

# Consolidated Results

9 Months 2015



**ctt**





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

**9 MONTHS 2015 CONSOLIDATED RESULTS**

**STRONG CASH FLOW GENERATION IN THE CURRENT BUSINESSES SUPPORTS A HIGHER INVESTMENT LEVEL AND THE SET-UP COSTS OF THE POSTAL BANK.**

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- Growth in recurring EBITDA<sup>1</sup> to €104.8m (+3.0%) – with Mail contributing 70%, Financial Services 29% and Express & Parcels 1%. Excluding recurring costs related to Banco CTT, EBITDA grew by 5.8% on a like-for-like basis.
  - Decline of addressed mail volumes stays at 3.1%, an improvement vis-à-vis the year 2014 (5.7% decrease when compared to 2013).
  - Recurring revenues grow by 1.9% to €538.1m:
    - Mail revenues grow by 2.6%, due to the slowing down of the rate of volumes decline and to the 4.1% increase of the average price, as well as to the exchange rate effect on international mail;
    - Express & Parcels revenues grow by 2.2% and volumes by 4.6%, impacted by the emphasis on the network integration in Portugal and the ongoing restructuring process in Spain;
    - Financial Services strengthen their offer and market position, obtaining a strong 6.3% growth in recurring revenues, consolidating as a fundamental overall growth lever for CTT and paving the way for Banco CTT.
  - Operating costs<sup>2</sup> grow by 1.7%, totalling €433.3m, mainly as a result of the monthly accrual of variable incentives and of the salary increases partly offset by the cost reduction from the new healthcare plan.
  - Reported net profit of €50.6m; a 3.8% decrease due to a number of non-recurring costs amounting to €7.7m, of which €4.8m related to Banco CTT, which also posted €2.8m recurring costs.
  - Progress of reorganisation initiatives in Express & Parcels in Portugal with the conclusion of the network integration project, and in Spain with ERE (*Expediente de Regulación de Empleo*).
  - Banco CTT set-up progresses as planned; start of operation scheduled for the 4<sup>th</sup> quarter 2015.
  - Positive evolution of the Human Resources policies, with the rejuvenation and further qualification of the staff based on a trainee recruitment and integration programme already underway.
  - Number of staff flat (12,722) vis-à-vis the same period of 2014.
  - Quality and customer satisfaction remain at high levels.
  - Strong levels of financial standing and good liquidity levels as a result of the ongoing Balance Sheet optimisation and Financial Services business growth.
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<sup>1</sup> Before non-recurring revenues and costs.

<sup>2</sup> Excluding depreciation / amortisation, impairments, provisions and non-recurring costs.



## 1. OPERATING ACTIVITY

### BUSINESS UNITS PERFORMANCE

#### Mail

The decrease in **addressed mail** volumes in the nine months 2015 was 3.1%. In the 3<sup>rd</sup> quarter the decline in mail volumes was greater (-4.9%) than in the 1<sup>st</sup> half of 2015 (-2.3%), as anticipated in the 1<sup>st</sup> quarter of 2015 results communication, in which some exceptional factors that occurred at the beginning of the year were mentioned.

Nevertheless, the comparison of the evolution of volumes of the nine months 2014 vs. the same period of 2013 (-6.1%) is favourable and reflects the impact on mail consumption of the positive evolution of the national economy, mainly domestic consumption.

#### Mail Volumes

Million items									
	1H15	1H14	Δ	3Q15	3Q14	Δ	9M15	9M14	Δ
Transactional Mail	357.8	369.1	-3.1%	164.9	172.7	-4.6%	522.7	541.8	-3.5%
Editorial Mail	23.3	23.7	-1.8%	11.0	11.5	-4.6%	34.3	35.2	-2.7%
Advertising Mail	39.9	38.3	4.2%	14.3	15.7	-8.9%	54.3	54.0	0.4%
<b>Addressed Mail</b>	<b>421.0</b>	<b>431.1</b>	<b>-2.3%</b>	<b>190.2</b>	<b>200.0</b>	<b>-4.9%</b>	<b>611.2</b>	<b>631.1</b>	<b>-3.1%</b>
<b>Unaddressed Mail</b>	<b>225.1</b>	<b>251.1</b>	<b>-10.3%</b>	<b>119.8</b>	<b>119.4</b>	<b>0.4%</b>	<b>344.9</b>	<b>370.4</b>	<b>-6.9%</b>

**Transactional mail** volumes decreased by 3.5% in the nine months 2015. This evolution is the result of changes in the volumes of priority mail (-0.7%), ordinary mail (-3.9%) registered mail (-4.0%) and international outbound mail (-8.4%). These changes were mitigated by the positive evolution of international inbound mail (+4.5%), and “green mail” / *correio verde* (+13.9%) volumes.

**Editorial mail** decreased in the 3<sup>rd</sup> quarter (-4.6%) following the recovery of the 1<sup>st</sup> semester (-1.8%); this decline was stronger in the non-contractual segment and led to a 2.7% decrease in the nine months 2015.

**Addressed advertising mail** volumes remained positive (+0.4%) in the nine months 2015 vis-à-vis 2014, following a contraction (-8.9%) in the 3<sup>rd</sup> quarter of 2015 due to the reduction in the number of items of large customers’ advertising campaigns when compared to those carried out in the same period of the previous year.

**Unaddressed advertising mail** volumes recovered and grew in the 3<sup>rd</sup> quarter of 2015 (+0.4%) mainly as a result of the campaigns associated with the legislative elections, although they still decreased by 6.9% in the nine months 2015.

Despite the decline in volumes, the revenues of the Mail Business Unit stood 2.6% above those of the same period of the previous year.

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



## Mail Business Unit Revenues, Costs and EBITDA

€ million

	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
<b>Revenues</b>	<b>411.1</b>	<b>400.8</b>	<b>2.6%</b>	<b>411.1</b>	<b>400.8</b>	<b>2.6%</b>
Sales and services rendered	381.0	374.5	1.7%	381.0	374.5	1.7%
Other operating income	17.2	13.4	29.0%	17.2	13.4	29.0%
Intragroup revenues	12.9	12.9	-0.1%	12.9	12.9	-0.1%
<b>Operating costs (*)</b>	<b>337.7</b>	<b>335.2</b>	<b>0.7%</b>	<b>338.4</b>	<b>332.3</b>	<b>1.8%</b>
External supplies and services	76.5	76.1	0.4%	76.5	76.1	0.4%
Staff costs	179.9	177.7	1.2%	177.8	177.3	0.3%
Other costs	14.3	13.3	8.1%	14.3	13.3	8.1%
Intragroup costs	67.0	68.1	-1.7%	69.8	65.6	6.4%
<b>EBITDA</b>	<b>73.4</b>	<b>65.6</b>	<b>11.9%</b>	<b>72.7</b>	<b>68.5</b>	<b>6.0%</b>
<b>EBITDA MARGIN</b>	<b>17.9%</b>	<b>16.4%</b>	<b>1.5 p.p.</b>	<b>17.7%</b>	<b>17.1%</b>	<b>0.6 p.p.</b>

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

The changes in the prices of the Universal Service and bulk mail products, effective as of 1 March 2015, as well as those of books, newspapers and periodicals of the domestic service, effective as of 1 June 2015, resulted in a 4.1% average overall price increase in the nine months 2015 vs. the same period of 2014. Advertising mail prices also increased as of 1 March 2015 (2% on average). The revision of the discounts policy led to more demanding conditions for clients in terms of a more accurate pre-sorting and stricter payment deadlines resulting in increased operating and financial efficiency.

The continuation of the Transformation Programme measures throughout the nine months 2015, where network integration has a relevant role, partly offset the increased costs with foreign postal operators, with unfavourable exchange rate differences (included in Other costs) and with Staff costs, for the reasons presented below in the section Economic and Financial Analysis – Evolution of Operating Costs; hence, recurring operating costs increased by only 1.8%.

As a consequence thereof, the recurring EBITDA margin of this business unit has shown a positive change of 0.6 p.p. to 17.7%.

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

### Express & Parcels

Express & Parcels volumes grew by 4.6% in the nine months 2015.

Over that period, CTT handled 10.6 million items in **Portugal** (+6.4% vs. the same period of last year) and consolidates the leadership position in the domestic market with a 34.8% market share in the express segment (source: "Report Postal Services – Statistical Information – 2<sup>nd</sup> quarter 2015", ANACOM).

In the nine months 2015 the number of CTT access points (PUDO – pick up and drop off points) in the national territory increased to more than 1,000, where parcels can be dropped off or picked up, thus allowing for wider coverage and more convenience for online sellers and buyers.



Over this period, the work that will lead to the product portfolio revamp was also carried out aiming mainly at giving the customer the possibility to create his/her own solution in a simple, modular manner, for any type of flow (B2B, B2C and C2X), both at Iberian and international levels. This new offer will be phased into the market as from the last quarter of 2015 until the 2<sup>nd</sup> quarter of 2016 when the process will be concluded.

In **Spain**, volumes reached 10.0 million items in the nine months 2015, which represents a 3.6% growth vis-à-vis the same period of 2014.

In **Mozambique**, in 2015 the effects of the restructuring process (stabilisation of the relationship with clients, suppliers and public entities) implemented as of the 2<sup>nd</sup> half of 2014 were noticed. The new management model led to a constant performance and revenue growth (+37%). The logistics and item collection at the banking network has a significant weight in revenues and is rapidly expanding, keeping pace with the continuous opening of new bank agencies in city centres and in other, more remote places of the country.

### Express & Parcels Business Unit Revenues, Costs and EBITDA

€ million						
	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
<b>Revenues</b>	<b>96.0</b>	<b>94.0</b>	<b>2.2%</b>	<b>96.0</b>	<b>94.0</b>	<b>2.2%</b>
Sales and services rendered	93.2	92.5	0.8%	93.2	92.5	0.8%
Other operating income	2.8	1.5	90.3%	2.8	1.5	90.3%
<b>Operating costs (*)</b>	<b>97.8</b>	<b>89.6</b>	<b>9.2%</b>	<b>94.6</b>	<b>89.5</b>	<b>5.7%</b>
External supplies and services	73.6	70.7	4.1%	73.6	70.7	4.1%
Staff costs	21.4	17.6	21.2%	19.1	17.6	8.6%
Other costs	2.9	1.3	124.7%	1.9	1.2	53.8%
<b>EBITDA</b>	<b>-1.8</b>	<b>4.4</b>	<b>-140.4%</b>	<b>1.5</b>	<b>4.5</b>	<b>-66.9%</b>
<b>EBITDA MARGIN</b>	<b>-1.8%</b>	<b>4.7%</b>	<b>-6.5 p.p.</b>	<b>1.5%</b>	<b>4.8%</b>	<b>-3.3 p.p.</b>

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

The Express & Parcels business unit presented revenues of €96.0m, a 2.2% (+€2.1m) increase resulting from the growth in all the markets: Portugal (+€1.4m), Spain (+€0.2m) and Mozambique (+€0.5m).

Recurring operating costs growth of €5.1m (+5.7%) resulted basically from the implementation of the network integration in Portugal, which temporarily doubled the costs, and from the increase in the costs of the transport of goods in Spain resulting from the growth in volumes and the restructuring of Tourline's franchisee network.

Tourline continued the human resources optimisation and restructuring process aiming to increase its operational efficiency by reducing staff costs, as well as to improve and simplify processes. The cost of this initiative, estimated at €1.9m, was already considered in a provision in the 2<sup>nd</sup> quarter.

These were determining factors for the evolution of the EBITDA vis-à-vis the same period of the previous year. The measures under implementation in the framework of the Transformation Programme in Portugal (integration of the distribution networks) and in Spain (restructuring of the franchisee network and human resources optimisation and restructuring) are expected to revert this trend as soon as the 4<sup>th</sup> quarter of 2015.



## Financial Services

In the nine months 2015, the Financial Services business unit recurring revenues grew by 0.8% (6.3% excluding the impact of non-recurring revenues recorded in 2014), thus maintaining the weight of this business unit in CTT total revenues<sup>3</sup> at 10% as in the same period of the previous year. The strong investment in the creation and launch of the Banco CTT has been and will be the focus of our activity aiming at an even more solid position within the financial system.

### Financial Services Business Unit Revenues, Costs and EBITDA<sup>4</sup>

€ million	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
<b>Revenues</b>	<b>57.9</b>	<b>57.5</b>	<b>0.8%</b>	<b>57.9</b>	<b>54.5</b>	<b>6.3%</b>
Sales and services rendered	56.3	52.4	7.5%	56.3	52.4	7.5%
Other operating income	1.5	5.0	-69.5%	1.5	2.0	-23.6%
Intragroup revenues	0.1	0.1	3.2%	0.1	0.1	3.2%
<b>Operating costs (*)</b>	<b>32.1</b>	<b>25.8</b>	<b>24.5%</b>	<b>27.2</b>	<b>25.7</b>	<b>5.8%</b>
External supplies and services	14.5	8.4	72.0%	9.7	8.4	15.2%
Staff costs	3.6	3.5	3.9%	3.6	3.5	2.2%
Other costs	0.3	0.3	12.7%	0.3	0.3	12.7%
Intragroup costs	13.6	13.5	0.4%	13.6	13.5	0.7%
<b>EBITDA</b>	<b>25.8</b>	<b>31.7</b>	<b>-18.5%</b>	<b>30.6</b>	<b>28.7</b>	<b>6.8%</b>
<b>EBITDA MARGIN</b>	<b>44.6%</b>	<b>55.1%</b>	<b>-10.5 p.p.</b>	<b>52.9%</b>	<b>52.7%</b>	<b>0.2 p.p.</b>

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

An analysis by product lines highlights the Savings & Insurance business line where placements were above €3.4 billion and revenues grew by 26.4% year-on-year. Within a diversified product offer including capitalisation insurance products and retirement savings plans (PPR), the Public Debt products (Savings Certificates and Treasury Certificates *Poupança Mais*) continue to be those preferred by the Portuguese population due to the higher than average interest rates compared to bank deposits, and to the image of reliability of the product.

The Payments business is still under the negative impact of the telecommunications operators' integrated offer leading to a strong reduction of prepaid mobile communications and corresponding top-ups. Overall, the revenues of this business line decreased by 7.4% compared to the previous year, influenced mainly by mobile phone top-ups at the Payshop network and by taxes collection at CTT Retail Network, the pricing of which was revised downwards. On the contrary, several Payments product lines evolved positively, especially toll payments at the CTT Retail Network and the payment of utilities and internet services at the Payshop network. The development of an integrated payment offer and the agreement with a major operator in this market will also strengthen CTT's position in the utilities clients segment.

Money Orders and Transfers show a 6.0% year-on-year decrease in the nine months 2015. This decrease reflects the evolution of the main products of this business unit, the Domestic Money Order, which has been progressively replaced by other, alternative forms of transfer of funds. On the positive side, mention should be made to the trend reversal in the international urgent transfers business, with a 3.0% revenue growth compared to 2014.

Recurring EBITDA for the nine months 2015 was €30.6m which corresponds to a 52.9% EBITDA margin.

<sup>3</sup> Excluding revenues allocated to the CTT Central Structure and Intragroup eliminations of -€26.9m in the nine months 2015.

<sup>4</sup> Includes the Financial Services of CTT S.A., PayShop and Banco CTT.



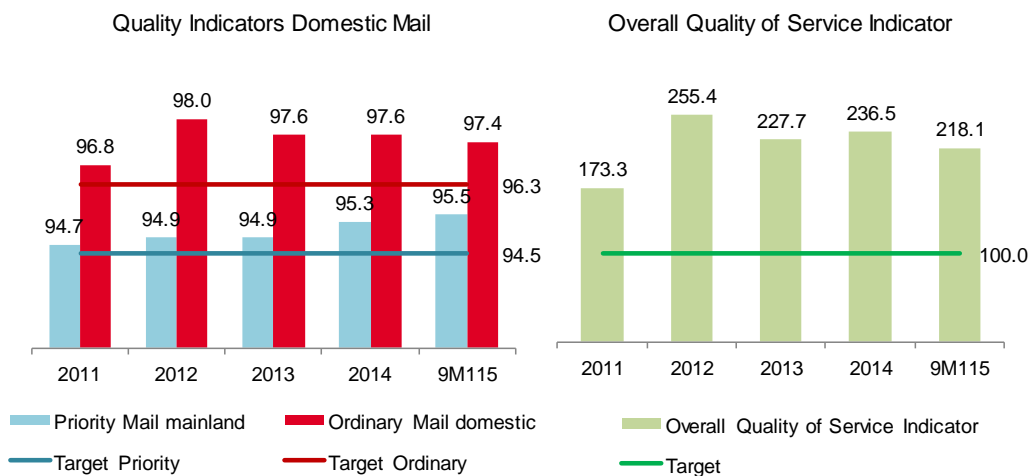


## QUALITY OF SERVICE

In the nine months 2015, CTT continued to have high quality of service levels, with the OQSI – Overall Quality of Service Indicator – registering 218.1 points, compared to a target of 100.

All the quality of service parameters defined by ANACOM and laid down in article 13(1) of the Postal Law (Law no. 17/2012, of 26 April) performed above the established targets.

### Quality of Service



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

## 2. NEW BUSINESS OPPORTUNITIES

### BANCO CTT

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

After submitting the file supporting the Special Registration to the Bank of Portugal in early July, CTT Serviços continued to interact with the Regulator, who approved its conversion into Banco CTT on 24 August 2015. Hence, the share capital was increased from €20,000,000 to €34,000,000, fully underwritten and paid up by the sole shareholder (CTT - Correios de Portugal, S.A.), as per draft Articles of Association approved by the Bank of Portugal. The relevant amendments to the articles of association were implemented aiming at such “conversion”, and the Articles of Association meanwhile approved by the Bank of Portugal were adopted. On that same date the corporate bodies were approved and the terms of office of Banco CTT’s Board of Directors and Executive Committee started.

Banco CTT continued to undertake all the necessary activities to start up operations, particularly in terms of systems, procedures and staff. In order to test and improve the whole operating system, not only as far as IT is concerned but also with regard to processes and procedures, the prevention of money laundering and financing of terrorism, thus ensuring that the concerns of Banco de Portugal with the market are duly



taken into account, Banco CTT decided to start up operations in a soft opening process which will allow to start operating in a more reserved and controlled manner. In the 1<sup>st</sup> quarter of 2016 the Bank will have the same number of agencies / post offices as scheduled in its phased opening plan as a result of an accelerated ramp-up.

At the same time, Banco CTT has been updating its business plan and 10-year prospective accounts, which reflect the Postal Bank implementation strategy given the current market and regulatory environment and are adapted to the banking regulations, which are also in constant update. The market and regulatory framework is dynamic and implies a constant revision of some premises of the business plan, as well as adaptation of the offer to the competitive conditions always aiming at ensuring financial inclusion, proximity and the low cost operating model of the Postal Bank (share of sunk costs).

In the nine months 2015 CTT spent a total of €16.5m in the preparation of the launch of Banco CTT. In terms of operating costs, €4.0m were posted in Banco CTT and €3.6m in CTT, S.A..

#### **Banco CTT Costs - 9 months 2015**

	€ million
<b>Investment</b>	<b>8.9</b>
CBS (Core Banking System)	7.7
Other IT & post offices refurbishment	1.2
<b>Operating costs</b>	<b>7.6</b>
Recurring costs	2.8
ES&S	1.7
Staff costs	1.1
Non-recurring costs	4.8
Strategic, fiscal and legal consulting	3.3
Training and other	1.5
<b>Total</b>	<b>16.5</b>

At the end of the 3<sup>rd</sup> quarter of 2015, Banco CTT had already hired 34 employees including those performing supervisory duties. The set-up of Banco CTT continues at a good pace, in an evolutionary manner and including an update of the strategy as a function of the market demands and conditions, and the overall environment. It will be ramped up over the next few months with regard to the relevant aspects related mainly to the adequate and prudent risk management and capital levels, while always monitoring its impact in the business and financial models.

In early October, following a verification and the review of all the documentation submitted, the Bank of Portugal granted CTT the Special Registration as it considered that all the conditions imposed by the authorisation of November 2013 had been met. As such, all the necessary requirements have been met for the start of operation.

#### **MEMORANDUM OF UNDERSTANDING WITH ALTICE**

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

Following the conclusion of the acquisition of PT Portugal by Altice, the latter has already paid CTT, in July of 2015, the initial fee established in the agreement. In the 3<sup>rd</sup> quarter of 2015, negotiations commenced regarding the details of the specific commercial partnerships that will create value for both companies, in particular the joint optimisation of the retail networks, taking advantage of the scale and capillarity of the CTT Retail Network, the development of joint ventures in the area of e-commerce and physical-digital convergence, as well as opportunities for the creation of value in the Financial Services and Banco CTT areas.



### CITIZEN'S BUREAU AREAS

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

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

Currently, this service is already available at 127 CTT post offices of the Retail Network. The opening of this service in another 73 post offices is scheduled for the 4<sup>th</sup> quarter 2015. Currently, the financial conditions of this partnership are being negotiated by the partners. The interest of this project for CTT in financial terms depends not only on the revenue from the services provided but also on the cross-selling potential.

## 3. RELEVANT INITIATIVES OF THE TRANSFORMATION PROGRAMME

### OPTIMISATION OF OPERATIONS AND DISTRIBUTION NETWORK INTEGRATION OF CTT GROUP

In 2015 a new stage of a deeper management integration of the Mail and Express & Parcels distribution networks began, aiming at an increased use of the mailmen network for the last-mile delivery of "day-certain" parcels and packages by using the installed capacity and the high capillarity of the network to ensure the delivery of EMS48 and EMS19 items.

The delivery of this type of items through the mailmen network was gradually extended to geographical coverage areas with integrated rationale and vision. It was concluded at the end of the 3<sup>rd</sup> quarter 2015 with the insourcing of EMS19 items delivery within the basic network, involving 135 Postal Delivery Offices (100% according to plan) and increasing to 70% the delivery of EMS items through the basic network.

In the context of optimisation of the operations, worth mentioning is the move of the printing & finishing operations of the subsidiary Mailtec Comunicação, previously located in autonomous premises (thus entailing the need to transport the mail processed in this company), to the Production and Logistics Centre of Cabo Ruivo (Lisbon), thus saving time and space in the mail production and processing stages and allowing for further rationalisation of resources. The upstream and downstream mail operations have been performed in a continuous flow, thus allowing for time and costs savings.

### HUMAN CAPITAL DEVELOPMENT AND RESOURCE OPTIMISATION POLICIES

In the framework of the development of the business units and the enhancement of the human capital needed for the growth of CTT, the **Group's staff rejuvenation process** continued with the recruitment of new technical staff with added knowledge and skills.

To strengthen CTT's value proposal as an employer aiming to add value and be added value by the brand name positioning, the **CTT Employer Brand** was designed to identify the company's pillars and define the main attributes of its value proposal as the aggregating agent of a number of internal and external activities.

The **Trainee Programme** was launched to attract young people with high potential and involve them in an overall structured programme thus contributing to rejuvenate and develop the CTT pool of talents. During the 3<sup>rd</sup> quarter the trainee training programme started, with the aim of providing trainees with an integrated picture of the company, work experience in several production areas, and tools that facilitate inclusion in the different departments of the company.



In terms of **training**, among the strategically relevant programmes undertaken over the period, those associated with Banco CTT, the Citizen's Bureau Areas and network optimisation are to be highlighted.

It is also worth mentioning during this period the certification by an instruction of the Directorate-General of Employment and Work Relations (DGERT) issued on 27 July 2015 of the training structure and activity of CTT in the fields of education and training: trade, integration in the organisation / company (including the organisation and quality management), computer skills from the user point of view, transport and safety service, and hygiene at work.

Also relevant in the nine months 2015 were the following initiatives already mentioned in detail in the communications of results of the 1<sup>st</sup> quarter and 1<sup>st</sup> half 2015: conclusion of the 2014 evaluation cycle, share of the previous year's results through the individual-merit-based attribution of a share in profits to the employees and corporate bodies, signature of a new Company Agreement (CA), valid for two years, and a revised Regulation of the Social Works (RSW), both impacting the cost reduction (despite salary increases) and the future liabilities with employee benefits.

#### 4. ECONOMIC AND FINANCIAL ANALYSIS

##### REVENUES

The above-mentioned business developments resulted in recurring revenues of €538.1m, an increase of 1.9% (+€10.1m) in relation to the same period of last year.

This growth is the combined consequence of the strong revenues growth of the Financial Services business and of the price increase in Mail, which fully offset the impact of the decline in volumes (-3.1%), as well as the exchange rate variation of international inbound mail, all of this maximised by the initiatives carried out within the Transformation Programme in the 3 previous years.

The variance of the caption Central Structure and Intragroup eliminations is mainly impacted by the €2.9m of VAT recovered in 2014 and the reduction of the revenues regarding internal provision of IT and human resources services (-€9.9m) resulting from the optimisation and efficiency measures taken in these areas in 2014 – renegotiation of outsourcing contracts within IT / communications systems and renegotiation of the healthcare plan within human resources – with impact already in 2015.

##### Revenues

	€ million					
	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
<b>Total Revenues</b>	<b>538.1</b>	<b>530.9</b>	<b>1.3%</b>	<b>538.1</b>	<b>527.9</b>	<b>1.9%</b>
Business units	565.0	552.2	2.3%	565.0	549.2	2.9%
Mail	411.1	400.8	2.6%	411.1	400.8	2.6%
Express & Parcels	96.0	94.0	2.2%	96.0	94.0	2.2%
Financial Services	57.9	57.5	0.8%	57.9	54.5	6.3%
Central Structure and Intragroup eliminations	-26.9	-21.3	-26.6%	-26.9	-21.3	-26.6%



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

The evolution of the recurring operating costs in the nine months 2015 continued to result mostly from the implementation of the **Transformation Programme**. The reductions achieved resulted in consolidated recurring costs growth of only 1.7% (+€7.0m).

Operating costs						
€ million	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
<b>Operating costs (*)</b>	<b>440.7</b>	<b>429.3</b>	<b>2.6%</b>	<b>433.3</b>	<b>426.2</b>	<b>1.7%</b>
External supplies and services	170.7	172.3	-0.9%	165.6	170.4	-2.8%
Staff costs	249.0	239.1	4.1%	247.7	238.0	4.1%
Other operating costs	20.9	18.0	16.6%	20.0	17.9	11.5%

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

The initiatives carried out for the **optimisation and rationalisation of the operations and the distribution networks integration** have led not only to cost reductions in operations but also to increased productivity levels and higher operational efficiency, as well as to greater synergies between the Mail and the Express & Parcels distribution networks. The impact of this initiative in the Express & Parcels business unit has been felt in the ES&S costs related to CTT Expresso subcontracted delivery services. Those costs fell by 12% (-€1.3m) year-on-year in the nine months 2015 despite the growth in volumes. At the end of the 3<sup>rd</sup> quarter of 2015, CTT operated 254 postal delivery offices and 3,523 vehicles.

In relation to the **optimisation of the Retail Network**, the initiatives carried out arise as a follow-up of the work undertaken in 2014 aimed at adapting the offer and the quality of service levels, while complying with the Universal Service obligations and also supporting the strong growth of Financial Services, complemented in the near future by the Banco CTT offer. At the end of the 3<sup>rd</sup> quarter of 2015, CTT had 2,327 postal outlets, of which 621 were post offices and 1,706 were partnership branches (postal agencies), the country's most capillary network.

The €4.8m (-2.8%) reduction of the recurring ES&S costs is the result of the opposite effects (i) of the reductions brought about by the rationalisation of the operations, the Retail Network and the costs with IT and communication systems outsourcing; (ii) of the cost increase associated with transport of valuables as a result of the growing number of post offices covered by such transport to strengthen security within the current legal framework; (iii) of the increase in costs of goods transportation in Spain; iv) of the growth in Banco CTT's recurring costs; and v) of the increased costs with foreign postal operators (outbound mail), mainly due the exchange rate appreciation of the SDR (Special Drawing Rights), currency used in the definition of the fees applied in the transactions performed among the postal operators, against the Euro.

As far as Staff costs are concerned, the €9.8m (+4.1%) increase in recurring costs is mainly due to the reinstatement of variable remuneration (in 2014 accounted for only in the 4<sup>th</sup> quarter and considered as non-recurring), to the salary increases of 2.0% in CTT, S.A. and 1.25% in its subsidiaries (with minimum and maximum thresholds), to the growth in the number of staff in CTT Expresso operations (to compensate for the reduction in subcontracting), and to the staff costs in Banco CTT (considered as recurring). On the other hand, there was a €3.2m favourable deviation in healthcare costs due to the new Regulation of the Social Works and the reduction of the management fee as a result of the contracting of a new service provider.

<sup>5</sup> Excluding depreciation / amortisation, impairments, provisions and non-recurring costs.



The heading Other operating costs (recurring) presented a growth of €2.1m mainly due to the 6.3% appreciation of the SDR exchange rate in the nine months 2015 vs. the same period of 2014. This caused the growth of the unfavourable exchange differences of the Mail and the Express & Parcels segments.

## STAFF

In the context of the necessary adjustment to the business and volumes evolution, as at 30 September 2015, the CTT headcount (permanent staff and employees on fixed-term contracts) consisted of 12,722 employees, which shows a stabilisation regarding the same period of 2014. However, there was a reduction of 152 permanent employees offset by an increase of 185 with fixed-term contract as a result of the network integration process. Worth mentioning is also the hiring of new staff for Banco CTT and the Retail Network, both within the scope of the Postal Bank project.

### Headcount

	30.09.2015	30.09.2014	Δ 2015/2014	
Mail	10,242	10,304	-62	-0.6%
Mail & Business Solutions	7,519	7,599	-80	-1.1%
Retail Network	2,723	2,705	18	0.7%
Express & Parcels	1,147	1,177	-30	-2.5%
Financial Services	103	102	1	1.0%
Banco CTT	34	0	34	-
Other	1,196	1,106	90	8.1%
<b>Total, of which:</b>	<b>12,722</b>	<b>12,689</b>	<b>33</b>	<b>0.3%</b>
Permanent	11,401	11,553	-152	-1.3%
Fixed-term contracts	1,321	1,136	185	16.3%
<b>Total in Portugal</b>	<b>12,237</b>	<b>12,140</b>	<b>97</b>	<b>0.8%</b>

The number of employees includes 7,386 mail operations and delivery staff (including 4,878 delivery postmen) and 2,723 employees in the Retail Network.

Over the nine months 2015, 112 employees were hired (71 in Portugal and 41 abroad), 18 who had been working for the joint-venture companies TI-POST and Postal Network returned to the company as well as 3 following a secondment in the public interest, while 259 left. Of these, 45 employees retired, 201 terminated their contracts or are on leave without pay and 13 passed away.

Employees with special conditions were reassessed, to assign them to more adequate jobs and to optimise mobility among the CTT subsidiaries and business units. To maximise the use of installed capacities and enhance jobs, the continuous insourcing of operating activities was further promoted.

Finally, in the framework of the human capital enhancement and development required for the growth of CTT, the above mentioned measures have been implemented to promote the recruitment of staff with new skills and resources, strengthening particularly the growing areas.

## RECURRING EBITDA

The operating activity generated a €104.8m recurring EBITDA (earnings before interest, tax, depreciation and amortisation, impairments, provisions and non-recurring results), 3.0% (+€3.1m) above that of the same period of the previous year, with an EBITDA margin of 19.5% (+0.2 p.p. when compared to the nine



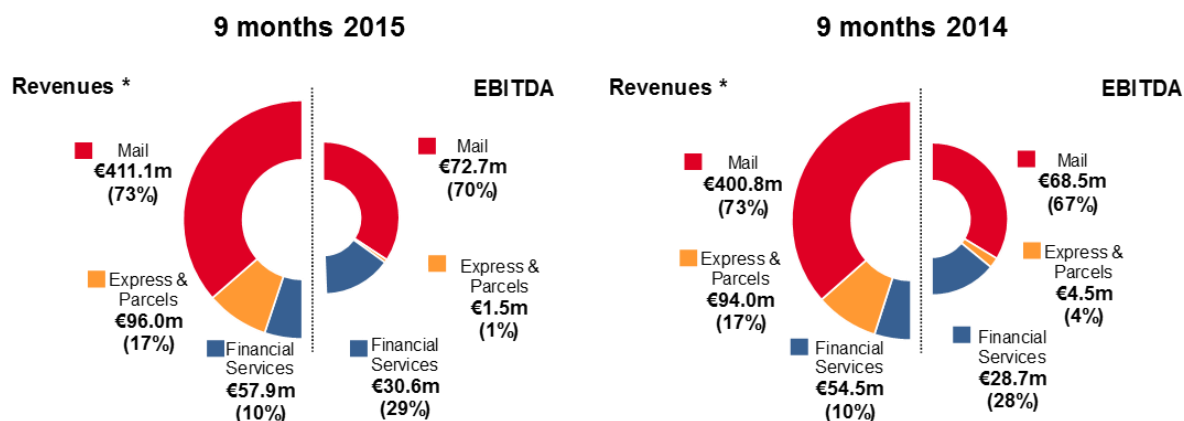


months 2014). It is important to mention that EBITDA is affected by €2.8m recurring costs with Banco CTT, which has not yet started operations.

These results correspond to the evolution described above: €10.1m growth in revenues combined with a lower increase of €7.0m in operating costs (excluding depreciation and amortisation, impairments, provisions and non-recurring costs), including Banco CTT's recurring costs.

The company's EBITDA performance resulted from EBITDA growth in the Mail business unit (+€4.1m; +6.0%) and in the Financial Services business unit (+€1.9m; +6.8%), which had a recurring EBITDA of €72.7m and €30.6m, respectively. The EBITDA margin grew due to the bigger weight of Financial Services, presenting a higher than 50% EBITDA margin in CTT revenues.

### Recurring Revenues and EBITDA by Business Unit



\* Including internal provision of services and intragroup transactions eliminated in the consolidation process; excluding income related to CTT Central Structure and Intragroup eliminations amounting to -€26.9m in the 9 months 2015 and -€21.3m in the 9 months 2014.

### RECURRING EBIT AND NET PROFIT

Recurring EBIT (earnings before interests, tax, and non-recurring results) posted a year-on-year positive change of €2.6m (+3.0%) to €87.5m and the EBIT margin was 16.3% (+0.2 p.p. above that of last year).

In the nine months 2015, consolidated financial results amounted to -€3.9m, which represents an improvement of €1.2m vs. those of the same period of 2014. Interest and other financial income decreased by 65.8% vis-à-vis the same period of last year, as it was affected by the sharp fall in the rates of return on time deposits.

Financial costs incurred reached €5.2m, which includes financial costs associated with employee benefits of €5.0m and interest associated with financial leasing operations and bank loans (€0.1m). There was a €3.6m reduction in financial costs with employee benefits resulting from the discount rate decrease from 4.0% to 2.5% and from the cost reduction related to post-employment benefits which benefited from the healthcare plan renegotiation at the beginning of the year 2015.

The gains in associated companies posted in the nine months 2015 of €0.03m refer to Multicert while in 2014 they were due to the disposal of the 51% stake in EAD and the respective equity (€0.3m).



CTT obtained a €50.6m consolidated reported net profit attributable to shareholders in the nine months 2015, which is 3.8% below that of the same period of the previous year and corresponds to a result of €0.34 per share and to a 9.4% net profit margin on the consolidated revenues (10.0% in the nine months 2014).

## NON-RECURRING COSTS AND REVENUES

In the nine months 2015, CTT posted negative non-recurring results amounting to -€7.7m, of which €4.8m are related to the Banco CTT project and €1.9m to the ERE (*Expediente de Regulación de Empleo*) of Tourline in Spain (staff reduction). This comes mostly as the result of the costs related to strategic projects studies and consultancy, especially those related to the creation of Banco CTT, and the continued progress on structural issues, particularly the compensations for termination of the continuous working hours, other compensations resulting from the new Company Agreement 2015 and compensations paid for termination of employment contracts by mutual agreement. It also includes the remaining measures with regard to the restructuring of the Express & Parcels business unit in Spain, following the initiatives launched in the previous year.

### Non-recurring costs and revenues

€ million	9M15	9M14
<b>Non-recurring costs</b>	<b>7.7</b>	<b>3.1</b>
<b>affecting EBITDA</b>	<b>7.4</b>	<b>0.1</b>
. Other operating income	-	-3.0
. External supplies & services and other costs	6.1	1.9
. Staff costs	1.2	1.1
<b>affecting only EBIT</b>	<b>0.4</b>	<b>3.0</b>
. Provisions (reinforcements / reductions)	-0.1	1.1
. Impairments (losses / reductions)	0.5	1.9

## SUMMARY OF CONSOLIDATED RESULTS

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

### Consolidated P&L

€ million	Reported			Recurring		
	9M15	9M14	Δ	9M15	9M14	Δ
Revenues	538.1	530.9	1.3%	538.1	527.9	1.9%
Sales and services rendered	527.0	515.9	2.1%	527.0	515.9	2.1%
Other operating income	11.1	15.0	-26.1%	11.1	12.0	-7.7%
Operating costs	440.7	429.3	2.6%	433.3	426.2	1.7%
<b>EBITDA</b>	<b>97.4</b>	<b>101.6</b>	<b>-4.1%</b>	<b>104.8</b>	<b>101.7</b>	<b>3.0%</b>
Depreciation / amortisation, impairments and provisions	17.7	19.8	-10.6%	17.3	16.8	3.0%
<b>EBIT</b>	<b>79.8</b>	<b>81.9</b>	<b>-2.6%</b>	<b>87.5</b>	<b>84.9</b>	<b>3.0%</b>
Financial income, net	-3.9	-5.4	26.6%	-3.9	-5.4	26.6%
Gains / (losses) in associated companies	0.0	0.3	-90.7%	0.0	0.3	-90.7%
<b>Earnings before taxes (EBT)</b>	<b>75.8</b>	<b>76.8</b>	<b>-1.2%</b>	<b>83.6</b>	<b>79.8</b>	<b>4.7%</b>
Income tax for the year (*)	25.2	24.2	4.0%	23.8	24.3	-2.1%
Losses / (gains) attributable to non-controlling interests	0.0	-0.1	112.4%	0.0	-0.1	112.4%
<b>Net profit attributable to equity holders</b>	<b>50.6</b>	<b>52.6</b>	<b>-3.8%</b>	<b>59.8</b>	<b>55.7</b>	<b>7.5%</b>

(\*) Recurring Net profit excludes non-recurring revenues and costs and considers a theoretical (nominal) tax rate.





## INVESTMENT

Capex amounted to €15.5m, 206.2% above that of the same period of last year (+€10.4m); to be highlighted are the investments in the Banco CTT project (€8.9m), essentially in IT systems (mainly the Core Banking System and the bank's digital channels), part of the acquisition of the sorting machine for non-standard items (€0.7m), and the purchase of hand-held terminals for data reading and reporting by the Express & Parcels delivery postmen (€0.5m) in the scope of the network integration.

## FREE CASH FLOW

The cash flow from operating activities (excluding the change in net financial services payables) increased from €68.9m to €72.1m in the nine months 2015 vis-à-vis the same period of 2014. Nevertheless, the adjusted operating free cash flow (excluding the change in net financial services payables) totalled €51.5m, 29.7% less than in 2014 due to the strong growth in investment and the cash outflow from investments made in December 2014.

The change in cash and cash equivalents amounted to -€34.5m, €186.1m below that of the same period of 2014, mainly due to the €158.4m decrease in the Financial Services receivables / payables heading (in 2014 the financial services activity growth vis-à-vis 2013 accounted for this increase), to the €10.2m increase in collections from customers resulting from the increased invoicing and reduction of accounts receivable, to the €18.6m reduction in payments to suppliers, to the €18.4m increase in payments to employees influenced by the 2014 variable remunerations (€9.0m) and the €18.3m growth of payments regarding investments in the nine months 2015, in particular the acquisitions of heavy goods vehicles occurred at the end of 2014 and the investments in the creation of Banco CTT.

To this result also contributed the €7.4m increase in taxes paid, the €1.9m reduction of interest income due to the reduction of interest rates, and the payment in 2015 of €9.8m more dividends than in 2014.

### Cash flow

€ million

	Reported			Adjusted (*)		
	9M15	9M14	Δ	9M15	9M14	Δ
Cash flow from operating activities	52.2	207.4	-74.9%	72.1	68.9	4.6%
Cash flow from investing activities	-20.6	4.4	<<	-20.6	4.4	<<
<b>Operating free cash flow</b>	<b>31.6</b>	<b>211.8</b>	<b>-85.1%</b>	<b>51.5</b>	<b>73.3</b>	<b>-29.7%</b>
Cash flow from financing activities	-66.1	-59.5	11.1%	-66.1	-59.5	11.1%
Change in consolidation perimeter	-	-0.7	-	-	-0.7	-
<b>Change in cash and equivalents</b>	<b>-34.5</b>	<b>151.6</b>	<b>-122.7%</b>	<b>-14.5</b>	<b>13.1</b>	<b>-210.6%</b>
<b>Cash and equivalents at the end of the period</b>	<b>630.1</b>	<b>696.5</b>	<b>-9.5%</b>	<b>264.4</b>	<b>250.0</b>	<b>5.8%</b>

(\*) Cash flow from operating activities excluding change in Net Financial Services payables (-€19.9m in 9M15 and €138.5m in 9M14).

## CONSOLIDATED BALANCE SHEET

The highlights of the comparison between the Balance Sheet as at 30 September 2015 and that at the end of the 2014 financial year are:

Total **assets** decreased €32.3m (-2.7%) reflecting the decrease (i) in non-current assets from the decrease of deferred tax assets (-€3.2m) and tangible fixed assets (-€8.9m) as the depreciation was not offset by



investment in the period, and (ii) in current assets (-€27.4m) resulting from the reduction in cash and cash equivalents (-€34.5m; -5.2%) where the decrease of the financial services receivables / payables represented €19.9m.

**Equity** decreased €21.6m (-8.7%) as a result of the distribution of dividends for the 2014 financial year (€69.75m) that took place in May and has not yet been fully offset by the net profit for the period (€50.6m). The acquisition of own shares (200,177 shares) for a total amount of €1.9m also impacted the free cash flow.

**Liabilities** decreased €10.7m (-1.1%) mostly due to the €23.5m (-5.9%) decrease in Financial Services payables, reflecting the impact of the high purchase of Savings and Treasury Certificates during the month of December 2014, as well as to the increase in the Accruals heading included in Other current liabilities which represented a growth of €18.6m (+22.5%).

#### Consolidated Balance Sheet

€ million	30.09.2015	31.12.2014	Δ
Non-current Assets	345.6	350.5	-1.4%
Current Assets	803.1	830.5	-3.3%
<b>Assets</b>	<b>1,148.7</b>	<b>1,181.0</b>	<b>-2.7%</b>
<b>Equity</b>	<b>227.6</b>	<b>249.2</b>	<b>-8.7%</b>
<b>Total Liabilities</b>	<b>921.1</b>	<b>931.8</b>	<b>-1.1%</b>
Non-current Liabilities	304.9	314.4	-3.0%
Current Liabilities	616.2	617.4	-0.2%
<b>Total Equity and Liabilities</b>	<b>1,148.7</b>	<b>1,181.0</b>	<b>-2.7%</b>

As at 30 September 2015, the liabilities related to employee benefits amounted to €272.5m, 2.2% less than in December 2014. No actuarial studies are performed quarterly, hence the calculation is made on the basis of actuarial projections for 2015 and the actual payments made.

Worth mentioning is also the €6.7m reduction in liabilities related to suspension agreements resulting mainly from the payment of benefits in the nine months 2015 (€3.9m) and from the renegotiation of the conditions associated with employees in a situation of "Suspension of contracts, redeployment and release of employment" in the amount of €3.0m.

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

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

€ million	30.09.2015	31.12.2014	Δ
Total responsibilities	272.5	278.7	-2.2%
Healthcare	240.9	241.2	-0.1%
Staff (suspension agreements)	11.1	17.8	-37.6%
Other benefits to Corporate Bodies	2.6	1.4	89.9%
Other long-term benefits	17.9	18.3	-2.5%



## **5. REGULATORY FRAMEWORK**

CTT is currently carrying out the process to contract an independent external entity to perform the universal service quality of service measurement, as laid down in article 13(3) of the Postal Law no. 17/2012, of 26 April.

An offer of access to the Universal Postal Service network by other operators is under preparation within the pricing policy to be proposed for the year 2016.

## **6. CORPORATE GOVERNANCE**

On 10 August 2015, the final registry of the merger by incorporation through the transfer of all the net assets of the companies POSTCONTACTO – Correio Publicitário, Lda. and MAILTEC PROCESSOS, Unipessoal, Lda. into CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A. took place. Along with the final registry, the incorporated companies were extinguished and all their assets, rights and obligations transferred to the incorporating company.

As announced to the market on 8 October 2015, Banco CTT, S.A. was notified by the Bank of Portugal in respect of (i) the decision adopted by this entity to consider the authorisation filing for the setting-up of the Banco CTT, S.A. duly formalised and all conditions imposed by the Bank of Portugal in the authorisation granted on 27 November 2013 satisfied, and (ii) the completion of the special registration of the Banco CTT, S.A..

## **7. FINAL NOTE**

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 3<sup>rd</sup> quarter of 2015, which are attached hereto.

Lisbon, 04 November 2015

The Board of Directors



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

This information is also available on CTT's Investor Relations website at: <http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1>

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**Forward-looking statements**

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

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

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

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



# 9 months report 2015

## **Interim condensed consolidated financial statements**



## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014

Euros

		Unaudited	
	NOTES	30.09.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	4	203,504,129	212,466,058
Investment properties	6	22,549,839	23,329,763
Intangible assets	5	21,398,533	13,426,007
Goodwill	8	7,705,457	7,705,457
Investments in associated companies		255,695	227,418
Other investments		1,106,812	1,106,812
Other non-current assets		866,980	790,601
Deferred tax assets	19	88,219,860	91,428,940
<b>Total non-current assets</b>		<b>345,607,305</b>	<b>350,481,056</b>
<b>Current assets</b>			
Inventories		5,819,260	5,785,277
Accounts receivable		131,035,960	131,682,269
Deferrals	9	9,582,218	5,692,895
Other current assets		26,580,327	22,785,382
Cash and cash equivalents		630,109,331	664,569,744
<b>Total current assets</b>		<b>803,127,096</b>	<b>830,515,567</b>
<b>Total assets</b>		<b>1,148,734,401</b>	<b>1,180,996,623</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	75,000,000	75,000,000
Own shares	12	(1,873,125)	-
Reserves	12	33,011,265	31,773,967
Retained earnings	12	91,764,053	84,374,563
Other changes in equity	12	(21,068,705)	(18,786,310)
Net profit attributable to equity holders of parent company		50,634,957	77,171,128
Non-controlling interests		177,847	(323,703)
<b>Total equity</b>		<b>227,646,292</b>	<b>249,209,645</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium and long term debt		1,303,127	1,913,118
Employee benefits	15	248,997,127	255,541,102
Provisions	16	42,222,739	45,671,517
Deferrals	9	7,802,469	6,426,807
Deferred tax liabilities	19	4,605,159	4,841,684
<b>Total non-current liabilities</b>		<b>304,930,621</b>	<b>314,394,228</b>
<b>Current liabilities</b>			
Accounts payable	17	464,639,471	499,536,907
Employee benefits	15	20,839,372	21,750,445
Income taxes payable		7,575,118	6,173,214
Short term debt		8,570,171	1,846,070
Deferrals	9	13,397,963	5,502,183
Other current liabilities		101,135,394	82,583,931
<b>Total current liabilities</b>		<b>616,157,488</b>	<b>617,392,750</b>
<b>Total liabilities</b>		<b>921,088,109</b>	<b>931,786,978</b>
<b>Total equity and liabilities</b>		<b>1,148,734,401</b>	<b>1,180,996,623</b>

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



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

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014

Euros

NOTES	Nine months ended		Three months ended	
	Unaudited 30.09.2015	Unaudited 30.09.2014	Unaudited 30.09.2015	Unaudited 30.09.2014
<b>Revenues</b>	<b>538,074,853</b>	<b>530,942,458</b>	<b>171,020,435</b>	<b>174,439,155</b>
Sales and services rendered	526,960,579	515,901,806	166,759,673	170,921,996
Other operating income	11,114,274	15,040,652	4,260,762	3,517,159
<b>Operating costs</b>	<b>(458,324,762)</b>	<b>(449,083,990)</b>	<b>(151,133,910)</b>	<b>(147,516,312)</b>
Cost of sales	(11,815,222)	(11,297,900)	(4,248,101)	(3,807,905)
External supplies and services	(170,722,701)	(172,256,768)	(59,435,040)	(57,866,611)
Staff costs	(248,990,583)	(239,117,468)	(78,646,055)	(77,538,857)
Impairment of inventories and accounts receivable, net	(995,128)	(2,029,852)	(992,583)	(505,106)
Provisions, net	8,213	(1,668,679)	(96,948)	(118,098)
Depreciation/amortisation and impairment of investments, net	(16,685,767)	(16,060,818)	(6,043,569)	(5,326,751)
Other operating costs	(9,123,574)	(6,652,506)	(1,671,614)	(2,352,985)
<b>Earnings before financial income and taxes</b>	<b>79,750,091</b>	<b>81,858,468</b>	<b>19,886,525</b>	<b>26,922,843</b>
<b>Financial results</b>	<b>(3,913,664)</b>	<b>(5,067,432)</b>	<b>(1,371,098)</b>	<b>(1,900,132)</b>
Interest expenses	(5,150,983)	(8,909,462)	(1,689,487)	(2,927,789)
Interest income	1,209,042	3,538,937	318,389	1,027,657
Gains/losses in associated companies	28,277	303,093	-	-
<b>Earnings before taxes</b>	<b>75,836,427</b>	<b>76,791,036</b>	<b>18,515,427</b>	<b>25,022,711</b>
Income tax for the period	(25,193,593)	(24,229,675)	(7,050,861)	(8,498,991)
<b>Net profit for the period</b>	<b>50,642,834</b>	<b>52,561,361</b>	<b>11,464,566</b>	<b>16,523,720</b>
<b>Net profit for the period attributable to:</b>				
Equity holders of parent company	50,634,957	52,633,572	11,469,551	16,570,445
Non-controlling interests	7,877	(72,211)	(4,985)	(46,725)
<b>Earnings per share of the parent company</b>	<b>0.34</b>	<b>0.35</b>	<b>0.08</b>	<b>0.11</b>

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

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

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014

Euros

NOTES	Nine months ended		Three months ended	
	Unaudited 30.09.2015	Unaudited 30.09.2014	Unaudited 30.09.2015	Unaudited 30.09.2014
<b>Net profit for the period</b>	<b>50,642,834</b>	<b>52,561,361</b>	<b>11,464,566</b>	<b>16,523,720</b>
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	335,015	-	-	1,663
Employee benefits (non re-classifiable adjustment to profit and loss)	(3,176,170)	(593,008)	378,738	25,002
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	893,774	176,123	(106,577)	(7,426)
Other changes in equity	127,020	(1,603,077)	278,472	(2,495)
<b>Other comprehensive income for the period after taxes</b>	<b>(1,820,361)</b>	<b>(2,019,962)</b>	<b>550,633</b>	<b>16,744</b>
<b>Comprehensive income for the period</b>	<b>48,822,473</b>	<b>50,541,399</b>	<b>12,015,199</b>	<b>16,540,463</b>
Attributable to non-controlling interests	501,550	(1,672,794)	133,869	(46,726)
Attributable to shareholders of CTT	48,320,923	52,214,193	11,881,330	16,587,189

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



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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014**

Euros

NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
	<b>75,000,000</b>	-	<b>30,397,559</b>	<b>24,548,756</b>	<b>83,367,465</b>	<b>61,016,067</b>	<b>1,604,372</b>	<b>275,934,219</b>
	-	-	-	-	-	-	-	-
13	-	-	-	-	61,016,067	(61,016,067)	-	-
	-	-	-	-	(60,000,000)	-	(198,423)	(60,198,423)
	-	-	1,376,408	-	-	-	-	1,376,408
	-	-	<b>1,376,408</b>	-	<b>1,016,067</b>	<b>(61,016,067)</b>	<b>(198,423)</b>	<b>(58,822,019)</b>
	-	-	-	-	-	-	-	-
	-	-	-	-	(8,968)	-	(6,482)	(15,450)
12	-	-	-	-	-	-	(1,395,678)	(1,395,678)
12	-	-	-	(43,335,066)	-	-	-	(43,335,066)
	-	-	-	-	-	-	-	-
	-	-	-	-	-	77,171,128	(327,492)	76,843,636
	-	-	-	<b>(43,335,066)</b>	<b>(8,968)</b>	<b>77,171,128</b>	<b>(1,729,652)</b>	<b>32,097,442</b>
	<b>75,000,000</b>	-	<b>31,773,967</b>	<b>(18,786,310)</b>	<b>84,374,563</b>	<b>77,171,128</b>	<b>(323,703)</b>	<b>249,209,645</b>
	<b>75,000,000</b>	-	<b>31,773,967</b>	<b>(18,786,310)</b>	<b>84,374,563</b>	<b>77,171,128</b>	<b>(323,703)</b>	<b>249,209,645</b>
	-	-	-	-	-	-	-	-
	-	-	-	-	77,171,128	(77,171,128)	-	-
13	-	-	-	-	(69,750,000)	-	-	(69,750,000)
12	-	(1,873,125)	-	-	-	-	-	(1,873,125)
12	-	-	1,237,298	-	-	-	-	1,237,298
	-	<b>(1,873,125)</b>	<b>1,237,298</b>	-	<b>7,421,128</b>	<b>(77,171,128)</b>	-	<b>(70,385,827)</b>
	-	-	-	-	(31,638)	-	158,658	127,020
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
12	-	-	-	(2,282,396)	-	-	-	(2,282,396)
	-	-	-	-	-	50,634,957	335,015	335,015
	-	-	-	-	-	-	7,877	50,642,834
	-	-	-	<b>(2,282,396)</b>	<b>(31,638)</b>	<b>50,634,957</b>	<b>501,550</b>	<b>48,822,473</b>
	<b>75,000,000</b>	<b>(1,873,125)</b>	<b>33,011,265</b>	<b>(21,068,709)</b>	<b>91,764,053</b>	<b>50,634,957</b>	<b>177,847</b>	<b>227,646,292</b>

**Balance on 30 September 2015 (Unaudited)**

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



CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 AND 30 SEPTEMBER 2014

Euro

	NOTES	Unaudited 30.09.2015	Unaudited 30.09.2014
<b><u>Operating activities</u></b>			
Collections from customers		509,748,817	499,504,748
Payments to suppliers		(168,185,360)	(186,766,494)
Payments to employees		(240,448,930)	(222,057,752)
Cash flow generated by operations		101,114,527	90,680,502
Payments/receivables of income taxes		(21,767,203)	(14,389,554)
Other receivables/payments		(27,189,703)	131,146,395
Cash flow from operating activities (1)		52,157,621	207,437,343
<b><u>Investing activities</u></b>			
Receivables resulting from:			
Tangible fixed assets		458,750	904,275
Financial investments		24,870	4,032,535
Interest income		1,887,440	3,832,042
Dividends		-	198,423
Payments resulting from:			
Tangible fixed assets		(15,062,993)	(4,529,983)
Intangible assets		(7,867,825)	(72,859)
Cash flow from investing activities (2)		(20,559,758)	4,364,433
<b><u>Financing activities</u></b>			
Receivables resulting from:			
Loans obtained		6,845,609	4,687,967
Payments resulting from:			
Loans repaid		(55,559)	(2,632,829)
Interest expenses		(488,501)	(789,009)
Finance leases		(736,701)	(739,344)
Acquisition of own shares	12	(1,873,125)	-
Dividends	13	(69,750,000)	(60,000,000)
Cash flow from financing activities (3)		(66,058,277)	(59,473,215)
Net change in cash and cash equivalents (1+2+3)		(34,460,414)	152,328,561
Changes in the consolidation perimeter		-	(696,922)
Cash and equivalents at the beginning of the period		664,569,744	544,875,803
Cash and cash equivalents at the end of the period		630,109,331	696,507,442

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)

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## 1. INTRODUCTION

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

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

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

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

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euro, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

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

On 5 September 2014, the second phase of the privatisation of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT’s capital, were subject to a private offering of Shares (“Equity Offering”) via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.



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

These interim condensed consolidated financial statements were approved by the Board of Directors on 4 November, 2015.

## **1.2- Business**

CTT and its subsidiaries ("CTT Group" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A., Payshop (Portugal), S.A., CTT Contacto, S.A., Mailtec Comunicação, S.A., Mailtec Consultoria, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A. and Tourline Express Mensajería, SLU and its subsidiaries, establish, manage and operate the Universal Postal Service infrastructure and render financial services. With the establishment of the Banco CTT, S.A. the Group's business also includes the transfer of funds through current accounts and a set of other financial activities. In addition, CTT provides services that are complementary, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely the provision of information services, electronic communication networks and services, including related goods and services.

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

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 the transposition of that Directive into the national legal order took place through the adoption of Law no. 17/2012, of 26 April ( "new Postal Law" ), with the changes introduced in 2013 by Decree-Law no. 160/2013, of 19 November and by Law no. 16/2014, of 4 April, revoking the Law no. 102/99, of 26 July.

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

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



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

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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



## 2.1- Basis of presentation

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

## 3. SEGMENT REPORTING

In accordance with IFRS 8, the Group discloses 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 the better allocation of resources.

On February 2015, as part of the process to incorporate the postal bank, the company CTT Serviços S.A. was created, having, in August 2015, been performed the commercial registration as Banco CTT, S.A., which is part of the Financial Services segment.

The business of CTT is organised in the following segments:

- Mail – CTT, S.A. (financial services not included), retail network, business solutions and corporate support areas, including CTT Contacto (resulting from the merger of Post Contacto and Mailtec Processos into CTT Gest), Mailtec Comunicação and Mailtec Consultoria;
- Express & Parcels –includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop, CTT, S.A. financial services and Banco CTT, S.A..

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

- Postal and Business Solutions Market, covered by the Mail segment;
- Express and Parcels Market, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services segment (including Banco CTT).

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

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

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





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

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

Initially, CTT, S.A.'s operating costs are affected to the different segments by charging the internal transactions of 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, earnings before depreciation, provisions, impairments, financial results and taxes by segment in the periods ended on 30 September 2015 and 2014 are analysed as follows:

30.09.2015							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	411,067,713	96,030,137	57,887,784	79,664,554	(106,575,334)	-	538,074,853
Sales and services rendered	380,953,541	93,247,401	56,304,172	-	(3,544,535)	-	526,960,579
Sales	15,671,214	649,956	-	-	-	-	16,321,170
Services rendered	365,282,327	92,597,445	56,304,172	-	(3,544,535)	-	510,639,409
Revenues external customers	17,225,769	2,782,736	1,523,203	11,225,912	(21,643,345)	-	11,114,274
Internal services rendered	12,888,403	-	60,409	41,591,539	(54,540,351)	-	-
Allocation to CTT central structure	-	-	-	26,847,103	(26,847,103)	-	-
Operating costs	337,691,659	97,797,949	32,073,253	79,664,554	(106,575,334)	-	440,652,080
External supplies and services	76,454,815	73,550,583	14,524,462	31,364,928	(25,172,087)	-	170,722,701
Staff costs	179,924,411	21,373,776	3,648,023	44,044,374	-	-	248,990,583
Other costs	14,345,275	2,873,589	334,765	3,400,959	(15,793)	-	20,938,796
Internal services rendered	40,330,267	-	13,355,791	854,293	(54,540,351)	-	-
Allocation to CTT central structure	26,636,891	-	210,212	-	(26,847,103)	-	-
<b>EBITDA<sup>(1)</sup></b>	<b>73,376,054</b>	<b>(1,767,812)</b>	<b>25,814,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,422,773</b>
Depreciation/amortisation and impairment of investments, net	(10,622,671)	(2,399,908)	(502,724)	(2,971,340)	-	(189,123)	(16,685,767)
Impairment of inventories and accounts receivable, net							(995,128)
Impairment of non-depreciable assets							-
Provisions, net							8,213
Interest expenses							(5,150,983)
Interest income							1,209,042
Gains/losses in associated companies							28,277
<b>Earnings before taxes</b>							<b>75,836,427</b>
Income tax for the year							(25,193,593)
<b>Net profit for the year</b>							<b>50,642,834</b>
Non-controlling interests							7,877
<b>Equity holders of parent company</b>							<b>50,634,957</b>

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





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

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

The revenues are detailed as follows:

Thousand Euros	30.09.2015	30.09.2014
Mail	411,068	400,794
Transactional mail	312,582	305,650
Editorial mail	11,704	11,064
Parcels (USO)	4,893	5,098
Advertising mail	22,500	22,302
Retail	12,775	12,218
Philately	6,025	5,256
Business Solutions	8,831	9,149
Other	31,758	30,057
Express & Parcels	96,030	93,957
Financial Services	57,888	57,451
CTT Central Structure	79,665	84,415
Intragroup eliminations	(106,575)	(105,675)
	<b>538,075</b>	<b>530,942</b>



The assets by segment are detailed as follows:

Assets (Euros)	30.09.2015					Total
	Mail	Express & Parcels	Financial Services	CTT Central Structure	Non allocated assets	
Intangible assets	2,813,007	2,971,601	8,567,859	5,351,830	1,694,236	21,398,533
Tangible fixed assets	173,286,775	12,962,628	641,617	14,636,402	1,976,708	203,504,129
Investment properties					22,549,839	22,549,839
Goodwill	7,299,356		406,101			7,705,457
Deferred tax assets					88,219,860	88,219,860
Accounts receivable					131,035,960	131,035,960
Other assets					44,211,292	44,211,292
Cash and cash equivalents					630,109,331	630,109,331
	<b>183,399,137</b>	<b>15,934,230</b>	<b>9,615,576</b>	<b>19,988,232</b>	<b>919,797,225</b>	<b>1,148,734,401</b>

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

Debt by segment is detailed as follows:

Other information (Euros)	30.09.2015				Total
	Mail	Express & Parcels	Financial Services	CTT Central Structure	
<b>Medium and long-term debt</b>	<b>842,615</b>	<b>460,512</b>	-	-	<b>1,303,127</b>
Bank loans	-	117,296	-	-	117,296
Financial leases	842,615	343,216	-	-	1,185,831
<b>Short-term debt</b>	<b>460,564</b>	<b>8,109,607</b>	-	-	<b>8,570,171</b>
Bank loans	-	7,598,394	-	-	7,598,394
Financial leases	460,564	511,213	-	-	971,777
	<b>1,303,179</b>	<b>8,570,119</b>	-	-	<b>9,873,298</b>

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



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

Thousand Euros	30.09.2015	30.09.2014
Revenue - Portugal	468,781	460,573
Revenue - other countries	58,179	55,329
	<u>526,961</u>	<u>515,902</u>

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

#### 4. TANGIBLE FIXED ASSETS

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movements occurred in “Tangible fixed assets”, as well as the respective accumulated depreciation, were as follows:

	30.09.2015								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
<b>Tangible fixed assets</b>									
Opening balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Acquisitions	-	175,488	1,234,983	1,981	480,081	409,200	1,552,515	1,220,302	5,074,550
Disposals	(2,881)	(206,610)	(2,063,623)	-	(9,789)	-	-	-	(2,282,902)
Transfers and write-offs	-	1,511,901	(4,898,054)	948,706	(941,253)	(340,618)	(1,511,901)	(431,113)	(5,662,332)
Adjustments	-	-	-	4,016	(13,601)	(6,107)	-	-	(15,692)
Closing balance	36,828,828	332,132,291	137,905,128	3,574,788	53,461,707	22,553,806	1,778,413	1,220,593	589,455,555
<b>Accumulated depreciation</b>									
Opening balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Depreciation for the period	-	6,683,876	4,550,364	45,412	1,659,182	879,857	-	-	13,818,692
Disposals	(388)	(116,904)	(2,059,370)	-	(9,789)	-	-	-	(2,186,451)
Transfers and write-offs	-	-	(4,993,071)	838,695	(922,519)	(335,742)	-	-	(5,412,636)
Adjustments	-	(167)	(44,418)	1,096	(18,384)	10,608	-	-	(51,265)
Closing balance	3,888,322	188,423,672	121,985,602	3,425,132	49,125,834	18,775,168	-	-	385,623,728
<b>Accumulated impairment</b>									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(92,786)	-	-	(92,786)
Closing balance	-	-	-	-	-	327,697	-	-	327,697
<b>Net tangible fixed assets</b>	32,940,507	143,708,619	15,919,527	149,657	4,335,873	3,450,941	1,778,413	1,220,593	203,504,129



	31.12.2014								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
<b>Tangible fixed assets</b>									
Opening balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	754,041	635,287,457
Acquisitions	-	274,607	6,126,576	7,200	2,630,276	728,593	3,062,319	389,863	13,219,435
Disposals	-	-	(7,720)	(166)	(39,509)	(974)	-	-	(48,369)
Transfers and write-offs	-	1,480,911	(8,951,356)	(482,988)	(29,388,060)	(2,525,697)	(1,498,803)	(712,500)	(42,078,492)
Adjustments	-	2,920	681,532	(280,939)	(386,820)	(16,693)	-	-	-
Other variations	(725,969)	(5,467,977)	2,957	-	1,103	(56,521)	-	-	(6,246,407)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
<b>Accumulated depreciation</b>									
Opening balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Depreciation for the period	-	9,055,496	4,996,397	65,703	2,559,852	1,138,257	-	-	17,815,704
Disposals	-	-	(7,720)	(3,978)	(39,311)	(974)	-	-	(51,983)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,119,633)	(1,658,689)	-	-	(42,040,715)
Adjustments	-	608	292,116	(207,224)	(84,400)	(1,281)	-	-	(181)
Other variations	(11,120)	(2,738,980)	18,645	(3,225)	12,100	313	-	-	(2,722,266)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
<b>Accumulated impairment</b>									
Opening balance	-	-	-	-	-	-	-	-	-
Impairments for the period	-	-	-	-	-	2,530	-	-	2,530
Other variations	-	-	-	-	-	417,953	-	-	417,953
Closing balance	-	-	-	-	-	420,483	-	-	420,483
<b>Net tangible fixed assets</b>	32,942,999	148,794,645	19,099,726	80,157	5,528,924	3,850,403	1,737,799	431,404	212,466,058

As at 30 September 2015 and 31 December 2014, “Land and natural resources” and “Buildings and other constructions” include 4,812,964 Euros and 4,982,117 Euros, respectively, related to land and property in co-ownership with PT Comunicações, S.A..

In the year ended on 31 December 2014, the caption “Changes in the consolidation perimeter” relate to the balances of the company EAD that was sold in the first half of 2014.

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

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1), at the end of the concession the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors supported on CTT's accounting records and the Statement of “Direção Geral do Tesouro e Finanças”, responsible entity for the Information System of Public Buildings (“Sistema de Informação de Imóveis do Estado” – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

During the nine-month period ended on 30 September 2015, the most significant movements in Tangible fixed assets were the following:



#### Buildings and other constructions

The movements associated to “Additions” and “Transfers” relate mostly to the capitalisation of construction works in leased and own properties of CTT and Tourline.

#### Basic equipment

The amount of “Additions” mainly refers to acquisitions of pallet trucks of 16.7 thousand Euros and the acquisition of scanners of 14 thousand Euros, by CTT, the upgrade to parcel sorting machines worth about 641 thousand Euros and the purchase of pallet trucks of 21.5 thousand Euros, by CTT Expresso. Payshop acquired 400 payment terminals of 74 thousand Euros and Tourline implemented the upgrade of servers of approximately 40 thousand Euros. In Corre, the additions relate to the acquisition of cars and motorcycles of 116 thousand Euros.

#### Office equipment

Acquisitions relate essentially to the purchase of computers for a total value of 87 thousand Euros and the acquisition of office equipment of 161 thousand Euros by CTT. In Tourline the acquisitions refer to several types of office equipment worth about 56.5 thousand Euros, computers and printers for a total value of approximately 57.7 thousand Euros and acquisition/renewal of servers of circa 67.6 thousand Euros.

#### Other tangible fixed assets

The acquisitions relate essentially to the purchase of prevention and safety equipment worth approximately 302.2 thousand Euros.

#### Tangible fixed assets in progress

The amounts under this heading are related to costs of improvements in own and third-party property.

In the period ended on 30 September 2015, the amounts recorded under “Write-offs”, with particular emphasis in “Basic equipment”, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciation of 13,818,692 Euros (13,289,733 Euros on 30 September 2014), was booked under the heading “Depreciation/amortisation and impairment of investments, net”.

The commitments related to Tangible fixed assets acquisitions are detailed as follows:



30.09.2015

Heavy goods vehicles	1,712,976
Parcel sorting machines	1,612,783
Safes and security doors	142,214
LCD touch displays	48,782
Labelling machines	32,829
Access control	30,996
ATM - photocopiers	2,045
Portable printers	2,030
Scanners	1,586
Other equipment	9,476
	<u>3,595,716</u>

## 5. INTANGIBLE ASSETS

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movements which occurred in the main categories of “Intangible assets”, as well as the respective “Accumulated amortisation”, were as follows:

	30.09.2015					
	Development projects	Computer software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers
<b>Intangible assets</b>						
Opening balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-
Acquisitions	84,441	1,150,824	325,742	-	8,841,769	-
Disposals	-	-	-	-	-	-
Transfers and write-offs	(84,441)	4,260,601	-	-	(3,953,597)	-
Adjustments	-	-	-	-	-	-
Closing balance	<u>4,372,922</u>	<u>44,031,675</u>	<u>11,985,435</u>	<u>444,739</u>	<u>9,614,570</u>	<u>-</u>
<b>Accumulated amortisation</b>						
Opening balance	4,340,765	33,801,244	7,816,346	439,639	-	-
Amortisation for the period	9,648	2,403,761	259,443	5,100	-	-
Transfers and write-offs	(2,413)	2,226	-	-	-	-
Adjustments	-	-	(24,951)	-	-	-
Closing balance	<u>4,348,001</u>	<u>36,207,231</u>	<u>8,050,837</u>	<u>444,739</u>	<u>-</u>	<u>-</u>
<b>Net intangible assets</b>	<u>24,921</u>	<u>7,824,444</u>	<u>3,934,597</u>	<u>-</u>	<u>9,614,570</u>	<u>-</u>



	31.12.2014						
	Development projects	Computer software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
<b>Intangible assets</b>							
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Acquisitions	-	586,266	-	-	2,790,181	-	3,376,447
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	1,810,188	-	-	(735,847)	-	1,074,341
Adjustments	-	-	1,618	-	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	-	(377,643)
Closing balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	-	59,824,001
<b>Accumulated amortisation</b>							
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Amortisation for the period	9,647	2,544,357	382,492	42,783	-	-	2,979,278
Transfers and write-offs	(19,681)	1,094,023	-	-	-	-	1,074,342
Adjustments	-	-	11,570	-	-	-	11,570
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	-	(367,127)
Closing balance	4,340,765	33,801,244	7,816,346	439,639	-	-	46,397,993
<b>Net intangible assets</b>	32,157	4,819,006	3,843,346	5,100	4,726,397	-	13,426,007

During the nine-month period ended on 30 September 2015, the most significant movements in Intangible assets were the following:

#### Computer software

Acquisitions relate essentially to the purchase of “Information Automation centralisation” software in the amount of 483.2 thousand Euros, by CTT and the acquisition of Oracle software of 590 thousand Euros, by Banco CTT.

#### Industrial property

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

The transfers occurred during the nine-month period ended on 30 September 2015 from “Intangible assets in progress” to “Computer software” refer to IT projects, which were completed during the period.

The total amounts of 190,954 Euros and 285,571 Euros, capitalised in “Computer software” and “Intangible assets in progress” as at 30 September 2015 and 30 September 2014, respectively, relate to staff costs incurred in the development of these projects.

The increase in the caption “Intangible assets in progress” is explained by the inclusion of VAT in the acquisition cost of the assets, according to the pro-rata defined for this entity after the transformation of CTT Serviços into Banco CTT.

As at 30 September 2015 “Intangible assets in progress” relate to IT projects which are under development, of which the most relevant are:



	<u>30.09.2015</u>
CBS - Core Banking System	7,707,463
International (E-CIP)	404,034
NAVE evolution	235,614
Transport Management Information System	196,697
Mail products evolution	172,118
Payment platform	114,422
Aplicational software studies	<u>71,246</u>
	<u>8,901,594</u>

Amortisation in the period, amounting to 2,677,952 Euros (2,260,457 Euros as at 30 September 2014), was recorded under “Depreciation / amortisation and impairment of investments, net”.

There are no Intangible assets whose title is restricted or given as a guarantee for liabilities.

Contractual commitments relative to Intangible assets are as follows:

#### Computer Programmes

	<u>30.09.2015</u>
Oracle	316,123
SAP Crystal Reports Server	58,724
QLIKVIEW	27,926
Clarizen	20,382
IAM - Identity & Access Management	30,620
Integration of credit simulator on site CTT	<u>3,376</u>
	<u>457,151</u>

There is also an amount of 4,900,000 Euros related to contractual commitments for the creation of the Banco CTT, associated with the development of software that will support the banking activity.

## 6. INVESTMENT PROPERTIES

As at 30 September 2015 and 31 December 2014, the Group has the following assets classified as “Investment properties”:





	30.09.2015		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	7,716,058	45,722,963	53,439,021
Additions	14,500	43,500	58,000
Disposals	(170,481)	(813,251)	(983,732)
Closing balance	7,560,077	44,953,212	52,513,289
<b>Accumulated depreciation</b>			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	613,561	613,561
Disposals	(19,652)	(408,066)	(427,717)
Closing balance	239,849	28,605,228	28,845,077
<b>Accumulated impairment</b>			
Opening balance	-	1,450,025	1,450,025
Transfers/Adjustments	-	(331,652)	(331,652)
	-	1,118,373	1,118,373
<b>Net investment properties</b>	7,320,228	15,229,611	22,549,839
	31.12.2014		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	7,237,214	42,551,163	49,788,377
Additions	-	-	-
Disposals	(247,126)	(2,290,703)	(2,537,829)
Transfers/Adjustments	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
<b>Accumulated depreciation</b>			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Transfers/Adjustments	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
<b>Accumulated impairment</b>			
Opening balance	-	1,606,505	1,606,505
Impairment losses for the period	-	(156,480)	(156,480)
	-	1,450,025	1,450,025
<b>Net investment properties</b>	7,456,557	15,873,206	23,329,763

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



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

The disposals caption includes, in the nine-month period ended on 30 September 2015, the sale of three properties of CTT, which generated a gain of 78,636 Euros.

The movements associated with disposals for the year ended on 31 December 2014 relate to the sale of three properties.

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

Depreciation for the period, amounting to 613,561 Euros (571,218 Euros on 30 September 2014) was recorded in the caption “Depreciation / amortisation and impairment of investments, net”.

## **7. COMPANIES INCLUDED IN THE CONSOLIDATION**

### Subsidiary companies

As at 30 September 2015 and 31 December 2014, the parent company, CTT - Correios de Portugal, S.A. and the subsidiaries which controls were included in the consolidation as follows:



Company name	Head office	30.09.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
<b>Parent company:</b>							
CTT - Correios de Portugal, S.A.	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
<b>Subsidiaries:</b>							
Post Contacto - Correio Publicitário, Lda. ("Post Contacto")	Rua de S. José, 20 1166-001 Lisboa	-	-	-	100	-	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilha 2664-500 São João do Tojal	100	-	100	100	-	100
Banco CTT, S.A. ("Banco CTT")	Av. D. João II Edif. Adamastor 1999-001 Lisboa	100	-	100	-	-	-
Payshop Portugal, S.A. ("Payshop")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Contacto, S.A. ("CTT Contacto")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	17.7	82.3	100
Mailtec Consultoria, S.A. ("Mailtec CON")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	10.0	90.0	100
Mailtec Processos, Lda. ("EQUIP")	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona	-	100	100	-	100	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

In relation to CORRE, as the Group has the right to variable returns and the ability to affect those returns through its power over this company, it is included in the consolidation due to the fact that the Group controls its operating and financial business.

During the nine-month period ended on 30 September 2015, a share capital increase occurred in Corre – Correio Expresso de Moçambique, S.A. in the amount of 670,030 Euros. This operation was accomplished through the incorporation of both shareholders' credits in Corre.

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

On 10 August 2015, but with effect as of 1 January 2015, the merger of Post Contacto, Lda. and Mailtec Processos, Lda. into CTT Gest, S.A. was registered through the global transfer of the assets of Post Contacto, Lda. and Mailtec Processos, Lda.. Following this merger, the corporate name of CTT Gest, S.A. was changed to CTT Contacto, S.A..

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



The sale of the 5% stake held by CTT Expresso, S.A. in Post Contacto, Lda. to the parent company also took place and CTT became to hold directly 100% of Post Contacto, Lda.. The sale was done at net book value.

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

### Joint ventures

As at 30 September 2015 and 31 December 2014, the Group held the following interests in joint ventures, registered through the equity method:

Company name	Head office	30.09.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestação de Serviços Informáticos, ACE ("Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisboa	49	-	49	49	-	49
NewPost, ACE (a)	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

(a) Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE

### Associated companies

As at 30 September 2015 and 31 December 2014, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Head office	30.09.2015			31.12.2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	R. da Sé, 114-4º. Maputo - Moçambique	-	35	35	-	35	35
Mafelosa, SL (b)	Castellon Espanha	-	25	25	-	25	25
Urpacsur, SL (b)	Málaga Espanha	-	30	30	-	30	30

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

(b) Company held by Tourline Mensajería, SLU

### Changes in the consolidation perimeter

During the nine-month period ended on 30 September 2015 the consolidation perimeter changed as a result of the incorporation, on 6 February 2015, of CTT Serviços, S.A. with a share capital of 5,000,000 Euros, following the launch of the implementation project of Banco CTT.

The share capital of CTT Serviços, S.A. has since been increased to 34,000,000 Euros.

On 24 August 2015, the corporate name, as well as the main activity, was changed to Banco CTT, S.A., in order to accommodate the banking activity.



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

## 8. GOODWILL

As at 30 September 2015 and 31 December 2014, “Goodwill” was made up as follows:

	Year of acquisition	30.09.2015	31.12.2014
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Mailtec Consultoria, S.A.	2004	4,718	4,718
Mailtec Holding SGPS, S.A. (51%)	2004	-	582,970
Mailtec Holding SGPS, S.A. (49%)	2005	-	6,641,901
		<u>7,705,457</u>	<u>7,705,457</u>

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

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movements in Goodwill were as follows:

	30.09.2015	31.12.2014
Opening balance	7,705,457	25,083,869
Disposals	-	(786,164)
Impairment	-	(16,592,248)
Closing balance	<u>7,705,457</u>	<u>7,705,457</u>

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

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



### Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of an eventual loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flows techniques, considering the market conditions, the time value of money and business risks.

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

In the nine-month period ended on 30 September 2015, no impairment tests were performed, as impairment indicators were not identified.

## **9. DEFERRALS**

As at 30 September and 31 December 2014, the "Deferrals" included in current assets and current and non-current liabilities showed the following composition:

	<u>30.09.2015</u>	<u>31.12.2014</u>
Assets deferrals		
Current		
Rents payable	1,306,730	1,313,235
Meal allowances	1,716,080	1,698,085
Company Agreement - Supplementary agreement compensation	2,006,110	-
Other	<u>4,553,298</u>	<u>2,681,575</u>
	<u>9,582,218</u>	<u>5,692,895</u>
Liabilities deferrals		
Non-current		
Deferred capital gains	4,277,040	6,076,311
Deferred commissions	1,100,000	-
Altice agreement	2,083,333	-
Tangible fixed assets	<u>342,096</u>	<u>350,496</u>
	<u>7,802,469</u>	<u>6,426,807</u>
Current		
Deferred capital gains	2,399,029	2,399,029
Phone-ix top ups	171,979	258,669
Deferred commissions	400,000	1,800,000
Altice agreement	10,000,000	-
Tangible fixed assets	11,201	11,201
Other	<u>415,754</u>	<u>1,033,284</u>
	<u>13,397,963</u>	<u>5,502,183</u>
	<u>21,200,432</u>	<u>11,928,989</u>



In prior years CTT sold certain properties, which were subsequently leased by it. The gains on these sales were deferred and are being recognised over the period of the lease contracts.

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, 1,133,346 Euros and 1,511,128 Euros, respectively, were recognised under “Other operating income” in the consolidated income statement, related to the above mentioned gains.

In June 2014, CTT signed an agreement with Cetelem, according to which CTT received an amount of 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, for the non-refundable fees will be recognised over the term of the contract. As at 30 September 2015 an amount of 1.5 million Euros related to this contract was deferred.

Following the Memorandum of Understanding signed with Altice and having the acquisition of PT Portugal been completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the income statement over the term of the contract.

## 10. ACCUMULATED IMPAIRMENT LOSSES

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the following movements occurred in “Accumulated impairment losses”:

	30.09.2015				
	Opening balance	Increases	Reversals	Utilisation	Change in consolidation perimeter
Other non-current assets					
Other accounts receivable	1,421,001	-	(149,525)	-	-
INESC loan	371,891	-	(24,870)	-	-
	1,792,892	-	(174,395)	-	-
Customers and Other current assets					
Customers	30,498,785	3,418,813	(1,206,398)	(375,895)	-
Other accounts receivable	9,461,922	196,997	(1,322,928)	(143)	-
INESC loan	49,740	-	-	-	-
	40,010,447	3,615,810	(2,529,326)	(376,038)	-
Inventories					
Merchandise	1,527,827	141,758	-	(42,415)	-
Raw and subsidiary materials and consumables	676,836	-	(58,719)	-	-
	2,204,663	141,758	(58,719)	(42,415)	-
	44,008,002	3,757,568	(2,762,440)	(418,453)	-





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

Impairment losses regarding “Tangible fixed assets”, “Investment properties” and “Goodwill” are detailed respectively in Notes 4, 6 and 8.

## 11. EQUITY

As at 30 September 2015, the Company's share capital was composed of 150,000,000 shares with a nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 30 September 2015 and 31 December 2014 the Company's qualified shareholders were as follows:



30.09.2015

Shareholder	Nr shares	%	Nominal value
Standard Life Investments Limited <sup>(1)</sup>	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited <sup>(1)</sup>	97,073	0.065%	48,537
<b>Standard Life Investments (Holdings) Limited</b> <b>Total</b>	<b>10,007,653</b>	<b>6.672%</b>	<b>5,003,827</b>
Artemis Fund Managers Limited <sup>(2)</sup>	7,433,817	4.956%	3,716,909
Artemis Investment Management LLP	276,892	0.185%	138,446
<b>Artemis Investment Management LLP</b> <b>Total</b>	<b>7,710,709</b>	<b>5.140%</b>	<b>3,855,355</b>
<b>Allianz Global Investors GmbH</b> <sup>(3)</sup> <b>Total</b>	<b>7,552,637</b>	<b>5.035%</b>	<b>3,776,319</b>
Kames Capital plc <sup>(4)</sup>	2,045,003	1.363%	1,022,502
Kames Capital Management Limited <sup>(4)</sup>	3,096,134	2.064%	1,548,067
<b>Aegon NV</b> <sup>(5)</sup> <b>Total</b>	<b>5,141,137</b>	<b>3.427%</b>	<b>2,570,569</b>
Morgan Stanley & Co. International plc <sup>(6)</sup>	2,368,335	1.579%	1,184,168
Morgan Stanley & Co. LLC <sup>(6)</sup>	5,171	0.003%	2,586
Morgan Stanley Capital Services LLC <sup>(6)</sup>	1,803,535	1.202%	901,768
<b>Morgan Stanley</b> <sup>(6)</sup> <b>Total</b>	<b>4,177,041</b>	<b>2.785%</b>	<b>2,088,521</b>
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE <sup>(7)</sup>	168,723	0.112%	84,362
BNP PARIBAS SMALLCAP EUROLAND <sup>(7)</sup>	832,670	0.555%	416,335
CamGestion Euro Mid Cap <sup>(7)</sup>	162,793	0.109%	81,397
Merck BNP Paribas European Small Cap <sup>(7)</sup>	65,107	0.043%	32,554
Movestic Sicav Europa Småbolag <sup>(7)</sup>	54,402	0.036%	27,201
PARVEST EQUITY EUROPE SMALL CAP <sup>(7)</sup>	2,180,295	1.454%	1,090,148
PARWORLD TRACK EUROPE SMALL CAP <sup>(7)</sup>	2,555	0.002%	1,278
<b>BNP Paribas Investment Partners, Limited Company</b> <sup>(7)</sup> <b>Total</b>	<b>3,466,545</b>	<b>2.311%</b>	<b>1,733,273</b>
<b>Norges Bank</b> <b>Total</b>	<b>3,143,496</b>	<b>2.096%</b>	<b>1,571,748</b>
F&C Asset Management plc <sup>(8)</sup>	3,124,801	2.083%	1,562,401
<b>Bank of Montreal</b> <sup>(8)</sup> <b>Total</b>	<b>3,124,801</b>	<b>2.083%</b>	<b>1,562,401</b>
Manuel Carlos de Mello Champallimaud	33,875	0.023%	16,938
Gestmin SGPS, S.A. <sup>(9)</sup>	3,060,873	2.041%	1,530,437
<b>Manuel Carlos de Mello Champallimaud</b> <b>Total</b>	<b>3,094,748</b>	<b>2.063%</b>	<b>1,547,374</b>
Henderson Global Investors Limited <sup>(10)</sup>	3,037,609	2.025%	1,518,805
<b>Henderson Group plc</b> <sup>(10)</sup> <b>Total</b>	<b>3,037,609</b>	<b>2.025%</b>	<b>1,518,805</b>
DSAM Partners LLP <sup>(11)</sup>	3,018,272	2.012%	1,509,136
<b>DSAM Cayman Ltd</b> <sup>(11)</sup> <b>Total</b>	<b>3,018,272</b>	<b>2.012%</b>	<b>1,509,136</b>
<b>Investec Asset Management Limited</b> <b>Total</b>	<b>3,006,174</b>	<b>2.004%</b>	<b>1,503,087</b>
<b>CTT, S.A. (own shares)</b> <b>Total</b>	<b>200,177</b>	<b>0.133%</b>	<b>100,089</b>
<b>Other shareholders</b> <b>Total</b>	<b>93,319,001</b>	<b>62.213%</b>	<b>46,659,501</b>
<b>Total</b>	<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

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

(2) Company held by Artemis Investment Management LLP.

(3) Previously, Allianz Global Investors Europe GmbH.



- (4) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.
- (5) This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
- (6) The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.
- (7) The qualifying holding of BNP Paribas Investment Partners represents 2.311% of CTT share capital and 2.231% of the voting rights. Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS ACTIONS PETITE CAP EUROPE; BNP PARIBAS SMALLCAP EUROLAND; CamGestion Euro Mid Cap; Merck BNP Paribas European Small Cap; Merck BNP Paribas European Small Cap; Merck PT - European Small Caps; Movestic Sicav Europa Smabolag; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP.
- (8) This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
- (9) Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champallimaud.
- (10) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited.
- (11) The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.



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

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

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

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

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



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

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

## 12. OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

### Own shares

The commercial legislation regarding own shares requires that a non-distributable reserve must be created for the same amount of the acquisition price of such shares. This reserve is not available for distribution while the shares stay in the Company's possession. In addition, the applicable accounting standards determine that the gains or losses obtained with the sale of such shares are recognised in reserves.



As at 30 September 2015, the company held 200,177 own shares, acquired in the month of June 2015, which represented 0.133% of the Company's share capital.

Own shares held by CTT, S.A. are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at the acquisition cost. During the nine-month period ended on 30 September 2015 the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9.357
Disposals	-	-	-
Balance at 30 September 2015	<u>200,177</u>	<u>1,873,125</u>	<u>-</u>

#### Reserves

As at 30 September 2015 and 31 December 2014, the heading "Reserves" is detailed as follows:

	30.09.2015	31.12.2014
Legal reserves	18,072,559	18,072,559
Own shares reserve (CTT, S.A.)	1,873,125	-
Other reserves	<u>13,065,581</u>	<u>13,701,407</u>
	<u>33,011,265</u>	<u>31,773,967</u>

#### Legal reserves

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

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

As at 30 September 2015, this caption includes the amount of 1,873,125 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.

As at 30 September 2015 and 31 December 2014 it also records the amount recognised in the year related to the Share Plan that constitutes the long-term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee.



### Retained earnings

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the following movements occurred in “Retained earnings”:

	30.09.2015	31.12.2014
Opening balance	84,374,563	83,367,465
Appropriation of the net profit of the prior year	77,171,128	61,016,067
Distribution of dividends (Note 13)	(69,750,000)	(60,000,000)
Other movements	(31,638)	(8,969)
Closing balance	<u>91,764,053</u>	<u>84,374,563</u>

### Other changes in equity

The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 15).

Thus, for the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movements occurred in this heading were as follows:

	30.09.2015	31.12.2014
Opening balance	(18,786,310)	24,548,756
Actuarial gains/losses	-	(61,041,103)
Other changes - employee benefits	(3,176,169)	-
Tax effect	893,774	17,706,037
Closing balance	<u>(21,068,705)</u>	<u>(18,786,310)</u>

## **13. DIVIDENDS**

According to the dividends distribution proposal included in the 2014 Annual Report, at the General Meeting of Shareholders, which took place on 5 May 2015, a dividend distribution of 69,750,000 Euros relative to the financial year ending on 31 December 2014 was proposed and approved. The dividend was paid on 29 May 2015.

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

## **14. EARNINGS PER SHARE**

During the nine-month period ended on 30 September 2015 and on 30 September 2014, the earnings per share were calculated as follows:





	30.09.2015	30.09.2014
Net profit for the period	50,634,957	52,633,572
Average number of ordinary shares	149,911,075	150,000,000
Earnings per share:		
Basic	0.34	0.35
Diluted	0.34	0.35

The average number of shares is detailed as follows:

	30.09.2015	30.09.2014
Shares issued at the beginning of the period	150,000,000	150,000,000
Own shares effect	88,925	-
Average number of shares during the period	149,911,075	150,000,000

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 2015, the number of own shares held by the Group is 200,177, and its average number for the nine-month period ended on 30 September 2015 is 88,925, reflecting the fact that the acquisition of own shares occurred in June 2015.

There are no dilutive factors on earnings per share.

## 15. EMPLOYEE BENEFITS

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

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, these liabilities presented the following movement:

	30.09.2015				
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954
Movement of the period	(302,250)	(7,152,798)	(7,455,048)	1,237,298	(6,217,750)
Closing balance	240,863,750	28,972,749	269,836,499	2,613,705	272,450,204
	31.12.2014				
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long term benefits statutory bodies	Total
Opening balance	263,371,000	35,172,054	298,543,054	-	298,543,054
Movement of the year	(22,205,000)	953,493	(21,251,507)	1,376,407	(19,875,100)
Closing balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954



The heading “Other long-term benefits” essentially refers to situations of “Suspension of contracts, redeployment and release of employment”.

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

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

	30.09.2015	31.12.2014
Equity (Other reserves)	2,613,705	1,376,407
Non-current liabilities	248,997,127	255,541,102
Current liabilities	20,839,372	21,750,445
	<u>272,450,204</u>	<u>278,667,954</u>

For the nine-month periods ended on 30 September 2015 and on 30 September 2014, the costs related to employee benefits recognised in the consolidated income statement and the amount recognised directly in “Other changes in equity” were as follows:

	30.09.2015	30.09.2014
Costs for the period		
Healthcare	7,456,500	10,569,750
Other long-term employee benefits	(2,614,475)	494,941
Other long-term benefits statutory bodies	1,237,298	-
	<u>6,079,322</u>	<u>11,064,691</u>
Other changes in equity		
Healthcare	(3,176,170)	(593,008)
	<u>(3,176,170)</u>	<u>(593,008)</u>

The impacts as at 30 September 2015 were estimated by the Company supported by the 2015 cost estimate included in the actuarial study as at 31 December 2014, as a new actuarial study with reference to 30 September 2015 was not performed.

### Healthcare

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

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



	30.09.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Liabilities at the end of the period	<u>240,863,750</u>	<u>241,166,000</u>	<u>263,371,000</u>	<u>252,803,000</u>	<u>272,102,000</u>

For the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	30.09.2015	31.12.2014
Opening balance	241,166,000	263,371,000
Service cost of the period	3,031,500	3,825,000
Interest cost of the period	4,425,000	10,268,000
Curtailment	-	(82,998,327)
Pensioners contributions	3,943,356	3,607,690
Payment of benefits	(14,369,776)	(16,894,342)
Other costs	(508,500)	(1,054,123)
Actuarial (gains)/losses	-	61,041,103
Other changes	3,176,170	-
Closing balance	<u>240,863,750</u>	<u>241,166,000</u>

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

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

During the nine-month periods ended on 30 September 2015 and 30 September 2014, the total costs for the period are recognised as follows:

	30.09.2015	30.09.2014
Staff costs/employee benefits (Note 18)	2,523,000	2,002,500
Other costs	508,500	866,250
Interest expenses	<u>4,425,000</u>	<u>7,701,000</u>
	<u>7,456,500</u>	<u>10,569,750</u>

On 30 September 2015, the amount of 3,176,170 Euros (61,041,103 Euros as at 31 December 2014) was recognised in equity under “Other changes in equity”, net of deferred taxes of 893,774 Euros (17,706,037 Euros as at 31 December 2014).

The best estimate the Group has at this date for costs related to the healthcare plan, which it expects to recognise in the next twelve-month period, is 10,010 thousand Euros.



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

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

#### Other long-term employee benefits

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

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

For the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movement of liabilities with other employee long-term benefits was as follows:



	30.09.2015	31.12.2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,810,243	19,743,891
Interest cost of the period	284,519	696,465
Liabilities relative to new beneficiaries	-	393,318
(Payment of benefits)	(3,961,027)	(5,738,282)
Curtailment	(2,994,363)	-
Actuarial (gains)/losses	-	2,714,852
Other changes	(24,257)	-
Closing balance	11,115,115	17,810,243
Telephone subscription fee		
Opening balance	4,832,775	4,800,195
Interest cost of the period	86,141	178,544
(Payment of benefits)	(164,260)	(303,781)
Actuarial (gains)/losses	-	157,817
Other changes	(193,648)	-
Closing balance	4,561,007	4,832,775
Pensions for work accidents		
Opening balance	8,161,400	7,004,370
Interest cost of the period	148,999	271,647
(Payment of benefits)	(300,176)	(437,324)
Actuarial (gains)/losses	-	1,322,707
Other changes	(22,004)	-
Closing balance	7,988,218	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the period	98,024	139,714
(Payment of benefits)	(77,575)	(112,271)
Actuarial (gains)/losses	-	1,710,168
Other changes	(4,118)	-
Closing balance	5,298,726	5,282,395
Support for termination of professional activity		
Opening balance	38,734	78,814
Interest cost of the period	-	1,576
(Payment of benefits)	(35,284)	(57,602)
Actuarial (gains)/losses	-	15,946
Other changes	6,233	-
Closing balance	9,683	38,734
Total closing balances	28,972,748	36,125,547

During the nine-month periods ended on 30 September 2015 and on 30 September 2014, the total costs for the period were recognised as follows:



	30.09.2015	30.09.2014
Staff costs/employee benefits (Note 18)		
Suspension of contracts, redeployment and release of employment	(3,018,620)	(152,780)
Telephone subscription fee	(193,648)	(301,055)
Pensions for work accidents	(22,004)	(2,722)
Monthly life annuity	(4,118)	6,722
Support for termination of professional activity	6,233	(15,305)
subtotal	(3,232,157)	(465,141)
Interest expenses	617,682	960,082
	(2,614,475)	494,941

Following the renegotiation of the conditions related to workers in situations of "Suspension of contracts, redeployment and release of employment", CTT recorded a liability reduction in the amount of 2,994,363 Euros.

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

The sensitivity analysis performed on 31 December 2014 for the "Other long-term benefits" leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4%, increasing to 37,571 thousand Euros.

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

CTT approved, with effect as at 31 December 2014, the Remuneration Regulations for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company shares. The number of shares allocated to the executive members of the Board of Directors of CTT is based on performance evaluation results during the period of the term of office, until 31 December 2016, which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT's shares and the TSR of a weighted peer group, composed of national and international companies.

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

On 31 December 2014, the liability of this long-term remuneration was calculated, based on the fair value of shares, by an independent expert and by using the Black-Scholes methodology and through the production of a Monte Carlo simulation model.



Therefore, for the nine-month period ended on 30 September 2015, CTT recorded a cost of 1,237,298 Euros, booked against Other reserves.

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

### Provisions

For the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which show the following movements:

	30.09.2015					Closing balance
	Opening balance	Increases	Reversals	Decrease	Transfers	
Non-current provisions						
Litigations	9,907,427	1,426,270	(2,065,377)	(1,228,329)	1,056,475	9,096,466
Onerous contracts	16,854,955	1,127,131	(654,657)	(2,144,465)	-	15,182,964
Other provisions	18,693,363	1,088,820	(930,399)	(536,798)	(1,056,475)	17,258,511
Investments in associated companies	215,772	-	-	-	-	215,772
	<u>45,671,517</u>	<u>3,642,221</u>	<u>(3,650,433)</u>	<u>(3,909,592)</u>	<u>-</u>	<u>41,753,713</u>
Restructuring	-	1,880,000	-	(1,410,974)	-	469,026
	<u>45,671,517</u>	<u>5,522,221</u>	<u>(3,650,433)</u>	<u>(5,320,566)</u>	<u>-</u>	<u>42,222,739</u>

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

### Litigations

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

### Onerous contracts

The increases and reversals recorded in the nine-month period ended on 30 September 2015 in the provision to cover the estimated net present value of the net expenditures associated with onerous contracts mainly result from the update of the assumptions used in 2014, including the discount rate, which suffered a significant fluctuation in the period under analysis. The decrease in the amount of 2,144,465 Euros is related to the rental payments that occurred during the period.

As at 30 September 2015 and 31 December 2014 the amount provided for onerous contracts is 15,182,964 Euros and 16,854,955 Euros, respectively.

### Other provisions

For the nine-month period ended on 30 September 2015 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences required by workers, amounts to 15,277,003 Euros (16,374,091 Euros as





at 31 December 2014). During the year ended on 31 December 2014 this provision had been increased by 5,287,767 Euros.

As at 30 September 2015, in addition to the previously mentioned situations, this heading also includes:

- the amount of 218,453 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the location;
- the amount of 981,272 Euros, which arises from the assessment made by management regarding the possibility of the enforcement of tax contingencies.

#### Investments in associated companies

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

#### Restructuring

During the nine-month period ended on 30 September 2015, a provision was recognised in the accounts for restructuring in the subsidiary Tourline Express Mensajería, SLU, in the amount of 1.88 million Euros, following the human resources optimisation and restructuring process, timely disclosed by the parent company. The ongoing process is aimed at increasing the operational efficiency of Tourline by reducing its staff costs, as well as improving and simplifying processes in the context of the restructuring plan currently being implemented. This provision was recorded under the line "Staff costs" in the consolidated income statement. As at 30 September 2015, it amounts to 469,026 Euros.

The net amount between increases and reversals of provisions was recorded in the Consolidated income statement under the heading "Provisions, net" and amounted to 8,213 Euros and (1,668,679) Euros as at 30 September 2015 and 30 September 2014, respectively.

#### Guarantees provided

As at 30 September 2015 and 31 December 2014 the Group had provided bank guarantees to third parties as follows:



Description	30.09.2015	31.12.2014
Courts	200,087	325,684
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE-Sociedade Imobiliária, Lda.	2,944,833	2,944,833
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Lisboagás, S.A.	190,000	190,000
Autarquias	154,677	154,677
Sofinsa	-	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	-	77,969
Alfândega do Porto	-	74,820
Secretaria Geral do Ministério da Administração Interna	-	44,547
ACT Autoridade Condições Trabalho	59,395	67,638
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Record Rent a Car (Cataluña, Levante)	40,000	40,000
SetGás, S.A.	30,000	30,000
ANA - Aeroportos de Portugal	34,000	34,000
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Natur Import (nave Barbera)	-	18,096
Portugal Telecom, S.A.	16,657	16,657
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180
Instituto Gestão Financeira Segurança Social	12,681	-
Petrogal, S.A.	8,280	10,774
Águas do Porto, E.M.	10,720	10,720
Alquiler Nave Tarragona	-	7,155
TNT Express Worldwide	6,010	6,010
SMAS Torres Vedras	2,808	4,001
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L.	-	3,400
Inmobiliaria Ederkin	7,800	7,800
Instituto Infra-Estruturas Rodoviárias	-	3,725
Estradas de Portugal, E.P.	5,000	5,000
ARM - Águas e Resíduos da Madeira, S.A.	-	12,681
REN Serviços, S.A.	9,818	9,818
EMEL, S.A.	19,384	19,384
IFADAP	1,746	1,746
Casa Pia de Lisboa, I.P.	1,863	1,863
Martinez Estevez	-	3,000
Gexploma	-	3,000
Consejería Salud	6,433	6,433
Universidad Sevilla	4,237	4,237
Fonavi, Nave Hospitalet	40,477	40,477
Direção Geral do Tesouro e Finanças	16,867	-
Other entities	14,837	7,694
	<u>14,318,138</u>	<u>14,758,985</u>



### Guarantees for Contracts

According to the terms of some lease contracts of the buildings occupied by the Group's services, from 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 have already been issued and amount to 12.6 million Euros and are included under the list of guarantees provided in the previous page.

### Commitments

As at 30 September 2015 and 31 December 2014, the Group subscribed promissory notes amounting to approximately 67.2 thousand Euros and 73.8 thousand Euros, respectively, for various rental companies intended to secure complete and timely compliance with the corresponding lease contracts.

As at 30 September 2015 the Group assumed commitments regarding the sponsoring of Taça da Liga in the amount of 1.7 million Euros.

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

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

## **17. ACCOUNTS PAYABLE**

As at 30 September 2015 and 31 December 2014, the heading "Accounts payable" showed the following composition:

	30.09.2015	31.12.2014
Advances from customers	2,927,234	2,996,416
CNP money orders	200,162,092	200,879,441
Suppliers	65,736,715	64,572,970
Invoices pending confirmation	9,208,419	12,958,575
Fixed assets suppliers	555,131	8,063,263
Invoices pending confirmation (fixed assets)	673,207	1,997,480
Values collected on behalf of third parties	5,943,085	5,645,991
Postal financial services	174,354,317	197,152,263
Other accounts payable	5,079,272	5,270,507
	<u>464,639,471</u>	<u>499,536,907</u>



### CNP money orders

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

### Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders. The decrease is largely explained by the significant volume of subscriptions of savings/treasury certificates that occurred in December 2014. On 30 September 2015, the amount registered relates to the collection of taxes, mainly the 2<sup>nd</sup> payment on account, which occurred in September and to the subscriptions of savings/treasury certificates.

## **18. STAFF COSTS**

During the nine-month periods ended on 30 September 2015 and on 30 September 2014, the composition of the heading “Staff Costs” was as follows:

	30.09.2015	30.09.2014
Statutory bodies' remuneration (Note 20)	2,969,137	1,737,296
Staff remuneration	192,039,303	184,245,736
Employee benefits	679,724	1,537,359
Indemnities	5,063,399	1,752,386
Social Security charges	42,072,305	40,622,718
Occupational accidents and health insurance	1,547,517	1,361,062
Social welfare costs	4,583,787	7,823,448
Other staff costs	35,411	37,463
	<u>248,990,583</u>	<u>239,117,468</u>

### Remuneration of the statutory bodies

In the nine-month periods ended on 30 September 2015 and 30 September 2014, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

	30.09.2015				
	Board of Directors	Audit Committee / Statutory Auditor	Remuneration Committee	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,662,768	204,793	28,080	3,075	1,898,716
Annual variable remuneration	1,070,421	-	-	-	1,070,421
	<u>2,733,189</u>	<u>204,793</u>	<u>28,080</u>	<u>3,075</u>	<u>2,969,137</u>
Long-term remuneration					
Defined contribution plan RSP	151,583	-	-	-	151,583
Long-term variable remuneration - Share Plan	1,237,298	-	-	-	1,237,298
	<u>1,388,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,388,881</u>
	<u>4,122,070</u>	<u>204,793</u>	<u>28,080</u>	<u>3,075</u>	<u>4,358,018</u>



	30.09.2014				
	Board of Directors	Audit Committee /Statutory Auditor	Remuneration Committee	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,523,828	211,528	-	-	1,735,356
Variable remuneration	-	-	-	1,940	1,940
	<u>1,523,828</u>	<u>211,528</u>	<u>-</u>	<u>1,940</u>	<u>1,737,296</u>

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

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office in Company shares, and the amount of 1,237,298 Euros corresponds to the expense to be recognised in the nine-month period ended on 30 September 2015 and was determined by an independent expert as at 31 December 2014 based on the Black-Scholes methodology and through the production of a Monte Carlo simulation model. The annual variable remuneration will be determined and paid on an annual basis and was also defined by a study performed by an independent entity.

#### Staff remuneration

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

#### Employee benefits

The variation in the caption "Employee benefits" reflects mainly the liability reduction related to workers in situations of “Suspension of contracts, redeployment and release of employment” recorded in the nine-month period ended on 30 September 2015.

#### Indemnities

During the nine-month period ended on 30 September 2015, the caption “Indemnities” includes 2,778,869 Euros related to compensations paid for termination of employment contracts by mutual agreement.

It also includes the amount of 1,880,000 Euros related to the provision for restructuring recorded in Tourline following the human resources optimisation in the context of the restructuring plan currently being implemented in the company.



#### Social welfare costs

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

During the nine-month periods ended on 30 September 2015 and 30 September 2014, the heading "Staff costs" includes 577,079 Euros and 659,559 Euros, respectively, related to expenses with workers' representative bodies.

For the nine-month periods ended on 30 September 2015 and 30 September 2014, the average number of staff of the Group was 12,535 and 12,508 employees, respectively.

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

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and state surcharge is 3% of taxable profit above 1,500,000 Euro, 5% of taxable profit above 7,500,000 up to 35,000,000 Euros and 7% of 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 (IRC) is levied on the Group and its subsidiaries CTT – Expresso, S.A., Mailtec Comunicação, S.A., Mailtec Consultoria, S.A., Payshop Portugal, S.A., CTT Contacto, S.A., and Banco CTT, 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 on 30 September 2015 and on 30 September 2014, the reconciliation between the nominal rate and the effective income tax rate is as follows:



	30.09.2015	30.09.2014
Earnings before taxes	75,836,427	76,791,036
Nominal tax rate	21.0%	23.0%
	<b>15,925,650</b>	<b>17,661,938</b>
Tax benefits	(129,866)	(201,966)
Accounting capital gains	36,214	(187,880)
Tax capital gains	(36,214)	64,456
Equity method	(5,938)	-
Provisions not considered in the calculation of deferred taxes	19,167	-
Impairment losses and reversals	(45,810)	(311,211)
Other situations, net	1,485,834	2,284,981
Adjustments related with autonomous taxation	950,294	447,929
Adjustments related with Municipal Surcharge	1,124,013	1,129,387
Adjustments related with State Surcharge	3,696,984	3,600,631
Tax losses without deferred tax	2,233,924	-
Excess estimated income tax	(60,659)	(258,590)
Income tax for the period	<b>25,193,593</b>	<b>24,229,675</b>
Effective tax rate	<b>33.22%</b>	<b>31.55%</b>
Income tax for the period		
Current tax	21,390,288	22,495,217
Deferred tax	3,863,964	1,993,048
Excess estimated income tax	(60,659)	(258,590)
	<b>25,193,593</b>	<b>24,229,675</b>

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

#### Deferred taxes

As at 30 September 2015 and 31 December 2014, the balance of deferred tax assets and liabilities was composed as follows:

	30.09.2015	31.12.2014
Deferred tax assets		
Employee benefits - healthcare	67,779,059	67,864,112
Employee benefits - other long-term benefits	8,150,207	10,160,424
Deferred accounting capital gains	1,878,646	2,384,961
Impairment losses and provisions	9,317,638	10,134,884
Impairment losses in tangible fixed assets	367,054	497,238
Share plan	727,256	387,321
	<b>88,219,860</b>	<b>91,428,940</b>





	30.09.2015	31.12.2014
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS adoption	3,580,274	3,793,815
Suspended capital gains	971,969	994,953
Other	52,916	52,916
	<u>4,605,159</u>	<u>4,841,684</u>

As at 30 September 2015, expected deferred tax assets and liabilities to be settled within 12 months amount to 3,537,292 Euros and 315,367 Euros, respectively.

During the nine-month period ended on 30 September 2015 and the year ended on 31 December 2014, the movements which occurred under the “Deferred tax” headings were as follows:

	30.09.2015	31.12.2014
Deferred tax assets		
Opening balances	91,428,940	103,645,256
Effect on net profit		
Employee benefits - healthcare	(978,827)	(28,063,112)
Employee benefits - other long-term benefits	(2,010,217)	(273,016)
Deferred accounting gains	(506,315)	(844,727)
Impairment losses and provisions	(817,247)	1,482,942
Impairment losses in tangible fixed assets	(130,183)	44,378
Derecognition of inventories	-	(77,821)
Value deducted from debts	-	(18,692)
Tax losses carried forward	-	(2,432,701)
Share plan	339,935	387,321
Other	-	(124,155)
Effect on net profit		
Employee benefits - healthcare	893,774	17,706,037
Change in the consolidation perimeter		
Other	-	(2,770)
Closing balance	<u>88,219,860</u>	<u>91,428,940</u>
	<u>30.09.2015</u>	<u>31.12.2014</u>
Deferred tax liabilities		
Opening balances	4,841,684	5,481,878
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(213,541)	(495,037)
Suspended capital gains	(22,984)	(87,502)
Other	-	(57,655)
Closing balance	<u>4,605,159</u>	<u>4,841,684</u>



#### 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, confirming the eligibility of expenses presented in the applications for tax benefits.

Relating to the expenses incurred with R&D during 2013, of 33,987 Euros, the Group will have the possibility of benefiting from a tax deduction in IRC estimated at 9,519 Euros. According to the notification of the Certification Commission dated 16 January 2015 a tax credit of 8,337 Euros was attributed to CTT.

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

#### Other information

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

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 30 September 2015.

## **20. RELATED PARTIES**

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

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

During the nine-month period ended on 30 September 2015, there were no transactions that required previous approval by the Audit Committee of CTT.

During the nine-month periods ended on 30 September 2015 and on 30 September 2014, the following transactions took place and the following balances existed with related parties:



	30.09.2015				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	69,750,000	-
Other shareholders of Group companies	-	-	-	-	-
Associated companies	5,783	10,024	13,205	-	83,438
Jointly controlled	124,914	14,333	385,803	-	155,220
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	2,733,189
General Meeting	-	-	-	-	3,075
Audit Committee	-	-	-	-	204,793
Remuneration Committee	-	-	-	-	28,080
	<u>130,697</u>	<u>24,357</u>	<u>399,008</u>	<u>69,750,000</u>	<u>3,207,796</u>
	30.09.2014				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	60,000,000	-
Other shareholders Group companies	-	-	-	-	-
Associated companies	2,929	21,636	13,345	-	70,651
Jointly controlled	25,558	15,084	177,460	-	137,014
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	1,523,828
General Meeting	-	-	-	-	1,940
Audit Committee	-	-	-	-	211,528
Remuneration Committee	-	-	-	-	-
	<u>28,487</u>	<u>36,720</u>	<u>190,805</u>	<u>60,000,000</u>	<u>1,944,962</u>

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

## 21. SUBSEQUENT EVENTS

Banco CTT, S.A. was notified, on 8 October 2015, by the Bank of Portugal in respect of (i) the decision adopted by this entity to consider that the authorisation filing for the setting-up of the Banco CTT, S.A. is duly formalised and that all conditions imposed by the Bank of Portugal in the authorisation granted on 27 November 2013 are satisfied, and (ii) the completion of the special registration of the Banco CTT, S.A..

The Board of Directors of CTT decided to proceed with the merger by incorporation of Mailtec Consultoria, S.A. in CTT - Correios de Portugal, S.A. through the global transfer of its net assets. This operation will be completed by the end of 2015 and will produce effect on 1 January 2015. The transaction in question will not have any impact on the consolidation perimeter.