

# Consolidated Results

1<sup>st</sup> Quarter 2019



**ctt**



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## CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY (“COMPANY”)

### 1<sup>ST</sup> QUARTER 2019 CONSOLIDATED RESULTS

(Important note: Changes to the financial reporting structure are detailed in section 2 “Other Highlights”)

- **Revenues** reached €176.9m, in line with 1Q18 (–€0.1m; –0.0%) with the following year-on-year performances of the business units:
  - **Mail and Other** decreases by 3.2% (–€4.1m) due to the decline of **addressed mail volumes** of –11.3%, strongly impacted by the postponement of some Government mail to 2Q19 and the loss of volumes from banking and insurance customers at the end of March 2018. Excluding these effects, the volumes decline would have been in the range of [–8.0% to –8.5%]. This decline was mitigated by the positive evolution of the product mix (growth of registered mail and international mail revenues) and by the 4.7% average price increase of the Universal Service <sup>1</sup> vs 1Q18.
  - **Express & Parcels** grows by 2.0% (+€0.7m), with the following geographical breakdown: +3.5% (+€0.8m) in Portugal, –0.4% (–€0.0m) in Spain and –1.1% (–€0.0m) in Mozambique.
  - **Banco CTT** <sup>2</sup> grows 18.9% (+€1.4m), due to the 66.3% growth of the net interest income (+€1.0m) and bank commissions received (78.7%; +€0.7m), negatively impacted by Payshop payments and transfers and other (–5.8%; –€0.3m).
  - **Financial Services** <sup>2</sup> grows by 31.1% (+€1.9m), as a result of the continued recovery in the placement of **public debt products** that began in November 2018.
- **Operating costs** <sup>3</sup> increase by 1.1% (+€1.6m) in 1Q19, mainly due to the direct costs of the Express & Parcels and Banco CTT activity (+€2.2m; +6.1%), despite the €1.1m and €0.7m decreases of the Mail & Other and Financial Services operating costs, respectively, as a result of the implementation of the Operational Transformation Plan.
- **EBITDA** <sup>3</sup> stood at €21.0m (–€1.7m; –7.5%) and reached a margin of 11.9% in 1Q19. This was due to the performance of Mail & Other (–€3.0m) and Express & Parcels (–€1.6m) which were not offset by the growth of the Financial Services (+€2.5m) and Banco CTT (+€0.3m) business units.
- **Operating cash flow** had a very positive year-on-year evolution, growing from –€12.0m to +€8.4m (+€20.3m) as a result of improvements in working capital management.
- **Net profit** of €3.7m (–€2.3m; –38.1%), mainly influenced by the EBIT performance (–€3.7m) which was not offset by the evolution of specific items (–€0.8m), financial results (+€0.3m) and taxes (–€0.3m).

#### Consolidated Results<sup>4</sup>

	€ million		
	1Q18 Restated	1Q19	Δ%
<b>Revenues</b>	<b>176.9</b>	<b>176.9</b>	<b>–0.0%</b>
Mail & Other	127.4	123.3	–3.2%
Mail	126.3	122.1	–3.3%
CTT Central Structure	1.1	1.2	8.1%
Express & Parcels	36.0	36.7	2.0%
Banco CTT <sup>2</sup>	7.6	9.0	18.9%
Financial Services <sup>2</sup>	6.0	7.8	31.1%
<b>Operating costs<sup>3</sup></b>	<b>154.2</b>	<b>155.9</b>	<b>1.1%</b>
<b>EBITDA</b>	<b>22.7</b>	<b>21.0</b>	<b>–7.5%</b>
Leases (IFRS 16)	8.8	6.9	–21.0%
<b>EBITDA including IFRS 16</b>	<b>31.5</b>	<b>28.0</b>	<b>–11.3%</b>
Impairments & provisions	–0.4	0.4	200.5%
Depreciations & amortisations	14.1	13.3	–5.6%
<b>EBIT</b>	<b>17.9</b>	<b>14.2</b>	<b>–20.4%</b>
Specific items <sup>4</sup> (+ / –)	–6.4	–5.6	12.7%
Financial income, net	–2.3	–2.1	11.3%
<b>Earnings before taxes and non-controlling interests (EBT)</b>	<b>9.2</b>	<b>6.6</b>	<b>–28.1%</b>
Income tax for the period	3.2	2.9	–9.7%
<b>Net profit</b>	<b>6.0</b>	<b>3.7</b>	<b>–38.1%</b>
Non-controlling interests	0.02	–0.008	–132.2%
<b>Net profit attributable to equity holders</b>	<b>5.9</b>	<b>3.7</b>	<b>–37.7%</b>

<sup>1</sup> Includes letter mail, editorial mail and parcels of the Universal Service, excluding inbound international mail.

<sup>2</sup> Considering, in 2019 and in the same period of the previous year (proforma), the migration of the payments segment from the Financial Services business unit to Banco CTT and their exclusion from Financial Services.

<sup>3</sup> Excluding depreciation / amortisation, impairment and provisions, and impact of IFRS 16.

<sup>4</sup> See note 2 of the “Changes to the financial reporting structure” included in section 2 “Other Highlights”.



## 1. OPERATIONAL AND FINANCIAL PERFORMANCE OF THE BUSINESS UNITS

### MAIL

**Mail revenues** amounted to €122.1m in 1Q19, -3.3% (-€4.2m) vis-à-vis 1Q18 mostly as a result of the revenue decline of **ordinary** mail (-€3.7m), **priority** mail (-€0.7m), **addressed advertising** mail (-€0.7m) and **philately** (-€0.4m), somewhat mitigated by **inbound international** mail (+€1.7m).

#### Mail Volumes

	Million items			
	1Q18	1Q19	Δ ABS	Δ%
Transactional Mail	160.1	142.6	-17.6	-11.0%
Advertising Mail	15.5	13.1	-2.4	-15.7%
Editorial Mail	9.6	8.5	-1.0	-10.6%
<b>Addressed Mail</b>	<b>185.2</b>	<b>164.2</b>	<b>-21.0</b>	<b>-11.3%</b>
<b>Unaddressed Advertising Mail</b>	<b>100.3</b>	<b>106.2</b>	<b>5.9</b>	<b>5.9%</b>

In 1Q19, **addressed mail** volumes decreased significantly (-11.3%) due to the 11.0% decline of **transactional mail** influenced for the most part by the evolution of **ordinary mail** volumes (-12.6%; -15.7 million items), **priority mail** volumes (-15.9%; -1.1 million items) and **addressed advertising mail** volumes (-15.7%; -2.4 million items), predominantly in the government sector, banking and insurance, utilities and telcos, as well as the occasional segment.

Addressed mail volumes were impacted in 1Q19 by exceptional factors when compared to the same period of the previous year. In particular, the Government, by altering the state budget law and delaying the mail relative to the municipal real estate tax to 2Q19, impacted the comparison in about 1.5 p.p. of the decline.

In addition, 2 large customers from the banking and insurance sector migrated some of their volumes to the competition in March 2018, causing a 3.7 million items comparison effect in 1Q19 compared to the previous year (representing 1.7 p.p. of the decline). This volume decline occurred as of 2Q18, which will mean that, progressively throughout the year 2019, this volume decrease will tend to be corrected. Adjusting the Government and these 2 clients' impact in 1Q19, the decrease in addressed mail volumes would be in the range of [-8.0% to 8.5%], close to the upper end of the guidance range of [-6% to -8%].

The revenues from **philately** stood at €1.4m, -€0.4m (-23.4%) vs 1Q18. The philately revenues decline vis-à-vis the same period of the previous year reflects a one-off sale in 1Q18. Excluding that sale, the revenues are aligned between both periods.

**Advertising mail** volumes grew by 3.0% (-15.7% addressed and +5.9% unaddressed). The decline in addressed advertising mail volumes is motivated by divestment of the companies in the physical media in exchange for the digital ones, as well as legal factors such as the GDPR (General Data Protection Regulation). On the other hand, in March 2019, a customer belonging to one of major the retail groups in Portugal was acquired and this, together with the evolution of the electoral processes that will take place in 2Q19 and 3Q19, is starting to lead to a more positive evolution of advertising mail volumes for the rest of the year.

The mail categories which contributed positively to the evolution of addressed mail revenues were **registered mail** (+€0.6m; +2.0%), **outbound international mail** (+€0.3m; +2.9%), **inbound international mail** (+€1.7m; +20.2%) and **Business Solutions**, particularly the geographic services business and printing & finishing in the utilities sector (+€0.4m; +15.8%).

The average change of the prices of the Universal Service <sup>5</sup> in 1Q19 vis-à-vis 1Q18 was 4.7%.

<sup>5</sup> Includes letter mail, editorial mail and parcels of the Universal Service, excluding inbound international mail.



## EXPRESS & PARCELS

The **Express & Parcels revenues** reached €36.7m in 1Q19, a 2.0% growth (+€0.7m) compared to 1Q18.

**Revenues in Portugal** stood at €22.9m, +€0.8m (+3.5%) vs 1Q18. The performance of this business in Portugal resulted from CEP – Courier, Express & Parcels – (+€0.5m; +3.0%), cargo and logistics (+€0.2m; +5.2%) and banking (+€0.1m; +3.6%). **Volumes in Portugal** totalled 4.9 million items, +2.3% vs the same period of 2018. This evolution is the result of the growth of CEP (+58 thousand items; +1.4%) although penalised by the lower volumes of the January sales campaign of this year, and cargo (+52 thousand items; +7.1%).

**Revenues in Spain** stood at €13.3m, -€0.0m (-0.4%) vs 1Q18 and **volumes** grew by 1.0%. It should be noted that volumes in 1Q19 were strongly impacted by the decline in activity of one of Tourline's largest customers, which was however offset by the growth in volumes from franchisees and the entry of new customers. The large customer mentioned above has a significant impact on the evolution of 1Q19 revenues and volumes of the Company, amounting to -€1.4m. Excluding this impact, the evolution of revenues and volumes in 1Q19 would have been +12.0% and +15.8%, respectively.

**Revenues in Mozambique** stood at €0.5m, -€0.0m (-1.1%) vs 1Q18. The CEP and the banking businesses contributed positively to the results, although penalised vs 1Q18 by an accounting settlement that took place in January 2018.

## BANCO CTT

**Banco CTT revenues** reached €9.0m in 1Q19, a 18.9% (+€1.4m) growth over the same period of the previous year which is mainly due to the growth of the financial margin (+€1.0m) and the bank charges received (+€0.7m) which were negatively impacted by the payments and transfers (-€0.3m).

To be noted is the operating performance, which allowed for a significant growth of accounts opened to 379 thousand accounts (+124 thousand compared to 1Q18), along with the robust growth of customer deposits to €922.0m (+38.6%), the increased production of mortgage loans to €279.1m (+176.1% compared to 1Q18, net of impairments) and the €9.7m growth of consumer credit production (+18.3% vs 1Q18).

The migration of the CTT and Payshop payments to this business unit brought with it payments-related revenues of €4.9m, -€0.3m (-5.8%) vs 1Q18.

The completion of the 321 Crédito acquisition is scheduled for the beginning of May, as the competent banking supervisory entities and the Competition Authority have already confirmed their non-opposition to the deal.

## FINANCIAL SERVICES

The **Financial Services revenues** stood at €7.8m in 1Q19, a 31.1% (+€1.9m) growth vs 1Q18.

This business was positively impacted by the **Savings and Insurance** products that contributed revenues of €6.1m in the period under analysis (+€2.4m; +65.2% vs 1Q18). The **public debt certificates** – Savings Certificates and Treasury Certificates Poupança Crescimento – consolidated the growth trend felt as of 4Q18 and totalled placements of €901.5m in 1Q19, corresponding to a 90.5% increase vs 1Q18. Revenues from public debt certificates amounted to €5.8m (+72.2%) in 1Q19, a growth less than proportional than the evolution of the value of subscriptions, which is related to the change in the remuneration of the Treasury Certificates that occurred in May 2018 (inclusive) that impacted the company's remuneration by 0.05 percentage points.



In the (domestic and international) **Money Orders** line of business 3.6 million transactions were carried out (-16.1% vs 1Q18), which translated into revenues of €1.4m (-20.1%). In the **Payments** line of business (tax collection) 155 thousand transactions were carried out in 1Q19 (-17.8% vs 1Q18) corresponding to revenues of €0.2m (-18.1%).

## OPERATING COSTS <sup>6</sup>

**Operating costs** totalled €155.9m, +€1.6m (+1.1%) vs 1Q18, mainly due to the increase in External Supplies & Services (+€1.1m; +1.8%) and other costs (+€0.6m; +10.4%).

### Operating costs

	€ million			
	1Q18	1Q19	Δ ABS	Δ%
<b>Operating costs (*)</b>	<b>154.2</b>	<b>155.9</b>	<b>1.6</b>	<b>1.1%</b>
Staff costs	86.0	85.9	- 0.1	-0.1%
External supplies & services	62.1	63.2	1.1	1.8%
Other operating costs	6.1	6.7	0.6	10.4%

(\*) Excluding depreciation / amortisation, impairments and provisions, and impact of IFRS 16.

**Staff costs** decreased by €0.1m (-0.1%) despite the salary increase negotiated with the trade unions that had an impact of +€0.7m in 1Q19 as a result of:

- (i) HR optimisation initiatives within the Operational Transformation Plan (-€2.0m); and
- (ii) a reduction in the cost per beneficiary with respect to the telephone subscription fee (-€0.9m), which reduced the amount of the liability related to former employees of the Company.

These items offset the increased costs with growing business units, namely Express & Parcels (+€0.4m; +7.5%) and Banco CTT (+€0.5m; +12.8%) and other staff costs growth.

It is also important to note that the Company has been adjusting its operations structure in order to comply with the new quality of service indicators defined by ANACOM, which has delayed the pace of the operational efficiency structural improvement objectives.

**External supplies & services costs** increased by €1.1m (+1.8%), mostly due to the growth of direct costs related to the Express & Parcels business (+€1.4m; +6.1%), which still reflects a resizing of the operations in Spain to a greater scale that included the items of the above-mentioned large customer, and the Mail business (+€0.8m; +6.3%) impacted by the growth of the costs from outbound international mail (+16.7%), which were not fully offset by the positive performance of the buildings and fleet costs (-€1.3m; -7.6%). It should be noted that the Mail business unit is negatively impacted by the year-on-year growth in costs related to the new quality of service criteria such as the test mail (+€0.4m).

**Other operating costs** increased (+€0.6m; +10.4%) mainly as a result of: (i) +€0.2m (+52.8%) in interchange fees paid due to the fact that the higher number of Banco CTT clients also means higher total transactionality costs; and (ii) +€0.3m (+63.7%) from marketing costs which in 2018 were incurred in 2Q18.

<sup>6</sup> Excluding depreciation / amortisation, impairments and provisions, and impact of IFRS 16.



## STAFF

As at 31 March 2019, the CTT headcount (permanent and fixed-term staff) consisted of 12,075 employees, 119 less (-1.0%) than as at the same date of 2018. The number of staff of the Mail and the Financial Services business units was reduced and the Express & Parcels and Banco CTT business units were reinforced.

### Headcount

	31.03.2018	31.03.2019	Δ 2019/2018	
Mail & Other	10,798	10,646	-152	-1.4%
Express & Parcels	1,113	1,126	13	1.2%
Banco CTT *	250	273	23	9.2%
Financial Services *	33	30	-3	-9.1%
<b>Total, of which:</b>	<b>12,194</b>	<b>12,075</b>	<b>-119</b>	<b>-1.0%</b>
Permanent	11,052	10,835	-217	-2.0%
Fixed-term contract	1,142	1,240	98	8.6%
Total in Portugal	11,729	11,622	-107	-0.9%

\* In 2019 and in the same period of the previous year (proforma) this includes the migration of part of the payments services to Banco CTT; similarly, these payments services are excluded from Financial Services.

There was a decrease of 217 in the number of permanent staff and an increase of 98 in the number of employees with fixed-term contracts. The reduction of staff in CTT, S.A. (-270) had a notable impact on this evolution.

Together, the Operations and Distribution area (with 6,435 employees, 4,427 of whom are delivery postmen) and the Retail Network (with 2,719 employees) represent circa 76% of the CTT headcount.

It should be highlighted that these figures already include 55 exits in 2019, on top of 161 that occurred in 2017 and 268 in 2018 (a total of 429 in both years) within the human resources optimisation programme in the context of the ongoing Operational Transformation Plan.

## EBITDA

In 1Q19, the Company generated an EBITDA<sup>7</sup> before the impact of IFRS 16 of €21.0m, -€1.7m (-7.5%) compared to 1Q18, with a margin of 11.9% (12.8%) in 1Q18.

The EBITDA evolution was affected by the decline of EBITDA of Mail & Other (-€3.0m) and E&P (-€1.6m), which were not offset by the increase in the EBITDA of BCTT (+€0.3m) and Financial Services (+€2.5m).

<sup>7</sup> Earnings before interest, tax, depreciation and amortisation, impairments and provisions, and excluding impact of IFRS 16.



### EBITDA by Business Unit

€ million

	1Q18	1Q19	Δ ABS	Δ%
<b>EBITDA</b>	<b>22.7</b>	<b>21.0</b>	<b>-1.7</b>	<b>-7.5%</b>
Mail & Other	23.1	20.1	-3.0	-12.9%
Mail	34.8	30.7	-4.1	-11.7%
CTT Central Structure	-11.7	-10.6	1.1	9.3%
Express & Parcels	0.7	-0.9	-1.6	<<
Banco CTT *	-3.4	-3.1	0.3	10.1%
Financial Services *	2.3	4.8	2.5	108.3%

\* In 2019 and in the same period of the previous year (proforma) this includes the migration of the payments services to Banco CTT; similarly, these payments services are excluded from Financial Services.

### EBIT AND NET PROFIT

EBIT stood at €14.2m in 1Q19, corresponding to -€3.7m (-20.4%) vs 1Q18, with a margin of 8.0% (10.1% in 1Q18). The consolidated financial result reached -€2.1m, which represents an increase of €0.3m (+11.3%) vs 1Q18.

### Financial results

€ million

	1Q18	1Q19	Δ ABS	Δ%
<b>Financial results</b>	<b>-2.3</b>	<b>-2.1</b>	<b>0.3</b>	<b>11.3%</b>
<b>Financial income/ costs, net</b>	<b>-2.5</b>	<b>-2.4</b>	<b>0.1</b>	<b>4.2%</b>
Financial costs	2.5	2.4	-0.1	-4.0%
Baseline	1.4	1.4	0.0	2.4%
IFRS 16	1.1	1.0	-0.1	-12.3%
Interest income	0.0	0.0	0.0	21.3%
<b>Gains/losses in subsidiary and associated companies, and joint ventures</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>132.1%</b>

Incurring financial costs amounted to €2.4m (-4.0%), mainly incorporating financial costs related to post-employment and long-term employee benefits for an amount of €1.3m, as well as the interest associated to financial instruments and bank loans (€0.1m). Their reduction is due to the reduced interest from the lease liabilities in the context of the application of IFRS 16. Financial income stood at 22.2 thousand euros (+€21.3% vs 1Q18).

In 1Q19, CTT obtained a consolidated net profit attributable to shareholders of €3.7m, corresponding to a reduction of €2.2m (-37.7%) mainly due to the performance of EBIT (-€3.7m) that was not offset by the evolution of specific items (-€0.8m), financial results (+€0.3m) and tax (-€0.3m).





## SPECIFIC ITEMS<sup>8</sup>

In 1Q19, CTT recorded specific items for an amount of -€5.6m, broken down as shown below.

	€ million			
	1Q18	1Q19	Δ ABS	Δ%
<b>Specific items affecting EBITDA</b>	<b>-4.3</b>	<b>-5.6</b>	<b>-1.2</b>	<b>-28.7%</b>
<b>Specific items affecting EBIT</b>	<b>-6.4</b>	<b>-5.6</b>	<b>0.8</b>	<b>12.7%</b>
Corporate restructuring costs and strategic projects	-4.6	-5.5	-0.9	-20.7%
Other non-recurring operating income and costs	-1.8	-0.1	1.7	96.6%

The impact in the results of corporate restructuring and strategic projects (-€5.5m) relates mostly to the compensation paid for termination of employment contracts by mutual agreement in 1Q19 (-€4.0m) within the human resources optimisation programme in the context of the ongoing Operational Transformation Plan.

## INVESTMENT

Capex of the Group stood at €6.3m in 1Q19, +28.0% (+€1.4m) compared to 1Q18.

The growth of this figure is mainly due to the increased investment in mail processing equipment (+€2.1m) made in the context of the Investment Monitoring Programme which was not offset by the reduced investment in IT systems (-€0.6m) and buildings (-€0.3m) during this period.

## CASH FLOW

CTT generated an operating cash flow of €8.4m in 1Q19, an improvement vs the previous year due to a better management of working capital.

The negative evolution of working capital in 1Q18 related predominantly to the high number of employment contract terminations by mutual agreement.

<sup>8</sup> See note 2 of the "Changes to the financial reporting structure" included in section 2 "Other Highlights".



## CASH FLOW

€ million

	Consolidated		
	1Q18	1Q19	Δ 19/18
<b>EBITDA</b>	<b>22.7</b>	<b>21.0</b>	<b>-1.7</b>
Specific items*	-4.3	-5.6	-1.2
CAPEX	-5.0	-6.3	-1.4
Δ Working Capital	-25.4	-0.8	24.7
<b>Operating Cash Flow</b>	<b>-12.0</b>	<b>8.4</b>	<b>20.3</b>
Tax	-0.5	-0.1	0.4
Employee benefits	-3.5	-3.4	0.2
<b>Free Cash Flow</b>	<b>-16.0</b>	<b>4.9</b>	<b>20.9</b>
Debt (principal + interest)	-0.1	3.7	3.8
<b>Net Change in own Cash</b>	<b>-16.1</b>	<b>8.6</b>	<b>24.7</b>
Δ Liabilities related to Financial Services (net)	-49.4	-84.5	-35.2
Δ Liabilities related to Banco CTT (net)	-66.3	18.2	84.5
<b>Net Change in Cash</b>	<b>-131.7</b>	<b>-57.7</b>	<b>74.1</b>

\*Specific items affecting EBITDA.

**Δ Liabilities related to Financial Services (net)** - Change in net liabilities linked to third parties related to the Financial Services cash flow.

**Δ Liabilities related to Banco CTT (net)** - Change in net liabilities linked to third parties related to Banco CTT cash flow which includes the change in banking clients' deposits and other loans, credit to bank clients, investments in securities, deposits at the Bank of Portugal, other banking financial assets and third parties' other receivables and payables related to Banco CTT.

Excluding the impact of net liabilities of the Financial Services and Banco CTT business units, the change in own cash for the period is positive (+€8.6m).

The change in net liabilities of Banco CTT and Financial Services reflects the evolution of credit balances regarding depositors or other banking financial liabilities, to the cash used in credit or investment in securities / banking financial assets.

## CONSOLIDATED BALANCE SHEET

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



### Consolidated Balance Sheet excluding Banco CTT

	€ million		
	31.12.2018 Restated	31.03.2019	Δ%
Non-current Assets	486.6	479.3	-1.5%
Current Assets	456.9	399.7	-12.5%
<b>Assets</b>	<b>943.5</b>	<b>879.0</b>	<b>-6.8%</b>
<b>Equity</b>	<b>135.9</b>	<b>139.5</b>	<b>2.6%</b>
<b>Liabilities</b>	<b>807.6</b>	<b>739.6</b>	<b>-8.4%</b>
Non-current liabilities	363.5	362.0	-0.4%
Current liabilities	444.1	377.6	-15.0%
<b>Equity and Liabilities</b>	<b>943.5</b>	<b>879.0</b>	<b>-6.8%</b>

### Consolidated Balance Sheet

	€ million		
	31.12.2018 Restated	31.03.2019	Δ%
Non-current Assets	1,108.1	1,149.0	3.7%
Current Assets	746.3	683.8	-8.4%
<b>Assets</b>	<b>1,854.5</b>	<b>1,832.8</b>	<b>-1.2%</b>
<b>Equity</b>	<b>135.9</b>	<b>139.5</b>	<b>2.6%</b>
<b>Liabilities</b>	<b>1,718.6</b>	<b>1,693.3</b>	<b>-1.5%</b>
Non-current liabilities	364.3	362.5	-0.5%
Current liabilities	1,354.3	1,330.8	-1.7%
<b>Equity and Liabilities</b>	<b>1,854.5</b>	<b>1,832.8</b>	<b>-1.2%</b>

The key aspects of the comparison of the consolidated statement of financial position as at 31 March 2019 and that as at the end of the 2018 financial year (restated) are:

- **Non-current assets** increased €40.8m, mostly due to the increase of credit to banking clients (+€39.5m), especially mortgage loans.
- **Current assets** decreased €62.5m, of which -€57.7m relative to cash and cash equivalents and -€16.2m of other banking financial assets (investments in credit institutions).
- **Non-current liabilities** decreased by €1.7m of which the following stand out: (i) the reduction of medium and long-term debt (-€2.6m), especially the liabilities from operating leases (impact of IFRS 16); (ii) the €1.9m reduction of employee benefits (reduced liabilities with telephone subscription fees); and (iii) the increase of provisions (+€2.8m), specifically the provision for corporate restructuring (human resources optimisation programme).
- **Current liabilities** decreased €23.5m of which the following stand out: (i) the reduction of Financial Services payables (-€83.9m); (ii) the increase of Banco CTT customer deposits (+€38.1m); and (iii) the increase of other current liabilities (+€11.8m).
- **Equity** increased €3.6m due to the increase of retained earnings despite the decrease of the net profit for the period.

The **liabilities related to employee benefits** (post-employment and long-term benefits) were reduced to €259.6m as at 31 March 2019, -€2.1m compared to December 2018, and are broken down as shown in the table below:



### Liabilities related to long-term employee benefits

	31.12.2018	31.03.2019	Δ
<b>Total liabilities</b>	<b>261.7</b>	<b>259.6</b>	<b>-0.8%</b>
Healthcare	251.8	251.1	-0.3%
Staff (suspension agreements)	1.6	1.3	-20.5%
Other long-term employee benefits	7.9	6.8	-12.8%
Transporta pension plans	0.3	0.3	-1.6%
Other benefits	0.1	0.1	14.3%

## 2. OTHER HIGHLIGHTS

### REGULATORY ISSUES

In terms of the access to the postal network of CTT, as part of commitments entered into with the Competition Authority, an **extension of the access offer provided to competing postal operators** entered into force in the beginning of 2019.

On 10 January 2019, ANACOM stipulated that CTT should present a proposal to complement the **density targets of the postal network and minimum service offer** in force.

Taking into account that neither the Postal Law nor the universal postal service concession agreement impose equivalence between post offices and postal agencies, CTT considers that the conditions for the provision of services in postal establishments do not fall to a large extent in the context of the density of the postal network, but rather in distinct and autonomous matters, such as the secrecy and confidentiality of postal items, quality of service, etc.. Nevertheless, in order to meet ANACOM's decision and with a view to continuously improve the provision of the service, CTT submitted, within a specified deadline, a complementary proposal of postal network density targets and minimum service offers. The proposal communicated on 21 February 2019 is being analysed by the Regulator.

On 15 February 2019, following the audit to the 2016 results of the **cost accounting system of CTT**, ANACOM approved a draft decision on the results of this financial year, according to which this entity considers that new criteria for allocation of costs between the postal activity and the banking activity of the Company should be identified, and stipulated that the cost accounting for the 2016 and 2017 financial years should be revised in this perspective. In its response, submitted on 5 April 2019, CTT questioned the conclusions of the draft decision, in particular because the current system of cost allocation complies with, among other things, the fundamental principle of cost causation and is governed by rules which, since 1998, have been consistently applied. Approval of the final decision has not yet taken place.

### CHANGES TO THE FINANCIAL REPORTING STRUCTURE

As of 1Q19 the changes indicated below were made to the management information reporting structure.

1. Adjustments to the **Consolidation of the Business Units**, as follows:

a. **Implementation of the accounting standard IFRS16**

The implementation of IFRS16 changed the way in which the statutory accounting is performed with respect to the Fleet and Buildings captions, which are no longer considered under ES&S but rather as accounted for as amortisation and interest. This change impacted not only the reporting period (1Q19) but also the past period (1Q18), which was accounted for as proforma so that both periods could be compared.



b. **Re-allocation of internal revenues to Operating Costs**

The objective of this amendment was that the evolution of consolidated revenues was presented as the sheer sum of the performance of the external products that compose it, removing the effects of internal revenues from companies of other business areas. The change made these revenues deducted from the costs of the respective business units (BUs), thus ensuring that the operating costs structure and revenues are in line with the actual costs and revenues of each BU.

c. **Migration of part of the payments business line**

Some payments of the Financial Services BU (collection of bills and fines, Western Union transfers, integrated solutions and tolls) migrated to the Banco BU.

d. **Allocation of the Central Structure costs by Business Unit**

Until 2018, the Central Structure of the Company, along with the eliminations, was reported together with the mail under the Mail & Other business unit. The central structure reflects a structure of costs with revenues of a negligible value, leaving a net cost structure, referring to central / corporate costs, having and which have been divided between two business areas: Mail (99.7%) and Financial Services (0.3%).

Considering the immateriality of the value attributed to the Financial Services business area, in view of the migration of the Payments from the Financial Services business unit to Banco CTT, the Company simplified this allocation by placing 100% of the allocation of the central structure under the Mail BU.

2. **Elimination of recurring/ reported**

All the amounts are recurring and those of a specific or non-recurring nature are included under a reporting heading named "specific items".

**FINAL NOTE**

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 1<sup>st</sup> quarter of 2019, which are attached hereto.

Lisbon, 29 April 2019

The Board of Directors



This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT's Investor Relations website at:

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

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### **Disclaimer**

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

### **Forward-looking statements**

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

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

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

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

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



# 3 months report 2019

Interim condensed consolidated  
financial statements





## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 31 MARCH 2019  
 Euros

	NOTES	Restated 01.01.2018	Restated 31.12.2018	Unaudited 31.03.2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible fixed assets	5	306,619,741	264,708,624	261,842,886
Investment properties	7	6,164,849	8,179,980	8,108,321
Intangible assets	6	47,501,684	56,770,556	55,655,216
Goodwill		9,523,180	9,523,180	9,523,180
Investments in associated companies		296,260	296,260	296,260
Investments in joint ventures		-	496,076	781,037
Other investments		1,503,572	1,379,137	1,379,137
Investment securities	9	249,002,939	429,038,681	432,104,647
Other non-current assets		1,375,223	1,526,644	1,489,347
Credit to banking clients	11	64,263,949	231,797,420	271,334,320
Other banking financial assets	10	11,831,122	22,692,434	24,219,766
Deferred tax assets	25	9,195,491	81,734,114	82,229,428
<b>Total non-current assets</b>		<b>790,037,510</b>	<b>1,108,143,106</b>	<b>1,148,963,545</b>
<b>Current assets</b>				
Inventories		5,696,996	5,568,114	5,594,175
Accounts receivable		132,480,130	135,855,195	148,022,250
Credit to banking clients	11	15,083,442	16,252,561	17,258,178
Income taxes receivable	22	1,552,005	5,040,275	1,515,190
Deferrals	12	6,600,115	6,691,359	9,428,927
Investment securities	9	18,297,567	25,063,201	24,683,608
Other current assets		32,338,234	35,517,214	34,809,021
Other banking financial assets	10	91,417,084	93,621,151	77,439,564
Cash and cash equivalents		626,825,397	422,717,478	365,041,867
		930,290,968	746,326,549	683,792,780
Non-current assets held for sale		-	-	-
<b>Total current assets</b>		<b>930,290,968</b>	<b>746,326,549</b>	<b>683,792,780</b>
<b>Total assets</b>		<b>1,720,328,478</b>	<b>1,854,469,655</b>	<b>1,832,756,325</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	14	75,000,000	75,000,000	75,000,000
Own shares	15	(8)	(8)	(8)
Reserves	15	79,947,883	65,836,875	65,859,379
Retained earnings	15	48,787,928	4,378,984	25,728,605
Other changes in equity	15	(32,634,996)	(30,993,430)	(30,993,430)
Net profit		-	21,499,271	3,698,154
Equity attributable to equity holders		171,100,807	135,721,692	139,292,700
Non-controlling interests		146,738	165,494	158,474
<b>Total equity</b>		<b>171,247,545</b>	<b>135,887,186</b>	<b>139,451,174</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Medium and long term debt	18	96,387,393	100,282,203	97,678,570
Employee benefits		252,919,533	244,562,078	242,691,233
Provisions	19	26,028,332	16,019,339	18,833,261
Deferrals	12	316,892	305,691	302,891
Deferred tax liabilities	25	3,399,121	3,108,662	3,042,169
<b>Total non-current liabilities</b>		<b>379,051,271</b>	<b>364,277,973</b>	<b>362,548,124</b>
<b>Current liabilities</b>				
Accounts payable	20	384,533,294	322,276,222	236,967,771
Banking clients' deposits and other loans	21	619,229,680	883,950,534	922,035,265
Employee benefits		17,100,808	17,119,105	16,918,156
Short term debt	18	38,297,176	27,096,073	30,389,295
Deferrals	12	1,432,696	2,708,090	3,330,753
Other current liabilities		91,553,848	86,203,693	97,999,904
Other banking financial liabilities	10	17,882,160	14,950,779	23,115,883
<b>Total current liabilities</b>		<b>1,170,029,662</b>	<b>1,354,304,496</b>	<b>1,330,757,027</b>
<b>Total liabilities</b>		<b>1,549,080,933</b>	<b>1,718,582,469</b>	<b>1,693,305,351</b>
<b>Total equity and liabilities</b>		<b>1,720,328,478</b>	<b>1,854,469,655</b>	<b>1,832,756,325</b>

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



CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2019  
 Euros

	NOTES	Unaudited Restated 31.03.2018	Unaudited 31.03.2019
Sales and services rendered	4	171,069,029	170,151,984
Financial margin		1,503,237	2,500,370
Other operating income		4,370,771	4,209,138
		<u>176,943,037</u>	<u>176,861,492</u>
Cost of sales		(3,227,564)	(3,214,125)
External supplies and services		(53,807,885)	(57,729,948)
Staff costs	23	(89,742,451)	(89,936,755)
Impairment of accounts receivable, net		113,019	(621,331)
Impairment of other financial banking assets		14,037	33,255
Provisions, net	19	(1,408,478)	146,799
Depreciation/ amortisation and impairment of investments, net		(14,395,359)	(13,283,402)
Other operating costs		(2,957,710)	(3,601,311)
Gains/losses on disposal of assets	3	-	25,685
		<u>(165,412,391)</u>	<u>(168,181,132)</u>
		<u>11,530,646</u>	<u>8,680,360</u>
Interest expenses		(2,483,686)	(2,384,083)
Interest income		18,279	22,169
Gains/losses in associated companies		122,792	284,961
		<u>(2,342,615)</u>	<u>(2,076,953)</u>
		<b>9,188,031</b>	<b>6,603,407</b>
Income tax for the period	25	(3,227,702)	(2,913,015)
		<b>5,960,329</b>	<b>3,690,392</b>
<b>Net profit for the period attributable to:</b>			
Equity holders		5,936,211	3,698,154
Non-controlling interests		24,118	(7,761)
<b>Earnings per share:</b>	17	0.04	0.02

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

CTT-CORREIOS DE PORTUGAL, S.A.  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2019  
 Euros

	NOTES	Unaudited 31.03.2018	Unaudited 31.03.2019
<b>Net profit for the period</b>		<b>5,960,329</b>	<b>3,690,392</b>
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	1,896	742
Changes to fair value reserves	15	1,092	22,504
Employee benefits (non re-classifiable adjustment to profit and loss)		-	-
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)		-	-
Other changes in equity		1,895	(149,650)
<b>Other comprehensive income for the period after taxes</b>		<b>4,883</b>	<b>(126,404)</b>
<b>Comprehensive income for the period</b>		<b>5,965,212</b>	<b>3,563,989</b>
Attributable to non-controlling interests		26,013	(7,019)
Attributable to shareholders of CTT		5,939,199	3,571,008

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



CTT-CORREIOS DE PORTUGAL S.A.  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 AND 31 MARCH 2019  
 Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
<b>Reported balance on 1 January 2018</b>		<b>75,000,000</b>		<b>79,947,883</b>	<b>(32,634,996)</b>	<b>34,268,089</b>	<b>27,263,244</b>	<b>146,738</b>	<b>183,990,949</b>
Impact on initial application of IFRS 16 (net of tax)	3	-	-	-	-	(12,743,405)	-	-	(12,743,405)
<b>Restated balance on 1 January 2018</b>		<b>75,000,000</b>		<b>79,947,883</b>	<b>(32,634,996)</b>	<b>21,524,684</b>	<b>27,263,244</b>	<b>146,738</b>	<b>171,247,544</b>
Adjustment on initial application of IFRS 9 (net of tax)		-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	(4,281,946)	-	-	(4,281,946)
<b>Adjusted balance on 1 January 2018</b>		<b>75,000,000</b>		<b>79,947,883</b>	<b>(32,634,996)</b>	<b>20,057,019</b>	<b>27,263,244</b>	<b>146,738</b>	<b>169,779,879</b>
Appropriation of net profit for the year of 2017	16	-	-	(15,372,222)	-	(41,627,778)	(27,263,244)	-	(57,000,000)
Dividends		-	-	<b>(15,372,222)</b>	-	<b>(4,364,534)</b>	<b>(27,263,244)</b>	-	<b>(57,000,000)</b>
Other movements	15	-	-	1,311,267	-	(1,311,267)	-	(2,235)	(2,235)
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	1,641,566	-	-	-	1,641,566
Changes to fair value reserves	15	-	-	(50,053)	-	-	-	-	(50,053)
Adjustments from the application of the equity method	15	-	-	-	-	(2,235)	-	-	(2,235)
Restated net profit for the period	15	-	-	-	-	-	21,499,271	20,990	21,520,262
<b>Restated comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>1,261,214</b>	<b>1,641,566</b>	<b>(1,313,501)</b>	<b>21,499,271</b>	<b>18,756</b>	<b>23,107,506</b>
<b>Restated balance on 31 December 2018</b>		<b>75,000,000</b>		<b>65,836,875</b>	<b>(30,993,430)</b>	<b>4,378,984</b>	<b>21,499,271</b>	<b>165,494</b>	<b>135,887,186</b>
Appropriation of net profit for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-	-
Other movements	15	-	-	-	-	(150,392)	-	742	(149,650)
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	-	-	-	-	-
Changes to fair value reserves	15	-	-	22,504	-	-	-	-	22,504
Adjustments from the application of the equity method	15	-	-	-	-	742	-	-	742
Net profit for the period	15	-	-	-	-	-	3,698,154	(7,761)	3,690,393
<b>Comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>22,504</b>	<b>-</b>	<b>(149,650)</b>	<b>3,698,154</b>	<b>(7,019)</b>	<b>3,563,989</b>
<b>Balance on 31 March 2019 (Unaudited)</b>		<b>75,000,000</b>		<b>65,859,379</b>	<b>(30,993,430)</b>	<b>25,728,605</b>	<b>3,698,154</b>	<b>188,475</b>	<b>139,451,175</b>

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



CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2019

Euro

	NOTES	Unaudited Restated 3103.2018	Unaudited 3103.2019
<b>Cash flow from operating activities</b>			
Collections from customers		164,233,911	164,458,282
Payments to suppliers		(65,425,091)	(71,875,389)
Payments to employees		(84,251,459)	(70,549,664)
Banking customer deposits and other loans		45,867,413	38,076,425
Credit to banking clients		(35,023,575)	(40,001,727)
Cash flow generated by operations		25,401,199	20,107,927
Payments/receivables of income taxes		(496,182)	(70,255)
Other receivables/payments		(57,584,327)	(77,843,127)
Cash flow from operating activities (1)		(32,679,310)	(57,805,454)
<b>Cash flow from investing activities</b>			
Receivables resulting from:			
Tangible fixed assets		3,360	-
Investment properties		208,000	109,120
Financial investments		247,226	-
Investment securities		10,362,239	16,000,520
Demand deposits at Bank of Portugal		26,690,962	-
Other banking financial assets		17,765,000	25,715,000
Interest income		81,924	31,430
Payments resulting from:			
Tangible fixed assets		(5,050,738)	(5,074,617)
Intangible assets		(8,103,366)	(5,419,991)
Investment securities		(79,624,418)	(21,888,615)
Demand deposits at Bank of Portugal		-	(2,964,613)
Other banking financial assets		(26,520,000)	(8,560,000)
Cash flow from investing activities (2)		(63,939,811)	(2,051,766)
<b>Cash flow from financing activities</b>			
Receivables resulting from:			
Loans obtained		4,612,326	7,433,813
Payments resulting from:			
Loans repaid		(4,716,081)	(3,744,474)
Interest expenses		(78,403)	(13,368)
Finance leases		(5,025)	(7,190)
Lease liabilities - IFRS 16		(7,709,359)	(6,015,264)
Cash flow from financing activities (3)		(7,896,543)	(2,346,483)
Net change in cash and cash equivalents (1+2+3)		(104,515,664)	(62,203,704)
Cash and equivalents at the beginning of the period		592,677,415	414,846,614
Cash and cash equivalents at the end of the period		488,161,751	352,642,910
<b>Cash and cash equivalents at the end of the period</b>		<b>488,161,751</b>	<b>352,642,910</b>
Sight deposits at Bank of Portugal		6,065,019	9,182,031
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		983,239	3,230,008
Impairment of slight and term deposits		(131,566)	(13,081)
<b>Cash and cash equivalents (Balance sheet)</b>		<b>495,078,442</b>	<b>365,041,867</b>

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



## CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements  
(Amounts expressed in Euros)

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## 1. INTRODUCTION

CTT – Correios de Portugal, S.A. – Sociedade Aberta (“CTT” or “Company”), with head office at Avenida D. João II, no. 13, 1999-001 in Lisbon, had its origin in the “Administração Geral dos Correios Telégrafos e Telefones” government department and its legal form is the result of successive re-organisations 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 no. 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 no. 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 Euros, being from that date onwards represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During 2013, CTT’s capital was opened to the private sector. Supported by Decree-Law no. 129/2013 of 6 September and the Resolution of the Council of Ministers (“RCM”) no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, 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) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by detention and 6.36% by allocation.

On 5 September 2014, the second phase of the 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 bookbuilding process. The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 29 April 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the changes mentioned in section 3. Changes to accounting policies, errors and estimates.



## 2.1 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2019, and in accordance with IAS 34 - Interim Financial Reporting.

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

The Group has adopted, as at 1 January, IFRS 16 *Leases*.

IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:

- A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
- A lease liability representing its obligation to make lease payments until the end of the contract.

The adoption of IFRS 16 also impacts the income statement considering that the depreciations of the RoU asset and interest on the lease liability are recognised separately instead of the current recognition of the leases as External Supplies and Services.

Under IFRS 16 the lessee may opt for the non-application of this standard to:

- Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
- Leases of low-value underlying assets.

### **Adoption of IFRS 16 by the CTT Group**

The Group adopted the new standard with effect from 1 January 2019 according to the full retrospective transition approach, not having applied the abovementioned exemptions.

### **Types of leases**

The CTT Group conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified three major groups of leases:

#### **i. Real estate leases**

Real estate lease agreements that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain of exercising.

As a practical expedient, the fixed services associated with each property (variable component) were included in the accounting for the right of use.



## ii. Car leases

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

The amount of the lease rental depends on the number of kilometres the vehicle travels over the contract period. For this reason, only the minimum rents for the valuation of liabilities and right of use were considered.

As a practical expedient, the fixed services associated with each vehicle (variable component) were included in the accounting for the right of use.

## iii. Other leases

Other lease contracts were also identified for stackers and printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

As a practical expedient, the fixed services associated with each asset (variable component) were included in the accounting for the right of use.

### Incremental interest rate

Taking into account that the lease contracts do not have an implicit rate, an incremental interest rate is considered for the discount of the rents.

The incremental interest rate depends on the maturity/duration of the lease contract.

### Impacts on the consolidated financial statements

The impacts of the IFRS 16 adoption, with effects as at 1 January 2018, transition date and 31 December 2018 are detailed as follows:

#### Consolidated statement of financial position - 01.01.2018

Caption	Reported amount	Adjustments	
		IFRS 16	Restated amount
Tangible fixed assets	199,855,908	106,763,833	306,619,741
Investments in subsidiary companies	-	-	-
Deferred tax assets	87,155,739	4,799,252	91,954,991
Other assets' captions	1,321,753,745	-	1,321,753,746
<b>Total assets</b>	<b>1,608,765,392</b>	<b>111,563,085</b>	<b>1,720,328,478</b>
Retained earnings	61,531,333	(12,743,405)	48,787,928
Other equity's captions	122,459,617	-	122,459,617
<b>Total equity</b>	<b>183,990,950</b>	<b>(12,743,405)</b>	<b>171,247,545</b>
Non-current debt	73,689	96,313,704	96,387,393
Current debt	10,304,390	27,992,786	38,297,176
Other liabilities' captions	1,414,396,363	-	1,414,396,364
<b>Total liabilities</b>	<b>1,424,774,442</b>	<b>124,306,490</b>	<b>1,549,080,933</b>





### Consolidated statement of financial position – 31.12.2018

Caption	Reported amount	Adjustments	
		IFRS 16	Restated amount
Tangible fixed assets	182,986,001	81,722,623	264,708,624
Deferred tax assets	81,733,398	716	81,734,114
Income taxes receivable	1,108,421	3,931,854	5,040,275
Other assets' captions	1,502,986,642	-	1,502,986,642
<b>Total assets</b>	<b>1,768,814,462</b>	<b>85,655,193</b>	<b>1,854,469,655</b>
Retained earnings	17,122,389	(12,743,405)	4,378,984
Net profit	19,621,263	1,878,008	21,499,271
Other equity's captions	110,008,931	-	110,008,931
<b>Total equity</b>	<b>146,752,583</b>	<b>(10,865,397)</b>	<b>135,887,186</b>
Non-current debt	24,282,526	75,999,677	100,282,203
Current debt	6,575,160	20,520,913	27,096,073
Other liabilities' captions	1,591,204,193	-	1,591,204,193
<b>Total liabilities</b>	<b>1,622,061,879</b>	<b>96,520,590</b>	<b>1,718,582,469</b>

The impacts of the IFRS 16 adoption, with effects as at 31 March 2018 are detailed as follows:

### Consolidated Income Statement – Three months ended 31.03.2018

Caption	Reported amount	Adjustments	
		IFRS 16	Restated amount
Other operating income	4,370,771	-	4,370,771
External supplies and services	(62,607,438)	8,799,553	(53,807,885)
Depreciation/ amortisation and impairment of investments, net	(7,494,143)	(6,901,216)	(14,395,359)
Other operating costs	(2,957,710)	-	(2,957,710)
Gains/losses on disposal of assets	-	-	-
Interest expenses	(1,393,492)	(1,090,194)	(2,483,686)
Gains/losses in subsidiary, associated companies and joint ventures	122,792	-	122,792
Income tax for the period	(2,999,572)	(228,130)	(3,227,702)
Other captions	78,339,109	-	78,339,109
<b>Net profit for the period</b>	<b>5,380,317</b>	<b>580,013</b>	<b>5,960,329</b>
Other comprehensive income	4,883	-	4,883
<b>Comprehensive income for the period</b>	<b>5,385,200</b>	<b>580,013</b>	<b>5,965,212</b>
<b>Net profit for the period attributable to:</b>			
Equity holders	5,356,199	580,013	5,936,211
Non-controlling interests	24,118	-	24,118



**Consolidated cash flow statement - 3103.2018**

Caption	Reported amount	Adjustments IFRS 16	Restated amount
<b>Cash flow from operating activities</b>			
Payments to suppliers	(68,718,210)	3,424,258	(65,293,952)
Other receivables/payments	(62,000,567)	4,416,240	(57,584,327)
Other operating receivables/payments	90,330,108	-	90,330,108
<b>Cash flow from operating activities (1)</b>	<b>(40,388,669)</b>	<b>7,840,498</b>	<b>(32,548,171)</b>
<b>Cash flow from investing activities</b>			
Other investing receivables/payments	(63,939,811)	-	(63,939,811)
<b>Cash flow from investing activities (2)</b>	<b>(63,939,811)</b>	<b>-</b>	<b>(63,939,811)</b>
<b>Cash flow from financing activities</b>			
Lease liabilities - IFRS 16	-	(7,840,498)	(7,840,498)
Other financing receivables/payments	(187,184)	-	(187,184)
<b>Cash flow from financing activities (3)</b>	<b>(187,184)</b>	<b>(7,840,498)</b>	<b>(8,027,682)</b>
Cash and equivalents at the beginning of the period	592,677,415	-	592,677,415
Cash and cash equivalents at the end of the period	488,161,751	-	488,161,751

The impacts on the three-month period ended 31 March 2019 can be analysed in notes 5, 18 and 24.

Gains and losses related to assets disposals, previously recognised in the captions "Other operating income" and "Other operating costs" are now recognised under the caption "Gains/losses on disposal of assets" by the net amount. In this framework, the amounts for the 2018 financial year will be reclassified accordingly in the periods in which amounts of the referred natures exist.

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

#### 4. SEGMENT REPORTING

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

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

In 2019, changes were made to the management information structure.

1. The segment reporting has been amended in accordance with the following adjustments:

- a. Re-allocation of internal revenues to Operating costs

The purpose of this amendment is allowing the evolution of the consolidated revenues to be seen as the sum of the performance of external products that make up the Group, removing the effects of internal revenues with companies from other business areas. As a result of this change, revenues are now deducted from the respective segments' cost amounts, thus ensuring that the Operating costs and revenue structure is aligned with the actual expenses and revenues of each segment.

- b. IFRS16 adoption

The adoption of IFRS16 has changed the manner in which statutory accounts are presented with respect to costs with Fleet and Buildings, which are no longer considered in External Supplies and Services and are accounted for



in depreciations and interest. This change had an impact not only on the reporting period (1st quarter of 2019) but also on the historical (1st quarter of 2018), which was restated to allow the comparability of the periods.

c. Migration of the payments business

Some payment services in the Financial Services segment (billing and invoicing, Western Union transfers, integrated solutions and tolls) migrated to the segment Bank.

d. Central Structure deficit allocation

During the year 2018, the Central Structure deficit (difference between costs and revenues of the Central Structure) was being allocated 99.7% for the segment Mail and 0.3% for the Financial Services segment. Being the result of corporate / central costs, considering the immateriality of the 0.3% and given the migration of some payment services in the Financial Services segment, the company simplified this allocation by placing 100% of its imputation to the segment Mail.

2. Specific items

Any non-recurring items are recognised below EBIT under the caption "Specific items".

The first quarter of 2018 was restated, for comparison purposes, according to the changes performed.

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

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

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

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

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

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

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



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

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered 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. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated by nature to the Mail segment.

With the allocation of all costs, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the first quarter of 2019 and 2018 are as follows:

Thousand Euros	Restated 31.03.2018				Total
	Mail	Express & Parcels	Financial Services	Bank	
<b>Revenues</b>	<b>127,408</b>	<b>35,999</b>	<b>5,966</b>	<b>7,570</b>	<b>176,943</b>
Sales and services rendered	124,661	35,654	5,580	5,174	171,069
Sales	120,435	35,442	5,580	5,174	166,632
Services rendered	4,226	211	-	-	4,437
Financial Margin	-	-	-	1,503	1,503
Other operating income	2,747	345	386	893	4,371
<b>Operating costs excluding depreciations, amortizations, impairment and provisions</b>	<b>104,303</b>	<b>35,294</b>	<b>3,648</b>	<b>10,976</b>	<b>154,222</b>
Staff costs	76,611	5,561	315	3,557	86,044
External supplies and services	25,668	29,730	932	5,756	62,085
Other costs	4,659	554	52	827	6,092
Internal services rendered	(2,635)	(551)	2,349	836	(0)
<b>EBITDA</b>	<b>23,105</b>	<b>705</b>	<b>2,318</b>	<b>(3,406)</b>	<b>22,722</b>
IFRS 16 (impact on EBITDA)	7,248	1,340	1	210	8,800
<b>EBITDA including IFRS 16</b>	<b>30,352</b>	<b>2,045</b>	<b>2,319</b>	<b>(3,195)</b>	<b>31,521</b>
Impairment and provisions	487	(96)	-	49	439
Depreciation/amortisation and impairment of investments, net	(11,159)	(1,876)	(57)	(979)	(14,071)
<b>EBIT</b>	<b>19,681</b>	<b>72</b>	<b>2,262</b>	<b>(4,125)</b>	<b>17,889</b>
Specific Items	(4,665)	(1,625)	-	(69)	(6,359)
<b>EBIT including specific items</b>	<b>15,015</b>	<b>(1,553)</b>	<b>2,262</b>	<b>(4,194)</b>	<b>11,531</b>
Financial results					(2,343)
Interest expenses					(2,484)
Interest income					18
Gains/losses in subsidiary, associated companies and joint ventures					123
<b>Earnings before taxes (EBT)</b>					<b>9,188</b>
Income tax for the period					(3,228)
<b>Net profit for the period</b>					<b>5,960</b>
Non-controlling interests					(24)
<b>Equity holders of parent company</b>					<b>5,936</b>



Thousand Euros	31.03.2019				
	Mail	Express & Parcels	Financial Services	Bank	Total
<b>Revenues</b>	<b>123,320</b>	<b>36,719</b>	<b>7,822</b>	<b>9,000</b>	<b>176,862</b>
Sales and services rendered	121,142	36,497	7,636	4,877	170,152
Sales	117,401	36,298	7,636	4,877	166,212
Services rendered	3,741	198	-	-	3,940
Financial Margin	-	-	-	2,500	2,500
Other operating income	2,178	222	186	1,623	4,209
<b>Operating costs excluding depreciations, amortizations, impairment and provisions</b>	<b>103,205</b>	<b>37,589</b>	<b>2,995</b>	<b>12,062</b>	<b>155,851</b>
Staff costs	75,687	5,976	272	4,013	85,948
External supplies and services	24,771	31,556	718	6,131	63,176
Other costs	4,835	712	37	1,143	6,728
Internal services rendered	(2,088)	(655)	1,968	775	0
<b>EBITDA</b>	<b>20,115</b>	<b>(870)</b>	<b>4,828</b>	<b>(3,062)</b>	<b>21,010</b>
IFRS 16 (impact on EBITDA)	5,208	1,446	5	289	6,948
<b>EBITDA including IFRS 16</b>	<b>25,322</b>	<b>575</b>	<b>4,833</b>	<b>(2,773)</b>	<b>27,958</b>
Impairment and provisions	67	(549)	-	41	(441)
Depreciation/amortisation and impairment of investments, net	(9,812)	(2,078)	(62)	(1,331)	(13,283)
<b>EBIT</b>	<b>15,577</b>	<b>(2,052)</b>	<b>4,771</b>	<b>(4,063)</b>	<b>14,233</b>
Specific Items	(5,005)	(228)	(245)	(75)	(5,553)
<b>EBIT including specific items</b>	<b>10,573</b>	<b>(2,280)</b>	<b>4,526</b>	<b>(4,138)</b>	<b>8,680</b>
Financial results					(2,077)
Interest expenses					(2,384)
Interest income					22
Gains/losses in subsidiary, associated companies and joint ventures					285
<b>Earnings before taxes (EBT)</b>					<b>6,603</b>
Income tax for the period					(2,913)
<b>Net profit for the period</b>					<b>3,690</b>
Non-controlling interests					8
<b>Equity holders of parent company</b>					<b>3,698</b>

The revenues are detailed as follows:

Thousand Euros	Restated 3103.2018	3103.2019
<b>Mail</b>	<b>127,408</b>	<b>123,320</b>
Transactional mail	105,022	103,047
Editorial mail	3,917	3,684
Parcels (USO)	1,724	1,541
Advertising mail	6,336	5,597
Retail	2,857	2,636
Philately	1,830	1,403
Business Solutions	2,423	2,806
Other	3,298	2,605
<b>Express &amp; Parcels</b>	<b>35,999</b>	<b>36,719</b>
<b>Financial Services</b>	<b>5,966</b>	<b>7,822</b>
<b>Bank</b>	<b>7,570</b>	<b>9,000</b>
	<b>176,943</b>	<b>176,862</b>



The assets by segment are detailed as follows:

Assets (Euros)	31.12.2018 Restated					Total
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	
Intangible assets	77,362,450	24,244,827	411,932	25,919,171	10,554,799	138,493,179
Tangible fixed assets	165,633,399	14,336,869	(54,626)	70,7579	2,362,780	182,986,001
Investment properties	-	-	-	-	8,179,980	8,179,980
Goodwill	6,161,326	2,955,753	-	406,101	-	9,523,180
Deferred tax assets	-	-	-	-	81,734,114	81,734,114
Accounts receivable	-	-	-	-	135,855,195	135,855,195
Credit to bank clients	-	-	-	248,049,981	-	248,049,981
Investment securities	-	-	-	454,101,882	-	454,101,882
Other banking financial assets	-	-	-	116,313,585	-	116,313,585
Other assets	-	-	-	-	56,515,079	56,515,079
Cash and cash equivalents	-	5,378,204	-	145,339,778	271,999,495	422,717,478
	<b>249,157,174</b>	<b>46,915,653</b>	<b>357,306</b>	<b>990,838,078</b>	<b>567,201,444</b>	<b>1,854,469,655</b>

Assets (Euros)	31.03.2019					Total
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	
Intangible assets	223,322,474	32,518,753	211	1,400,798	4,600,649	261,842,886
Tangible fixed assets	14,493,410	4,867,795	300,302	24,970,281	11,023,428	55,655,216
Investment properties	-	-	-	-	8,108,321	8,108,321
Goodwill	6,161,326	2,955,753	-	406,101	-	9,523,180
Deferred tax assets	-	-	-	-	82,229,428	82,229,428
Accounts receivable	-	-	-	-	148,022,250	148,022,250
Credit to bank clients	-	-	-	288,592,498	-	288,592,498
Investment securities	-	-	-	456,788,255	-	456,788,255
Other banking financial assets	-	-	-	101,659,330	-	101,659,330
Other assets	-	-	-	-	55,293,093	55,293,093
Cash and cash equivalents	-	4,721,768	-	160,607,295	199,712,805	365,041,867
	<b>243,977,210</b>	<b>45,064,069</b>	<b>300,514</b>	<b>1,034,424,558</b>	<b>508,989,974</b>	<b>1,832,756,324</b>

Debt by segment is detailed as follows:

Other information (Euros)	31.12.2018 Restated				Total
	Mail	Express & Parcels	Financial Services	Bank	
<b>Non-current debt</b>	<b>77,975,310</b>	<b>21,545,162</b>	-	<b>761,731</b>	<b>100,282,203</b>
Bank loans	24,276,250	-	-	-	24,276,250
Lease liabilities	53,699,060	21,545,162	-	761,731	76,005,953
<b>Current debt</b>	<b>16,813,808</b>	<b>10,101,678</b>	-	<b>180,587</b>	<b>27,096,073</b>
Bank loans	-	6,558,116	-	-	6,558,116
Lease liabilities	16,813,808	3,543,562	-	180,587	20,537,957
	<b>94,789,118</b>	<b>31,646,839</b>	-	<b>942,318</b>	<b>127,378,276</b>

Other information (Euros)	31.03.2019				Total
	Mail	Express & Parcels	Financial Services	Bank	
<b>Non-current debt</b>	<b>76,309,201</b>	<b>20,860,552</b>	-	<b>508,817</b>	<b>97,678,570</b>
Bank loans	24,197,665	-	-	-	24,197,665
Lease liabilities	52,111,536	20,860,552	-	508,817	73,480,905
<b>Current debt</b>	<b>16,303,860</b>	<b>13,762,085</b>	-	<b>323,349</b>	<b>30,389,295</b>
Bank loans	-	10,429,861	-	-	10,429,861
Lease liabilities	16,303,860	3,332,224	-	323,349	19,959,434
	<b>92,613,061</b>	<b>34,622,637</b>	-	<b>832,167</b>	<b>128,067,865</b>



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

Thousand Euros	3103.2018	3103.2019
Revenue - Portugal	146,522	143,518
Revenue - other countries	24,547	26,634
	<b>171,069</b>	<b>170,152</b>

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

## 5. TANGIBLE FIXED ASSETS

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation, were as follows:

	Restated*									
	31.12.2018									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
<b>Tangible fixed assets</b>										
Opening balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	265,370,129	885,283,033
Acquisitions	-	555,859	2,768,963	16,788	175,971	775,513	4,134,480	10,256	-	9,977,829
New contracts	-	-	-	-	-	-	-	-	31613,659	31613,659
Disposals	(545,455)	(1,769,365)	(2,217,254)	(35,899)	(23,810)	(962)	-	-	-	(4,592,744)
Transfers and write-offs	(964,691)	(6,671,760)	(4,104,444)	236,348	-	(239,712)	(3,225,750)	(179,594)	-	(15,149,603)
Terminated contracts	-	-	-	-	-	-	-	-	(95,976,048)	(95,976,048)
Adjustments	-	(205,293)	(53,825)	(559)	(40,721)	(3,903)	-	(47,608)	-	(152,008)
Closing balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	201,007,740	810,804,117
<b>Accumulated depreciation</b>										
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	189,582,691	609,590,346
Depreciation for the period	-	9,932,112	6,073,870	45,576	3,081,613	1,252,572	-	-	25,678,474	46,064,217
Disposals	(13,595)	(790,864)	(2,113,563)	(35,899)	(23,810)	(962)	-	-	-	(2,978,692)
Transfers and write-offs	(98,745)	(6,240,250)	(4,282,904)	147,416	(1,534)	(153,097)	-	-	-	(10,629,115)
Terminated contracts	-	-	-	-	-	-	-	-	(95,976,048)	(95,976,048)
Adjustments	-	31	13	79	285	122	-	-	-	531
Closing balance	3,739,154	210,562,513	127,971,545	3,428,245	58,772,955	22,311,709	-	-	119,285,117	546,071,239
<b>Accumulated impairment</b>										
Opening balance	-	-	-	-	-	49,340	-	-	-	49,340
Other variations	-	-	-	-	-	(25,085)	-	-	-	(25,085)
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
<b>Net Tangible fixed assets</b>	<b>31,852,839</b>	<b>324,002,575</b>	<b>15,089,287</b>	<b>169,716</b>	<b>5,053,039</b>	<b>4,235,087</b>	<b>2,409,296</b>	<b>174,162</b>	<b>81,722,623</b>	<b>264,708,624</b>

\* Restated values: see note 3

	3103.2019									
	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	Rights of use	Total
<b>Tangible fixed assets</b>										
Opening balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	201,007,740	810,804,117
Acquisitions	-	57,021	472,252	91,927	714,885	273,786	694,142	2,085,285	-	4,389,297
New contracts	-	-	-	-	-	-	-	-	2,894,248	2,894,248
Disposals	-	-	(207,823)	-	(716)	-	-	-	-	(208,539)
Transfers and write-offs	-	541,558	(1,015)	-	-	(2,060)	(541,558)	-	-	(3,075)
Terminated contracts	-	-	-	-	-	-	-	-	(2,206,202)	(2,206,202)
Adjustments	-	(274)	(5,306)	(201)	(482)	(318)	-	-	-	(6,580)
Closing balance	35,591,993	335,163,392	143,338,941	3,689,688	64,539,681	26,842,459	2,561,880	2,259,447	201,695,785	815,663,266
<b>Accumulated depreciation</b>										
Opening balance	3,739,154	210,562,513	127,971,545	3,428,245	58,772,955	22,311,709	-	-	119,285,117	546,071,239
Depreciation for the period	-	2,334,571	1,426,977	10,577	559,778	226,002	-	-	5,586,449	10,144,354
Disposals	-	-	(204,665)	-	(716)	-	-	-	-	(205,380)
Transfers and write-offs	-	-	(3,075)	-	-	-	-	-	-	(3,075)
Terminated contracts	-	-	-	-	-	-	-	-	(2,206,202)	(2,206,202)
Adjustments	-	(35)	(3,946)	(159)	(406)	(263)	-	-	-	(4,809)
Closing balance	3,739,154	212,897,049	129,186,836	3,438,663	59,331,612	22,537,449	-	-	122,665,363	553,796,126
<b>Accumulated impairment</b>										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
<b>Net Tangible fixed assets</b>	<b>31,852,839</b>	<b>322,266,343</b>	<b>14,132,105</b>	<b>251,025</b>	<b>5,208,069</b>	<b>4,280,755</b>	<b>2,561,880</b>	<b>2,259,447</b>	<b>79,030,422</b>	<b>261,842,886</b>



During the three-month period ended 31 March 2019, Land and natural resources and Buildings and other constructions include 581,453 Euros (590,362 Euros as at 31 December 2018), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the three-month period ended 31 March 2019, the most significant movements in Tangible fixed assets were the following:

**Buildings and other constructions:**

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

**Basic equipment:**

The amount of acquisitions mainly relates to the purchase of printers, labeling machines, monitors and optical readers in the amount of 298 thousand Euros by CTT.

**Office equipment:**

The amount of acquisitions relates essentially the acquisition of several micro-computing equipment for approximately 607 thousand Euros by CTT.

**Other tangible fixed assets:**

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 170 thousand Euros by CTT.

**Tangible fixed assets in progress:**

The amounts under this heading are related to the capitalisation of improvements in own and third-party properties.

**Rights of Use**

Following the adoption of IFRS 16 the Group recognised rights of use, detailed by type of asset, as follows:

	Restated*			Total
	Buildings	Vehicles	Other assets	
<b>Tangible fixed assets</b>				
Opening balance	233,881,680	23,480,135	8,008,314	265,370,129
New contracts	16,169,120	14,079,082	1,365,457	31,613,659
Terminated contracts	(78,846,948)	(9,466,973)	(7,662,127)	(95,976,048)
Closing balance	171,203,852	28,092,244	1,711,643	201,007,740
<b>Accumulated depreciation</b>				
Opening balance	167,335,774	15,294,025	6,952,892	189,582,691
Depreciation for the period	18,376,976	6,073,372	1,228,126	25,678,474
Terminated contracts	(78,846,948)	(9,466,973)	(7,662,127)	(95,976,048)
Closing balance	106,865,802	11,900,424	518,891	119,285,117
<b>Net Tangible fixed assets</b>	<b>64,338,050</b>	<b>16,191,821</b>	<b>1,192,753</b>	<b>81,722,623</b>

\* Restated values: see note 3





	31.03.2019			
	Buildings	Vehicles	Other assets	Total
<b>Tangible fixed assets</b>				
Opening balance	171,203,852	28,092,244	1,711,643	201,007,740
New contracts	1,127,857	1,766,391	-	2,894,248
Terminated contracts	(1,102,304)	(946,972)	(156,926)	(2,206,202)
Closing balance	171,229,404	28,911,663	1,554,718	201,695,785
<b>Accumulated depreciation</b>				
Opening balance	106,865,802	11,900,424	518,891	119,285,117
Depreciation for the period	3,765,127	1,725,330	95,992	5,586,449
Terminated contracts	(1,102,304)	(946,972)	(156,926)	(2,206,202)
Closing balance	109,528,625	12,678,781	457,957	122,665,363
<b>Net Tangible fixed assets</b>	61,700,779	16,232,882	1,096,761	79,030,422

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (note 18) and Interest expenses and income notes (note 24), respectively.

The depreciation recorded in the amount of 10,144,354 Euros (11,773,815 Euros on 31 March 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

	31.03.2019
Mail Sorting Machines	14,325,215
OCR Improvements	483,432
Improvements in properties	106,618
Labeling machines	57,163
Optical Readers	57,044
Desktops and tablets	28,192
Postal delivery equipment	19,709
Electric vehicles	19,325
SADI/SDI - Fire and intrusion detection systems	11,511
	<b>15,108,210</b>

## 6. INTANGIBLE ASSETS

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:



31.12.2018						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
<b>Intangible assets</b>						
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Acquisitions	-	2,332,323	953,564	-	17,445,188	20,731,075
Transfers and write-offs	-	15,512,745	-	-	(15,559,963)	(47,218)
Adjustments	-	-	1,709	-	-	1,709
Closing balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	132,298,428
<b>Accumulated amortisation</b>						
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Amortisation for the period	4,488	10,745,367	665,827	-	-	11,415,682
Transfers and write-offs	-	-	-	-	-	-
Adjustments	-	-	1,012	-	-	1,012
Closing balance	4,375,722	61,288,015	9,419,396	444,739	-	75,527,871
<b>Net intangible assets</b>	<b>4,830</b>	<b>36,793,017</b>	<b>4,833,029</b>	<b>-</b>	<b>15,139,681</b>	<b>56,770,556</b>
31.03.2019						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
<b>Intangible assets</b>						
Opening balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	132,298,428
Acquisitions	-	11,049	631	-	1,943,268	1,954,948
Transfers and write-offs	-	355,315	-	-	(355,315)	-
Adjustments	-	-	(5,022)	-	-	(5,022)
Closing balance	4,380,552	98,447,395	14,248,034	444,739	16,727,634	134,248,354
<b>Accumulated amortisation</b>						
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	75,527,871
Amortisation for the period	318	2,882,862	184,208	-	-	3,067,388
Transfers and write-offs	-	-	-	-	-	-
Adjustments	-	-	(2,122)	-	-	(2,122)
Closing balance	4,376,040	64,170,877	9,601,481	444,739	-	78,593,137
<b>Net intangible assets</b>	<b>4,512</b>	<b>34,276,518</b>	<b>4,646,553</b>	<b>-</b>	<b>16,727,634</b>	<b>55,655,216</b>

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

The transfers occurred in the three-month period ended 31 March 2019 in Intangible assets in progress to Computer software refer to IT projects which were completed during the period.

The amounts of 247,148 Euros and 273,007 Euros that were capitalised in Computer software or in Intangible assets in progress as at 31 March 2018 and 31 March 2019, respectively, related to the staff costs incurred in the development of these projects.

As at 31 March 2019, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:



	31.03.2019
SAP Hana & Hybris Billing	2,666,449
CRM - software	1,100,692
SIGPOSTAL - software	1,001,842
Digital channels - software	787,836
NAVE evolution	635,074
e-Fulfillment	452,920
Servers, storage e backup	432,778
Mailmanager - software	394,104
Mortgage loans - software	389,844
Transaction Monitoring - software	372,766
Management information - Software	362,260
Aplica Legacy adaptations	336,935
Data Governance - software	328,095
Customs portal	313,460
International Accounts - Software	234,508
SAP developments	218,820
Payment Services Directive 2 - software	208,609
IQS 10 - Tempos de Espera	200,422
CTTads	195,292
Robotic Process Automation - software	194,355
Security and Backup Information	174,266
INTRANET CTT	169,529
Transactions broker - software	159,006
Lease Management - software	157,359
Recibos On-line - software	147,267
IT Asset Management - Implementation	145,330
Identity and Access Management	140,526
DOL - Treatment and generation of schedules	135,744
	<b>12,056,088</b>

The amortisation for the period, of 3,067,388 Euros (2,563,497 Euros as at 31 March 2018), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible - assets are as follows:

	31.03.2019
Mail Sorting Machines	14,325,215
OCR Improvements	483,432
Improvements in properties	106,618
Labeling machines	57,163
Optical Readers	57,044
Desktops and tablets	28,192
Postal delivery equipment	19,709
Electric vehicles	19,325
SADI/SDI - Fire and intrusion detection systems	11,511
	<b>15,108,210</b>



## 7. INVESTMENT PROPERTIES

As at 31 December 2018 and 31 March 2019, the Group has the following assets classified as investment properties:

	31.12.2018		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	2,882,477	11,824,326	14,706,803
Disposals	(98,874)	(812,552)	(911,425)
Transfers and write-offs	724,752	5,529,376	6,254,128
Other movements	-	(2,518)	(2,518)
Closing balance	3,508,355	16,538,633	20,046,988
<b>Accumulated depreciation</b>			
Opening balance	166,541	7,282,857	7,449,397
Depreciation for the period	-	299,932	299,932
Disposals	(10,982)	(528,516)	(539,498)
Transfers and write-offs	79,415	3,334,258	3,413,674
Closing balance	234,974	10,388,531	10,623,505
<b>Accumulated impairment</b>			
Opening balance	-	1,092,556	1,092,556
Impairment for the period	-	(732,506)	(732,506)
Transfers	-	883,452	883,452
Closing balance	-	1,243,502	1,243,502
<b>Net Investment properties</b>	3,273,381	4,906,599	8,179,980
	31.03.2019		
	Land and natural resources	Buildings and other constructions	Total
<b>Investment properties</b>			
Opening balance	3,508,355	16,538,633	20,046,988
Disposals	-	-	-
Transfers and write-offs	-	-	-
Other movements	-	-	-
Closing balance	3,508,355	16,538,633	20,046,988
<b>Accumulated depreciation</b>			
Opening balance	234,974	10,388,531	10,623,505
Depreciation for the period	-	71,660	71,660
Disposals	-	-	-
Transfers and write-offs	-	-	-
Closing balance	234,974	10,460,191	10,695,165
<b>Accumulated impairment</b>			
Opening balance	-	1,243,502	1,243,502
Impairment for the period	-	-	-
Transfers	-	-	-
Closing balance	-	1,243,502	1,243,502
<b>Net Investment properties</b>	3,273,381	4,834,940	8,108,321

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



In the year ended 31 December 2018, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 138 thousand Euros, been recorded in the caption Other operating income.

Depreciation for the period, of 71,660 Euros (58,047 Euros on 31 March 2018), was recorded in the caption Depreciation / amortisation and impairment of investments, net.

## 8. COMPANIES INCLUDED IN THE CONSOLIDATION

### Subsidiary companies

As at 31 December 2018 and 31 March 2019, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

Company name	Place of business	Head office	31.12.2018			31.03.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
<b>Parent company:</b>								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001Lisboa	-	-	-	-	-	-
<b>Subsidiaries:</b>								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Alcarria, numero 8, 28823 Coslada, Madrid	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso Bairro da Polana Maputo - Mozambique	50	-	50	50	-	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521Cacém	100	-	100	100	-	100

In relation to the company CORRE, as the Group has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

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

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

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



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

On 31 December 2018, but producing effects as of 1 January 2018, were registered the mergers by incorporation of Mailtec Comunicação, S.A. and Escrita Inteligente, S.A. in CTT – Correios de Portugal through the global transfer of the assets. These transactions had no impact on the consolidation perimeter.

On 31 December 2018 the subsidiary CTT Expresso, S.A. distributed reserves and retained earnings in the amount of 15,548,149 Euros.

On the same date the subsidiary Tourline Express Mensajería, SLU was subject to an operation of equity increase in the amount of 6,440,000 Euros.

### Joint ventures

As at 31 December 2018 and 31 March 2019, the Group held the following interests in joint ventures, accounted for by the equity method:

Company name	Place of business	Head office	31.12.2018			31.03.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	-	51	51	-	51
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Ja Eng.ª Ferreira Dias 924 Esc. Porto	50	-	50	50	-	50

On 8 August 2018, MKTPlace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., was formed, regarding the creation of an e-commerce platform to provide integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.

### Associated companies

As at 31 December 2018 and 31 March 2019, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2018			31.03.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Eletrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	20	-	20
Mafelosa, SL <sup>(a)</sup>	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL <sup>(a)</sup>	Spain	Málaga - Spain	-	30	30	-	30	30

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

### Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of MKTPlace - Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

During the three-month period ended 31 March 2019, there were no changes in the consolidation perimeter.



## 9. INVESTMENT SECURITIES

As at 31 December 2018 and 31 March 2019, the caption Investment securities showed the following composition:

	31.12.2018	31.03.2019
<b>Non-current</b>		
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>		
Debt securities and other fixed-income securities		
Public issuers	546,260	542,525
Other issuers	311,385	-
	857,645	542,525
<b>Investment securities measured at amortised cost</b>		
Debt securities and other fixed-income securities		
Public issuers	403,296,616	409,277,891
Other issuers	25,048,798	22,448,120
Impairment	(164,378)	(163,889)
	428,181,036	431,562,122
	<b>429,038,681</b>	<b>432,104,647</b>
<b>Current</b>		
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>		
Debt securities and other fixed-income securities		
Public issuers	13,765	18,512
Other issuers	617,658	-
	631,423	18,512
<b>Investment securities measured at amortised cost</b>		
Debt securities and other fixed-income securities		
Public issuers	14,292,141	14,735,772
Other issuers	10,158,084	9,936,305
Impairment	(18,447)	(6,981)
	24,431,778	24,665,096
	<b>25,063,201</b>	<b>24,683,608</b>
	<b>454,101,881</b>	<b>456,788,255</b>

<sup>(1)</sup> As at 31 December 2018 and 31 March 2019 includes the amount of 127.791Euros and 207Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Investment securities measured at Fair Value through Other Comprehensive Income and the residual maturity of the investment securities as at 31 December 2018 and 31 March 2019 is detailed as follows:

	31.12.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>							
Debt securities and other fixed-income securities							
Public - debt securities							
National	13,765	-	13,765	546,260	-	546,260	560,025
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	9,163	608,495	617,658	311,385	-	311,385	929,043
	<b>22,928</b>	<b>608,495</b>	<b>631,423</b>	<b>857,645</b>	-	<b>857,645</b>	<b>1,489,068</b>

<sup>(1)</sup> As at 31 December 2018 includes the amount of 127.791Euros regarding Accumulated impairment losses.



	31.12.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
<b>Investment securities measured at amortised cost</b>							
Debt securities and other fixed-income securities							
Public-debt securities							
National	4,704,139	6,551,473	11,255,612	18,070,554	267,159,988	285,230,542	296,486,154
Foreign	497,547	2,538,983	3,036,529	42,443,006	75,623,068	118,066,074	121,102,603
Other issuers							
National	5,258,084	4,900,000	10,158,084	17,878,512	7,170,286	25,048,798	35,206,882
Foreign	-	-	-	-	-	-	-
	<b>10,459,770</b>	<b>13,990,455</b>	<b>24,450,225</b>	<b>78,392,071</b>	<b>349,953,342</b>	<b>428,345,414</b>	<b>452,795,639</b>

	31.03.2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
<b>Investment securities measured at Fair Value through Other Comprehensive Income <sup>(1)</sup></b>							
Debt securities and other fixed-income securities							
Public-debt securities							
National	18,512	-	18,512	542,525	-	542,525	561,037
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-
	<b>18,512</b>	<b>-</b>	<b>18,512</b>	<b>542,525</b>	<b>-</b>	<b>542,525</b>	<b>561,037</b>

<sup>(1)</sup> As at 31 March 2019 includes the amount of 207 Euros regarding Accumulated impairment losses.

	31.03.2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
<b>Investment securities measured at amortised cost</b>							
Debt securities and other fixed-income securities							
Public-debt securities							
National	11,580,918	-	11,580,918	17,986,125	267,357,809	285,343,933	296,924,851
Foreign	630,368	2,524,487	3,154,855	42,378,638	81,555,319	123,933,957	127,088,812
Other issuers							
National	9,936,305	-	9,936,305	22,448,120	-	22,448,120	32,384,425
Foreign	-	-	-	-	-	-	-
	<b>22,147,591</b>	<b>2,524,487</b>	<b>24,672,078</b>	<b>82,812,882</b>	<b>348,913,128</b>	<b>431,726,010</b>	<b>456,398,088</b>

The impairment losses, for the year ended 31 December 2018 and the three-month period ended 31 March 2019, are detailed as follows:

	31.12.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>						
Investment securities measured at Fair Value through Other Comprehensive Income	-	4,325	(8,387)	-	4,566	504
Investment securities measured at amortised cost	-	110,568	(190,198)	-	244,008	164,379
	-	114,893	(198,585)	-	248,575	164,883
<b>Current assets</b>						
Investment securities measured at Fair Value through Other Comprehensive Income	-	121,166	-	-	6,120	127,286
Investment securities measured at amortised cost	-	15,383	-	-	3,064	18,447
	-	136,549	-	-	9,184	145,733
<b>Investment securities measured at Fair Value through Other Comprehensive Income</b>	<b>-</b>	<b>125,491</b>	<b>(8,387)</b>	<b>-</b>	<b>10,686</b>	<b>127,790</b>
<b>Investment securities measured at amortised cost</b>	<b>-</b>	<b>125,951</b>	<b>(190,198)</b>	<b>-</b>	<b>247,072</b>	<b>182,825</b>
	<b>-</b>	<b>251,442</b>	<b>(198,585)</b>	<b>-</b>	<b>257,759</b>	<b>310,616</b>





	31.03.2019					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	
<b>Non-current assets</b>						
Investment securities measured at Fair Value through Other Comprehensive Income	504	1	(299)	-	-	207
Investment securities measured at amortised cost	164,379	5,856	(6,346)	-	-	163,889
	<b>164,883</b>	<b>5,857</b>	<b>(6,645)</b>	<b>-</b>	<b>-</b>	<b>164,095</b>
<b>Current assets</b>						
Investment securities measured at Fair Value through Other Comprehensive Income	127,286	-	(40,230)	(87,056)	-	0
Investment securities measured at amortised cost	18,447	-	(11,465)	-	-	6,981
	<b>145,733</b>	<b>-</b>	<b>(51,695)</b>	<b>(87,056)</b>	<b>-</b>	<b>6,981</b>
<b>Investment securities measured at Fair Value through Other Comprehensive Income</b>	<b>127,790</b>	<b>1</b>	<b>(40,529)</b>	<b>(87,056)</b>	<b>-</b>	<b>207</b>
<b>Investment securities measured at amortised cost</b>	<b>182,825</b>	<b>-</b>	<b>(17,812)</b>	<b>-</b>	<b>-</b>	<b>170,870</b>
	<b>310,616</b>	<b>5,857</b>	<b>(58,340)</b>	<b>(87,056)</b>	<b>-</b>	<b>171,077</b>

## 10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2018 and 31 March 2019, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2018	31.03.2019
<b>Non-current assets</b>		
Loans to credit institutions	22,910,185	24,460,194
Impairment	(217,751)	(240,429)
	<b>22,692,434</b>	<b>24,219,766</b>
<b>Current assets</b>		
Investments in credit institutions	78,314,989	58,520,939
Loans to credit institutions	14,004,877	15,107,210
Impairment	(197,018)	(96,897)
Other	1,509,230	3,908,312
Impairment	(10,927)	-
	<b>93,621,151</b>	<b>77,439,564</b>
	<b>116,313,585</b>	<b>101,659,330</b>
<b>Current liabilities</b>		
Other	14,950,779	23,115,883
	<b>14,950,779</b>	<b>23,115,883</b>

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

	31.12.2018	31.03.2019
Up to 3 months	24,472,036	57,661,601
From 3 to 6 months	56,031,030	9,035,561
From 6 to 12 months	11,816,800	6,930,986
From 1 to 3 years	14,251,127	15,504,495
Over 3 years	8,659,058	8,955,700
	<b>115,230,051</b>	<b>98,088,343</b>

The impairment losses, for the year ended 31 December 2018 and the three-month period ended 31 March 2019, are detailed as follows:



	31.12.2018						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	
<b>Non-current assets</b>							
Investments and loans in credit institutions	-	564,091	(462,633)	-	-	116,293	217,751
	-	564,091	(462,633)	-	-	116,293	217,751
<b>Current assets</b>							
Investments and loans in credit institutions	-	-	(310,086)	-	-	507,104	197,018
Other	-	10,927	-	-	-	-	10,927
	-	10,927	(310,086)	-	-	507,104	207,945
	-	<b>575,018</b>	<b>(772,719)</b>	-	-	<b>623,397</b>	<b>425,696</b>

	31.03.2019						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	
<b>Non-current assets</b>							
Investments and loans in credit institutions	217,751	47,947	(25,270)	-	-	-	240,428
	217,751	47,947	(25,270)	-	-	-	240,428
<b>Current assets</b>							
Investments and loans in credit institutions	197,018	-	(100,121)	-	-	-	96,897
Other	10,927	-	-	-	(10,927)	-	-
	207,945	-	(100,121)	-	(10,927)	-	96,897
	<b>425,696</b>	<b>47,947</b>	<b>(125,391)</b>	-	<b>(10,927)</b>	-	<b>337,325</b>

## 11. CREDIT TO BANK CLIENTS

As at 31 December 2018 and 31 March 2019, the caption Credit to bank clients was detailed as follows:

	31.12.2018	31.03.2019
<b>Performing loans</b>	<b>248,114,654</b>	<b>288,690,592</b>
Mortgage Loans	238,667,450	279,408,121
Overdrafts	529,154	696,263
Other credits	8,918,050	8,586,207
<b>Overdue loans</b>	<b>392,852</b>	<b>455,976</b>
Overdue loans - less than 90 days	60,947	52,967
Overdue loans - more than 90 days	331,905	403,009
	248,507,506	289,146,568
<b>Credit risk impairment</b>	<b>(457,525)</b>	<b>(554,070)</b>
	248,049,981	288,592,498

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

	31.12.2018	31.03.2019
Fixed rate	922,006	1,152,239
Floating rate	247,585,500	287,994,328
	<b>248,507,506</b>	<b>289,146,567</b>
Credit risk impairment	(457,525)	(554,070)
	<b>248,049,981</b>	<b>288,592,497</b>

The maturity analysis of the Credit to bank clients as at 31 December 2018 and 31 March 2019 is detailed as follows:



	31.12.2018							
	Current				Non-current			Total
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	1,722,857	4,921,205	6,644,062	13,332,739	218,690,649	232,023,388	238,667,450
Overdrafts	922,006	-	-	922,006	-	-	-	922,006
Other credits	-	8,918,050	-	8,918,050	-	-	-	8,918,050
	922,006	10,640,907	4,921,205	16,484,118	13,332,739	218,690,649	232,023,388	248,507,506

	31.03.2019							
	Current				Non-current			Total
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	2,034,296	5,753,139	7,787,435	15,588,004	256,032,682	271,620,686	279,408,121
Overdrafts	1,152,240	-	-	1,152,240	-	-	-	1,152,240
Other credits	-	8,586,207	-	8,586,207	-	-	-	8,586,207
	1,152,240	10,620,503	5,753,139	17,525,882	15,588,004	256,032,682	271,620,686	289,146,568

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the movement in the Credit to bank clients impairment caption was as follows:

	31.12.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>						
Credit to banking clients	59,078	230,708	(57,229)	-	(6,589)	225,968
	59,078	230,708	(57,229)	-	(6,589)	225,968
<b>Current assets</b>						
Credit to banking clients	58,573	169,107	-	-	3,876	231,556
	58,573	169,107	-	-	3,876	231,556
	<b>117,651</b>	<b>399,816</b>	<b>(57,229)</b>	-	<b>(2,713)</b>	<b>457,525</b>

	31.03.2019					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>						
Credit to banking clients	225,968	96,012	(35,615)	-	-	286,366
	225,968	96,012	(35,615)	-	-	286,366
<b>Current assets</b>						
Credit to banking clients	231,556	36,148	-	-	-	267,704
	231,556	36,148	-	-	-	267,704
	<b>457,525</b>	<b>132,160</b>	<b>(35,615)</b>	-	-	<b>554,070</b>

## 12. DEFERRALS

As at 31 December 2018 and 31 March 2019, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:



	31.12.2018	31.03.2019
<b>Assets deferrals</b>		
Current		
Rents payable	1,299,445	1,318,140
Meal allowances	1,541,263	1,529,967
Other	3,850,652	6,580,821
	<b>6,691,359</b>	<b>9,428,927</b>
<b>Liabilities deferrals</b>		
Non-current		
Investment subsidy	305,691	302,891
	<b>305,691</b>	<b>302,891</b>
Current		
Phone-ix top ups	110,597	101,390
Deferred commissions	-	36,159
Investment subsidy	11,201	11,201
Contractual liabilities	1,402,125	1,854,908
Other	1,184,167	1,327,096
	<b>2,708,090</b>	<b>3,330,753</b>
	<b>3,013,781</b>	<b>3,633,644</b>

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

### 13. ACCUMULATED IMPAIRMENT LOSSES

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the following movements occurred in impairment losses:

	31.12.2018					Changes in the consolidation perimeter	Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers		
<b>Non-current assets</b>							
Tangible fixed assets	49,341	-	(25,085)	-	-	-	24,256
Investment properties	1092,556	-	(732,506)	-	883,452	-	1243,502
	<b>1141897</b>	-	<b>(757,591)</b>	-	<b>883,452</b>	-	<b>1267,758</b>
Investment securities	-	114,893	(198,585)	-	-	248,575	164,883
Other non-current assets	1786,729	196,161	-	-	-	-	1982,890
Credit to banking clients	59,078	230,708	(57,229)	-	-	(6,589)	225,968
Other banking financial assets	-	564,091	(462,633)	-	-	116,293	217,751
	<b>1845,807</b>	<b>1105,853</b>	<b>(718,447)</b>	-	-	<b>358,279</b>	<b>2,591,492</b>
	<b>2,987,704</b>	<b>1,105,853</b>	<b>(1,476,038)</b>	-	<b>883,452</b>	<b>358,279</b>	<b>3,859,250</b>
<b>Current assets</b>							
Accounts receivable	32,583,555	4,693,073	(2,465,765)	(490,358)	-	(883,883)	33,436,621
Credit to banking clients	58,573	169,107	-	-	-	3,876	231,556
Investment securities	-	136,549	-	-	-	9,184	145,733
Other current assets	7,335,098	431,796	(226,769)	(23,137)	-	-	7,516,988
Other banking financial assets	-	10,927	(310,086)	-	-	507,104	207,945
Slight and term deposits	-	8,271	(393,885)	-	-	406,909	21,295
	<b>39,977,226</b>	<b>5,449,724</b>	<b>(3,396,505)</b>	<b>(513,495)</b>	-	<b>43,190</b>	<b>41,560,139</b>
Merchandise	179,745	145,341	(1,585)	(39,390)	-	-	1824,111
Raw, subsidiary and consumable	658,137	-	(24,611)	-	-	-	633,526
	<b>2,377,882</b>	<b>145,341</b>	<b>(26,196)</b>	<b>(39,390)</b>	-	-	<b>2,457,637</b>
	<b>42,355,108</b>	<b>5,595,065</b>	<b>(3,422,701)</b>	<b>(552,885)</b>	-	<b>43,190</b>	<b>44,017,776</b>
	<b>45,342,812</b>	<b>6,700,917</b>	<b>(4,898,739)</b>	<b>(552,885)</b>	<b>883,452</b>	<b>401,469</b>	<b>47,877,025</b>



31.03.2019

	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	Closing balance
<b>Non-current assets</b>							
Tangible fixed assets	24,256	-	-	-	-	-	24,256
Investment properties	1,243,502	-	-	-	-	-	1,243,502
Intangible assets	-	-	-	-	-	-	-
	<b>1,267,758</b>	-	-	-	-	-	<b>1,267,758</b>
Investment securities	164,883	5,857	(6,645)	-	-	-	164,095
Other non-current assets	1,982,890	-	-	-	2,338	-	1,985,228
Credit to banking clients	225,968	96,012	(35,615)	-	-	-	286,365
Other banking financial assets	217,751	47,947	(25,270)	-	-	-	240,428
	<b>2,591,492</b>	<b>149,816</b>	<b>(67,530)</b>	-	<b>2,338</b>	-	<b>2,676,116</b>
	<b>3,859,250</b>	<b>149,816</b>	<b>(67,530)</b>	-	<b>2,338</b>	-	<b>3,943,874</b>
<b>Current assets</b>							
Accounts receivable	33,436,621	616,044	(102,747)	(189,359)	-	-	33,760,559
Credit to banking clients	231,556	36,148	-	-	-	-	267,704
Investment securities	145,733	-	(51,695)	(87,056)	-	-	6,982
Other current assets	7,516,988	141,520	(25,145)	(9,347)	8,589	-	7,632,605
Other banking financial assets	207,945	-	(100,120)	-	(10,927)	-	96,898
Slight and term deposits	21,295	151	(8,366)	-	-	-	13,080
	<b>41,560,138</b>	<b>793,863</b>	<b>(288,073)</b>	<b>(285,762)</b>	<b>(2,338)</b>	-	<b>41,777,828</b>
Merchandise	1,824,112	93,924	-	(19,695)	-	-	1,898,341
Raw, subsidiary and consumable	633,526	73,566	-	-	-	-	707,092
	<b>2,457,638</b>	<b>167,490</b>	-	<b>(19,695)</b>	-	-	<b>2,605,433</b>
	<b>44,017,776</b>	<b>961,353</b>	<b>(288,073)</b>	<b>(305,457)</b>	<b>(2,338)</b>	-	<b>44,383,261</b>
	<b>47,877,026</b>	<b>1,111,169</b>	<b>(355,603)</b>	<b>(305,457)</b>	-	-	<b>48,327,135</b>

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

## 14. EQUITY

As at 31 March 2019, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2018 and 31 March 2019 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

Shareholder	31.12.2018		
	No. of shares	%	Nominal value
Gestmin SGPS, S.A. <sup>(1) (2)</sup>	18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud	284,885	0.190%	142,443
<b>Manuel Carlos de Melo Champalimaud <sup>(3)</sup></b>	<b>Total</b>	<b>12.583%</b>	<b>9,437,210</b>
Global Portfolio Investments, S.L. <sup>(4)</sup>	8,492,745	5.662%	4,246,373
<b>Indumenta Pueri, S.L. <sup>(4)</sup></b>	<b>Total</b>	<b>5.662%</b>	<b>4,246,373</b>
GreenWood Builders Fund I, LP	7,500,502	0.000%	0
<b>GreenWood Builders Fund I, LP</b>	<b>Total</b>	<b>5.000%</b>	<b>3,750,251</b>
<b>Norges Bank</b>	<b>Total</b>	<b>4.266%</b>	<b>3,199,595</b>
<b>BlackRock, Inc. <sup>(5)</sup></b>	<b>Total</b>	<b>2.587%</b>	<b>1,940,548</b>
<b>BBVA Asset Management, SA SGIIC (6)</b>	<b>Total</b>	<b>2.330%</b>	<b>1,747,750</b>
<b>Wellington Management Group LLP (7)</b>	<b>Total</b>	<b>2.070%</b>	<b>1,552,611</b>
<b>CTT, S.A. (own shares)</b>	<b>Total</b>	<b>0.000%</b>	<b>0.50</b>
<b>Other shareholders</b>	<b>Total</b>	<b>65.501%</b>	<b>49,125,664</b>
<b>Total</b>	<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

(1) Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud, SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.



- (2) Includes 18,465,215 shares held by Gestmin SGPS, S.A. and 124,319 shares held by the members of the Board of Directors of Gestmin.
- (3) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who has control over Gestmin, and also directly holds 284,885 shares corresponding to 0.190% of the share capital of and voting rights in CTT.
- (4) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (5) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release published on CTT website ([www.ctt.pt](http://www.ctt.pt)) on 17 October 2018.
- (6) BBVA ASSET MANAGEMENT, SA, SGIIC is directly controlled by Cidessa Uno SL. The voting rights are exercised on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI, as per press release published on CTT website ([www.ctt.pt](http://www.ctt.pt)) on 26 March 2018.
- (7) The full chain of undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is presented in the press release published on CTT website ([www.ctt.pt](http://www.ctt.pt)) on 5 September 2017.

Shareholder	31.03.2019		
	No. of shares	%	Nominal value
Gestmin SGPS, S.A. <sup>(1)</sup>	18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud	284,885	0.190%	142,443
<b>Manuel Carlos de Melo Champalimaud <sup>(1)</sup></b>	<b>Total 18,874,419</b>	<b>12.583%</b>	<b>9,437,210</b>
Global Portfolio Investments, S.L. <sup>(2)</sup>	8,492,745	5.662%	4,246,373
<b>Indumenta Pueri, S.L. <sup>(2)</sup></b>	<b>Total 8,492,745</b>	<b>5.662%</b>	<b>4,246,373</b>
GreenWood Builders Fund I, LP	7,500,502	0.000%	0
<b>GreenWood Builders Fund I, LP</b>	<b>Total 7,500,502</b>	<b>5.000%</b>	<b>3,750,251</b>
<b>Norges Bank</b>	<b>Total 6,399,190</b>	<b>4.266%</b>	<b>3,199,595</b>
<b>BlackRock, Inc. <sup>(3)</sup></b>	<b>Total 3,822,599</b>	<b>2.548%</b>	<b>1,911,300</b>
<b>BBVA Asset Management, SA SGIIC <sup>(4)</sup></b>	<b>Total 3,495,499</b>	<b>2.330%</b>	<b>1,747,750</b>
<b>Wellington Management Group LLP <sup>(5)</sup></b>	<b>Total 3,105,222</b>	<b>2.070%</b>	<b>1,552,611</b>
<b>CTT, S.A. (own shares) <sup>(6)</sup></b>	<b>Total 1</b>	<b>0.000%</b>	<b>0.50</b>
<b>Other shareholders</b>	<b>Total 98,309,823</b>	<b>65.540%</b>	<b>49,154,912</b>
<b>Total</b>	<b>150,000,000</b>	<b>100.000%</b>	<b>75,000,000</b>

- (1) Includes 18,465,215 shares directly held by Manuel Champalimaud, SGPS, S.A. and 124,319 shares held by the members of its Board of Directors, which is vice-chaired by Prof. João Bento, non-executive member of the Board of Directors of CTT. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (3) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 6 March 2019 and available on CTT website ([www.ctt.pt](http://www.ctt.pt)).
- (4) BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.
- (5) The full chain of controlled undertakings through which the voting rights are held includes Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP.
- (6) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.



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

### Reserves

As at 31 December 2018 and 31 March 2019, the heading Reserves is detailed as follows:

	31.12.2018				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883
Distribution of dividends (Note 16)	-	-	-	(15,372,222)	(15,372,222)
Other movements	-	-	-	1,311,267	1,311,267
Assets fair value	-	-	(50,053)	-	(50,053)
<b>Closing balance</b>	<b>15,000,000</b>	<b>8</b>	<b>270</b>	<b>50,836,596</b>	<b>65,836,875</b>

	31.03.2019				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	270	50,836,596	65,836,875
Assets fair value	-	-	22,504	-	22,504
<b>Closing balance</b>	<b>15,000,000</b>	<b>8</b>	<b>22,774</b>	<b>50,836,596</b>	<b>65,859,379</b>

### *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 31 March 2019, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

### *Other reserves*

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

### Retained earnings

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the following movements were made in the heading Retained earnings:

	Restated	31.03.2019
	31.12.2018*	
Opening balance	21,524,684	4,378,984
Application of the net profit of the prior year	27,263,244	21,499,271
Distribution of dividends (Note 16)	(41,627,778)	-
Changes to accounting policies	(1,467,664)	-
Adjustments from the application of the equity method	(2,235)	742
Other movements	(1,311,267)	(150,392)
<b>Closing balance</b>	<b>4,378,984</b>	<b>25,728,605</b>

\* Restated values: see note 3

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



### Other changes in equity

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

Thus, for the year ended 31 December 2018 and three-month period ended 31 March 2019, the movements occurred in this heading were as follows:

	31.12.2018	31.03.2019
Opening balance	(32,634,996)	(30,993,430)
Actuarial gains/losses	2,181,712	-
Tax effect	(540,146)	-
Closing balance	(30,993,430)	(30,993,430)

## 16. DIVIDENDS

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Shareholders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.10 Euros.

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

## 17. EARNINGS PER SHARE

During the three-month periods ended 31 March 2018 and 31 March 2019, the earnings per share were calculated as follows:

	Restated 31.03.2018*	31.03.2019
Net income for the period	5,936,211	3,698,154
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.04	0.02
Diluted	0.04	0.02

\* Restated values: see note 3

The average number of shares is detailed as follows:

	31.12.2018	31.03.2019
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

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 31 March 2019, the number of own shares held by the Group is 1 and its average number for the period ended 31 March 2019 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

## 18. DEBT

As at 31 December 2018 and 31 March 2019, Debt of the Group showed the following composition:

	Restated 31.12.2018 *	31.03.2019
<b>Non-current liabilities</b>		
Bank loans	24,276,250	24,197,665
Lease liabilities	76,005,953	73,480,905
	<b>100,282,203</b>	<b>97,678,570</b>
<b>Current liabilities</b>		
Bank loans	6,558,116	10,429,861
Lease liabilities	20,537,957	19,959,434
	27,096,073	30,389,295
	<b>127,378,276</b>	<b>128,067,865</b>

\* Restated values: see note 3

The interest rates applied to other loans, as at 31 December 2018 and 31 March 2019, were between 1.25% and 1.875%.

### Bank loans and other loans

As at 31 December 2018 and 31 March 2019, the details of the Group bank loans were as follows:

Financing entity	31.12.2018			31.03.2019		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
<b>Bank loans</b>						
Millennium BCP	11,250,000	6,543,879	-	11,250,000	10,429,861	-
BBVA / Bankinter	75,000,000	-	24,276,250	75,000,000	-	24,197,665
BIM - (Moçambique)	14,237	14,237	-	14,237	-	-
<b>Other loans</b>						
BIM - (Mozambique)	6,049	-	-	6,049	-	-
	<b>86,270,286</b>	<b>6,558,116</b>	<b>24,276,250</b>	<b>86,270,286</b>	<b>10,429,861</b>	<b>24,197,665</b>

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. As at 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros.

The financing negotiated with Spanish banks is intended to finance the operating activity of the subsidiary Tourline, subject to Eonia interest rate.

### Lease Liabilities



The Group presents lease liabilities which future undiscounted payments are detailed as follows:

	Restated*	3103.2019
	31.12.2018	
Due within 1year	25,395,404	24,529,548
Due between 1to 5 years	68,887,559	68,341,191
Over 5 years	21,517,489	20,551,041
<b>Total undiscounted lease liabilities</b>	<b>115,800,452</b>	<b>113,421,780</b>
Current	20,537,957	19,959,434
Non-current	76,005,953	73,480,905
<b>Lease liabilities included in the statement of financial position</b>	<b>96,543,910</b>	<b>93,440,339</b>

\* Restated values: see note 3

In the three-month periods ended 31 March 2018 and 31 March 2019 the interest expenses associated with these leases were 1,090,431 Euros and 956,648 Euros, respectively (note 24).

The movement in the rights of use underlying these lease liabilities can be analysed in note 5.

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

### Provisions

For the year ended 31 December 2018 and three-month period ended 31 March 2019, in order to face legal proceedings and other liabilities arising from past events, the Group recognised Provisions, which showed the following movement:

	31.12.2018					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	3,390,479	1,209,497	(1,294,790)	(261,423)	105,858	3,149,620
Onerous contracts	1,729,651	1,509,881	(394,567)	(119,354)	(883,452)	1,842,159
Other provisions	8,338,601	1,534,560	(644,556)	(101,264)	(105,858)	9,021,484
<b>Sub-total - caption "Provisions (increases)/reversals"</b>	<b>13,458,730</b>	<b>4,253,937</b>	<b>(2,333,913)</b>	<b>(482,041)</b>	<b>(883,452)</b>	<b>14,013,263</b>
Restructuring	11,903,172	16,731,772	(286,479)	(27,321,562)	-	1,026,902
Other provisions	666,430	316,802	(4,058)	-	-	979,174
	<b>26,028,332</b>	<b>21,302,512</b>	<b>(2,624,450)</b>	<b>(27,803,603)</b>	<b>(883,452)</b>	<b>16,019,339</b>
	31.03.2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	3,149,620	319,507	(454,119)	(96,839)	51,468	2,969,637
Restructuring	1,842,159	-	-	(32,811)	-	1,809,348
Other provisions	9,021,484	-	(12,187)	(264)	(51,468)	8,957,565
<b>Sub-total - caption "Provisions (increases)/reversals"</b>	<b>14,013,263</b>	<b>319,507</b>	<b>(466,306)</b>	<b>(129,914)</b>	<b>-</b>	<b>13,736,551</b>
Restructuring	1,026,902	3,969,872	-	(879,239)	-	4,117,536
Other provisions	979,174	-	-	-	-	979,174
	<b>16,019,339</b>	<b>4,289,380</b>	<b>(466,306)</b>	<b>(1,009,152)</b>	<b>-</b>	<b>18,833,261</b>

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 146,799 Euros ((1,408,478) Euros as at 31 March 2018).



#### Litigations

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

#### Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. In 2018, following the continuation of the HR optimisation programme, reinforcements of this provision in the amount of 16,731,772 Euros were recorded in the Group against the caption Staff costs in the income statement. As at 31 December 2018 the provision amounts to 1,026,902 Euros. In the three-month period ended 31 March 2019 this provision was increased by 3,969,872 Euros, amounting to 4,117,535 Euros as at 31 March 2019.

The utilisations recorded in the three-month period ended 31 March 2019 regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Also, within the scope of the Operational Transformation Plan, in the area of optimisation of the delivery network and mail processing operations, the Group in the year ended 31 December 2018, created a provision for restructuring in the amount of 1,397,647 Euros which was recognised under "Provisions (increases) / reversals" in the income statement by nature. As at 31 March 2019 the amount provisioned is the same.

#### Other provisions

For the three-month period ended 31 March 2019, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 7,139,329 Euros (7,197,562 Euros as at 31 December 2018).

On 31 March 2018, a provision was recognised in Tourline to face the notification issued by the National Commission on Markets and Competition. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors.

As at 31 March 2019, in addition to the previously mentioned situations, this heading also includes:

- the amount of 71,228 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,795 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies.
- the amount of 312,744 Euros regarding the liability, recognised in the company Transporta, with a labour legal proceeding.

#### Guarantees provided

As at 31 December 2018 and 31 March 2019, the Group had provided bank guarantees to third parties as follows:



Description	31.12.2018	31.03.2019
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	10,863,848	10,987,388
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
Courts	232,687	275,830
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Municipalities	122,165	122,165
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056
Solred (Repsol's fuel cards)	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
Fonavi, Nave Hospitalet	40,477	40,477
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984
Administração Regional de Saúde - Lisboa e Vale do Tejo ( Regional Health Authority of the Lisbon Area)	13,086	26,086
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	16,406	16,406
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
Other entities	14,103	14,103
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	12,460	12,460
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the region of Aveiro)	-	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,909	9,909
Instituto de Segurança Social (Social Security Institute)	8,190	8,190
Promodois (Real estate company)	6,273	6,273
Consejería Salud ( Local Health Service/Spain)	4,116	4,116
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,718	3,718
Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the Ministry of Internal Administration)	3,644	3,644
Casa Pia de Lisboa, I.P. (Public institute for the promotion and protection of the children and youngsters' rights)	1,863	1,863
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746
Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)	870	870
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	-
	<b>18,908,206</b>	<b>19,087,643</b>

According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2018 and as at 31 March 2019.



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

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

Tourline Express Messageria, SLU provided a bank guaranty to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition (“Comisión Nacional de los Mercados y la Competencia”) in the amount of 3,148,845 Euros, while the appeal presented by Tourline in the National Audience in Spain proceeds.

#### Commitments

As at 31 March 2019, the Group had subscribed promissory notes amounting to approximately 42.2 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline, which are still active as at 31 March 2019.

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.

## **20. ACCOUNTS PAYABLE**

As at 31 December 2018 and 31 March 2019, the heading Accounts payable showed the following composition:

	31.12.2018	31.03.2019
Current		
Advances from customers	2,939,052	2,906,991
CNP money orders	85,601,930	50,647,745
Suppliers	68,209,836	73,240,416
Invoices pending confirmation	12,332,620	12,501,775
Fixed assets suppliers	5,996,962	4,214,915
Invoices pending confirmation (fixed assets)	9,367,220	6,419,554
Values collected on behalf of third parties	11,491,455	11,911,406
Postal financial services	115,408,707	66,419,357
Advances regarding disposals	12,253	140,006
Other accounts payable	10,916,185	8,565,606
	<b>322,276,222</b>	<b>236,967,771</b>

#### 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.

## **21. BANKING CLIENTS' DEPOSITS AND OTHER LOANS**

As at 31 December 2018 and 31 March 2019, the composition of the heading Banking clients' deposits and other loans is as follows:

	31.12.2018	31.03.2019
Sight deposits	671,672,699	700,759,237
Term deposits	100,832,482	104,998,249
Savings deposits	111,445,353	116,277,779
	<b>883,950,534</b>	<b>922,035,265</b>

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 31 December 2018 and 31 March 2019, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

	31.12.2018					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits	671,672,699	-	-	-	-	671,672,699
Term deposits	-	47,462,967	53,369,515	-	-	100,832,482
Savings deposits	111,445,353	-	-	-	-	111,445,353
	<b>783,118,052</b>	<b>47,462,967</b>	<b>53,369,515</b>	-	-	<b>883,950,534</b>

	31.03.2019					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits	700,759,237	-	-	-	-	700,759,237
Term deposits	-	42,190,664	62,807,584	-	-	104,998,249
Savings deposits	116,277,779	-	-	-	-	116,277,779
	<b>817,037,016</b>	<b>42,190,664</b>	<b>62,807,584</b>	-	-	<b>922,035,265</b>

## **22. INCOME TAXES RECEIVABLE /PAYABLE**

As at 31 March 2019 the caption reflects the estimated income tax regarding 2018, which has not yet been received, as well as the estimated income tax regarding the three-month period ended 31 March 2019.

## **23. STAFF COSTS**

During the three-month periods ended 31 March 2018 and 31 March 2019, the composition of the heading Staff Costs was as follows:



	31.03.2018	31.03.2019
Remuneration	66,912,199	67,508,804
Employee benefits	1,062,958	54,245
Indemnities	3,785,662	4,061,211
Social Security charges	15,121,159	15,137,576
Occupational accident and health insurance	1,090,146	1,081,087
Social welfare costs	1,744,677	2,028,135
Other staff costs	25,650	65,697
	<b>89,742,451</b>	<b>89,936,755</b>

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

In the three-month periods ended 31 March 2018 and 31 March 2019, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, S.A. were as follows:

	31.03.2018				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	631,288	47,357	13,950	-	692,595
Annual variable remuneration	-	-	-	-	-
	<b>631,288</b>	<b>47,357</b>	<b>13,950</b>	<b>-</b>	<b>692,595</b>
Long-term remuneration					
Defined contribution plan RSP	45,887	-	-	-	45,887
Long-term variable remuneration	10,035	-	-	-	10,035
	<b>55,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,922</b>
	<b>687,210</b>	<b>47,357</b>	<b>13,950</b>	<b>-</b>	<b>748,517</b>
	31.03.2019				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	771,628	55,714	13,950	-	841,292
Annual variable remuneration	128,938	-	-	-	128,938
	<b>900,566</b>	<b>55,714</b>	<b>13,950</b>	<b>-</b>	<b>970,230</b>
Long-term remuneration					
Defined contribution plan RSP	55,750	-	-	-	55,750
Long-term variable remuneration	12,720	-	-	-	12,720
	<b>68,470</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,470</b>
	<b>969,036</b>	<b>55,714</b>	<b>13,950</b>	<b>-</b>	<b>1,038,700</b>

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

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

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 12,720 Euros corresponds to the cost to be assumed in the period between 1 January 2019 and 31 March 2019 and was set by an independent entity.



#### Employee benefits

The variation registered under Employee benefits mainly reflects the curtailment recognised in the benefit "Telephone subscription fee".

#### Indemnities

During the three-month period ended 31 March 2019, this caption includes the amount of 3,969,872 Euros related to compensation paid for termination of employment contracts by mutual agreement, initiated in 2018.

#### Social welfare costs

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

During the three-month periods ended 31 March 2018 and 31 March 2019, the heading Staff costs includes the amounts of 120,766 Euros and 197,496 Euros, respectively, related to expenses with workers' representative bodies.

For the three-month periods ended 31 March 2018 and 31 March 2019, the average number of staff of the Group was 12,205 and 12,101, respectively.

## 24. INTEREST EXPENSES AND INTEREST INCOME

For the three-month periods ended 31 March 2018 and 31 March 2019, the heading Interest Expenses of the Group had the following detail:

	Restated 3103.2018*	3103.2019
Interest expenses		
Bank loans	16,206	9,712
Lease liabilities	1,090,431	956,648
Other interest	60,424	105,108
Interest costs from employee benefits	1,316,167	1,307,803
Other interest costs	458	4,813
	2,483,686	2,384,083

\* Restated values: see note 3

During the three-month periods ended 31 March 2018 and 31 March 2019, the heading Interest income was detailed as follows:

	31.03.2018	31.03.2019
Interest income		
Deposits in credit institutions	14,721	16,803
Other supplementary income	3,558	5,366
	18,279	22,169

## 25. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 Euros up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. Tourline is subject to income





taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on the Group and its subsidiaries CTT – Espresso, 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 three-month periods ended 31 March 2018 and 31 March 2019, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	Restated*	31.03.2019
	31.03.2018	
Earnings before taxes (a)	9,188,031	6,603,407
Nominal tax rate	21.0%	21.0%
	<b>1,929,486</b>	<b>1,386,715</b>
Tax Benefits	(94,849)	(86,818)
Accounting capital gains/(losses)	(4,445)	(3,724)
Tax capital gains/(losses)	(11,497)	2,435
Equity method	(25,786)	-
Provisions not considered in the calculation of deferred taxes	(8,639)	(1,139)
Impairment losses and reversals	15,972	36,856
Other situations, net	916,614	540,662
Adjustments related with - autonomous taxation	146,875	118,672
Tax losses without deferred tax	602,571	538,322
Insufficiency / (Excess) estimated income tax	(444,943)	-
	Subtotal (b)	2,531,981
	(b)/(a)	38.34%
Adjustments related with - Municipal Surcharge	69,915	109,288
Adjustments related with - State Surcharge	136,427	271,746
<b>Income taxes for the period</b>	<b>3,227,702</b>	<b>2,913,015</b>
Effective tax rate	35.13%	44.11%
Income taxes for the period		
Current tax	46,024	(306,283)
Deferred tax	3,626,621	3,219,297
Insufficiency / (Excess) estimated income tax	(444,943)	-
	<b>3,227,702</b>	<b>2,913,015</b>

\* Restated values: see note 3

During the three-month period ended 31 March 2018, the heading Insufficiency/(Excess) estimated income tax mainly relates to the tax credit related to SIFIDE of 2016.

#### Deferred taxes

As at 31 December 2018 and 31 March 2019, the balance of deferred tax assets and liabilities was composed as follows:



	Restated*	31.03.2019
	31.12.2018	
Deferred tax assets		
Employee benefits - healthcare	70,503,582	70,294,871
Employee benefits - pension plan	77,479	76,195
Employee benefits - other long-term benefits	2,645,244	2,271,889
Impairment losses and provisions	3,561,740	4,415,953
Tax losses carried forward	1,292,888	1,513,156
Impairment losses in tangible fixed assets	283,474	273,786
Share Plan	25,486	29,048
Land and buildings	452,012	452,012
Tangible assets' tax revaluation regime	2,245,007	2,164,828
Other	647,203	737,690
	<b>81,734,114</b>	<b>82,229,428</b>
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,337,888	2,278,010
Suspended capital gains	745,377	738,762
Other	25,397	25,397
	<b>3,108,662</b>	<b>3,042,169</b>

\* Restated values: see note 3

As at 31 March 2019, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.7 million Euros and 0.3 million Euros, respectively.

During the year ended 31 December 2018 and three-month period ended 31 March 2019, the movements which occurred under the deferred tax headings were as follows:

	Restated*	31.03.2019
	31.12.2018	
Deferred tax assets		
Opening balances	91,954,991	81,734,114
Effect on net profit		
Employee benefits - healthcare	(497,200)	(208,711)
Employee benefits - pension plan	(2,565)	(1,284)
Employee benefits - other long-term benefits	(1,763,943)	(373,355)
Impairment losses and provisions	(3,351,649)	854,213
Tax losses carried forward	604,499	220,269
Impairment losses in tangible fixed assets	25,860	(9,688)
Long-term variable remuneration	14,178	3,562
Land and buildings	(42,793)	-
Tangible assets' tax revaluation regime	(336,293)	(80,179)
Other	(4,869,443)	90,487
Effect on equity		
Employee benefits - healthcare	(540,146)	-
Outros	538,618	-
Closing balance	<b>81,734,114</b>	<b>82,229,428</b>

\* Restated values: see note 3

	31.12.2018	31.03.2019
Deferred tax liabilities		
Opening balances	3,399,121	3,108,661
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(253,705)	(59,877)
Suspended capital gains	(31,145)	(6,615)
Other	(5,610)	-
Closing balance	<b>3,108,661</b>	<b>3,042,169</b>

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



	Tax losses	Deferred tax assets
Tourline	50,200,460	1,695,137
Transporta	7,205,503	1,513,156
<b>Total</b>	<b>57,405,963</b>	<b>3,208,293</b>

Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015 to 2018 have no time limit for deduction. Regarding Transporta, the tax loss refers to the years 2017, 2018 and 2019 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.3 million Euros.

#### SIFIDE

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

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

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

For the year ended 31 December 2018, regarding the expenses incurred with R&D, of 1,005,470 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 326,778 Euros.

#### Other information

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

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 31 March 2019.

## **26. RELATED PARTIES**

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



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

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

During the three-month periods ended 31 March 2018 and 31 March 2019, the following transactions took place and the following balances existed with related parties:

		31.03.2018				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	-
Other shareholders of Group companies						
Associated companies		3,393	-	3,301	2,619	-
Jointly controlled		168,445	-	114,879	-	-
Members of the	(Note 23)					
Board of Directors		-	-	-	631,288	-
Audit Committee		-	-	-	47,357	-
Remuneration Committee		-	-	-	13,950	-
General Meeting		-	-	-	-	-
		<u>171,838</u>	<u>-</u>	<u>118,181</u>	<u>695,214</u>	<u>-</u>
		31.03.2019				
		Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders		-	-	-	-	-
Other shareholders of Group companies						
Associated companies		5,603	3,130	3,053	1,707	-
Jointly controlled		1010,641	-	75,283	-	-
Members of the	(Note 23)					
Board of Directors		-	-	-	900,566	-
Audit Committee		-	-	-	55,714	-
Remuneration Committee		-	-	-	13,950	-
General Meeting		-	-	-	-	-
		<u>1016,243</u>	<u>3,130</u>	<u>78,335</u>	<u>971,937</u>	<u>-</u>

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

## 27. OTHER INFORMATION

The precautionary measures filed by Intermunicipal Communities or by Municipalities following the process of transformation of Post Office into Postal Agencies, covering situations where only a single post office exists in a county seat, initiated at the end of 2018, continue its terms. CTT was acquitted of the proceedings in the case brought by the Intermunicipal Community of Terras de Trás-os-Montes, by the Intermunicipal Community of Douro and by the Municipality of Alfândega da Fé and others, who in the meantime appealed against the decision.

The administrative action brought against ANACOM and in the Arbitral Tribunal against the Portuguese State, as grantor, requesting the declaration of invalidity of the decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, are in progress.

The process related to the proposal of the application of 11 contractual fines within the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract, which occurred during 2015, 2016 and 2017 is still waiting for additional verifiable evidence to be produced, as requested by CTT.



On 2 January 2019, a new offer of access to the CTT postal network entered into force, within the framework of commitments entered into with the Portuguese Competition Authority, extending the scope of the existing offer by: (i) increasing the mail services covered; (ii) introducing new access points; (iii) introducing faster delivery times for some services; (iv) allowing a competing operator to perform additional processing tasks; (v) applying lower prices of access to the network than those paid by final customers, including differentiated prices depending on the access point, mail service and handling tasks performed by the competing operator.

On 28 March CTT challenged, in an administrative action, ANACOM's decision issued on 28 December 2018, which determined changes in the measurement system of the Quality of Service Indicators (QSI), to be implemented until 1 July 2019, with significant worsening of the costs to be borne by CTT with the contracting of the QSI measurement system.

On 10 January 2019, ANACOM issued its decision in respect of the Draft Decision on the revision of the density targets of the postal network and of the minimum service offers, on which CTT took a position on 21 February, awaiting Decision.

On 15 February 2019, ANACOM decided to approve a draft decision as a result of the audit of the cost accounting system for the financial year 2016, under which that entity considers that new criteria for the allocation of expenses between postal activity and banking activity should be identified, determining the reformulation of the cost accounting system for the 2016 and 2017 financial years. CTT presented its pronouncement, awaiting the further terms of the process.

On 12.03.2019, CTT was notified of the charge against it filed by ANACOM, charging CTT with the practice of 3 misconduct for the alleged violation of the obligation to have the physical complaints book in the establishments with respect to their activity and 6 allegations of breach of the obligation to immediately and freely provide the complaint book to the users who requested it, having CTT presented its defence and awaits the proceedings. On April 23, CTT was notified of a new indictment in a misconduct procedure, charging CTT with the practice of 20 misconduct related to complaints book, which are being analysed with a view to preparing the defence.

## **28. SUBSEQUENT EVENTS**

On 16 April 2019 the European Central Bank expressed its non-opposition to the acquisition by Banco CTT of 321 Crédito.

On 26 April 2019, a share capital increase was made in Banco CTT in the amount of 110 million Euros, currently totalling its share capital the amount of 266,400,000 Euros.