b>(8)</b>	<b>65,845,778</b>	<b>(32,634,996)</b>	<b>17,151,025</b>	<b>9,892,497</b>	<b>171,061</b>	<b>135,426,357</b>

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



CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

Euro

	NOTES	Unaudited 30.09.2018	Unaudited 30.09.2017
<b>Cash flow from operating activities</b>			
Collections from customers		503,569,359	485,514,557
Payments to suppliers		(211,423,003)	(183,258,879)
Payments to employees		(253,052,054)	(235,591,422)
Banking customer deposits and other loans		170,470,832	286,561,588
Credit to banking clients		(122,091,986)	(35,250,182)
Cash flow generated by operations		87,473,148	317,975,663
Payments/receivables of income taxes		(6,553,799)	(8,188,522)
Other receivables/payments		8,740,053	(19,982,643)
Cash flow from operating activities (1)		89,659,403	289,804,498
<b>Cash flow from investing activities</b>			
Receivables resulting from:			
Tangible fixed assets		179,199	2,453,103
Investment properties		1,368,204	3,172,600
Financial investments		222,028	-
Investment securities		39,185,531	-
Financial assets available for sale		-	11,900,000
Investments held to maturity		-	2,995,779
Demand deposits at Bank of Portugal		26,215,172	-
Other banking financial assets		91,295,000	10,161,000
Interest income		170,304	443,241
Payments resulting from:			
Tangible fixed assets		(9,760,817)	(18,755,283)
Intangible assets		(12,313,741)	(8,585,208)
Financial investments		(50,000)	(1,728,091)
Investment securities		(230,956,899)	-
Financial assets available for sale		-	(19,533,418)
Investments held to maturity		-	(121,164,027)
Demand deposits at Bank of Portugal		-	(42,344,406)
Other banking financial assets		(108,110,000)	(123,135,000)
Cash flow from investing activities (2)		(202,556,019)	(212,665,709)
<b>Cash flow from financing activities</b>			
Receivables resulting from:			
Loans obtained		13,702,654	6,838,204
Payments resulting from:			
Loans repaid		(19,825,198)	(7,646,409)
Interest expenses		(142,198)	(438,596)
Finance leases		(25,717)	(977,908)
Dividends		(57,000,000)	(72,000,000)
Cash flow from financing activities (3)		(63,290,459)	(74,224,708)
Net change in cash and cash equivalents (1+2+3)		(176,187,076)	2,914,081
Changes in the consolidation perimeter		-	134,862
Cash and equivalents at the beginning of the period		592,677,415	613,845,248
Cash and cash equivalents at the end of the period		416,490,340	616,894,191
<b>Cash and cash equivalents at the end of the period</b>		<b>416,490,340</b>	<b>616,894,191</b>
Sight deposits at Bank of Portugal		6,540,809	46,136,739
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,835,452	2,314,867
Impairment of slight and term deposits		(46,723)	-
<b>Cash and cash equivalents (Balance sheet)</b>		<b>425,819,877</b>	<b>665,345,797</b>

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

<b>1. INTRODUCTION .....</b>	<b>24</b>
<b>2. SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>24</b>
<b>2.1 BASIS OF PRESENTATION.....</b>	<b>24</b>
<b>3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES .....</b>	<b>24</b>
<b>4. SEGMENT REPORTING .....</b>	<b>27</b>
<b>5. TANGIBLE FIXED ASSETS .....</b>	<b>31</b>
<b>6. INTANGIBLE ASSETS.....</b>	<b>33</b>
<b>7. INVESTMENT PROPERTIES .....</b>	<b>35</b>
<b>8. COMPANIES INCLUDED IN THE CONSOLIDATION.....</b>	<b>37</b>
<b>9. INVESTMENT SECURITIES, INVESTMENTS HELD TO MATURITY AND FINANCIAL ASSETS AVAILABLE FOR SALE .....</b>	<b>38</b>
<b>10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES .....</b>	<b>42</b>
<b>11. CREDIT TO BANKING CLIENTS .....</b>	<b>43</b>
<b>12. DEFERRALS .....</b>	<b>44</b>
<b>13. ACCUMULATED IMPAIRMENT LOSSES .....</b>	<b>44</b>
<b>14. EQUITY .....</b>	<b>45</b>
<b>15. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS .....</b>	<b>48</b>
<b>16. DIVIDENDS .....</b>	<b>49</b>
<b>17. EARNINGS PER SHARE.....</b>	<b>49</b>
<b>18. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS .....</b>	<b>50</b>
<b>19. ACCOUNTS PAYABLE .....</b>	<b>53</b>
<b>20. BANKING CLIENTS' DEPOSITS AND OTHER LOANS .....</b>	<b>54</b>
<b>21. INCOME TAXES RECEIVABLE /PAYABLE .....</b>	<b>54</b>
<b>22. OTHER OPERATING INCOME.....</b>	<b>54</b>
<b>23. STAFF COSTS .....</b>	<b>55</b>
<b>24. INCOME TAX FOR THE PERIOD .....</b>	<b>56</b>
<b>25. RELATED PARTIES.....</b>	<b>59</b>
<b>26. OTHER INFORMATION .....</b>	<b>60</b>
<b>27. SUBSEQUENT EVENTS .....</b>	<b>61</b>



## 1. INTRODUCTION

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

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 October 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of presentation

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

## 3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

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

### **IFRS 9 – Financial Instruments**

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

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

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





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

#### Impact at the time of transition and in the period

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

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

	Impact of adopting IFRS 9 at 1 January 2018	Impact in the period	Impact of adopting IFRS 9 at 30 September 2018
Banco CTT - Investments held to maturity, Financial assets available for sale, Cash and Other financial applications	(882,083)	245,254	(636,829)
Banco CTT - Account Receivables	2,713	(1)	(1)
Other Companies - Cash and Equivalents and Fin. Investments	(405,982)	359,803	(46,179)
Other Companies - Account Receivables	883,882	524,203	1,408,085
Related Tax	215,752	(265,041)	(49,289)
<b>Impact</b>	<b>(185,738)</b>	<b>864,219</b>	<b>675,788</b>

<sup>(1)</sup> Taking into account that the amount is residual, the impairment was not calculated in accordance with IAS 39 on 30.09.2018

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

#### Classification and measurement

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

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



### Impairment

#### 1. Adoption of IFRS 9 by Banco CTT

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

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

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

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

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

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

### Cash equivalents and financial investments

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

### Accounts receivable

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

### **IFRS 15 – Revenue from Contracts with Customers**

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

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



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

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

**IFRS 15 - Impact at the time of transition and in the period**

	Impact of adopting IFRS 15 at 1 January 2018	Impact in the period	Impact of adopting IFRS 15 at 30 September 2018
Sales of philatelic and pre-paid products	(782,046)	134,501	(647,545)
Rendering of Express Services	(822,765)	169,883	(652,881)
Related Tax	322,865	(50,892)	271,972
<b>Impact</b>	<b>(1281946)</b>	<b>253,492</b>	<b>(1028,454)</b>

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

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

a) Sales of philatelic and pre-paid products

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

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

b) Rendering of Express Services

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

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

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

#### 4. SEGMENT REPORTING

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

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



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

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

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

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

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

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

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

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

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

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

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

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

With the allocation of all costs, the Earnings before depreciation, provisions, impairments, financial results and taxes by segment in the nine-month period ended 30 September 2018 and 2017 are as follows:



# 30.09.2018

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	396,839,896	110,370,590	30,728,287	17,016,337	79,100,153	(109,115,794)	-	524,939,469
Sales and services rendered	367,325,624	108,927,457	29,283,274	8,007,210	-	(5,402,938)	-	508,140,647
Sales	13,513,827	589,549	-	-	-	(242)	-	14,103,134
Services rendered	353,811,797	108,337,908	29,283,274	8,007,210	-	(5,402,676)	-	494,037,513
Financial Margin	-	-	-	5,497,113	-	-	-	5,497,113
Operating revenues external customers	18,994,881	1443,133	1,385,091	3,512,014	7,495,894	(21,529,304)	-	11,301,709
Internal services rendered	10,539,391	-	59,922	-	30,072,839	(40,652,152)	-	-
Allocation to CTT central structure	-	-	-	-	41,531,420	(41,531,420)	-	-
Operating costs	(350,289,484)	(109,174,536)	(19,596,307)	(30,123,394)	(79,100,153)	109,115,794	-	(479,167,880)
External supplies and services	(77,328,340)	(89,805,911)	(6,218,964)	(17,901,104)	(29,007,289)	26,932,082	-	(193,329,526)
Staff costs	(191,188,060)	(17,335,095)	(1,500,906)	(10,329,158)	(45,748,527)	-	-	(266,101,746)
Other costs	(11,063,068)	(2,033,530)	(1,167,752)	(1,892,932)	(3,579,466)	140	-	(19,736,608)
Internal services rendered	(29,359,094)	-	(10,528,187)	-	(764,871)	40,652,152	-	-
Allocation to CTT central structure	(41,350,922)	-	(180,498)	-	-	41,531,420	-	-
<b>EBITDA<sup>18</sup></b>	<b>46,550,412</b>	<b>1,196,054</b>	<b>11,131,980</b>	<b>(13,106,857)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,771,589</b>
Depreciation/ amortisation and impairment of investments, net	(11,974,282)	(2,577,342)	(328,245)	(2,444,463)	(5,871,316)	-	(181,720)	(23,377,369)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(284,593)
Impairment of other financial banking assets	-	-	-	-	-	-	-	27,121
Provisions, net	-	-	-	-	-	-	-	(978,207)
Interest expenses	-	-	-	-	-	-	-	(4,131,704)
Interest income	-	-	-	-	-	-	-	36,449
Gains/ losses in associated companies	-	-	-	-	-	-	-	97,593
<b>Earnings before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,160,879</b>
Income tax for the period	-	-	-	-	-	-	-	(7,241,053)
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,919,826</b>
Non-controlling interests	-	-	-	-	-	-	-	27,328
<b>Equity holders of parent company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,892,497</b>

<sup>18</sup> Operating results + depreciation/ amortisation + provisions and impairment losses, net.

# 30.09.2017 Restated

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	393,421,717	96,185,271	43,296,188	13,439,267	80,680,650	(109,042,151)	-	517,980,942
Sales and services rendered	361,428,312	94,724,699	42,494,182	8,042,806	-	(5,420,811)	-	501,269,188
Sales	12,193,815	605,761	-	-	-	(305)	-	12,799,271
Services rendered	349,234,497	94,118,939	42,494,182	8,042,806	-	(5,420,506)	-	488,469,917
Financial Margin	-	-	-	2,102,591	-	-	-	2,102,591
Operating revenues external customers	20,149,302	1,460,572	739,069	3,293,870	10,675,501	(21,709,151)	-	14,609,163
Internal services rendered	11,844,103	-	62,937	-	29,842,295	(41,749,336)	-	-
Allocation to CTT central structure	-	-	-	-	40,162,853	(40,162,853)	-	-
Operating costs	(339,102,603)	(97,635,734)	(23,476,360)	(26,877,227)	(80,680,649)	109,042,152	-	(458,730,422)
External supplies and services	(75,595,019)	(78,529,601)	(7,175,194)	(16,149,165)	(31,746,027)	27,035,897	-	(182,159,109)
Staff costs	(183,470,624)	(17,391,072)	(2,512,852)	(9,953,144)	(44,264,823)	92,373	-	(257,500,142)
Other costs	(11,452,211)	(1,715,061)	(1,160,734)	(774,918)	(3,969,939)	1,693	-	(19,071,171)
Internal services rendered	(28,683,983)	-	(12,365,493)	-	(699,860)	41,749,336	-	-
Allocation to CTT central structure	(39,900,766)	-	(262,087)	-	-	40,162,853	-	-
<b>EBITDA<sup>18</sup></b>	<b>54,319,114</b>	<b>(1,450,463)</b>	<b>19,819,828</b>	<b>(13,437,960)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,250,520</b>
Depreciation/ amortisation and impairment of investments, net	(11,891,977)	(2,916,467)	(163,417)	(2,142,634)	(5,528,607)	-	(111,960)	(22,755,062)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(933,817)
Provisions, net	-	-	-	-	-	-	-	758,906
Interest expenses	-	-	-	-	-	-	-	(4,026,908)
Interest income	-	-	-	-	-	-	-	303,059
<b>Earnings before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,596,697</b>
Income tax for the period	-	-	-	-	-	-	-	(13,224,676)
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,372,021</b>
Non-controlling interests	-	-	-	-	-	-	-	(137,546)
<b>Equity holders of parent company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,509,567</b>

<sup>18</sup> Operating results + depreciation/ amortisation + provisions and impairment losses, net.



The revenues are detailed as follows:

Thousand Euros	30.09.2018	30.09.2017 Restated
Mail	396,840	393,422
Transactional mail	308,664	301,151
Editorial mail	10,972	11,716
Parcels (USO)	4,934	5,414
Advertising mail	17,988	20,861
Retail	9,210	7,764
Philately	6,094	6,091
Business Solutions	7,144	6,375
Other	31,833	34,050
Express & Parcels	110,371	96,185
Financial Services	30,728	43,296
Banco CTT	17,016	13,439
Banco CTT	8,985	5,319
Payshop	8,031	8,120
CTT Central Structure	79,100	80,681
Intragroup eliminations	(109,116)	(109,042)
	<b>524,939</b>	<b>517,981</b>

The assets by segment are detailed as follows:

	30.09.2018						
Assets (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Non allocated assets	Total
Intangible assets	3,325,358	4,307,123	361,961	23,210,197	8,354,370	7,513,116	47,072,124
Tangible fixed assets	158,304,268	13,571,004	2,730	674,693	11,175,132	1,324,112	185,051,939
Investment properties	-	-	-	-	-	6,652,520	6,652,520
Goodwill	6,161,326	2,955,753	-	406,101	-	-	9,523,180
Deferred tax assets	-	-	-	-	-	83,993,938	83,993,938
Accounts receivable	-	-	-	-	-	137,881,715	137,881,715
Credit to bank clients	-	-	-	201,772,796	-	-	201,772,796
Investment securities	-	-	-	449,354,745	-	-	449,354,745
Other banking financial assets	-	-	-	120,371,570	-	-	120,371,570
Other assets	-	-	-	-	-	72,758,613	72,758,613
Cash and cash equivalents	-	7,989,839	-	110,002,522	-	307,827,516	425,819,877
Non-current assets held for sale	-	-	-	-	-	1,741,045	1,741,045
	<b>167,790,952</b>	<b>28,823,719</b>	<b>364,691</b>	<b>905,792,624</b>	<b>19,529,502</b>	<b>619,692,576</b>	<b>1,741,994,063</b>

	31.12.2017 Restated						
Assets (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Non allocated assets	Total
Intangible assets	3,119,896	5,005,423	404,038	21,211,707	7,631,667	10,128,953	47,501,684
Tangible fixed assets	167,562,232	14,477,996	2,231	815,209	15,141,231	1,857,009	199,855,908
Investment properties	-	-	-	-	-	6,164,849	6,164,849
Goodwill	6,161,326	2,955,753	-	406,101	-	-	9,523,180
Deferred tax assets	-	-	-	-	-	87,155,739	87,155,739
Accounts receivable	-	-	-	-	-	132,480,130	132,480,130
Credit to bank clients	-	-	-	79,347,390	-	-	79,347,390
Investments held to maturity	-	-	-	261,549,132	-	-	261,549,132
Financial assets available for sale	-	-	-	5,751,374	-	-	5,751,374
Other banking financial assets	-	-	-	103,248,206	-	-	103,248,206
Other assets	-	-	-	-	-	49,362,404	49,362,404
Cash and cash equivalents	-	5,207,337	-	242,844,990	-	378,773,070	626,825,397
Non-current assets held for sale	-	-	-	-	-	-	-
	<b>176,843,454</b>	<b>27,646,509</b>	<b>406,269</b>	<b>715,174,109</b>	<b>22,772,898</b>	<b>665,922,153</b>	<b>1,608,765,392</b>



Debt by segment is detailed as follows:

30.09.2018						
Other information (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
<b>Medium and long-term debt</b>	-	<b>51876</b>	-	-	-	<b>51876</b>
Bank loans	-	42,535	-	-	-	42,535
Leasings	-	9,341	-	-	-	9,341
<b>Short-term debt</b>	-	<b>4,176,021</b>	-	-	-	<b>4,176,021</b>
Bank loans	-	4,156,804	-	-	-	4,156,804
Leasings	-	19,217	-	-	-	19,217
	-	<b>4,227,897</b>	-	-	-	<b>4,227,897</b>

  

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

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

Thousand Euros	30.09.2018	30.09.2017
Revenue - Portugal	430,599	438,089
Revenue - other countries	77,542	63,181
	<b>508,141</b>	<b>501,269</b>

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

## 5. TANGIBLE FIXED ASSETS

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

30.09.2018								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers
<b>Tangible fixed assets</b>								
Opening balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109
Acquisitions	-	273,957	851,216	8,413	515,013	272,218	1,895,656	68,468
Disposals	-	-	(1,730,386)	(5,095)	-	-	-	-
Transfers and write-offs	(722,865)	(4,682,728)	(4,036,369)	-	-	(962)	(2,279,400)	(179,594)
Adjustments	-	(46,558)	(47,623)	(30)	(28,138)	(2,305)	(47,608)	(172,036)
Closing balance	36,379,274	338,200,423	141,704,629	3,374,591	62,661,429	26,309,265	1,116,823	232,375
<b>Accumulated depreciation</b>								
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-
Depreciation for the period	-	7,505,468	4,432,689	22,464	2,118,758	809,122	-	-
Disposals	-	-	(1,632,688)	(5,095)	-	(962)	-	-
Transfers and write-offs	(73,942)	(4,080,612)	(4,214,804)	-	-	-	-	-
Adjustments	-	23	(375)	33	44	44	-	-
Closing balance	3,777,553	211,086,363	126,878,957	3,278,175	57,835,204	22,021,278	-	-
<b>Accumulated impairment</b>								
Opening balance	-	-	-	-	-	49,340	-	-
Other variations	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	49,340	-	-
<b>Net Tangible fixed assets</b>	<b>32,601,721</b>	<b>127,114,060</b>	<b>14,825,671</b>	<b>96,416</b>	<b>4,826,225</b>	<b>4,238,647</b>	<b>1,116,823</b>	<b>232,375</b>



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

During the nine-month period ended 30 September 2018, Land and natural resources and Buildings and other constructions include 599,270 Euros (625,996 Euros as at 31 December 2017), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

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

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

#### **Land, Buildings and other constructions:**

The movements associated to acquisitions and transfers relate mostly to the capitalisation of repairs in own and third-party buildings of CTT and Tourline.

The caption Transfers and Write-offs includes the amount of 3,143,118 Euros related to the transfer to Investment Properties, as well as the respective accumulated depreciations of 1,530,107 Euros, regarding a group of properties which are no longer allocated to the operational activity of the Group.

This heading also includes the transfer to the caption Non-current assets held for sale of the building located in Rua da Palma by CTT, following the conclusion of the promissory agreement for the sale of this property.

#### **Basic equipment:**

The amount of acquisitions mainly relates to the purchase of ATM's in the amount of 32 thousand Euros, bar code readers in the amount of 29 thousand Euros, scales in the amount of 50 thousand Euros and pallets for about 184 thousand Euros by CTT. CTT Contacto acquired a parcel sorting machine in the amount of 148 thousand Euros and Tourline acquired IT equipment worth approximately 231 thousand Euros and PDA devices worth approximately 5 thousand Euros.

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

#### **Office equipment:**

The amount of acquisitions relates essentially to the purchase of several pieces of administrative equipment, namely safes and security doors totalling 21 thousand Euros, office furniture worth about 66 thousand Euros and the acquisition of personal computers for approximately 199 thousand Euros by CTT.





### **Other tangible fixed assets:**

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 201 thousand Euros by CTT.

### **Tangible fixed assets in progress:**

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

The depreciation recorded in the amount of 14,888,200 Euros (16,079,570 Euros on 30 September 2017) is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

	30.09.2018
Hardware firewall networks	280,353
Upgrades to mail sorting machines	128,674
Containers	108,929
CCTV, safes and security doors	70,238
Optical readers	29,459
Scales	25,646
Tractor Pneumatic System	9,471
Batteries	5,307
UPS	4,869
Reading devices for tachographs	4,760
	<u>667,704</u>

## **6. INTANGIBLE ASSETS**

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

	30.09.2018					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
<b>Intangible assets</b>						
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Acquisitions	-	2,015,795	13,145	-	5,849,286	7,878,226
Transfers and write-offs	-	8,983,126	-	-	(8,983,126)	-
Adjustments	-	-	40	-	-	40
Closing balance	<u>4,380,552</u>	<u>91,234,884</u>	<u>13,310,336</u>	<u>444,739</u>	<u>10,120,616</u>	<u>119,491,127</u>
<b>Accumulated amortisation</b>						
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Amortisation for the period	4,170	7,812,146	491,133	-	-	8,307,449
Adjustments	-	-	377	-	-	377
Closing balance	<u>4,375,404</u>	<u>58,354,794</u>	<u>9,244,066</u>	<u>444,739</u>	<u>-</u>	<u>72,419,003</u>
<b>Net intangible assets</b>	<u>5,148</u>	<u>32,880,091</u>	<u>4,066,270</u>	<u>-</u>	<u>10,120,616</u>	<u>47,072,124</u>



31.12.2017

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

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

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

The amounts of 710,560 Euros and 568,161 Euros that were capitalised in Computer software or in Intangible assets in progress as at 30 September 2018 and 30 September 2017, respectively, relate to the staff costs incurred in the development of IT projects.

As at 30 September 2018 and 31 December 2017, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	30.09.2018	31.12.2017
SAP Hana & Hybris Billing	1,795,178	2,846,202
Management information - software	1,034,829	901,204
NAVE evolution	854,776	736,189
SAP developments	343,806	144,997
Aplica Legacy adaptations	318,696	617,767
Data Warehouse	276,359	-
CRM - Sales software	262,377	287,602
SIGPOSTAL - software	196,119	-
International Accounts - software	189,395	-
Credit Liabilities - software	180,739	-
SADIP - Dynamics Change Plans	163,977	141,983
Transactional Broker	159,006	-
INTRANET CTT	156,458	-
Mortgage loans - software	148,884	491,317
Lease Management - software	148,221	-
APARTADOS - software	138,842	136,220
DOL - Treatment and generation of schedules	113,013	98,836
Customs Portal	110,827	-
E-Fulfillment	106,525	-
BD SQL Server consolidation	-	622,975
Mail products evolution	-	586,899
RAID - software	-	453,856
X86 - Servers, storage and backup	-	342,239
Business Excellence - software	-	292,317
Security Identity Governance and Intelligence	-	230,791
FATCA/ CRS	-	170,291
	<u>6,698,026</u>	<u>9,101,687</u>



The amortisation for the period, of 8,307,449 Euros (6,563,531 Euros as at 30 September 2017), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible assets are as follows:

	<u>30.09.2018</u>
SAP S/4 Hana e SAP Hybris	1,549,807
CBS - Core Banking System	479,653
SIG Postal	359,643
Software servers	123,246
Setup Infrastructure	95,624
Mailmanager	52,275
Data Protection Regulation (RGPD)	51,733
App Receipts Online	22,140
APP Mobility Android	20,295
Workflow Solution	17,188
Online Account Opening	17,042
Iberian operator	7,310
Hybrid Mail	6,642
	<u><u>2,802,597</u></u>

## 7. INVESTMENT PROPERTIES

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



<b>30.09.2018</b>				
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
<b>Investment properties</b>				
Opening balance	2,882,477	11,824,326	-	14,706,803
Disposals	(98,874)	(812,552)	-	(911,425)
Transfers and write-offs	476,424	2,666,694	-	3,143,118
Adjustments	6,503	19,508	-	26,010
Closing balance	3,266,530	13,697,976	-	16,964,505
<b>Accumulated depreciation</b>				
Opening balance	166,541	7,282,857	-	7,449,397
Depreciation for the period	-	181,720	-	181,720
Disposals	(10,982)	(528,516)	-	(539,498)
Transfers and write-offs	54,612	1,475,495	-	1,530,107
Closing balance	210,171	8,411,556	-	8,621,727
<b>Accumulated impairment</b>				
Opening balance	-	1,092,556	-	1,092,556
Transfers/Adjustments	-	597,703	-	597,703
Closing balance	-	1,690,259	-	1,690,259
<b>Net Investment properties</b>	<b>3,056,359</b>	<b>3,596,161</b>	<b>-</b>	<b>6,652,520</b>
<b>31.12.2017</b>				
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
<b>Investment properties</b>				
Opening balance	3,921,049	18,372,780	-	22,293,828
Additions	-	-	43,152	43,152
Disposals	(1,038,572)	(6,591,606)	-	(7,630,178)
Transfers and write-offs	-	43,152	(43,152)	-
Closing balance	2,882,477	11,824,326	-	14,706,803
<b>Accumulated depreciation</b>				
Opening balance	210,097	11,500,249	-	11,710,347
Depreciation for the period	-	242,117	-	242,117
Disposals	(43,557)	(4,459,510)	-	(4,503,066)
Closing balance	166,541	7,282,857	-	7,449,397
<b>Accumulated impairment</b>				
Opening balance	-	1,291,498	-	1,291,498
Transfers/Adjustments	-	(198,942)	-	(198,942)
Closing balance	-	1,092,556	-	1,092,556
<b>Net Investment properties</b>	<b>2,715,936</b>	<b>3,448,913</b>	<b>-</b>	<b>6,164,849</b>

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

During the nine-month period ended 30 September 2018, the amount of disposals relates to the sale of one property, having the corresponding gains, of 138 thousand Euros, been recorded in the caption Other operating income.

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

Depreciation for the period, of 181,720 Euros (211,508 Euros as at 30 September 2017), was recorded in the caption Depreciation / amortisation and impairment of investments, net.



## 8. COMPANIES INCLUDED IN THE CONSOLIDATION

### Subsidiary companies

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

Company name	Place of business	Head office	30.09.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
<b>Parent company:</b>								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001Lisboa	-	-	-	-	-	-
<b>Subsidiaries:</b>								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	-	100	100	100	-	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Alcarria, numero 8, 28823 Coslada, Madrid	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50
Escrita Inteligente, S.A. ("RONL")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 11 1999-001Lisboa	100	-	100	100	-	100
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521Cacém	100	-	100	100	-	100

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

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

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

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

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

### Joint ventures

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



Company name	Place of business	Head office	30.09.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	-	51	51	-	51	51
MktPlace - Comércio Eletrónico, S.A ("MKTPT")	Portugal	Rua Eng.ª Ferreira Dias 924 Esc. 5 Porto	50	-	50	-	-	-

On 8 August 2018, Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., was formed. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

#### Associated companies

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

Company name	Place of business	Head office	30.09.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	20	-	20
Mafelosa, SL <sup>(a)</sup>	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL <sup>(a)</sup>	Spain	Málaga - Spain	-	30	30	-	30	30

<sup>(a)</sup> Company held by Tourline Mensajería, SLU, which currently has no activity.

#### Changes in the consolidation perimeter

During the nine-month period ended 30 September 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of Mktplace - Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

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

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

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



	30.09.2018	31.12.2017
<b>Non-current</b>		
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>		
Debt securities and other fixed-income securities		
Public issuers	550,470	-
Other issuers	581,699	-
	<u>1,132,169</u>	<u>-</u>
<b>Investment securities measured at amortised cost</b>		
Debt securities and other fixed-income securities		
Public issuers	398,715,352	-
Other issuers	27,642,879	-
Impairment	(165,110)	-
	<u>426,193,120</u>	<u>-</u>
	<b>427,325,289</b>	<b>-</b>
<b>Current</b>		
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>		
Debt securities and other fixed-income securities		
Public issuers	8,913	-
Other issuers	525,603	-
	<u>534,516</u>	<u>-</u>
<b>Investment securities measured at amortised cost</b>		
Debt securities and other fixed-income securities		
Public issuers	15,906,886	-
Other issuers	5,593,472	-
Impairment	(5,418)	-
	<u>21,494,940</u>	<u>-</u>
	<b>22,029,456</b>	<b>-</b>
	<b>449,354,745</b>	<b>-</b>

<sup>(1)</sup> As at 30 September 2018 includes the amount of 2,967Euros regarding Accumulated impairment losses.

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

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



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

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

	30.09.2018		
	Amortised cost	Fair value reserve	Total
Debt securities and other fixed-income securities			
Public-debt securities			
National	533,391	25,992	559,383
Foreign	-	-	-
Other issuers			
National	-	-	-
Foreign	1,095,715	11,587	1,107,302
	<u>1,629,106</u>	<u>37,579</u>	<u>1,666,685</u>

  

	30.09.2018						
	Current			Non-current		Total	
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>							
Debt securities and other fixed-income securities							
Public-debt securities							
National	8,913	-	8,913	550,470	-	550,470	559,383
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	22,038	503,565	525,603	471,384	110,515	581,699	1,107,302
	<u>30,951</u>	<u>503,565</u>	<u>534,516</u>	<u>1,021,854</u>	<u>110,515</u>	<u>1,132,369</u>	<u>1,666,685</u>

<sup>(1)</sup> As at 30 September 2018 includes the amount of 2,967 Euros regarding Accumulated impairment losses.





	30.09.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
<b>Investment securities measured at amortised cost</b>							
Debt securities and other fixed-income securities							
Public-debt securities							
National	6,030,349	6,608,565	12,638,914	18,157,786	262,327,731	280,485,517	293,124,431
Foreign	714,132	2,553,840	3,267,972	40,507,861	77,721,974	118,229,835	121,497,807
Other issuers							
National	5,029,370	564,103	5,593,472	19,914,315	7,728,564	27,642,879	33,236,351
Foreign	-	-	-	-	-	-	-
	<b>11,773,850</b>	<b>9,726,508</b>	<b>21,500,358</b>	<b>78,579,961</b>	<b>347,778,269</b>	<b>426,358,230</b>	<b>447,858,589</b>

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

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

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

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



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

	30.09.2018				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
<b>Non-current assets</b>					
Investment securities measured at Fair Value through Other Comprehensive Income	-	21	(2,663)	-	1925
Investment securities measured at amortised cost	-	105,068	(183,966)	-	165,111
	-	105,089	(186,629)	-	167,036
<b>Current assets</b>					
Investment securities measured at Fair Value through Other Comprehensive Income	-	-	(5,077)	-	1043
Investment securities measured at amortised cost	-	2,355	-	-	5,418
	-	2,355	(5,077)	-	6,461
<b>Investment securities measured at Fair Value through Other Comprehensive Income</b>	-	21	(7,740)	-	2,967
<b>Investment securities measured at amortised cost</b>	-	107,423	(183,966)	-	170,529
	-	107,444	(191,706)	-	173,497

## 10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

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

	30.09.2018	31.12.2017
<b>Non-current assets</b>		
Investments in credit institutions	2,764,487	-
Loans to credit institutions	17,130,392	11,831,122
Impairment	(195,554)	-
	19,699,324	11,831,122
<b>Current assets</b>		
Investments in credit institutions	86,746,534	82,221,285
Loans to credit institutions	12,122,840	7,859,401
Impairment	(267,235)	-
Other	2,070,107	1,336,398
	100,672,246	91,417,084
	120,371,570	103,248,206
<b>Current liabilities</b>		
Other	24,844,033	17,882,160
	24,844,033	17,882,160

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

	30.09.2018	31.12.2017
Up to 3 months	59,362,431	16,716,838
From 3 to 6 months	18,468,958	16,078,185
From 6 to 12 months	210,37,985	57,285,663
From 1 to 3 years	12,438,392	7,473,850
Over 3 years	7,456,487	4,357,272
	118,764,252	101,911,808

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



30.09.2018						
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>						
Investments and loans in credit institutions	-	415,689	(336,429)	-	116,293	195,554
	-	415,689	(336,429)	-	116,293	195,554
<b>Current assets</b>						
Investments and loans in credit institutions	-	-	(239,870)	-	507,104	267,235
	-	-	(239,870)	-	507,104	267,235
	-	415,689	(576,298)	-	623,397	462,788

## 11. CREDIT TO BANKING CLIENTS

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

	30.09.2018	31.12.2017
<b>Performing loans</b>	<b>201,844,685</b>	<b>79,393,333</b>
Mortgage Loans	184,283,971	66,145,178
Overdrafts	567,818	299,170
Other credits	16,992,896	12,948,985
<b>Overdue loans</b>	<b>261,182</b>	<b>71,708</b>
	202,105,867	79,465,041
<b>Credit risk impairment</b>	<b>(333,072)</b>	<b>(117,651)</b>
	201,772,795	79,347,390

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

	30.09.2018	31.12.2017
Fixed rate	829,000	370,878
Floating rate	201,276,867	79,094,163
	202,105,867	79,465,041
Credit risk impairment	(333,072)	(117,651)
	201,772,795	79,347,390

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

30.09.2018							
	Current			Over 1 year and less than 3 years	Non-current		Total
	In cash	Due within 3 months	Over 3 months and less than 1		Over 3 years	Total	
Mortgage loans	-	1,340,083	3,834,401	5,174,484	10,389,836	168,719,651	184,283,971
Overdrafts	829,000	-	-	829,000	-	-	829,000
Other credits	-	16,992,896	-	16,992,896	-	-	16,992,896
	829,000	18,332,979	3,834,401	22,996,380	10,389,836	168,719,651	202,105,867

  

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

During the nine-month period ended 30 September 2018 and the year ended 31 December 2017, the movement in the Credit to banking client's impairment caption was as follows:



30.09.2018						
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>						
Credit to banking clients	59,078	150,752	(39,932)	-	(6,589)	163,309
	59,078	150,752	(39,932)	-	(6,589)	163,309
<b>Current assets</b>						
Credit to banking clients	58,573	107,314	-	-	3,876	169,763
	58,573	107,314	-	-	3,876	169,763
	<b>117,651</b>	<b>258,066</b>	<b>(39,932)</b>	<b>-</b>	<b>(2,713)</b>	<b>333,072</b>

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

## 12. DEFERRALS

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

	30.09.2018	31.12.2017
<b>Assets deferrals</b>		
Current		
Rents payable	1,337,485	1,375,076
Meal allowances	1,560,807	1,615,852
Other	6,755,090	3,609,187
	<u>9,653,382</u>	<u>6,600,115</u>
<b>Liabilities deferrals</b>		
Non-current		
Investment subsidy	308,492	316,892
	<u>308,492</u>	<u>316,892</u>
Current		
Phone-ix top ups	118,292	143,203
Investment subsidy	12,726	17,299
Contratual liabilities	1,300,426	-
Other	614,291	1,272,194
	<u>2,045,735</u>	<u>1,432,696</u>
	<u>2,354,227</u>	<u>1,749,588</u>

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

## 13. ACCUMULATED IMPAIRMENT LOSSES

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



30.09.2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
<b>Non-current assets</b>							
Tangible fixed assets	49,341	-	-	-	-	-	49,341
Investment properties	1,092,556	-	-	-	597,703	-	1,690,259
	1,141,897	-	-	-	597,703	-	1,739,600
Investment securities	-	105,089	(186,629)	-	-	-	167,036
Other non-current assets	1,786,729	-	-	-	224,634	-	2,011,363
Credit to banking clients	59,078	150,752	(39,932)	-	-	(6,589)	163,309
Other banking financial assets	-	415,689	(336,428)	-	-	116,293	195,554
	1,845,807	671,530	(562,989)	-	224,634	358,279	2,537,262
	<b>2,987,704</b>	<b>671,530</b>	<b>(562,989)</b>	-	<b>822,337</b>	<b>358,279</b>	<b>4,276,862</b>
<b>Current assets</b>							
Accounts receivable	32,583,555	856,911	(313,935)	(290,567)	-	(883,883)	31,952,081
Credit to banking clients	58,573	107,314	-	-	-	3,876	169,763
Investment securities	-	2,355	(5,077)	-	-	9,184	6,461
Other current assets	7,335,098	327,981	(226,563)	(10,077)	(224,634)	-	7,201,805
Other banking financial assets	-	-	(239,870)	-	-	507,104	267,235
Slight and term deposits	-	13,571	(373,758)	-	-	406,909	46,723
	39,977,226	1,308,132	(1,159,203)	(300,644)	(224,634)	43,190	39,644,067
Merchandise	1,719,745	260,657	-	(39,390)	-	-	1,941,012
Raw, subsidiary and consumable	658,137	38,046	-	-	-	-	696,183
	2,377,882	278,703	-	(39,390)	-	-	2,617,195
	<b>42,355,108</b>	<b>1,586,835</b>	<b>(1,159,203)</b>	<b>(340,034)</b>	<b>(224,634)</b>	<b>43,190</b>	<b>42,261,262</b>
	<b>45,342,812</b>	<b>2,258,365</b>	<b>(1,722,391)</b>	<b>(340,034)</b>	<b>597,703</b>	<b>401,469</b>	<b>46,538,124</b>

  

31.12.2017							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
<b>Non-current assets</b>							
Tangible fixed assets	173,055	-	(123,714)	-	-	-	49,341
Investment properties	1,291,498	49,208	(248,150)	-	-	-	1,092,556
	1,464,553	49,208	(371,864)	-	-	-	1,141,897
Credit to banking clients	-	62,628	(3,550)	-	-	-	59,078
Other non-current assets	1,748,286	233,311	-	(194,868)	-	-	1,786,729
	1,748,286	295,939	(3,550)	(194,868)	-	-	1,845,807
	<b>3,212,839</b>	<b>345,147</b>	<b>(375,414)</b>	<b>(194,868)</b>	-	-	<b>2,987,704</b>
<b>Current assets</b>							
Accounts receivable	30,309,524	2,358,555	(1,302,268)	(1,060,347)	-	2,278,091	32,583,555
Credit to banking clients	417	70,950	(12,794)	-	-	-	58,573
Other current assets	8,173,677	254,470	(445,833)	(974,012)	-	326,796	7,335,098
	38,483,618	2,683,975	(1,760,895)	(2,034,359)	-	2,604,887	39,977,226
Merchandise	1,565,187	236,253	(455)	(81,240)	-	-	1,719,745
Raw, subsidiary and consumable	579,327	78,810	-	-	-	-	658,137
	2,144,514	315,063	(455)	(81,240)	-	-	2,377,882
	<b>40,628,132</b>	<b>2,999,038</b>	<b>(1,761,350)</b>	<b>(2,115,599)</b>	-	<b>2,604,887</b>	<b>42,355,108</b>
	<b>43,840,971</b>	<b>3,344,185</b>	<b>(2,316,764)</b>	<b>(2,310,467)</b>	-	<b>2,604,887</b>	<b>45,342,812</b>

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

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

## 14. EQUITY

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

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



30.09.2018			
Shareholder	No. of shares	%	Nominal value
Gestmin SGPS, S.A. <sup>(1)</sup>	18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud	284,885	0.190%	142,443
<b>Manuel Carlos de Melo Champalimaud <sup>(2)</sup></b>	<b>Total</b>	<b>12.583%</b>	<b>9,437,210</b>
Global Portfolio Investments, S.L. <sup>(3)</sup>	8,492,745	5.662%	4,246,373
<b>Indumenta Pueri, S.L. <sup>(3)</sup></b>	<b>Total</b>	<b>5.662%</b>	<b>4,246,373</b>
<b>GreenWood Builders Fund I, LP <sup>(4)</sup></b>	<b>Total</b>	<b>5.000%</b>	<b>3,750,251</b>
<b>Norges Bank</b>	<b>Total</b>	<b>4.266%</b>	<b>3,199,595</b>
<b>Credit Suisse Group AG <sup>(5)</sup></b>	<b>Total</b>	<b>3.310%</b>	<b>2,482,765</b>
<b>BlackRock, Inc. <sup>(6)</sup></b>	<b>Total</b>	<b>2.569%</b>	<b>1,926,853</b>
BBVA BOLSA FI <sup>(7)</sup>	1,139,308	0.760%	569,654
BBVA BOLSA EURO FI <sup>(7)</sup>	674,991	0.450%	337,496
BBVA BOLSA EUROPA FI <sup>(7)</sup>	1,335,028	0.890%	667,514
BBVA BOLSA PLUS FI <sup>(7)</sup>	346,172	0.231%	173,086
<b>BBVA Asset Management, SA SGIC <sup>(7)</sup></b>	<b>Total</b>	<b>2.330%</b>	<b>1,747,750</b>
<b>Wellington Management Group LLP <sup>(8)</sup></b>	<b>Total</b>	<b>2.070%</b>	<b>1,552,611</b>
<b>CTT, S.A. (own shares) <sup>(9)</sup></b>	<b>Total</b>	<b>0.000%</b>	<b>0.50</b>
<b>Other shareholders</b>	<b>Total</b>	<b>62.209%</b>	<b>46,656,594</b>
<b>Total</b>	<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

- (1) Includes 18,465,215 shares directly held by Gestmin SGPS, S.A. and 124,319 shares held by members of its Board of Directors.
- (2) Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (3) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (4) Fund managed by GreenWood Investors LLC.
- (5) The full chain of Credit Suisse Group AG controlled undertakings through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 21 November 2017 available on CTT website at: [http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cab2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cab2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?bylnode=true).
- (6) The full chain of undertakings controlled by BlackRock, Inc. through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holdings press release of 27 June 2018 available on CTT website at: [http://www.ctt.pt/contentAsset/raw-data/15411667-923b-486a-96c9-01098bdaffe5/ficheiroPdf/BlackRock%2027June2018\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/15411667-923b-486a-96c9-01098bdaffe5/ficheiroPdf/BlackRock%2027June2018_EN.pdf?bylnode=true).
- (7) Investment funds managed by BBVA Asset Management, SA, SGIC, entity directly controlled by Cidessa Uno, SL, as per point 10 of the qualifying holdings press release of 26 March 2018 available on CTT website at: [http://www.ctt.pt/contentAsset/raw-data/a241575b-7dcb-47ff-8374-d5dc44f2bd56/ficheiroPdf/BBVA%20Qualif%20Hold%2026Mar2018\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/a241575b-7dcb-47ff-8374-d5dc44f2bd56/ficheiroPdf/BBVA%20Qualif%20Hold%2026Mar2018_EN.pdf?bylnode=true).
- (8) The full chain of controlled undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is shown in point 8 of the qualifying holdings press release of 5 September 2017 available on CTT website at: [http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?bylnode=true).
- (9) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.



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

- (1) Includes 16,642,862 shares directly held by Gestmin SGPS, S.A. and 90,439 shares held by members of its Board of Directors (for this purpose, CTT assumes that the shareholdings of the members of the Board of Directors of Gestmin communicated in the notification to the Company on 4 January 2018 correspond to their shareholdings as at 31 December 2017) . Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud who holds the controlling interest in Gestmin.
- (2) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (3) As per section 10 of the press release of 4 January 2018 available on CTT website ([http://www.ctt.pt/contentAsset/raw-data/321d6a50-14fa-47e9-9d42-94d17701a9f8/ficheiroPdf/Global%20Portfolio%2004Jan2018\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/321d6a50-14fa-47e9-9d42-94d17701a9f8/ficheiroPdf/Global%20Portfolio%2004Jan2018_EN.pdf?bylnode=true)) Wilmington Capital, S.L., a subsidiary of Indumenta Pueri, S.L. which held the qualifying holding in CTT, transferred on 29 December 2017, all its CTT titles to a sister company controlled by Indumenta Pueri, S.L. – Global Portfolio Investments, S.L.
- (4) The full chain of the Credit Suisse Group AG controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at attachments of the qualifying holding press release of 21 November 2017, available at CTT website ([http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?bylnode=true)).
- (5) The full chain of the BNP Paribas Asset Management, S.A. controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at section 10 of the qualifying holding press release of 30 October 2017, available at CTT website ([http://www.ctt.pt/contentAsset/raw-data/f68bfc42-2801-406c-996b-510b31319bcd/ficheiroPdf/BNP%20Paribas%20Qualif%20Hold%2030Oct2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/f68bfc42-2801-406c-996b-510b31319bcd/ficheiroPdf/BNP%20Paribas%20Qualif%20Hold%2030Oct2017_EN.pdf?bylnode=true)).
- (6) The full chain of the Wellington Management Group LLP controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 5 September 2017, available at CTT website ([http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?bylnode=true)).
- (7) The full chain of the Kairos Partners SGR SpA controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 10 November 2017, available at CTT website ([http://www.ctt.pt/contentAsset/raw-data/f1388005-a56a-46ff-9527-07b2277d8e7c/ficheiroPdf/Kairos%2010Nov2017\\_EN.pdf?bylnode=true](http://www.ctt.pt/contentAsset/raw-data/f1388005-a56a-46ff-9527-07b2277d8e7c/ficheiroPdf/Kairos%2010Nov2017_EN.pdf?bylnode=true)).
- (8) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.



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

### Reserves

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

	30.09.2018				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883
Distribution of dividends (Note 16)	-	-	-	(15,372,222)	(15,372,222)
Other movements	-	-	-	1,282,861	1,282,861
Assets fair value	-	-	(12,744)	-	(12,744)
Closing balance	15,000,000	8	37,579	50,808,190	65,845,778

  

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

### Legal reserves

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

### Own shares reserve (CTT, S.A.)

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

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

### Other reserves

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

### Retained earnings

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

	30.09.2018	31.12.2017
Opening balance	34,268,089	93,589,211
Application of the net profit of the prior year	27,263,244	62,160,395
Distribution of dividends (Note 16)	(41,627,778)	(72,000,000)
Share capital increase	-	(49,500,000)
Changes to accounting policies	(1,467,664)	-
Adjustments from the application of the equity method	(2,005)	18,482
Other movements	(1,282,861)	-
Closing balance	17,151,025	34,268,089





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

#### Other changes in equity

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

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

	30.09.2018	31.12.2017
Opening balance	(32,634,996)	(27,137,824)
Actuarial gains/losses	-	(7,579,217)
Tax effect	-	2,082,045
Closing balance	<u>(32,634,996)</u>	<u>(32,634,996)</u>

## 16. DIVIDENDS

According to the dividends distribution proposal included in the 2017 Annual Report, at the General Meeting of Shareholders, which was held on 18 April 2018, a dividend distribution of 57,000,000 Euros regarding the financial year ended 31 December 2017 was proposed and approved. The amount of 41,627,778 Euros was withdrawn from retained earnings and 15,372,222 Euros from reserves. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.38 Euros.

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

## 17. EARNINGS PER SHARE

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

	30.09.2018	31.12.2017
Net income for the period	9,892,497	27,263,244
Average number of ordinary shares	149,999,999	149,950,640
Earnings per share		
Basic	0.07	0.18
Diluted	0.07	0.18

The average number of shares is detailed as follows:

	30.09.2018	31.12.2017
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	49,360
Average number of shares during the period	149,999,999	149,950,640

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



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

There are no dilutive factors of earnings per share.

## 18. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

### Provisions

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

	30.09.2018					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter
Non-current provisions						
Litigations	3,390,479	1048,046	(1042,581)	(216,854)	77,418	-
Restructuring	1,729,651	-	-	(910,33)	(597,703)	-
Other provisions	8,338,601	1,400,117	(427,375)	(19,409)	(77,418)	-
<b>Sub-total - caption "Provisions (increases)/reversals"</b>	<b>13,458,730</b>	<b>2,448,163</b>	<b>(1,469,956)</b>	<b>(327,296)</b>	<b>(597,703)</b>	<b>-</b>
Restructuring	11,903,172	11,889,638	(134,866)	(21,320,712)	-	-
Other provisions	666,430	316,802	-	-	-	-
	<b>26,028,332</b>	<b>14,654,603</b>	<b>(1,604,822)</b>	<b>(21,648,008)</b>	<b>(597,703)</b>	<b>-</b>
	31.12.2017					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter
Non-current provisions						
Litigations	4,838,552	2,316,092	(2,805,272)	(1,140,292)	151,399	30,000
Restructuring	-	1,729,651	-	-	-	-
Other provisions	9,288,931	118,462	(333,053)	(584,340)	(151,399)	-
<b>Sub-total - caption "Provisions (increases)/reversals"</b>	<b>14,127,483</b>	<b>4,164,205</b>	<b>(3,138,325)</b>	<b>(1,724,632)</b>	<b>-</b>	<b>30,000</b>
Restructuring	-	13,101,590	(146,221)	(1052,197)	-	-
Other provisions	-	666,430	-	-	-	-
	<b>14,127,483</b>	<b>17,932,225</b>	<b>(3,284,546)</b>	<b>(2,776,829)</b>	<b>-</b>	<b>30,000</b>

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

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (978,207) Euros as at 30 September 2018 (758,906 Euros as at 30 September 2017).

### Litigations

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

### Restructuring

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



Following the continuation of the HR optimisation programme in 2018, reinforcements of this provision in the amount of 11,889,638 Euros were recorded in the Group against the caption Staff costs in the income statement. As at 30 September 2018 the provision amounts to 2,337,332 Euros.

The utilisations recorded in the same period regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

#### Other provisions

For the nine-month period ended 30 September 2018, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 7,421,629 Euros (7,882,083 Euros as at 31 December 2017).

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

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

- the amount of 85,591 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,874 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 316,802 Euros regarding the liability, recognised in the company Transporta, with a labour legal proceeding.

#### Guarantees provided

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



Description	30.09.2018	31.12.2017
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	10,987,388	4,844,868
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	-
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA (Pension Fund)	3,030,174	3,030,174
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário (Property fund)	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário (Property fund)	1,274,355	1,274,355
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Courts	112,888	126,204
Municipalities	96,665	188,491
Solred (Repsol's fuel cards)	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply)	68,895	21,433
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printer)	46,167	46,167
Fonavi, Nave Hospitalet	40,477	40,477
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	68,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (public service for the management of the national railway network - infrastructure)	16,460	16,460
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management)	16,406	16,406
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
Other entities	14,103	14,103
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority)	13,086	13,086
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	12,460	12,460
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,909	9,909
Instituto de Segurança Social (Social Security Institute)	8,190	8,190
Promodois (Real estate company)	6,273	6,273
Consejería Salud (Local Health Service/Spain)	4,116	4,116
Instituto do emprego e formação profissional (Employment and Professional Training Institute)	3,718	3,718
Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the Ministry of Internal Administration)	3,644	-
Casa Pia de Lisboa, I.P. (public institute for the promotion and protection of the child)	1,863	1,863
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746
Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)	870	870
SPMS - Serviços Partilhados do Ministério da Saúde (Shared services of the Ministry of Health)	-	30,180
TNT Express Worldwide	-	6,010
	<u>24,675,288</u>	<u>15,508,150</u>

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

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

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

Tourline Express Messageria, S.L.U. provided a bank guaranty to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión



Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, while the appeal presented by Tourline in the National Audience in Spain proceeds.

#### Commitments

As at 30 September 2018, the Group had subscribed promissory notes amounting to approximately 42.5 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline and regarding the subsidiary CORRE in the amount of 92,159 Euros, which are still active as at 30 September 2018.

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

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

## **19. ACCOUNTS PAYABLE**

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

	30.09.2018	31.12.2017
Current		
Advances from customers	2,922,844	2,989,508
CNP money orders	168,314,384	192,760,943
Suppliers	66,111,870	67,167,246
Invoices pending confirmation	9,955,253	10,783,684
Fixed assets suppliers	2,442,543	8,069,559
Invoices pending confirmation (fixed assets)	1,770,902	8,934,307
Values collected on behalf of third parties	11,080,499	10,307,613
Postal financial services	130,897,784	77,584,441
Advances regarding disposals	1,055,512	9,947
Other accounts payable	6,012,744	5,926,046
	<u>400,564,335</u>	<u>384,533,294</u>

#### CNP money orders

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

#### Postal financial services

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

#### Advances regarding disposals

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



## 20. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

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

	30.09.2018	31.12.2017
Sight deposits	576,203,950	408,639,274
Term deposits	109,719,017	129,945,220
Savings deposits	103,708,325	80,645,186
	<u>789,631,293</u>	<u>619,229,680</u>

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

	30.09.2018				
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years
Sight deposits	576,203,950	-	-	-	-
Term deposits	-	51,217,833	58,501,184	-	-
Savings deposits	103,708,325	-	-	-	-
	<u>679,912,275</u>	<u>51,217,833</u>	<u>58,501,184</u>	<u>-</u>	<u>-</u>
					<u>789,631,293</u>

  

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

## 21. INCOME TAXES RECEIVABLE /PAYABLE

As at 30 September 2018 the caption reflects the difference between the estimated income tax regarding the nine-month period ended 30 September 2018 and the amounts already paid regarding payments on account and additional payments on account.

## 22. OTHER OPERATING INCOME

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

	30.09.2018	30.09.2017
Supplementary revenues	3,294,508	3,371,433
Early settlement discounts received	49,053	48,161
Gains inventories	7,822	-
Favourable exchange rate differences of assets and liabilities other than financing	696,028	2,595,044
Income from financial investments	399,208	487,062
Income from non-financial investments	284,364	2,544,724
Income from services and commissions	3,483,412	3,131,897
Interest income and expenses - financial services	68,949	147,372
VAT adjustments	2,083,422	1,888,084
Other	934,943	395,386
	<u>11,301,709</u>	<u>14,609,163</u>

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



### 23. STAFF COSTS

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

	30.09.2018	30.09.2017
Remuneration	195,024,529	199,825,148
Employee benefits	3,189,100	3,316,737
Indemnities	16,447,768	3,079,821
Social Security charges	43,245,426	43,588,369
Occupational accident and health insurance	3,315,943	2,538,400
Social welfare costs	4,808,535	5,030,242
Other staff costs	70,445	121,425
	<u>266,101,746</u>	<u>257,500,142</u>

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

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

	30.09.2018				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,727,953	127,500	41,850	14,000	1,911,303
Annual variable remuneration	-	-	-	-	-
	<u>1,727,953</u>	<u>127,500</u>	<u>41,850</u>	<u>14,000</u>	<u>1,911,303</u>
Long-term remuneration					
Defined contribution plan RSP	137,662	-	-	-	137,662
Long-term variable remuneration - Share Plan	30,105	-	-	-	30,105
	<u>167,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,767</u>
	<u>1,895,720</u>	<u>127,500</u>	<u>41,850</u>	<u>14,000</u>	<u>2,079,070</u>

  

	30.09.2017				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,927,997	156,357	36,291	4,500	2,125,145
Annual variable remuneration	672,272	-	-	-	672,272
	<u>2,600,268</u>	<u>156,357</u>	<u>36,291</u>	<u>4,500</u>	<u>2,797,416</u>
Long-term remuneration					
Defined contribution plan RSP	158,947	-	-	-	158,947
Long-term variable remuneration - Share Plan	616,890	-	-	-	616,890
	<u>775,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>775,837</u>
	<u>3,376,105</u>	<u>156,357</u>	<u>36,291</u>	<u>4,500</u>	<u>3,573,253</u>

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

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

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 30,105 Euros corresponds to the cost to be



assumed in the period between 1 January 2018 and 30 September 2018 based on the assessment performed by an independent entity as at 31.12.2017.

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

#### Remuneration

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

#### Indemnities

During the nine-month period ended 30 September 2018, this caption includes the amount of 15.8 million Euros related to compensations established for termination of employment contracts by mutual agreement, a process initiated in 2018 following the continuation of the HR optimisation programme.

#### Social welfare costs

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

During the nine-month periods ended 30 September 2018 and 30 September 2017, the heading Staff costs includes the amounts of 543,015 Euros and 622,537 Euros, respectively, related to expenses with workers' representative bodies.

For the nine-month periods ended 30 September 2018 and 30 September 2017, the average number of staff of the Group was 12,440 and 12,579, respectively.

## **24. INCOME TAX FOR THE PERIOD**

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

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

#### Reconciliation of the income tax rate

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





	30.09.2018	30.09.2017
Earnings before taxes (a)	17,160,879	32,596,697
Nominal tax rate	21.0%	21.0%
	<b>3,603,785</b>	<b>6,845,306</b>
Tax Benefits	(307,967)	(272,766)
Accounting capital gains/(losses)	(48,516)	(270,842)
Tax capital gains/(losses)	5,607	(105,587)
Provisions not considered in the calculation of deferred taxes	25	828
Impairment losses and reversals	218,832	(106,771)
Adjustments related with - autonomous taxation	398,933	918,559
Other situations, net	721,761	1,606,365
Tax losses without deferred tax	1,224,306	1,306,821
Insufficiency / (Excess) estimated income tax	195,700	767
Subtotal (b)	<b>6,012,465</b>	<b>9,922,681</b>
(b)/(a)	<b>35.04%</b>	<b>30.44%</b>
Adjustments related with - Municipal Surcharge	383,782	751,830
Adjustments related with - State Surcharge	844,806	2,550,165
Income taxes for the period	<b>7,241,053</b>	<b>13,224,676</b>
Effective tax rate	<b>42.20%</b>	<b>40.57%</b>
Income taxes for the period		
Current tax	3,516,152	10,810,930
Deferred tax	3,529,201	2,412,979
Insufficiency / (Excess) estimated income tax	195,700	767
	<b>7,241,053</b>	<b>13,224,676</b>

During the nine-month period ended 30 September 2018, the heading Insufficiency/(Excess) estimated income tax mainly relates to the insufficiency of the income tax estimate of previous years in the net amount of 648,522 Euros and to the tax credit related to SIFIDE of 2016 in the amount of 452,822 Euros.

The effective tax rate, not considering the effect of the "Tax losses without deferred tax" would be of 35.06% and 36.56%, in the nine-month periods ended 30 September 2018 and 30 September 2017, respectively.

#### Deferred taxes

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

	30.09.2018	31.12.2017
Deferred tax assets		
Employee benefits - healthcare	71,306,234	71,544,019
Employee benefits - pension plan	76,164	80,044
Employee benefits - other long-term benefits	3,895,189	4,409,187
Impairment losses and provisions	3,792,562	6,753,261
Tax losses carried forward	1,074,957	688,388
Impairment losses in tangible fixed assets	420,038	257,614
Share Plan	19,789	11,308
Land and buildings	454,756	494,805
Tangible assets' tax revaluation regime	2,339,303	2,581,300
Other	614,946	335,813
	<b>83,993,938</b>	<b>87,155,739</b>
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,440,311	2,591,593
Suspended capital gains	756,558	776,522
Other	31,006	31,006
	<b>3,227,875</b>	<b>3,399,121</b>



As at 30 September 2018, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.5 million Euros and 0.2 million Euros, respectively.

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

	30.09.2018	31.12.2017
Deferred tax assets		
Opening balances	87,155,739	86,220,762
Effect on net profit		
Employee benefits - healthcare	(237,785)	(1,061,122)
Employee benefits - pension plan	(3,879)	80,044
Employee benefits - other long-term benefits	(513,998)	(892,139)
Deferred accounting gains	-	(606,790)
Impairment losses and provisions	(2,939,466)	3,722,704
Tax losses carried forward	386,570	361,204
Impairment losses in tangible fixed assets	162,424	(102,719)
Long-term variable remuneration	-	11,364
Share plan	8,481	(1,268,526)
Land and buildings	(40,049)	(1,365,661)
Tangible assets' tax revaluation regime	(241,997)	(86,657)
Other	(87,903)	61,230
Effect on equity		
Employee benefits - healthcare	-	2,082,045
Other	345,801	-
Closing balance	83,993,938	87,155,739
	30.09.2018	31.12.2017
Deferred tax liabilities		
Opening balances	3,399,121	4,123,146
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(151,282)	(560,116)
Suspended capital gains	(19,964)	(158,299)
Other	-	(5,610)
Closing balance	3,227,875	3,399,121

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

Company	Tax losses	Deferred tax assets
Tourline	48,074,560	-
Escrita Inteligente	77,155	13,591
Transporta	5,054,127	1061,367
<b>Total</b>	<b>53,205,842</b>	<b>1074,957</b>

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



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

#### SIFIDE

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

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

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

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

#### Other information

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

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

## **25. RELATED PARTIES**

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

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

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

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



30.09.2018					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	57,000,000
Other shareholders of Group companies					
Associated companies	2,456	7,645	8,776	59,472	-
Jointly controlled	106,725	-	275,633	-	-
Members of the (Note 23)					
Board of Directors	-	-	-	1,727,953	-
Audit Committee	-	-	-	127,500	-
Remuneration Committee	-	-	-	41,850	-
General Meeting	-	-	-	14,000	-
	<u>109,181</u>	<u>7,645</u>	<u>284,409</u>	<u>1,970,775</u>	<u>57,000,000</u>

  

30.09.2017					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	72,000,000
Other shareholders of Group companies					
Associated companies	74,849	857	8,789	71,394	-
Jointly controlled	173,649	-	376,247	1,994	-
Members of the (Note 23)					
Board of Directors	-	-	-	2,600,268	-
Audit Committee	-	-	-	156,357	-
Remuneration Committee	-	-	-	36,291	-
General Meeting	-	-	-	4,500	-
	<u>248,498</u>	<u>857</u>	<u>385,036</u>	<u>2,870,804</u>	<u>72,000,000</u>

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

## 26. OTHER INFORMATION

### Regulatory proceedings

On 5 July 2018 the Portuguese Competition Authority (AdC) decided to close the case against CTT and accept the commitments undertaken by CTT in the framework of the access to the postal network under the terms and for the purposes laid down in article 23 of Law no. 19/2012, of 8 May, (Competition Law), including the extension of the scope of the offer of access to the postal network by competing postal operators, as follows:

- Extension of the postal services covered by the Access Offer, namely the Domestic Editorial Service, the Domestic Priority Service and the Domestic Registered Service;
- Introduction of new points of access to the postal network further downstream in the postal distribution chain, namely the Production and Logistics Centres (sorting centres) of Destination and around 200 Destination Post Offices (with the exception of non-priority letter mail which is already fully automated at the sorting centres);
- Introduction of faster delivery times in the case of access through the Destination Post Offices for non-priority letter mail weighing over 50g and for the Domestic Editorial Service;
- Possibility for a competing operator to carry out additional mail processing tasks, namely the sorting of mail by distribution area within the Postal Delivery Office and by street;
- Lower pricing for access to the network than that applied to final customers, with differentiated prices depending on the access point, mail service and mail processing tasks carried out by the competing operator.

These commitments shall be implemented within six months from the date of the notification.



#### Tourline legal proceeding

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

#### Financing agreement

The financing agreement between CTT and the banks BBVA and Bankinter entered into on 27 September 2017 was amended as follows effective as from 27 September 2018:

- Extension of the period of use for another 12 months, until 27 September 2019;
- Reduction of the total amount to be financed to up to 75 million Euro.

Following these amendments CTT incurs in a commission on the total amount financed in the amount of 75 thousand Euros. As at 30 September 2018, no amount had been used.

#### Modernisation and Investment Programme

This Programme shall be implemented during the next 2 years and represents a strong commitment to the modernisation of the postal and logistics operations. With an investment of about 40 million Euros, CTT intends to intensify mail sorting automation, improve working conditions, strengthen quality and modernise the distribution network infrastructure, thus reacting to the mail volumes decline and the growth of Express & Parcels, which reflect the change in consumer behaviour as a result of the digitalisation of the economy and society.

## **27. SUBSEQUENT EVENTS**

#### Appeal of the Decision of ANACOM

On 18 October 2018, by means of arbitration and administrative procedures, CTT applied for a declaration of invalidity of the Decision of ANACOM regarding the parameters of quality of service and performance targets associated with the provision of the Universal Postal Service ("USO") known on 18 July 2018, on the grounds of its disproportionate and inadequate nature, as detailed in the communication to the market of that date, available at <http://web3.cmvm.pt/sdi/emitentes/docs/FR69943.pdf>.

THE DIRECTOR OF ACCOUNTING & TREASURY

THE BOARD OF DIRECTORS