

ctt

Interim Report

1st Half of 2017



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GOVERNING AND MANAGEMENT BODIES¹

Corporate Bodies

Board of Directors²

Chairman:	António Sarmiento Gomes Mota
Vice-Chairman:	Francisco José Queiroz de Barros de Lacerda (CEO)
Members:	André Manuel Pereira Gorjão de Andrade Costa (CFO) Dionizia Maria Ribeiro Farinha Ferreira Nuno de Carvalho Fernandes Thomaz (Member of the Audit Committee) José Manuel Baptista Fino Céline Dora Judith Abecassis-Moedas António Pedro Ferreira Vaz da Silva Francisco Maria da Costa de Sousa de Macedo Simão João Afonso Ramalho Sopas Pereira Bento Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia (Chairman of the Audit Committee) Belén Amatriain Corbi (Member of the Audit Committee) Rafael Caldeira de Castel-Branco Valverde

Board of the General Meeting²

Chairman:	Júlio de Lemos de Castro Caldas
Vice-Chairman:	Francisco Maria de Moraes Sarmiento Ramalho

Remuneration Committee²

Chairman:	João Luís Ramalho de Carvalho Talone
Members:	Rui Manuel Meireles dos Anjos Alpalhão Manuel Fernando Macedo Alves Monteiro

¹ As at the date of approval of this Interim Report.

² Members elected for the 2017-2019 term of office by a resolution of the General Meeting of 20/04/2017.

Executive Committee³

Chairman: Francisco José Queiroz de Barros de Lacerda (CEO)

Members: André Manuel Pereira Gorjão de Andrade Costa (CFO)
Dionizia Maria Ribeiro Farinha Ferreira
António Pedro Ferreira Vaz da Silva
Francisco Maria da Costa de Sousa de Macedo Simão

Audit Committee²

Chairman: Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Members: Nuno de Carvalho Fernandes Thomaz
Belén Amatriain Corbi

Corporate Governance, Evaluation and Nominating Committee³

Chairman: António Sarmento Gomes Mota

Members: José Manuel Baptista Fino
Céline Dora Judith Abecassis-Moedas⁴
João Afonso Ramalho Sopas Pereira Bento
Rafael Caldeira de Castel-Branco Valverde

Statutory Auditor and External Auditor

Statutory Auditor: KPMG & Associados, SROC, S.A., represented by Paulo Alexandre Martins Quintas Paixão⁵

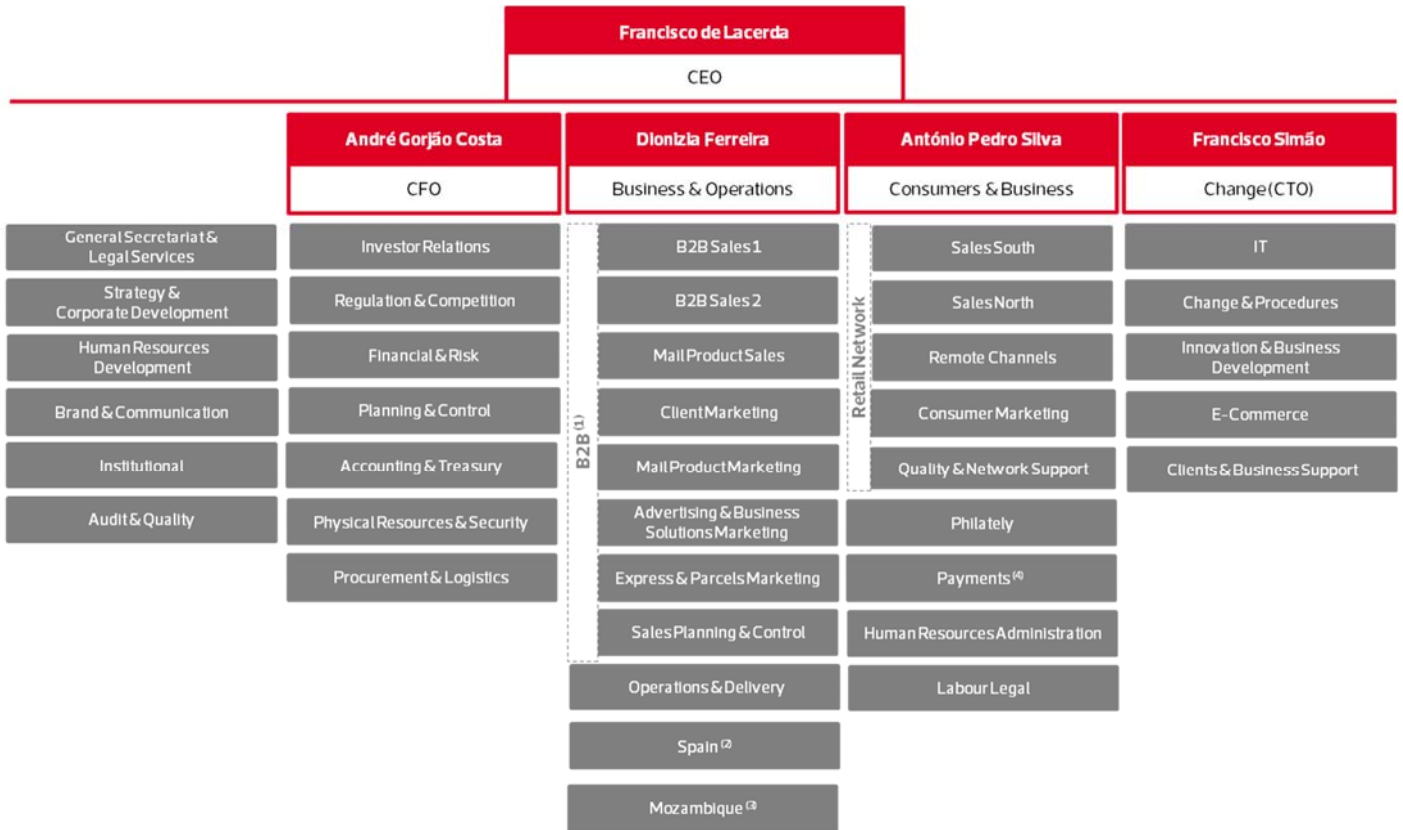
External Auditor: Vítor Manuel da Cunha Ribeirinho

³ Members elected for the 2017-2019 term of office by a resolution of the Board of Directors of 20/04/2017.

⁴ Appointed as Member of the Corporate Governance, Evaluation and Nominating Committee by a resolution of the Board of Directors of 14/02/2017 to replace Rui Miguel de Oliveira Horta e Costa who notified his resignation from the positions of Non-Executive Member of the Board of Directors and Member of the Corporate Governance, Evaluation and Nominating Committee on 08/02/2017. Re-elected for the 2017-2019 term of office.

⁵ Representative appointed by KPMG & Associados – SROC, SA, as Statutory Auditor of CTT replacing Maria Cristina Santos Ferreira, former representative, as of 1 May 2017.

Management Organisation



⁽¹⁾ Includes Mailtec Comunicação, CTT Contacto and CTT Expresso; ⁽²⁾ Includes Tourline; ⁽³⁾ Includes CORRE; ⁽⁴⁾ Includes Payshop.
Note: Banco CTT has its own management structure, autonomous from CTT's Executive Committee

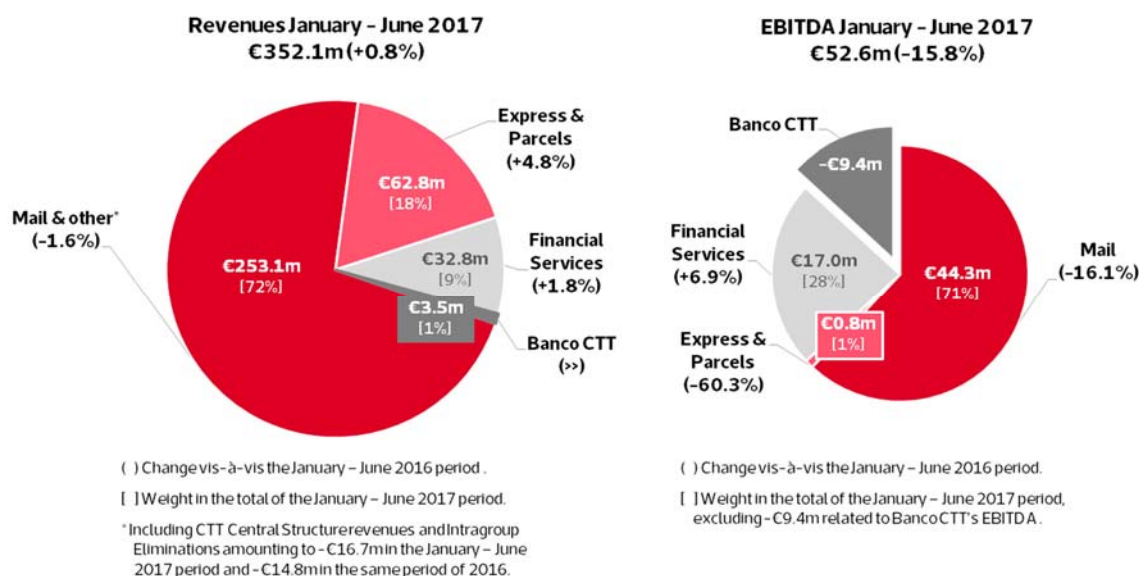
KEY FIGURES
Economical and financial indicators (consolidated data in IFRS)

€ thousand or %, except where indicated	1H17	1H16	Δ%17/16
Revenues ⁽¹⁾	352,114	349,358	0.8
Operating costs excluding depreciation, amortisation, impairments, provisions and non recurring-costs	299,497	286,896	4.4
Recurring EBITDA ⁽²⁾	52,616	62,462	-15.8
Recurring EBIT ⁽²⁾	38,439	49,461	-22.3
EBIT	30,555	47,433	-35.6
EBT	28,155	44,925	-37.3
Net profit for the period	17,695	31,550	-43.9
Net profit attributable to equity holders	17,745	31,677	-44.0
Earnings per share (euro)	0.12	0.21	-44.0
Recurring EBITDA margin	14.9%	17.9%	-2.9 p.p.
Recurring EBIT margin	10.9%	14.2%	-3.2 p.p.
Net profit margin	5.0%	9.1%	-4.0 p.p.
Capex	7,187	12,461	-42.3
Operating free cash flow ⁽³⁾	64,790	-13,506	579.7
	30.06.2017	31.12.2016	Δ%17/16
Cash and cash equivalents	720,291	618,811	16.4
Net cash	282,759	295,306	-4.2
Assets	1,547,810	1,316,697	17.6
Liabilities	1,368,152	1,083,370	26.3
Equity	179,659	233,327	-23.0
Share Capital	75,000	75,000	-
Number of shares	150,000,000	150,000,000	-

⁽¹⁾ Excluding non-recurring revenues.

⁽²⁾ Before non-recurring revenues and costs.

⁽³⁾ Cash flow from operating activities excluding change in net Financial Services payables.

Recurring revenues* and EBITDA by Business unit

Operating Indicators

	1H17	1H16	Δ% 17/16
Mail			
Addressed mail volumes (million items)	388.1	411.1	-5.6
Transactional mail	331.0	349.9	-5.4
Editorial mail	21.6	22.6	-4.4
Advertising mail	35.4	38.6	-8.1
Unaddressed mail volumes (million items)	234.8	234.7	0.0
Express & Parcels			
Portugal (million items)	7.8	6.9	13.1
Spain (million items)	7.2	6.1	17.1
Financial Services			
Payments (number of transactions; million)	26.3	28.8	-8.8
Savings and insurance (subscriptions; € million)	2,261.4	2,014.2	12.3
Banco CTT			
Number of current accounts	147,394	20,163	263.3
Customer deposits (€ million)	424,293	55,967	658.1
Number of branches	203	66	207.6
Staff			
Staff (FTE) ⁽¹⁾	12,593	12,222	3.0
Retail, Transport and Delivery Networks			
Post offices	613	617	-0.6
Postal agencies (partnership branches)	1,744	1,709	2.0
PayShop agents	4,308	4,000	7.7
Postal delivery offices	235	249	-5.6
Postal delivery routes	4,718	4,769	-1.1
Fleet (number of vehicles)	3,624	3,632	-0.2

⁽¹⁾ FTE = Full-time equivalent.

Sustainability Indicators

	1H17	1H16	Δ% 17/16
Customers			
Customer satisfaction (%)	85.2	85.9	-0.7 p.p.
Total number of certified operating units (ISO standard and retail and delivery networks certification)	1,251	1,183	5.7
Retail and delivery networks certification (% coverage)	100	100	0.0
	1Q17	1Q16	Δ 17/16
Overall Quality of Service Indicator (points) ⁽¹⁾	136.1	89.9	46.2
	1H17	1H16	Δ% 17/16
Staff			
Number of accidents ^{(2) (3)}	531	470	13.0
Training (hours) ^{(2) (3)}	142,774	180,425	-20.9
Women in management positions (1 st management level) (%)	31.6	32.4	-0.8 p.p.
Community/Environment			
Value chain - contracts with environmental criteria (%)	99.6	99.3	0.3 p.p.
Total CO ₂ emissions, scopes 1 and 2 (kton.) ^{(2) (3)}	8.3	8.2	1.7
Energy consumption (TJ) ^{(2) (3)}	193.3	188.7	2.5
Eco-friendly vehicles	341	300	13.7
Weight of Eco product range in Direct Mail line (%) ^{(2) (3) (4)}	38.1	37.7	0.4 p.p.
Investment in the Community (€ thousand)	539	585	-7.9

⁽¹⁾ The indicators for the 2Q17 are still under revision.

⁽²⁾ Provisional figures.

⁽³⁾ 2016 data update: accidents, training hours, CO₂ emissions, energy consumptions and Eco products volumes were considered which were communicated after the publication of the 1H16 Interim Report.

⁽⁴⁾ Volumes.

HIGHLIGHTS OF THE SEMESTER

April

- **Price update** that corresponds to an average annual price increase of 2.4% of the basket of letter mail, editorial mail and parcel services, not including the Universal Postal Service offer to bulk mail senders, to which special prices apply. Within the company's 2017 pricing policy, the referenced updates represent an average annual price change of 1.9%, which also reflects the effect of price updates for reserved services (registered mail used in legal or administrative proceedings) and for bulk mail special prices.
- **CTT's Annual General Meeting** where members of the Board of Directors, Audit Committee, Board of the General Meeting and Remuneration Committee were elected for the 2017-2019 term of office. The 2016 financial reporting documents were approved, including the management report, the individual and consolidated accounts, the corporate governance report, the allocation of year-end results including the payment of a gross dividend of €0.48 per share, as proposed by the Board of Directors and votes of positive assessment and praise for the members of the Company's management and oversight bodies for carrying out their duties in 2016.
- **Banco CTT's share capital was increased** from €85m to €125m, via a new cash contribution by the Sole Shareholder, CTT – Correios de Portugal, S.A., in the amount of €40m giving way to the issue of 40 million new ordinary, registered shares with no nominal value at the issue price of €1.00 each. This share capital increase was fully subscribed and paid-up on 27 April 2017 and is in line with the 2016-2018 and 2017-2019 Plans approved by the Bank's Board of Directors, as well as the information disclosed at the 2015 Capital Markets Day.

May

- A **gross dividend** of €0.48 per share was paid out and a **share in profits** was granted to **company employees and Executive Directors**, as approved by shareholders.
- The acquisition of the entire share capital of "**Transporta** - Transportes Porta a Porta, S.A.", an integrated logistics company in the Portuguese goods delivery and transport market, was concluded.

June

- A **Revision Agreement for CTT's 2016 Company Agreement** was signed with eleven trade unions, effective 1 January 2017, wherein a raise between 0.65% and 1% in monthly base salaries up to €2,772.30/month was agreed. An identical raise was applied in the subsidiaries.

AWARDS AND RECOGNITIONS

- **MAIL INDUSTRY OSCARS**

CTT was again awarded first place in the 2017 edition of the *World Post & Parcel Awards* in the Personnel Management category with NAVEINFORMA, a process that allows any Company department to communicate in real time at no additional cost with all retail network and computerised agency employees through the NAVE IT system, using images or written information. CTT was also nominated in two additional categories: Social Responsibility, with the “Solidary Santa Claus” project and Technology with the “CTTADS.PT” project, which received “highly recommended” honourable mentions.

- **TRUSTED BRAND**

CTT was recognised for the 14th time as a Trusted Brand by the Portuguese, having earned 1st place in the “Mail and Logistics Services” category, with 85% of the votes, which was significantly ahead of companies like DHL (5%) and Chronopost (3%).

- **CTT’S LEGAL SERVICES ARE AMONG THE MOST INFLUENTIAL AND INNOVATIVE**

CTT’s Legal Services, through its Corporate and New Business team, were recognised as one of the most innovative in-house legal teams in the Iberian Peninsula and were part of the 2017 ranking for the best legal professionals by the publication *Legal 500*.

- **2017/2018 BEST BUY AWARD PORTUGAL**

CTT was elected by Portuguese internet users as the company offering the best price-quality ratio as regards express delivery services, having received the *Best Buy Award* medal.

- **2017 MARKETEEER AWARDS**

CTT was considered the “Highlight/Corporate Brand of the Year” in the 9th edition of the Marketeer Awards. These awards seek to reward the best Portugal has to offer in strategy, communication, marketing and advertising.

- **WIPA GRAND PRIX**

The “Canning Industry” philatelic issue received the 2017 WIPA Grand Prize bestowed by the prestigious jury of the Vienna International Philatelic Exposition. It was the first time ever in the world that stamps were issued on authentic tin cans and was voted the most beautiful issue of 2016.

- **2017 APOM AWARDS**

The Portuguese Association of Museums (APOM) recognised CTT as cultural entity of the year, for its continued efforts in disclosing national museum heritage through philately.

- **FUNDACOM AWARDS**

CTT, with CTT TV, won in the Corporate Radio and Television category of the FUNDACOM AWARDS, which reward the best Portugal and Spain have to offer in organisational and strategic communication. CTT was also rewarded with two honourable mentions in the External Event category (up to 1,000 people), for its 2016 Assessment Day, and in the In-house Publication category, for *Move-nos* Magazine, both from *Employer Brand*.

- **CTT'S CUSTOMER SERVICE LINES DISTINGUISHED IN THE 2017 BEST AWARDS OF THE PORTUGUESE ASSOCIATION OF CONTACT CENTRES**

CTT's and CTT Expresso's customer service lines were recently awarded the silver and bronze medals, respectively, in APCC's 2017 Best Awards in the category of "Transport, Delivery and Logistics". This is the 8th award that CTT's Contact Centre earns and CTT Expresso's 5th award in the main industry events therefor since 2010, which shows that CTT continues to be at the forefront of Contact Centres in Portugal.

- **BRAND WITH A STRONG REPUTATION**

CTT received the Reputational Sustainability Award following a study carried out by OnStrategy consultants, with the goal of getting to know and recognising brands that have shown sustained excellence and strength in Portugal over the last 10 years. The results establish CTT, in terms of archetypes, as a common, attentive, leading and adventurous brand, defining it as loyal/dependable, supportive/protective, powerful/expert and discovering/adventurous.

- **WORLD LEADERSHIP IN SUSTAINABILITY RANKING**

CTT was co-leader in the mail, express and logistics sector in the Carbon Disclosure Project ranking. This is the main energy and carbon sustainability rating worldwide.

- **GREEN PROJECT AWARDS**

For the 3rd consecutive year, CTT was recognised in the most important national environmental award, with CTT's national Driver's Challenge, having received an honourable mention in the "Efficient Resource Management" category.

- **HUMAN RESOURCES PORTUGAL GRANTED CTT THREE AWARDS**

CTT was distinguished with the Human Resources Portugal 2016 award in the categories of "Gender Equality", for encouraging and protecting gender equality, and "Management of Older Employees" for having the best policy for older employees.

- **EXCELLENCE IN ROAD SAFETY AWARDS**

In the 2017 edition of the Excellence in Road Safety Awards, carried out by the European Road Safety Charter, CTT was recognised for the Company's Road Safety Programme underway since 2015. These annual awards granted by the European Commission aim to acknowledge projects the best road safety projects in Europe.

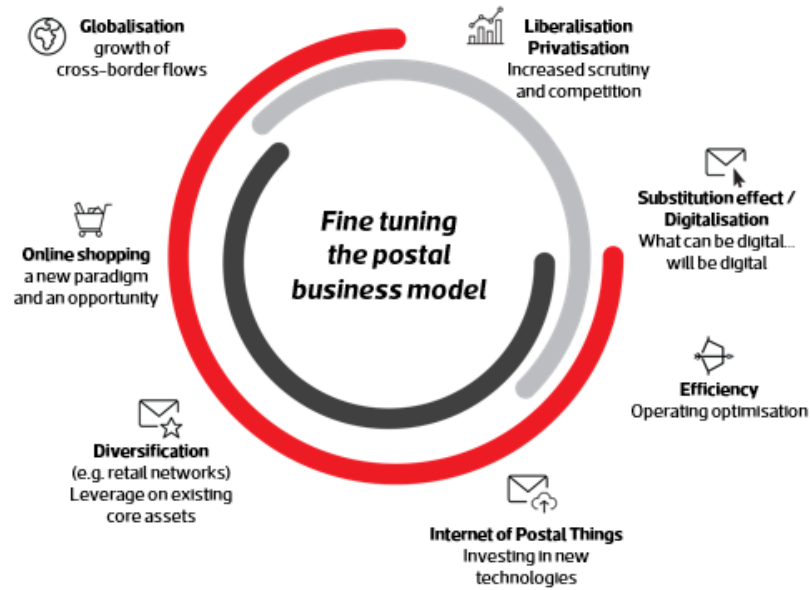
PART I – INTERIM MANAGEMENT REPORT

1. STRATEGIC LINES

1.1. Sector Trends

Postal sector companies continue to face important challenges worldwide that entail the need to carry out a deep transformation in order to permanently optimise efficiency and reinforce growth levers. CTT's action plan and strategy are based on fast evolving consumer needs and general sector trends:

- 1 The postal tripod “Globalisation, Liberalisation and Privatisation”** – growing competition and opening of domestic markets with greater integration on a regional and global level, scrutiny and the need to ensure results for the various stakeholders.
- 2 Digitalisation / substitution effect** – transformation of processes and communications based on digital resources to the detriment of physical ones, the e-economy, the root cause of the gradual drop in mail as a business communication and support tool.
- 3 Growth of e-commerce** – growth in the online retail world is significant, is a significant change in consumer lifestyles and shows great growth potential in an economy based on omni-channel commerce, thereby creating both opportunities and challenges in the Express & Parcels business.
- 4 Focus on efficiency** – continuous concern with optimising processes and resources, for example through automation and integrated management and operation dynamics, in order to ensure attractive profitability margins.
- 5 Internet of Postal Things** – enhancement of the postal operators' assets to collect information, from a big data perspective, as well as the adoption of new technologies to find new revenue sources (e.g. proximity services and geographic information), improve operational efficiency (e.g. intelligent fleets and route optimisation) and improve consumer experience (e.g. management of delivery preferences and virtualisation solutions).
- 6 Service diversification** – focus on new businesses by leveraging on the existing networks, namely the delivery network and retail network, thereby maximizing returns on existing assets (e.g. a focus on financial services, Government partnerships, expanding the logistics value chain, etc.).

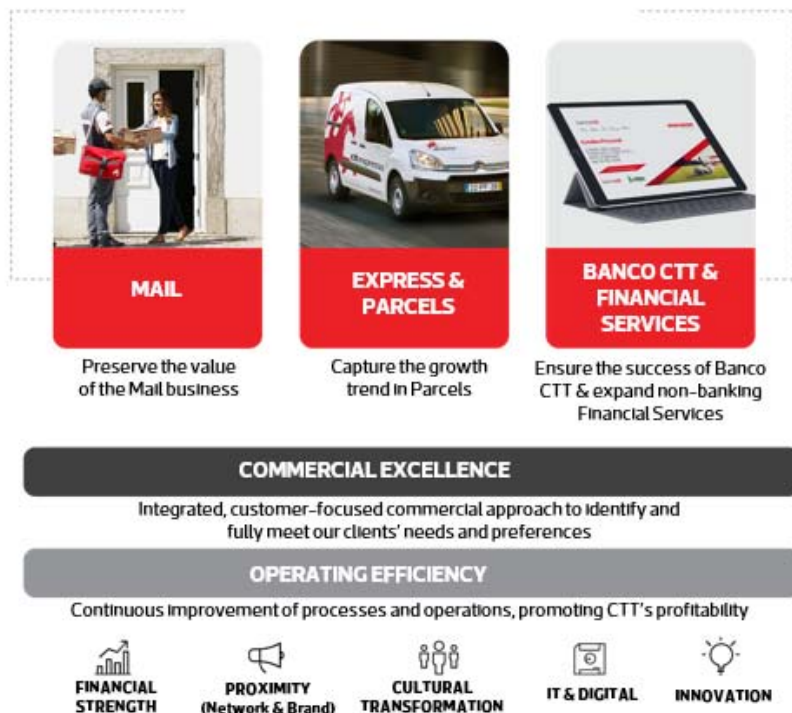


1.2. Strategic Lines

In 2016, CTT revised its strategy and made certain adjustments in order to reflect the Company's corporate priorities and the market's very dynamic evolution, both in trends and its competitive structure.

The strategic pillars are currently five, three of which are directly related to new businesses and the offer upgrade in its main business units (Mail, Express & Parcels and Financial Services). The other two, which cut cross the entire organisation, are operational efficiency and commercial excellence. The latter two have great importance and relevance within the organisation.

CTT Strategy



Some of the main initiatives carried out or currently underway regarding these strategic pillars are:

- 1 Preserving value in the mail business:** (i) regulatory management, promoting a continuously efficient Universal Postal Service and its long-term sustainability; (ii) greater alignment of prices with the service's actual cost, in order to better address the challenges of the liberalised market; (iii) developing specialised segments, such as advertising mail, which has been repositioned under the name CTT Ads and which led to the launch in January 2017 of an online platform focused on SMEs to manage marketing campaigns in various channels; (iv) revision of CTT's non-core portfolio of corporate solutions, by focusing on proximity services, geographic information and integrated solutions (e.g. printing & finishing and dematerialisation); and (v) reflection on positioning in the convergence of physical and digital services, in a comprehensive approach to the omni-channel trend that encourages structured migration and avoids excluding part of the population, enabling consumers to make a choice.
- 2 Capture the growth trend in Parcels (Courier, Express & Parcels (CEP)):** (i) new modular offer (CTT *e-segure*, meaning e-follow) that is better suited to the needs of online shoppers and sets itself apart from what already exists in the marketplace with its simplicity, convenience, flexibility and interactivity; (ii) developing specific B2B solutions for segments with greater growth potential, with standardised integrated offers for sectors where this service is core; (iii) implementing measures that seek to leverage international business and specific solutions for integrated e-commerce development (e.g. the ETOE - Extraterritorial Office of Exchange in London, the Click & Ship service, the Express2ME service, line-haul solutions, E-commerce in a Box, etc.); (iv) monitoring growth opportunities in businesses adjacent to the CEP market, such as integrated logistic/transport services and specialised delivery, whose first step was the acquisition of Transporta - Transportes Porta a Porta, S.A. and offering a new last-mile delivery and cargo transport service for items over 30 kg; and (v) restructuring Tourline's business in order to improve its future profitability and reinforce a consolidated and integrated position in the Iberian Peninsula, supplemented by (vi) the continuous analysis of non-organisational opportunities to reinforce the position in this market on an Iberian level.
- 3 Ensure Banco CTT's success and expand non-banking financial services:** (i) gradual opening of Banco CTT in CTT's Retail Network (with already more than 200 branches and in more than 100 municipalities); (ii) attracting new clients and deposits through a portfolio of no-frills banking products that is competitive relative to what is currently available in the market and that is evolving (launch of mortgage loans as of the beginning of 2017); (iii) monetising the bank's client portfolio by gradually introducing credit products, such as consumer credit in the 2nd semester of 2016 and mortgage loans in the 1st semester of 2017, (iv) focusing on developing new solutions/services to continue to diversify its offer, thereby fostering further growth resilience; (v) reinforcing CTT's Payments business by approving a strategic plan for the Payshop; and (vi) repositioning Payshop to operate as a physical and digital channel (omni-channel), by adapting it to new market trends.
- 4 Operational efficiency – fostering CTT's profitability by continuously improving processes and operations:** (i) integrating Mail and Express & Parcels delivery networks; (ii) automating parcel sorting; (iii) operationally integrating items from Transporta weighing less than 30kg in CTT's networks; (iv) new architecture of the production and logistics network; (v) optimising customs activities; (vi) motorising on-foot routes in urban areas; (vii) strategic IT transformation plan (for more flexible and agile systems) that improve and increment the value of CTT's products and services; and (viii) measures to optimise human resources, the Balance Sheet and other costs.

- 5 **Commercial Excellence – an integrated client-focused commercial approach to identify and meet their needs and preferences:** (i) optimising processes and creating new tools to support sales; (ii) improving the consumer’s digital and interactive experience; (iii) reorganising commercial teams to adapt them to new client segmentation; and (iv) commercial proactivity, in order to adapt CTT to a new competitive environment, growing offer diversification and greater client sophistication.

To implement its strategy, CTT relies on 5 differentiating catalysts:

1. **Financial solidity:** a strong Balance Sheet and solid ability to generate cash flow.
2. **Proximity and trust (delivery and retail networks and a strong recognised brand):** leverage the scalability of CTT’s core assets, including the strength and recognition of CTT’s brand.
3. **Cultural transformation:** build a human capital structure that allows greater efficiency and effectiveness in process and knowledge management, allowing the company to be gradually and sustainably transformed by focusing on growth levers.
4. **IT and Digital:** a critical tool of business modernisation, products and services and support decision-making, enhancing the use of information as a management tool and way of adding value to products and services. This supports the various growth levers.
5. **Innovation:** new approach to innovation management, by encouraging contributions by all employees and harnessing the value of the creative ecosystem and idea incubator, as a way of accelerating the process and capturing new business trends.

2. BUSINESSES

2.1. Economic and regulatory environment

2.1.1. Economic framework

International

In the first quarter of 2017, the G20's Gross Domestic Product (GDP) had a real year-on-year growth of 3.4% (3.3% in the 4th quarter of 2016), influenced by economic recovery in the European Union, Canada, China, Brazil, Mexico and Turkey. In April 2017, world industrial production had a year-on-year growth of 3.3% (equal to the preceding month), but while that of advanced economies accelerated, it slowed down in emerging and developing economies (especially Asia), which was an inversion of the conversion trend of recent years. World trade in goods suffered a downturn, with lower worldwide exports and imports, thereby contributing to the aforementioned effect.

In the first quarter of 2017, the European Union and Eurozone grew by 2.1% and 1.9%, respectively. Conditions in the labour market continued to improve over the last months. The unemployment rate has been declining since the beginning of the year and was at 7.8% in the European Union and 9.3% in the Eurozone in May, the lowest rate since March 2009.

The Eurozone's annual inflation rate fell to 1.4% in May 2017 (1.9% in April) due to a drop in energy prices (from 7.6% in April to 4.5%), unprocessed food and service prices. However, in terms of change over the last 12 months, the inflation rate rose to 1.0% in May 2017 (0.8% in April), the highest rate since May 2014. This created an expectation of a return to positive interest rates in the Eurozone. In this regard, short-term interest rates in the Eurozone stabilised in June 2017 at an average of -0.33%. On the contrary, 3-month interest rates in the U.S. increased to 1.26%, in line with the Federal Reserve's decision on 14 June to raise federal interest rates by 25 b.p. to the interval between 1.00% and 1.25%.

In the first half of 2017, the Euro appreciated 7.2% relative to the dollar, reflecting stronger GDP growth in the Eurozone in the 1st quarter than initially expected. The expectation that the ECB will continue to pursue its expansionist monetary policy (in contrast to the policy initiated by the FED) also contributed thereto. These factors were supplemented by the lesser political uncertainty in Europe due, in part, to the electoral majority in France, putting the Euro at 1.14 vis-à-vis the dollar on the 30th (on 27 June, it hit a record high since 24 August 2016).

At the end of May, OPEC countries and Russia agreed to extend their agreement to reduce the oil supply for an additional 9 months (until March 2018). In June 2017, Brent oil prices again fell to, on average, 48 USD/bbl (42 €/bbl) due to an increase in production in the U.S. and Libya.

National

According to the National Quarterly Accounts for the first quarter of 2017 disclosed by the Portuguese National Institute of Statistics (INE – Instituto Nacional de Estatística), GDP had a year-on-year growth of 2.8%. GDP acceleration was due to greater contribution of net external demand, given that internal demand made a lesser contribution than in the preceding quarter.

The greatest contribution of the net external demand was due to accelerated growth in the export of goods and services (9.7%) as compared to the import of goods and services (8.0%). The drop in domestic demand was due to the behaviour in private consumption that had a year-on-year growth of 2.2% in the 1st quarter of 2017 (3.0% growth in the preceding quarter). This lower growth rate was largely due to lesser growth in private automobile consumption, in line with the evolution of sales of

passenger motor vehicles. Inversely, investment increased from a growth rate of 3.6% in the 4th quarter of 2016 to 5.5% in the 1st quarter of 2017. Gross Fixed Capital Formation (GFCF) in construction was the component that most contributed to the growth of GFCF in the 1st quarter and, to a lesser degree, GFCF in machinery and equipment.

According to the last data disclosed by INE, in June the average growth over the last twelve months of the Portuguese Harmonised Consumer Price Index (HCPI) was 1.2%, 0.1 p.p. higher than in the preceding month and in Eurozone countries.

The unemployment rate has tended to fall since the beginning of the year and was at 9.4% in May 2017, according to INE estimates. This fall has been accompanied by robust job creation. In the first quarter, employment for the whole of the economy's branches of activity, corrected for seasonality, showed a 3.2% year-on-year growth, a rate greater than observed in the 4th quarter of 2016 (2.4%) and a level not seen in over two decades.

The Portuguese economy's ability to finance itself, was 1.5% of GDP in the year ending in the 1st quarter of 2017, 0.1 p.p. greater than in the previous quarter. This evolution resulted in distinct behaviour in various sectors, while the balance of the Public Administration sector (PA) and of non-financial companies improved, the balance of financial companies stabilised and the financing capacity of families dropped. This fall mainly reflected the evolution of family savings rates which dropped due to greater growth in final consumption expenditure compared to available income (1.0% and 0.5%, respectively). The improved balance of the PA was essentially due to the simultaneous rise in tax revenues on production and imports and in welfare contributions from a rise in employment.

2.1.2. Postal regulatory framework

At the level of the European Union

The provisions that govern the development of the internal market for E.U. postal services were set out in an initial Directive of the European Parliament and of the Council of 15 December 1997 (97/67/EC), which was supplemented by the Directives of 10 June 2002 (2002/39/EC) and 20 February 2008 (2008/6/EC), which are at the origin of the gradual liberalisation of the postal sector that was completed with the total opening of the market to competition on 01 January 2011. This liberalised market framework simultaneously safeguards a common level of obligations for the Universal Postal Service for all users of the Member States of the European Union (EU) and defines the harmonised principles for the regulation of postal services in a free market environment.

In terms of funding the Universal Postal Service, and since the provision of reserved postal services as a means of funding has been abolished, the new legal framework establishes a series of mechanisms that Member States can adopt to safeguard and fund the Universal Postal Service. The new Directive also contains guidelines on how to calculate the net cost of the Universal Postal Service. The provision of the Universal Postal Service tends to operate at a loss in the EU, with various countries having implemented measures to mitigate this cost without requiring direct compensation. Regulators, aware of the challenges that the postal sector and primarily the provider of the Universal Postal Service face, have permitted the diversification of activities and a more efficient allocation and use of resources, always safeguarding the obligations set out under European law.

According to the European Commission (EC), cross-border parcel delivery services are an essential element in encouraging electronic commerce across the EU. In May 2016, under the package of measures under development to improve consumer and company access to digital goods and services, the EC presented a regulation proposal, on cross-border parcel delivery services, which aims to increase price transparency and the regulatory supervision thereof, which is still under discussion.

In this context, European postal operators together implemented the Interconnect project that essentially entails 5 commitments: flexible delivery options; return solutions; expansion of the track and trace system; better quality of service for the client; and harmonised labels. The goal of this project is to thereby remove obstacles that dissuade consumers from making online purchases outside their country by equipping vendors with more flexible efficient delivery solutions with a single standard for clients and, as such, maximise growth potential in cross-border electronic commerce for postal operators and contribute to the development of the Single Digital Market.

At a national level

The Postal Law entered into force in April 2012 (Law 17/2012, of 26 April, as amended by Decree-Law 160/2013, of 19 November), transposing to the Portuguese legal system Directive 2008/6/EC. The postal market in Portugal was thereby fully opened to competition, eliminating the areas under the Universal Postal Service that were still reserved to CTT. However, for reasons of public order and security or general public interest, some activities and services remain reserved up to 2020: placement of letter and mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

The Universal Postal Service includes the following services, of national and international scope:

- . a postal service for letter mail, excluding addressed advertising, books, catalogues, newspapers and other periodicals weighing up to 2 Kg;
- . a postal service for parcels weighing up to 10 Kg, as well as delivery in the national territory of postal parcels received from other Member States of the European Union weighing up to 20Kg;
- . a registered mail and insured mail service.

In terms of the funding of the Universal Postal Service obligations (USO), the Universal Postal Service providers are entitled to compensation of the net cost of the USO when it constitutes an unreasonable financial burden for them. This compensation is made through a fund supported by the postal service providers, which offer services that, from the point of view of the user, are considered services exchangeable with those covered by the Universal Postal Service, the operation of which has yet to be defined. In February 2014, the regulatory entity (ANACOM) approved the methodology for the calculation of the net cost of the Universal Postal Service provided by CTT as a provider of the Universal Postal Service, as well as on the concept of unreasonable financial burden for effects of compensation of the net cost of the Universal Postal Service as well as the terms for its calculation.

As the concessionaire of the Universal Postal Service, CTT shall remain the Universal Postal Service provider until 2020, with the Government having reviewed the principles of the concession pursuant to the system established in the Postal Law, through the publication of Decree-Law 160/2013, of 19 November, with the execution thereunder of an amendment to the concession contract on 31 December 2013.

Pursuant to the Base XV of the Principles of the Concession of the Universal Postal Service, in August 2014, ANACOM approved the final decision on the objectives of postal network density and minimum service offer with which CTT should comply until 2017, to ensure availability and accessibility of the Universal Postal Service entrusted to CTT. In 2017, the definition of the objectives of postal network density and minimum service offer for 2018/2020 are underway and no significant changes are expected to the existing postal network.

Under the criteria for formation of prices for the 2015/2017 period as established by an ANACOM resolution of 21 November 2014, ANACOM approved the Universal Postal Service price proposal presented by CTT on 31 January 2017, as later adjusted, by a resolution of 28 March 2017. The prices

inherent to this proposal, which complied with the established price formation principles and criteria, became effective on 4 April 2017.

The update corresponded to an average annual increase of 2.4% in the price of the basket of letter mail, editorial mail and parcel services, not including the Universal Postal Service offer to bulk mail senders, to which a special price regime applies. Special prices for postal services included in the Universal Postal Service offer applicable to bulk mail senders were also updated on 4 April 2017, following the proposal submitted to the Regulator on 24 March 2017. Within the company's 2017 price policy, the referenced updates are an average annual price increase of 1.9%, which also reflects the effect of price update for reserved services (registered mail used in legal or administrative proceedings) and for bulk mail special prices.

As the Universal Postal Service provider and in order to provide a standardised and non-discriminatory service to operators that wish to use the Universal Postal Service network, as of February 2016, CTT made available to mail operators with an individual license an offer to access its network that is deemed competitive and that safeguards the network's security and the Universal Postal Service's efficiency. This offer consists of a basic service of pick-up, transport, sorting and delivering non-priority letter mail with a maximum weight of 2kg that allows items to be sent nationally or internationally using the Business Mail branch of Lisbon, Taveiro (Coimbra) and Maia (Porto) as access points. As regards access to the Universal Postal Service Provider's (USP) network, the regulator's likely decision has been put under public consultation. For the delivery of non-priority non-flat items, it provides for access to the USP's network in certain postal delivery offices. If this measure is adopted, CTT considers it will entail a relevant barrier to the automation and centralisation strategy the Company has been implementing, in order to increase operating efficiency and streamline costs, in a context of declining mail volumes.

Further regarding access to elements of the postal infrastructure by other postal operators, access was granted as of March 2016 to deliveries to P.O. Boxes through which mail operators can directly drop-off mail addressed to P.O. Boxes located in CTT post offices and agencies and return mail found in the CTT network with postage from other operators.

In terms of the quality of the Universal Postal Service and in the aftermath of the new Postal Law, quality indicators began to be measured as of the 4th quarter of 2016 through a measurement system carried out by an independent external entity, whose operation has been entrusted to an international company. Certain insufficiencies were detected in the measurement process and this entity is currently implementing a number of measures to improve the operation and stability of the new quality of service measurement system.

Under the legal framework, the regulator stipulates the quality of service parameters and performance goals associated with providing the Universal Postal Service, as well as the criteria for stipulating prices. During the current year, the last of the 2014-2017 regulatory period, the market is waiting on the regulator to state its position on these matters for the next three-year period. CTT considers that position should take into account recent mail volumes and changes in consumer needs, due to new realities that the new information and communication technologies have brought with them.

2.2. Mail

2.2.1. Business

The recurring revenues ⁶ of the Mail business unit reached €269.8m in the first semester of 2017, corresponding to a year-on-year slight decline of 0.8%.

This business unit includes the Mail upstream and downstream businesses of postal services and corporate solutions, namely printing & finishing, mail manager, video encoding, hybrid mail and other solutions complementary to the Mail business. The Retail Network is also included in this business unit that in addition to postal, retail and convenience services renders services to the other business units as a sales channel. Of note is its role as a proximity channel for Banco CTT's financial services. The abovementioned services are provided by CTT S.A. (parent company), CTT Contacto and Mailtec Comunicação.

Mail

The evolution of the revenues is related to the decline in addressed mail volumes (-5.6%), predominantly in the 2nd quarter (-7.6%), that offset the price increase that took place on 4 April 2017.

The 2nd quarter, when compared to the same quarter in the preceding year, was influenced by the occurrence of one less business day, in the month of April, in particular, with two less business days due to Easter holidays (that in 2016 took place in March), which significantly affected mail consumption. The months of May and June showed smaller reductions, more in line with those of the 1st quarter, which attenuated the reduction in this 2nd quarter.

Mail Volumes

	Million items								
	1 Q17	1 Q16	Δ	2 Q17	2 Q16	Δ	1 H17	1 H16	Δ
Transactional Mail	174.5	180.5	-3.3%	156.5	169.4	-7.6%	331.0	349.9	-5.4%
Editorial Mail	10.6	11.6	-8.8%	11.1	11.0	0.3%	21.6	22.6	-4.4%
Advertising Mail	18.5	19.4	-4.6%	16.9	19.2	-11.6%	35.4	38.6	-8.1%
Addressed Mail	203.6	211.5	-3.7%	184.5	199.6	-7.6%	388.1	411.1	-5.6%
Unaddressed Mail	107.4	108.5	-1.1%	127.4	126.2	1.0%	234.8	234.7	0.0%

The price update of the basket of letter mail, editorial mail and parcel services took effect as of 4 April of this year, with only a partial effect on this semester. The average change in prices for the Universal Postal Service in the 1st semester of 2017 was a year-on-year increase of 1.3%, thereby contributing to offset the effect of the decline in volumes on addressed mail revenues.

The decline in **transactional mail volumes** (-5.4%) was the main contributor to the decline in addressed mail volumes. This evolution is the result of declines in the volumes of ordinary mail (-7.3%) and priority mail (-7.7%). On the other hand, registered mail (+6.0%), green mail (+1.4%) and outbound international mail (+5.9%) and inbound international mail (+3.4%) showed a positive evolution, thereby also contributing to a positive mix effect.

⁶ Including internal services and intragroup transactions which are eliminated for consolidated purposes.

Notably, the evolution of transactional mail volumes in the semester contributed negatively to its performance in the 2nd quarter of 2017 (-7.6%), mainly due to the behaviour of **ordinary mail** in the 2nd quarter whose fall was sharp (-9.4%). This led to a 7.3% decline in volumes of that type of mail in the 1st half of 2017. The occurrence of Easter holidays in the 2nd quarter, which in 2016 had occurred in the 1st quarter, contributes to this evolution.

Registered mail grew in volume by 6.0%, mostly due to the rise in consumption by the Government sector, namely by the Tax Authority (+22.8%), although this behaviour is not expected to continue throughout the rest of 2017.

Editorial mail had a sharp recovery in the 2nd quarter, mainly in the Editors sector and other various sectors.

Volumes in **addressed advertising mail** fell 8.1% in the first half of the year. This drop was very sharp in the 2nd quarter (-11.6%), mainly due to the fall in advertising campaigns by large customers in the banking, insurance and utilities sectors and large retail distributors.

The new solution CTT Ads, launched in the first quarter of 2017, has not yet had visible effects on both volumes and income of advertising mail and some measures are being implemented to boost and promote this new offer.

Volumes in **unaddressed advertising mail** stabilised vis-à-vis the 1st half of last year.

Business Solutions

CTT offers hybrid communication solutions, developing offers that combine physical with digital communication, such as: document production (through Mailtec Comunicação, the market leader), scanning and information technologies for the postal sector, geographic and geo-referencing solutions, as well as ViaCTT, a secure e-mail with controlled access.

There is growing market demand from a wide variety of business sectors for CTT's integrated solutions, which include features tailored to the needs and goals of each organisation, based on the portfolio and capabilities inherent to CTT's two capillary networks – post offices and delivery.

The Dematerialisation, Proximity and Business Intelligence Solutions (meter readings, document dematerialisation and handling services, handling of notices, etc.) evolved favourably compared to the same period in 2016. Application developments remain underway in order to make two new SaaS (Software as a Service) services available in 2017. This is aligned with a strategy to expand services to increasingly digital self-service models.

The Online Invoice service attained the one-million mark of processed invoices in the first half of 2017. The launch of the solution in more than 1,200 CTT post offices and agencies and initial testing with one of the largest Retail Distribution chains in Portugal contributed significantly thereto. In the second half of the year, a renewed version of the Online Invoice web portal will be launched and a mobile application for Android and iOS will become available. This renewal will bring with it not only an improved user experience for consumers, but also new features that can be explored by retailers, while maintaining the outlook of extending the purchasing experience beyond the point of sale.

Philately

The Philately business achieved €3.9m in revenues in the first half of 2017, resulting in a year-on-year increase of 22.5%. Revenues from the “100 Years of Fatima” project, made up of stamps and a book, and the sale of AA “Benfica” stamp booklets (2nd group) strongly contributed thereto. We further highlight the “Canning Industry” philatelic issue that received the 2017 WIPA Grand Prize.

The themes covered for the commemorative issues in the first half of the 2017 encompass various areas of human knowledge, as shown by the list below:

Commemorative Issues	
<ul style="list-style-type: none"> • Joint Issue Portugal-India • Joint Issue Portugal-Israel • 800 Years since the founding of the Dominican Order • Centenary of the Fátima Apparitions • Visit of His Holiness Pope Francis • Historical and Cultural Figures • Centenary of the Philanthropic Lions Club • Evocation of Portuguese Participation in World War I 	Historical Dates and Figures
<ul style="list-style-type: none"> • António Guterres – United Nations Secretary-General • Lisbon – Iberian-American Capital of Culture 2017 • Evocation of the life of Mário Soares 	National and International Events in 2017
<ul style="list-style-type: none"> • EUROPA – Castles • 50 Years of the Rally of Portugal • Traditional Desserts of Portugal (1st group) – base issue • Portuguese Textile Industry 	Music, Art and Culture
<ul style="list-style-type: none"> • Fruits of Portugal PDO and PGI (2nd group) • UN Year of Sustainable Tourism for Development – Automatic Labels 	Environment and Sustainability
<ul style="list-style-type: none"> • North Booklet • Traditional Desserts of Portugal (1st group) – base issue 	Self-Adhesive

The following thematic books were also launched with the usual high level of success:

Thematic books
<ul style="list-style-type: none"> • 100 Years of Fátima • Portuguese Textile Industry

2.2.2. Retail Network

The Retail Network is an increasingly important sales channel for CTT's revenues growth in all business units, in an increasingly digital economy where convenience and proximity serve an important role in the physical component of this new paradigm and in which the consumer wants a breadth of interactive channels – the omni-channel concept – when purchasing or searching.

Management of business in the Retail Network is based on the following fundamental vectors:

- development of the Mail business, namely value-added mail, in order to address increasingly complex and wide-reaching needs;
- channel of proximity for the marketing of financial services, as a pillar for creating and developing Banco CTT in particular and the continued network for retail placement of public debt;
- businesses and services of convenience to the population, services of general interest, by taking on the role of local multi-service assistance, services to citizens, pension and other welfare payments by postal money order and parcel pick-up/drop-off for e-commerce.

At the end of the first half of 2017, the Retail Network was comprised of 4,377 contact points, with 613 post offices, 1,744 partnership branches (postal agencies) and 2,020 stamp sale points. The offer of services, under self-service available 24 hours a day in some cases, is complemented by 217 automated stamp vending machines and 15 automated postal product vending machines.

The strategy defined in 2016 to segment the offer by post office type, streamlining the offer of third-party products, reinforcing partnerships in the segments deemed strategic and strengthening CTT's position as a single provider of proximity services was continued in the first half of 2017. This segmentation allowed initiatives to be promoted during the first half of 2017 that stimulated other retail businesses, such as: (i) new partnerships in telecommunications, CTT ticket sales and Tourism and (ii) providing services to citizens, such as the payment of the Mobility Social Subsidy in the Autonomous Regions of Madeira and the Azores, which in the first half of 2017 entailed more than 125 thousand operations in a total amount paid to beneficiaries of 25 million Euros. The agreement entered into with Casa Campiã for the sale of classic lottery tickets in all CTT post offices and through postmen and women is also worthy of note. This allowed lottery tickets to be again sold at CTT, after having been interrupted since the 4th quarter of 2016, which resulted in a revenues drop of €2.0m in this channel in the 1st half of 2017.

The Commercial Excellence Programme, a company-wide programme, was launched with the goal of creating a better focus on dynamic sales within the CTT Group, which translated into increased sales, more time with the client and better quality of service. It is based on three key elements: (i) skill development, (ii) support tools and monitoring of the programme and (iii) a new organisational and governance model, affecting all products of the CTT's B2B segment.

In line with the strategy for commercial excellence and greater efficiency in the various sales channels and for various targets, specific stimulation measures were developed in the B2C segment through sale of books and merchandising in postal agencies, thereby offsetting the reduced presence in post offices resulting from segmentation.

In parallel, optimisation measures continued to be developed in order to increase the convenience of the postal agency network for clients, by better analysing the best geographic location thereof, extending opening hours and expanding the portfolio of available services.

The "Future Opens" contest has also been maintained. This CTT initiative is aimed at national start-ups and was launched in the last quarter of 2016 in order to promote innovation by supporting

entrepreneurship in Portugal and thereby creating a showcase of distinctive products/services in the market. Following the selection of a short-list of 10 proposals, contacts were made to sell those products in CTT post offices and remote sales channels (catalogue and online shop).

In terms of innovation in the retail network, the development of the CTT App was concluded in the first half of the year by making the products *meuselo*, *meupostal* and ticket office available as of July.

2.2.3. Operations

In the first half of 2017, the Transformation Programme⁷ remained heavily focused on reorganising the operational cycle, deepening synergies between CTT networks (Mail and Express & Parcels) and improving operational efficiency. We note the NARPEL (New Architecture in the Production and Logistics Network) project in this first semester of the year, as further detailed below. It was implemented in April 2017 and will go through a second implementation stage in August 2017. We also highlight the continued expansion of the MOGU project (Motorisation of Urban On -Foot Delivery Routes) to additional areas.

Sorting

The sorting network is composed of 3 production and logistics centres, 7 logistics support centres and 1 business mail centre. The activities of the production and logistics centres are carried out by 46 automated mail sorting machines (of which 26 are mail sequencing machines, 2 medium-size item sorters and one Rest Mail Sort machine) and 54 video encoding posts.

In the first half of 2017, an average of 2.1 million items a day (flat letter mail) were automatically sorted by postal delivery route, 80% of which were automatically sequenced. The Rest Mail Sort (RMS) machine sorted a daily average of 82 thousand items in the first half of the year (+39% than in the same period of the previous year).

The Mailmanager solution showed notable growth in the first semester, as shown by the following indicators: 7.5m scanned pages and 4.4 million complete documents, numbers which show a 53% growth in documents produced, as compared to the same period in the previous year.

As regards the GEO10 project (geo-referencing doors of each home and their characteristics), developments were made to address information, both by inserting the toponymical approved by Local Government and by integrating surveys carried out under the project. Four million doors have already been identified, thereby covering 97% of the Portuguese population and 98% of the national territory.

We highlight the strong increase in customs-related activities and its positive impact on the increase of the revenues. The customs handling rate saw a rise in requests of 92.1% as compared to the same period in the previous year. From among the changes made to facilitate customs-related processes, we highlight: (i) the implementation of pre-payment for early payment of customs duties, (ii) the dematerialisation of customs clearance notices, which are now made electronically, (iii) the implementation of the CDS – Customer Declaration System, an application developed and managed by UPU for the complete IT handling of customs documentation and which is made up of 2 components, one to be used by Postal Operators and another by the Customs and Tax Authorities, namely Customs, and lastly (iv) cooperation with the Brazilian postal operator in exchanging electronic customs clearance messages.

⁷ Transformation Programme: a set of projects selected annually as fundamental to implementing CTT's strategy.

The Geocontact product's (unaddressed mail) operative process (handling and delivery), which has been in effect as of January 2017, is also to be noted. This was fully undertaken by the mail distribution network and enhanced its installed capacity, while reducing outsourcing costs thereof.

Finally, within the Transformation Programme⁸, the implementation of the NARPEL project is worth noting. Under it, changes were made to the mail and EMS forwarding model, as well as to the video encoding operational model, by reinforcing activities in the Southern and Northern production and logistics centres (with the transfer of 4 pieces of equipment that were installed at Pinheiro de Fora). This encompassed more suitable resources, a new sorting model and new layout for the production and logistic centres. This project adapted transport to new consumption profiles, as well as to the country's modes of communication, enabling a more centralised cover in large centres.

Transport

The transport network operates with 242 vehicles, which travel approximately 46 thousand km/day. In the first half of 2017, the national transport network covered a total of nearly 5.7 million km, thanks to ever more efficient vehicles acquired under the fleet renovation that has been carried out over the last years.

The implementation of the first stage of the NARPEL project contributed to increased operational efficiency of the logistics network, thereby ensuring greater synergy between the mail distribution network and express network in the logistics component, with important contributions to reducing kilometres covered and reducing expenditure in transport activities (with an expected annual reduction of 354 thousand km).

Regarding air and sea transport, we highlight certain initiatives carried out during the semester: (i) implementation of a new plan to Route air transport, which has contributed towards avoiding an increase in prices charged by carriers, (ii) consolidation of Nesting solutions - (feature installed in the IPS - International Processing System IT application supervised by UPU that manages inbound and outbound international mail) for sea transport regarding screening of transported mail and (iii) transfer of some air transport flows to sea transport of inbound international mail whose destination is the Azores or Madeira, with a positive impact on operational expenses and nearly 13% growth in volumes transported by sea.

In terms of innovation, we note the launch of the Vedur project, a pilot using an innovative electric tricycle to replace delivery routes that currently use scooters or are done on-foot. This reinforces the focus on vehicles adapted to face new postal delivery hurdles and was done in partnership with the Portuguese start-up UOU mobility.

Delivery

The delivery network is made up of 235 postal delivery offices (PDOs), including 62 delivery support offices (DSO) and 2 delivery support services. These are organised into 4,718 delivery routes, which cover around 244 thousand km/day. The fleet provided for delivery is primarily comprised of motor vehicles, motorcycles and bicycles (mostly electric) and has been reinforced with more vehicles, mainly electric vehicles in order to make routes faster and endow them with greater load capacity in response to the mail distribution network's needs.

⁸ Transformation Programme: a set of projects selected annually as fundamental to implementing CTT's strategy.

Under the Transformation Programme ⁹, we highlight the consolidation of new, more efficient delivery models that are geared toward meeting product service standards and promoting the continued reorganisation and optimisation of PDOs. In the first half of the year, 66 PDOs were reorganised and 13 operational units (DSO/PDO) were centralised, thereby contributing to the greater streamlining of delivery infrastructures. We further highlight the implementation of the MOGU project (Motorisation of Urban On-Foot Delivery Routes) in two PDOs in Lisbon and Porto. The results from these pilots were positive and support the expected expansion to other PDOs on a national level, in areas of greater urban density.

Due to measures carried out in the last years to make better use of the mail distribution network's capacity for EMS delivery, it is worth noting that, in the 1st half of 2017, nearly 75% of EMS volumes were delivered by the mail distribution network (70% in the same period of 2016).

In terms of innovation, we highlight that, in the first quarter, CTT successfully carried out the first delivery of a parcel by drone. The initiative was carried out in partnership with Connect Robotics, a start-up dedicated to managing and controlling drones in autonomous flights.

2.3. Express & Parcels

The recurring revenues ¹⁰ of this business unit reached €62.8m in the first half of 2017, a year-on-year growth of 4.8%. This business unit is comprised of the activities of CTT Expresso and Transporta in Portugal, Tourline Express in Spain, all increasingly anchored in the Iberian Peninsula, and CORRE in Mozambique.

Portugal

In **Portugal**, as planned, the acquisition by CTT of the entire share capital of “**Transporta** – Transportes Porta a Porta, S.A.” was concluded on 4 May 2017. The agreement for the sale of the company by Group Barraqueiro had been announced on 15 December 2016 and on 2 March 2017 CTT was notified of the decision of the Competition Authority not to oppose the transaction.

This acquisition falls under CTT's expansion and diversification strategy, through which the company intends to capture growth opportunities in neighbouring markets and with potential synergies with the CEP market. On the one hand, the fact Transporta offers integrated logistics solutions and is active in the goods delivery and transport market in Portugal, allows CTT to expand and reinforce its presence in those markets. On the other hand, because it is mostly active in the market for delivery and transport of cargo exceeding 30 kg, CTT can expand the range of services provided and offer increasingly integrated solutions to its customers. This growth strategy has already been adopted by other international postal operators and, in addition to the aforementioned benefits, it is crucial for customer loyalty.

Since 4 May, CTT has been working on the implementation of a plan to capture synergies of various natures: migration synergies of items between networks (transferring items from the Transporta network to the CTT network and vice versa, depending on which is more competitive for the various types of flows), infrastructure and fleet synergies, as well as optimisation of outsourcer networks, human resources and other costs.

⁹ Transformation Programme: a set of projects selected annually as fundamental to implementing CTT's strategy.

¹⁰ Including internal services and intra-group transactions which are eliminated for consolidation purposes.

Business revenues (excluding internal clients to the Group) in Portugal grew 6.2% to €36.6m, an amount that includes €2.3m from Transporta (€2m from Express & Parcels and €0.3m from Logistics).

Revenues in Portugal excluding Transporta, i.e., from CTT Expresso, essentially stabilised compared to the same period of the previous year (-0.6%). This evolution was due, on the one hand, to a 3.2% growth in the parcels business and, on the other, to a sharp drop in the banking business (-26.6%), which currently has a small weight (around 7%) in the overall revenues of this business unit in Portugal.

Total volumes in Portugal grew by 13.1% in the 1st half of 2017 compared to the same period of 2016 (6.3% excluding the approximately 0.5 million items contributed by Transporta in the months of May and June). The performance of CTT Expresso resulted both from the B2B segment (some customers acquired in 2016 entered cruising speed in 2017, mainly in the retail, electronics and telecommunications industries), as well as from the B2C/e-commerce, due to strong customer dynamics in the fashion and accessories sectors and to new recruitments in the sporting goods segment and food industry. It should also be noted that micro and small enterprises managed through remote channels (telemarketing and web) recorded a marked increase in volumes (over 20%).

The evolution of volumes, when compared to revenues, shows a decline of the average price in CTT Expresso's domestic business, which was mainly influenced by (i) the growth in the e-commerce segment, with lower prices and small-sized parcels, (ii) the competitive pressure in the large accounts segment, where the modular offer has allowed best price needs to be addressed and (iii) the growth and the capture of new clients in the small business segment which has allowed to partially offset the former effects and which is expected to undergo further growth throughout the year. The new **CTT e-segue** offer, by increasing the value proposition and range of services directed at e-buyers, is highly suited to the e-commerce segment, thereby permitting greater focus on the growing SME segment, due to positive growth in the economy. This offer will allow the shown effect of average price reduction to be contained.

E-commerce is a crucial lever for parcels growth. Its activity in CTT showed an estimated growth of 18.1% throughout the 1st half of 2017, in terms of last-mile volume delivery, including inbound cross-border flows. The following initiatives are of note:

- intensified negotiations with the partner SingPost E-Commerce (SPEC) in order to expand the **Express2Me** service, launched in the last week of December 2016, to new geographies, thereby allowing Portuguese consumers to access online shopping on U.S.-based websites by attributing a 1st mile virtual address. There are prospects of expanding this service to the United Kingdom market and to buyers in Spain, by the end of 2017;
- creating commercial partnerships with two **national e-commerce platforms** that intend to make automatic integration of parcels in CTT's shipping and delivery systems available to clients with online stores on these platforms;
- design shipping solutions and other additional services that support online transactions, in partnership with the relevant **C2C platform in Portugal**;
- continued development of system integration and space negotiation, in order to carry out a pilot of automated lockers for parcel delivery (**Parcel Lockers**) in locations with heavy foot traffic (train stations, for example), with launch expected by the end of 2017;
- creating a **partnership with Phone House** that seeks to create greater accessibility and convenience for online shoppers in collecting their parcels by expanding the network of CTT delivery points to another 100 points, many located in convenient (as regards opening times) commercial spaces with heavy foot traffic;

- concluding the design and functional specifications for dynamic delivery solutions in an urban context that satisfy quick delivery needs in an e-commerce setting – **Same Day & Instant Delivery**, with a market pilot to begin in 2017;
- development and implementation of various scheduled activities under the **Interconnect** programme, namely the carrying out of pilot testing with standard packets and premium items both inbound and outbound, in order to create a postal network involving more than 30 postal operators with an integrated cross-border e-commerce offer;
- conclusion and disclosure to key clients and partners of the “**E-Commerce Quarterly Barometer**”, a survey of a panel of 20 experts in online retail on their perception of e-commerce evolution and trends in Portugal.

Finally, it is very important to note that the 2nd quarter was the first quarter of full adoption of the **Commercial Excellence model**. The consolidation of this new organisational and activity model is aimed at reinforcing the capacity to attract clients and develop business. The new organisation of the commercial and marketing areas with (i) specialisation by activity sectors, (ii) development of pre-sale areas that will better support tailored sales and the operational solutions, (iii) the implementation of multi-product sales teams in order to better harness cross-selling opportunities and (iv) a multi-channel logic for small businesses through telephone, retail network and door-to-door channels, will provide a more suitable response to each market segment.

Spain

In **Spain**, business revenues (excluding clients internal to the Group) reached €24.0m, a year-on-year growth of 11.4%, mainly due to the 17.1% volumes growth. This was very much due to the capture of a major client and other relevant direct clients, mainly in the e-commerce business.

The strategy outlined for Tourline’s recovery is based essentially on two principles: (i) volume growth, to leverage the fixed-cost structure and (ii) growth in the number of franchised post offices that allows, on the one hand, greater independence from large customers (typically with aggressive prices) and, on the other, reduction of the delivery costs by switching from own delivery to delivery by franchisees. For that, operational changes were made (profile of shipments, cut-off times and use of the other logistics platforms), which nowadays allow for greater growth in volume and upon which the company’s evolution strategy can be based.

At the beginning of 2017, Tourline changed its market position in a way that was consistent with the defined strategy – increased pricing aggressiveness for end customers and created more attractive conditions for growing and attracting franchisees in order to achieve the intended growth by attracting franchisees from other networks to Tourline and promoting the growth of the current ones. This change in position enabled the aforementioned volumes growth in the 1st half of 2017 compared to the same period of 2016, and three times the number of new franchisee openings in the second quarter when compared to the first quarter of the year. Continued growth, which is expected to accelerate with the entry of more franchisees and their growth within the network, as well as the entry of large accounts (some already in the process of integration) will allow for the revenues growth trends to intensify and consolidate. They will lead to a greater reduction of unit costs due to larger economies of scale and greater distribution via franchisees, thus creating conditions to achieve the goal of monthly positive EBITDAs as of the last quarter of 2017.

In this regard, CTT and Tourline continue to evaluate consolidation opportunities in the Iberian market in order to accelerate this process and enable CTT to affirm itself as one of the major Iberian operators in the Express & Parcels sector.

Mozambique

In **Mozambique**, CTT has been active in the Express & Parcels business since October 2010 with the company CORRE – Correio Expresso de Moçambique, whose share capital is 50% held by CTT and 50% by Empresa Nacional de Correios de Moçambique (Mozambican National Post Office).

The company intends to become market leader of the domestic express mail market and to stand as one of the most important players in the international Express & Parcels trade with Mozambique. It already covers most of the provinces and owns an operating centre and two own branches in Maputo and an Air Mail Unit at the airport. CORRE products and services are also available at all post offices of Correios de Moçambique, thus achieving national coverage, which has contributed to the expansion of the business.

In the first half of 2017, the armed conflict in the country's central region was ended by peace talks. During this semester, the inflation rate also decelerated (from nearly 25.27% at the end of December 2016 to 20.45% in May 2017) and the local currency slowly but continuously appreciated compared to the Euro/U.S. dollar, although it is still far from its pre-crisis value. The practical effect of this situation has been the closing and/or downsizing of most companies that operate in the Mozambican market. The appreciation of the local currency will have a positive effect in the medium-term on imported goods with an impact on CORRE's cost structure. As far as expenditure management is concerned, a plan has been stipulated to reduce the human resource structure (expats), effective as of the 4th quarter of 2017.

In terms of business and in contrast with the economic performance of the country, CORRE has been presenting increased revenues and a consolidated position as the largest logistics operator in Mozambique to operate in the services sector. It has sought to diversify its client portfolio in order to ensure less dependence of its hegemonic position in the banking sector. In order to address the lack of budget of various government sectors, CORRE has been intensifying its collection model and restrictively applying its policies for granting credit, as well as diversifying the growth of its activity to other sectors.

A strategic plan is underway to reinforce commitment and alignment of the shareholders with a set of assumptions that will allow CORRE to consolidate its financial performance, reducing its exposure to currency fluctuations within the ongoing business. When implemented, it will allow the negative impact of previous financial years to be offset in the company's performance and accounts, thereby ensuring that annual results will become consistent with CORRE's good operational performance over the last 2 years.

CORRE had a year-on-year growth of 9.3% in business revenues in local currency (metical), +4.8 million metical mainly due to the growth in the banking business (+2.7 million metical; +9.5%); due to the negative evolution of the metical exchange rate, revenues expressed in Euro stood at 791 thousand euros (-8.7%).

2.4. Financial Services

The recurring revenues ¹¹ of this business unit reached €32.8m in the first half of 2017, a year-on-year growth of 1.8%. This business unit includes the financial services provided by CTT, S.A., geared toward retail, and payments activities, directed toward the business segment (B2B), both through

¹¹ Including internal services and intra-group transactions which are eliminated for consolidation purposes.

the Retail Network and the Payshop business with its vast network of agents, representing more than 6,500 payments points.

CTT's retail network continued to extensively market non-banking financial products and services based on partnership agreements, involving savings, fund transfer, life and non-life insurance, as well as the consumer credit and credit card business in CTT post offices that do not have a Banco CTT branch. This coordinated strategy with Banco CTT allows CTT clients to access this offer at a wider set of points.

With a nearly 52% weight in the revenues structure of the business unit, **public debt products** - Savings certificates (SC) and Treasury certificates *Poupança Mais* (TCPM) - have a crucial influence on the final result. For this reason, the 41.9% growth in revenues of the Public Debt products in this first semester, was decisive for the overall growth of the business unit. It was influenced by volumes growth, but especially by a change of the contractual terms and conditions between CTT and IGCP, whereby commissions became stable throughout the year (with no stock commission). Volumes growth was strong, with 18% growth in subscriptions and amortisations trebling as compared to activity recorded in the same period of 2016. The demand for public debt products was naturally focused on TCPM due to their high yield (average gross income of 2.25% p.a. for 5-years), in contrast with the reality of bank deposits whose average return rate decreased again to 0.31%, according to data from the Bank of Portugal in the middle of the reference period. The demand for TCPM also benefitted from being completely cost free to the customer, in a context where banks are increasing their servicing fees, in particular regarding current accounts.

The **fund transfer** business made a very positive contribution, in particular the outbound flow, as the number of transactions and the revenues increased, following up the positive evolution of the economy, employment and consumer confidence. The inbound flow maintained its downward trend in the number of transactions, although offset in terms of revenues, which increased as a result of rising prices in issuing countries.

Insurance and credit is offered by CTT only in post offices with no Banco CTT branch. This allows the Bank's strategy of reduced presence in the retail network to leave its capacity and breadth in offering these products intact. This is possible through integrated management between both institutions at all times and in communicating with the market.

In the area of **life and non-life insurance**, a reference should be made to the development of projects intended for re-launching and reinforcing this product offer. This will be carried out in close cooperation with Banco CTT and is scheduled for the beginning of the 2nd half of 2017. Commercial teams have received technical and behavioural training in health insurance, whose pilot test has been taking place since 2016 with positive results in an initial group of 150 post offices.

The business of **consumer credit and credit cards** in post offices with no banking activity has seen a 12.7% year-on-year decline in the semester, with credit of 4.2 million euros placed. Taking into consideration in the previous comparison only post offices that fell outside Banco CTT's perimeter as regards consumer credit in both periods under analysis, this business grew by almost 23%, in line with the market trends and considering CTT as a whole (including CTT and Banco CTT).

The first half of 2017 marked the launch of the transformational plan for CTT's **payments** business - an investment in diversification, innovation and excellence of service, leveraged on the potential of new technologies and maximising the value of the Payshop agent network, for these and for users. Four key elements stand out:

1. Signing an agreement with the Portuguese start-up OneBiller, in order to develop an innovative application that will bring the Portuguese even closer to CTT's sole payment brand. This

partnership will leave a mark on the payments market in Portugal. The web and mobile application with the project name “Virtual Agent” intends to consolidate recurring expenses and make available information thereon. This will help private (and corporate) users to manage and make all payments and expenses without needing to access bank accounts.

2. The availability of new pre-paid services for online shopping in the network of Payshop agents. This is available for internationally renowned brands such as Sony PlayStation, Sony Plus and Nintendo. These pre-paid cards are an easy, fast and safe alternative to credit cards when purchasing games and other content from these brands. In the second half of the year, Payshop intends to continue expanding the portfolio of pre-paid products.
3. The development of the partnership between Payshop and CTT Expresso and the launch of the pick-up/drop-off service for express parcels at Payshop agents, in addition to CTT’s network and Phone House points, which incremented its convenience and proximity even more.
4. The network of Payshop agents surpassed the threshold of 4,300 agents for the first time at the end of the 1st semester of 2017, thereby consolidating its national presence.

Despite the decline in revenues, especially in mobile top-ups and public transport ticketing, the payments business as a whole generated revenues of nearly 10 million euros in this semester. On a positive note, we highlight the revenues generated by new services, integrated payment solutions and the payment of State single collection documents, in their majority taxes.

2.5. Banco CTT

The recurring revenues¹² of this business unit reached €3.5m in the first semester of 2017, already showing the initial monetisation of the client base, which has been growing quickly and sustainably. After only 15 months since its opening to the public in March 2016, Banco CTT has earned the trust of 185 thousand clients (with 200 thousand clients by the 3rd week in July), through the opening of more than 147 thousand current accounts. These are clients that established a relationship of trust and proximity with the Bank, values that are the root of its activity, and that have driven its growth, of which we highlight the 420 million euros worth of customers deposits captured, of which 252 million euros are in current accounts. In order to serve the general population and its clients, Banco CTT is present throughout the country in more than 200 branches set-up in CTT post offices.

The trust of the Portuguese population has also had an impact on the successful launch of new products and services. In this regard, we highlight the launch of Banco CTT’s credit cards, in the last quarter of 2016, wherein more than 25 thousand cards have been issued to date. We further highlight consumer credit offered in partnership with Cetelem, which is available in both post office with and without Banco CTT branches and on the Bank’s website and whose available credit volumes have already surpassed an accumulated €20m.

Under the plan to launch products and services during the year of 2017, Banco CTT launched mortgage loans in the first quarter, with a simple low-cost solution for those intending to purchase or move home, while maintaining the value associated with Banco CTT’s launch: an accessible and comprehensible offer that is of value to clients. Banco CTT’s mortgage loans offer also reinforces the brand’s value of proximity, by allowing the client to be accompanied by a mortgage loan specialist throughout the entire home purchase process. Banco CTT has also launched a new smartphone app, specific to this offer that facilitates and guides our clients through every step until they obtain their new home, a process that is usually seen as lengthy and bureaucratic. With this

¹² Including internal services and intra-group transactions which are eliminated for consolidation purposes.

offer, Banco CTT has now concluded its base offer to clients and, in time, will offer only new supplementary products and services.

Total customer credit, as at 30 June 2017, totalled nearly 32 million euros.

In the 2nd quarter of 2017, Banco CTT was authorised by the Regulator for Insurance and Pension Funds (ASF) to offer its clients insurance products (life insurance, multi-risk home insurance and health insurance), which will begin in the 3rd quarter of 2017 under the umbrella of supplementary products.

In the second half of the year, Banco CTT intends to reinforce its focus on mortgage loans, by improving the solutions made available to its clients, in order to make the process increasingly agile and convenient. To continue to grow in terms of clients, resources and granted credit is therefore the selected means of solidifying Banco CTT's presence and enhancing the bank's growth in the Portuguese banking sector.

3. ECONOMIC AND FINANCIAL REVIEW AND CTT SHARE PERFORMANCE

3.1. Economic and financial review

This section summarises the consolidated results achieved by CTT and the consolidated assets, liabilities and financial position of the company as at 30 June 2017. This section should be read in conjunction with the consolidated financial statements and the accompanying notes, which have more detailed information. The present review includes the consolidation of the activities of the parent company and its subsidiaries as included in note 7 of the consolidated financial statements. In addition, a review is carried out by CTT excluding Banco CTT of the consolidation perimeter and treating it as a financial investment to facilitate the analysis of the impact of Banco CTT on CTT financials. This also allows CTT to have an overview of the balance sheet excluding financial assets, which besides being specific are autonomous and segregated assets.

During the first semester of 2017, it is important to highlight the following aspects for a better understanding of the company accounts:

- Banco CTT opened up to the public on 18 March 2016, currently having more than 200 CTT branches in post offices. During this period over 147 thousand accounts were opened, with approximately 200 thousand clients, having been captured over €424.3m in deposits. Credit to bank clients amounted to a total of €32.6m at 30 June 2017. The share capital is €125m.
- In May 2017 CTT acquired the total share capital of “Transporta – Transportes Porta a Porta, S.A.” for the amount of €1.7m. This company offers integrated logistics solutions for the transport and delivery of goods in Portugal. This acquisition falls within the scope of CTT’s expansion and diversification strategy, both through a new offer of delivery of items above 30 Kg and through the creation of a new growth platform for the company, within the cargo and last-mile logistics chain. Given the negative operating margin of Transporta, CTT are undertaking structural adjustments in the company so that it may contribute positively to the group results.
- Staff costs include €1.2m resulting from the human resources optimisation process of Transporta aiming at the company’s sustainability as well as at its productive efficiency and gradual operational integration within CTT group.
- The improvements made in the direct allocation method (VAT deduction) had a positive impact of €1.6m in other operating revenues (€1.2m in the Mail segment and €0.4m in the Financial Services segment) while in 2016 they represented €2.0m (€1.3m in the Mail segment and €0.7m in the Financial Services segment).
- Within the other long-term employee benefits liabilities stands out the decrease of €0.4m in the benefit “Telephone subscription fee” due to the adjustment to the actual costs of the beneficiaries. In the first half of 2016 it had also been adjusted by -€1.8m.

In the first semester of 2017, CTT achieved a consolidated net profit of €17.7m, -44.0% (-€13.9m) than in the previous year, corresponding to a consolidated net profit per share of €0.12, compared to €0.21 in the first half of 2016, with the termination of the Altice agreement contributing to this decrease.

The operating activity generated earnings before non-recurring items, interest, taxes, impairments, depreciation and amortisation (recurring EBITDA) of €52.6m, -15.8% (-€9.8m) than those obtained in the same period of the previous year, with an EBITDA margin of 14.9% compared to 17.9% in the first half of 2016.

These results reflect an increase of 4.4% (+€12.6m) in the recurring operating costs (excluding impairments, provisions, depreciation/amortisation and non-recurring costs) of which €4.6m (+56.1%) are related to Banco CTT, €2.6m refer to Transporta in the Express & Parcels segment and €6.3m (+2.9%) to the Mail segment.

This increase in operating costs was not offset by the recurring revenues improvement of 0.8% (€2.8m). This growth is negatively affected by the gains related to the memorandum of understanding with Altice recognised in the previous year (€5.0m until June 2016) and by the decrease in sales and services rendered in the Mail segment (-€2.5m; -1.0%), mostly related to lottery sales, which had been suspended in the 4th quarter of 2016. These negative effects were not offset by the increases in the same caption in the Express & Parcels segment (+€4.2m; +7.3%) and in Financial Services (+€2.5m; +8.5%), as well as in the financial margin of Banco CTT (+€1.1m).

In the first half of 2017, the non-recurring results of CTT amounted to -€7.9m. This amount derived mainly from costs associated with studies and strategic projects (especially those related to Banco CTT, to the Commercial Excellence programme and to the Management of HR Talents programme), from the completion of the "Long-term variable remuneration - share plan" programme and consequent final adjustment of the recorded liability, from the continuation of the initiatives on structural and transformation matters, namely the human resources optimisation programme and the growing integration of Transporta within the CTT Group, as well as from the Tourline network optimisation measures.

The reported earnings before interest and taxes reached €30.6m, €16.9m (-35.6%) below those recorded in the first half of 2016.

The financial results amounted to -€2.4m, 4.3% (+€0.1m) above those of the same period of the previous year. Financial costs incurred reached €2.7m, and 97.3% of those are attributable to employee benefits. Financial revenues decreased by 38.4% (-€0.2m) in relation to the corresponding period of 2016, due to the decline in the rates of return on term deposits, lower liquidity levels resulting from the investment in Banco CTT and by CTT maintaining a very conservative liquidity management policy.

Earnings before taxes and non-controlling interests (EBT) amounted to €28.2m, 37.3% lower (-€16.8m) than the ones reported in the same period of last year.

In the first half of 2017 the effective income tax rate was 37.15%, vs 29.77% in the same period of 2016.

Interim condensed consolidated income statement

Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Revenues	352,114	349,358	0.8
Sales and services rendered	340,466	336,187	1.3
Sales	7,603	9,305	-18.3
Services rendered	332,863	326,883	1.8
Financial margin	1,161	16	7,156.3
Other operating income	10,486	13,155	-20.3
Operating costs excluding impairments, provisions, depreciation/amortisation and non-recurring costs	299,497	286,896	4.4
Cost of sales	4,968	6,781	-26.7
External supplies and services	116,206	109,673	6.0
Staff costs	171,367	164,815	4.0
Other operating costs	6,956	5,627	23.6
Earnings before depreciation/amortisation, impairments and provisions, non-recurring results, interest and taxes (recurring EBITDA)	52,616	62,462	-15.8
Impairment of accounts receivable, net	110	23	378.3
Provisions, net	-102	-147	-30.6
Impairment of other financial banking assets	0	0	n.a.
Impairment of non-depreciable assets	0	0	n.a.
Depreciation/amortisation and impairment of investments, net	(14,186)	(12,877)	10.2
Earnings before non-recurring results, financial income and taxes (recurring EBIT)	38,439	49,461	-22.3
Company restructuring	-2,653	-2,541	4.4
Costs associated to studies and advice services for strategic projects	-4,561	-5,017	-9.1
Other non-recurring income and costs	-670	5,530	-112.1
Earnings before interest and taxes	30,555	47,433	-35.6
Financial results, net	-2,400	-2,739	12.4
Gains/losses in associated companies	0	230	-100.0
Earnings before taxes (EBT)	28,155	44,925	-37.3
Income tax for the period	-10,460	-13,375	-21.8
Net profit before non-controlling interests	17,695	31,550	-43.9
Non-controlling interests	-50	-127	-60.6
Net profit for the period attributable to equity holders	17,745	31,677	-0.4

Note: Revenues exclude non-recurring values.

3.1.1. Revenues

Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Sales and services rendered	340,466	336,187	1.3
Sales	7,603	9,305	-18.3
Services rendered	332,863	326,883	1.8
Financial margin	1,161	16	7,156.3
Other operating income	10,486	13,155	-20.3
Revenues	352,114	349,358	0.8

Note: Revenues exclude non-recurring items.

The business of CTT is organised in the following segments:

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

1H2017 – Revenues by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Revenues
Sales and services rendered	248,172	61,703	32,088	-	-	(1,496)	340,466
Sales	7,212	391	-	-	-	-	7,603
Services rendered	240,959	61,312	32,088	-	-	(1,496)	332,863
Financial Margin	-	-	-	1,161	-	-	1,161
Other operating revenues	21,638	1,056	665	2,355	27,420	(42,647)	10,486
Allocation to CTT central structure	-	-	-	-	25,315	(25,315)	-
Revenues	269,810	62,759	32,753	3,516	52,735	(69,459)	352,114

Note: Revenues exclude non-recurring items.

1H2016 – Revenues by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Revenues
Sales and services rendered	250,645	57,510	29,564	-	(0)	(1,533)	336,187
Sales	8,907	398	-	-	-	-	9,305
Services rendered	241,739	57,112	29,564	-	(0)	(1,533)	326,883
Financial Margin	-	-	-	16	-	-	16
Other operating revenues	21,308	2,349	2,606	159	28,900	(42,167)	13,155
Allocation to CTT central structure	-	-	-	-	21,518	(21,518)	-
Revenues	271,953	59,859	32,171	175	50,418	(65,218)	349,358

Note: Revenues exclude non-recurring items.

The **Mail segment**, which includes the letter mail postal service revenues of CTT, including the USO (Universal Service Obligation, which includes parcels), represents the greatest weight in terms of revenues, amounting to €269.8m, with a decrease of 0.8% (–€2.1m) in the first half of 2017 in comparison to the same period of the previous year.

Sales decreased by €1.7m (–19.0%), mainly due to the decrease in retail products: mainly lottery by –€2.0m (–69.3%) as a consequence of supply problems arisen between the end of 2016 and the middle of the 2nd quarter of 2017, but also due to the drop in merchandising of –€0.4m (–20.3%). Conversely, philatelic products increased by €0.8m (+24.8%).

Services rendered decreased by €0.8m (-0.3%), continuing to be influenced by the evolution of addressed mail volumes which decreased by 5.6%. This decrease was mitigated by the 1.9% average increase in the prices of the USO services of April 2017 which represented a 1.3% increase in the first half of 2017 vs the same period of last year and by the increase in prices and volume of presentation-to-customs services but also by the effect of a better price mix resulting from the growth of higher added-value products. It is also worth noticing the growth of registered mail (+€3.5m; +6.1%), customs clearance services (+€1.3m; +206.7%) and international mail (+€1.1m; +3.5%). For the favourable evolution of the income generated by the foreign operators, mainly due to the maintenance of the high growth trend of the volumes received from Asian countries. As contributions in the opposite sense, it is important to point out the reductions verified in the contractual ordinary mail (-€6.6m; -6.2%) and in business solutions of printing & finishing (-€0.5m; -11.5%).

The other operating income in the Mail segment improved by € 0.3m (+1.5%), mainly due to:

- +€1.3m (+304.6%) in favourable exchange rate differences of SDR (Special Drawing Rights) reflecting a reduction of the exchange rate (depreciation of SDR vs euro) on the first half of 2017 (-4.4% vs December 2016) which was higher rather than the one verified in the first half of 2016 (-1.0% vs December 2015). This situation also impacts almost similarly the increase of other costs.
- +€1.1m (+10.4%) in transactions with other business segments between the Group companies, mainly due to the distribution networks integration and to the Excellence Commercial programme.
- -€1.7m (-100%) resulting from the memorandum of understanding with Altice¹³, whose income was fully recognized until the end of 2016.
- -€0.3m (-4.1%) in internal services provided by the Retail Network and in internal mail.

The **Express & Parcels segment** with €62.8m of revenues recorded an increase of 4.8% (+€2.9m) compared to the same period of the previous year.

Services rendered increased €4.2m (+7.4%), reflecting a growth of €2.4m (+11.5%) in Spain and of €2.1m (+6.1%) in Portugal, of which €2.3m concern Transporta, with a volume increase of 17.1% and 13.1%, respectively, which were negatively affected by the decline in other services rendered to other business segments. In Mozambique services rendered recorded a decrease of €0.1 m (-9.7%) due to the evolution of the exchange rate, since in terms of MZN there was an increase of 9.3%, i.e. +4.8 million MZN in revenues mainly due to the baking business growth and the price increase.

On a year-on-year comparison basis, it is to be noted the negative impact on other operating revenues of the termination of the memorandum of understanding entered into with Altice for an amount of €1.7m, which no longer exist in 2017.

¹³ The memorandum of understanding with Altice impacted three segments (Mail, Express & Parcels and Financial Services).

The **Financial Services segment**, with €32.8m of revenues, registered a 1.8% (+€0.6m) increase when compared to the same period of last year. Services rendered increased by €2.5m (+8.5%), influenced by the €5.0m (+41.9%) growth of commissions related to the placement of public debt certificates due to the increase in the volume of subscriptions (+18.4%) and to the contract renegotiation with IGCP regarding the “Certificados do Tesouro Poupança Mais”. This contract now provides for stable commissioning throughout the year, fully linked to the placement level at any moment.

Conversely, there was a decrease of €0.9 m (-83.8%) in PPR and life and health insurance products and of €0.8m (-35.3%) in mobile payment and ticketing solutions.

Other operating income decreased by €1.9m (-74.5%), with -€1.7 m (-100%) in the income resulting from the termination of the memorandum of understanding with Altice and -€0.3m (-48.9%) of income derived from the improvements made in the direct allocation method of VAT deduction, with a lower impact than in 2016.

The **Banco CTT segment** reached revenues of €3.5m, which translated into €1.2m in financial margin and €2.3m mainly related to commissions received. The net interest income shows the profitability of the available-for-sale financial assets portfolio and the growing focus on the credit to clients. Health insurance, commissions for attracting consumer credit agreements and credit cards, as well as transactionality revenues contributed for the commissions received.

3.1.2. Operating costs¹⁴

Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Cost of sales	4,968	6,781	-26.7
External supplies and services	116,206	109,673	6.0
Staff costs	171,367	164,815	4.0
Other operating costs	6,956	5,627	23.6
Operating costs	299,497	286,896	4.4

Note: Excluding non-recurring items.

The recurring operating costs amounted to €299.5m, +4.4% (+€12.6m) compared to the previous year. This year-on-year growth was mostly the result of +€4.6m of recurring costs from Banco CTT segment and +€2.6m from Transporta.

The evolution in 2017 of the operating costs is broken down as follows:

- The recurring **cost of sales** decreased €1.8m (-26.7%) following the related sales evolution, namely in what concerns lottery and merchandising products.
- The recurring **external supplies and services** costs increased by 6.0% (+€6.5m) when compared to the same period of the previous year.
The cost reduction from initiatives of optimisation and rationalisation of operations, from the distribution networks integration, as well as other efficiency measures, didn't allow to absorb the recurring external supplies and services, especially due to the increase of Banco CTT segment activity (+€2.3m; +53.9%), to the integration of Transporta since May 2017 (+€1.9m;

¹⁴ Cost of sales + ES&S + Staff costs + other operating costs (excludes non-recurring items).

100%) and to the distribution and transport/routes costs increase in Tourline (+€1.6 m, +11.4%) resulting from the volume growth and from the strengthening and the creation of new routes.

- c) The recurring **staff costs** reached €171.4m, increasing €6.6m (+4.0%) when compared to the same period of the previous year, mainly due to the following increased costs: +€2.0m in staff costs of Banco CTT segment (+51.5%); +€1.2m in fixed-term contract staff (+35.6%) due to greater operating activity; +€1.4m related to the lower cut in the benefit associated with the "telephone subscription fee" (+76.6%) and +€0.7m in staff costs of Transporta (+100%).
- d) **Other expenses and losses** increased by €1.3m (+23.6%), largely due to the increase in banking services (+€0.3m; +31.0%) and in unfavourable exchange rate differences (+€1.3m; +200.2%), equal to the aforementioned positive impact in the revenues.

The operating costs by segment are as follows:

1H2017 - Operating costs by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Operating costs
External supplies and services	49,880	50,436	4,520	6,644	20,523	(15,797)	116,206
Staff costs	124,097	10,401	2,019	5,855	29,088	(92)	171,367
Other costs	26,394	1,166	9,069	425	3,124	(28,253)	11,924
Allocation to CTT central structure	25,163	-	153	-	-	(25,315)	-
Operating costs	225,534	62,003	15,760	12,924	52,735	(69,459)	299,497

Note: excludes non-recurring items.

1H2016 - Operating costs by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Operating costs
External supplies and services	49,571	45,766	4,962	4,316	20,225	(15,165)	109,673
Staff costs	121,043	10,954	2,216	3,864	26,740	(2)	164,815
Other costs	27,206	1,233	8,949	100	3,453	(28,532)	12,408
Allocation to CTT central structure	21,367	-	150	-	-	(21,518)	-
Operating costs	219,187	57,953	16,277	8,280	50,418	(65,218)	286,896

Note: Excluding non-recurring items.

The **Mail segment** recorded a significant amount of operating costs as it includes the functions of mail sorting, transport, delivery, sales activity, as well as the retail network, areas of major significance in terms of operating costs, particularly due to the number of workers and assets. These operating activities also provide services to the other segments - sorting/transport and especially delivery of parcels for the Express & Parcels business unit, financial services and banking services rendered in the Retail Network, and commercial management and sales services provided to the Group - thus increasing synergies via the scalability of the unique assets, in both the distribution and retail networks.

In the first half of 2017 the Mail segment booked €225.5m of recurring operating costs, an increase of €6.3m (+2.9%) relative to the same period of last year, with special emphasis on fixed-term contract staff (+€1.2 m, +39.2%), unfavourable exchange rate differences (+€1.6m; 486.6%), electricity and fluids (+€1.0m; +19.4%), post office managers, delivery agencying and partnerships (+€0.2m; +3.4%). The main reasons for this are the increase in the services provided to other segments in both networks and the salary revision agreed with the organisations representing the workers.

The **Express & Parcels segment** recorded an increase of €4.1m (+7.0%) in recurring operating costs, of which it is worth mentioning:

- +€2.6m concerning Transporta which are largely due to subcontracting transport (€1.5m) and staff costs (€0.7m).
- +€1.6m related to the growth in Spain of transport/routes costs (+€1.1 m; +27.4%) and delivery costs (+€0.5 m; +5.0%) and, in Portugal, it is noteworthy the reduction of those costs associated with banking issues (-€0.4m; -15.3%) and the utilisation of the synergies of the networks integration.

The **Financial Services segment** reported a decrease of €0.5m (-3.2%) in recurring operating costs, with an emphasis on the reductions on the carriage of valuables (-€0.3m; -16.4%), on Payshop agents' commissions (-€0.2m; -20.3%) and on sales incentives (-€0.2m; -38.7%). Conversely, it is important to mention the cost increase with banking services (+€0.3m; +58.0%).

Banco CTT registered €12.9m in recurring costs in the first half of 2017, namely staff costs (€5.9m) and external supplies and services costs (€6.6m), the latter mainly in IT and transactionality costs (interbank commissions for transaction services rendered to clients). The comparison with the same period of 2016 does not allow an adequate reading given the still embryonic phase of Banco CTT at that time, but comparing with the recurring costs of the second half of 2016, which reached €13.5m, there is a stabilisation trend despite the growth of activity during this ramp-up phase.

The **Central Structure** showed a cost increase of €2.3m (+4.6%), of which €1.4m are related to the lower cut in the benefit associated with the "telephone subscription fee" (in 1H2016 a €1.8m decrease was recognized in that liability, while in 1H2017 only €0.4m were recognized) given the optimisation level already achieved.

3.1.3. Recurring EBITDA

The recurring EBITDA ¹⁵ amounted to €52.6m, -15.8% (-€9.8m) than the one recorded in the same period of last year.

Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Recurring revenues	352,114	349,358	0.8
Operating costs excluding impairments, provisions, depreciation and non-recurring	299,497	286,896	4.4
Recurring EBITDA	52,616	62,462	-15.8
Recurring EBITDA margin	14.9%	17.9%	-2.9 p.p.

¹⁵ Recurring EBITDA = Operating results + amortisation and depreciation + net change in provisions and impairment losses (does not include non-recurring revenues and expenses, such as company restructuring, impairment of investment properties, provisions for onerous contracts and labour contingencies).

1H2017 - Recurring EBITDA by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT
Revenues	269,810	62,759	32,753	3,516
Operating costs	225,534	62,003	15,760	12,924
Recurring EBITDA	44,276	756	16,992	(9,408)
Recurring EBITDA margin	16.4%	1.2%	51.9%	n.a.

1H2016 - Recurring EBITDA by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT
Revenues	271,953	59,859	32,171	175
Operating costs	219,187	57,953	16,277	8,280
Recurring EBITDA	52,767	1,907	15,893	(8,105)
Recurring EBITDA margin	19.4%	3.2%	49.4%	n.a.

The termination of the memorandum with Altice impacts the EBITDA of all segments with the exception of Banco CTT. The decline in the EBITDA margin of the Mail segment is due not only to this fact, but also to the impact of the fall in volumes not being offset in the first semester by the increase in prices and to the increase in costs resulting from salary increases, and the reorganisation and capacity building of distribution and retail networks.

3.1.4. Non-recurring results

In the first half of 2017 CTT recorded negative non-recurring results of €7.9m, which include:

- (i) External supplies and services:
 - -€3.8m of costs associated with studies and strategic projects, especially those related to Banco CTT (-€2.1m), to the Excellence Commercial programme (-€0.4m), to the Management of HR Talents programme and other consulting matters (-€0.9m).
- (ii) Staff costs:
 - -€2.9m of staff costs, including: -€1.0m with termination of employment contracts by mutual agreement; -€1.2m regarding the human resources optimisation process due to the gradual integration of Transporta and -€0.6m resulting from the completion of the "Long-term variable remuneration – share plan" programme and consequent final adjustment of the recorded liability.
- (iii) Other costs:
 - -€0.2m of which -€0.01m are related to Banco CTT and -€0.2m refer to a donation.
- (iv) Net depreciations/amortisations, impairments and provisions increased by €1.0m, related to:
 - -€0.7m in depreciations/amortisations regarding the Banco CTT project.
 - -€0.4m of net impairments increase recorded in the scope of the Express & Parcels segment optimisation, due to the restructuring of the Tourline network.
 - +€0.1m in net reversals of provisions regarding labour contingencies.

1H2017 Non-recurring results

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Other operating revenues	0	-	-	-	-	-	-	0
External supplies and services	618	195	7	2,127	883	-	-	3,830
Staff Costs	465	1,377	-	-	1,012	-	-	2,854
Other costs	10	-	-	-	175	-	-	185
Non-recurring results that affect EBITDA	(1,093)	(1,572)	(7.2)	(2,127)	(2,070)	-	-	(6,869)
Depreciation/amortisation and impairment of investments, net	721	-	-	-	-	-	(7)	715
Impairment of accounts receivable, net	-	415	-	-	-	-	-	415
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Provisions net	-	-	-	-	(115)	-	-	(115)
Non-recurring results that affect EBIT	(1,814)	(1,988)	(7.2)	(2,127)	(1,955)	-	7	(7,884)

1H2016 Non-recurring results

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Other operating revenues	-	-	-	-	1,726	-	-	1,726
External supplies and services	883	-	-	3,282	700	-	-	4,865
Staff Costs	2,211	45	0.1	-	3	-	-	2,259
Other costs	43	-	-	-	-	-	-	43
Non-recurring results that affect EBITDA	(3,137)	(45)	(0.1)	(3,282)	1,023	-	-	(5,441)
Depreciation/amortisation and impairment of investments, net	110	-	-	-	-	-	-	110
Impairment of accounts receivable, net	-	282	-	-	-	-	-	282
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Provisions net	(6)	(95)	-	-	(3,703)	-	-	(3,805)
Non-recurring results that affect EBIT	(3,240)	(232)	(0.1)	(3,282)	4,726	-	-	(2,028)

3.1.5. Financial results

The consolidated financial results reached a negative amount of €2.4m, representing an increase of 4.3% (+€0.1m) in relation to the same period of last year.

The interest income and financial revenues decreased by 38.4% (-€0.2 m) when compared to the first half of the previous year, due to the low remuneration rates of term deposits, to lower liquidity levels resulting from the investment in Banco CTT and to the preservation of a conservative policy regarding liquidity applications by CTT.

Financial costs incurred reached €2.7m, which include mainly costs related to the current amount of the liabilities from employee benefits in the amount of €2.6m and also, but of less relevance, interests related to financial leases and bank loans (€0.07m).

Financial results			
Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Interest income	285	463	-38.4
Interest expenses	(2,685)	(3,201)	-16.1
Interest expenses (financial)	(72)	(40)	80.0
Interest costs with employee benefits (accounting)	(2,613)	(3,161)	-17.3
Gains/losses in associated companies	0	230	-100.0
Financial results	(2,400)	(2,508)	4.3

3.1.6. Net profit

In the first half of 2017, CTT achieved a consolidated net profit attributable to equity holders of €17.7m, 44.0% lower than the one obtained in the same period of last year, corresponding to consolidated earnings of €0.12 per share and a net margin of 5.0% (9.1% in the first half of 2016). If the non-recurring effects in both years were excluded, the net profit would have decreased by 22.8%.

The reported and recurring consolidated income statements for the first half of 2017 and 2016 is summarised below:

Thousand Euros	Reported			Recurring *		
	1 H2017	1 H2016	Δ% 17/16	1 H2017	1 H2016	Δ% 17/16
Revenues	352,114	351,084	0.3	352,114	349,358	0.8
Operating costs	306,366	294,063	4.2	299,497	286,896	4.4
EBITDA	45,747	57,021	-19.8	52,616	62,462	-15.8
EBITDA margin	13.0%	16.2%	-3.0 p.p.	14.9%	17.9%	-2.9 p.p.
EBIT	30,555	47,433	-35.6	38,439	49,461	-22.3
EBIT margin	8.7%	13.5%	-4.8 p.p.	10.9%	14.2%	-3.2 p.p.
Earnings Before taxes	28,155	44,925	-37.3	36,039	46,953	-23.2
Income tax for the period	10,460	13,375	-21.8	9,737	12,956	-24.8
Non-controlling interests	(50)	(127)	-60.6	(50)	(127)	-60.6
Net profit for the period	17,745	31,677	-44.0	26,353	34,123	-0.2

Note: Operating costs = cost of sales + external supplies and services + staff costs + other operating costs.

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

3.1.7. Capex

The capex of the Group amounted to €7.2m, -42.3% (-€5.3m) below the one in the same period of last year, given the launch of Banco CTT that took place in 2016 and involved significant investment in the opening of adapted post offices and IT systems (Core Banking System). In the first semester the investment in Banco CTT, although of a lesser amount, should be noted to, particularly in IT systems, ATMs, repairs, furniture and other equipment in order to adapt the post offices, accounting for a total of €4.0 m, as well as the investment made in Tourline with PDAs (Personal Digital Assistant) for an amount of €0.3m.

The company continues to invest on strategic IT systems development, such as management information, e-commerce and commercial excellence and on accounting and operational processes, which aim to provide the company with the necessary tools and agility to face the market challenges and the change, which occurs ever more rapidly and sometimes in a disruptive manner.

3.1.8. Financial position

Consolidated statement of financial position			
Thousand Euros	30.06.2017	31.12.2016	Δ% 17/16
Non-current assets	524,982	452,618	16.0
Current assets	1,022,828	864,080	18.4
Total assets	1,547,810	1,316,697	17.6
Equity	179,659	233,327	-23.0
Total liabilities	1,368,152	1,083,370	26.3
Non-current liabilities	267,100	269,533	-0.9
Current liabilities	1,101,051	813,837	35.3
Total equity and liabilities	1,547,810	1,316,697	17.6

Total assets reached €1,547.8m (+€231.m vs. 31.12.2016), of which €294.1m (+€126.4m vs. 31.12.2016) are related to applications, financial assets and credit held by Banco CTT, broken down as follows:

- €186.1m concerning investments held to maturity and financial assets available for sale;
- €75.5m of other bank financial assets, mainly investments in credit institutions and in the interbank market;
- € 32.6m of credit to bank clients, especially factoring operations and mortgage loans.

Total assets also include the increase in cash and cash equivalents by € 101.5m (+16.4%), as a result also of the banking activity.

Equity decreased by €53.7m (-23.0%) following the dividend distribution for the year 2016 (€72.0m), which occurred in May 2017.

On 31 January 2017, a total of 600,530 own shares were granted to the Executive Directors of the Company, as long-term variable remuneration, having reduced its reserve by €5.1m and recorded a non-recurring cost of €0.6m.

The liabilities increased by €284.8m (+26.3%), of which the increase of €170.3m in banking client deposits from Banco CTT should be emphasized, along with the increase of €110.7m related to financial services payables, mainly due to the payment of the holiday pay to the pensioners that occurs in the month of June.

Employee benefit liabilities (post-retirement and other long-term benefits) in the first half of 2017 amounted to €265.2m, a decrease of 2.6% when compared to December 2016, of which stands out the €0.4m liability decrease related to the “telephone subscription fee” benefit, the Pension plan of Transporta (€0.4m) and €1.1m reduction in the suspension agreements amount due to the payments effect, which are lower than those of the 1H2016 as a result of the exit plan carried out at the end of 2016.

**Liabilities with post-retirement benefits
and other long-term employee benefits**

Thousand Euros	30.06.2017	31.12.2016	Δ% 17/16
Liabilities	265,193	272,317	-2.6
Healthcare	247,786	249,110	-0.5
Staff (suspension agreements)	4,362	5,495	-20.6
Other benefits	12,651	13,231	-4.4
Shareplan	0	4,481	-100.0

3.1.9. Cash flow

The net change in cash and cash equivalents amounted to +€101.5m, which is mainly the result of:

- +€137.4m in the operational cash flows related to Banco CTT;
- +€45.3m in cash flows from operating activities (excluding the cash flows from financial services and Banco CTT);
- +€114.0m in changes in financial services receivables/payables;
- -€24.7m in payments related to tangible and intangible assets (-€22.9) and in the acquisition of Transporta (-€1.7m);
- -€96.7m of Banco CTT's financial assets (includes available-for-sale financial assets, investments held to maturity and other bank financial assets of Banco CTT);
- -€72.0m of dividends payment.

Excluding the changes in financial services receivables/payables (€114.0m), the CTT change in cash would be -€12.5 m, essentially resulting from the payment of dividends not offset by the cash flow of the period.

Thousand Euros	Cash flow			Adjusted*		
	Reported 1H2017	Reported 1H2016	Δ% 17/16	1H2017	1H2016	Δ% 17/16
Cash flow from operating activities	296,718	187,915	57.9	182,691	62,967	190.1
<i>Cash flow CTT excluding FS and Banco CTT</i>				45,338	16,932	167.8
<i>Banco CTT cash flow</i>				137,354	46,035	198.4
Cash flow from investment activities	(117,901)	(76,473)	-54.2	(117,901)	(76,473)	-54.2
Capex	(24,655)	(21,034)	-17.2	(24,655)	(21,034)	-17.2
<i>of which Banco CTT</i>				(4,084)	(7,818)	47.8
Banco CTT financial assets**	(96,687)	(61,058)	-58.4	(96,687)	(61,058)	-58.4
Other	3,441	5,619	-38.8	3,441	5,619	-38.8
Operating free cash flow	178,816	111,442	60.5	64,790	-13,506	579.7
Cash flow from financing activities	(73,770)	(70,593)	-4.5	(73,770)	(70,593)	-4.5
<i>of which dividends</i>	(72,000)	(70,265)	-2.5	(72,000)	(70,265)	-2.5
Change in consolidation perimeter	(3,566)	-	n.a.	(3,566)	-	n.a.
Net change in cash and cash equivalents	101,480	40,849	148.4	(12,546)	(84,099)	85.1

* Cash flow from operating activities excluding changes in financial services receivables/payables.

** Including financial assets available for sale, investments held to maturity and investments in credit institutions held by Banco CTT.

*** These figures were not considered under Cash and equivalents in the Cash flow Statement. However, they are included in Cash and equivalents in the Balance Sheet.

3.1.10. Financing

The company holds financial leasing operations (related to operating facilities, acquisition of basic equipment and vehicles), bank loans in Corre in order to fund operating activities and a cash pooling system used within CTT scope, particularly by Tourline to support the activity.

Net debt is negative by €84.2m, which means that CTT holds net cash after debt and employee benefit liabilities.

Net debt			
Thousand Euros	30.06.2017	31.12.2016	Δ% 17/16
Financial debt	8,402	9,807	-14.3
Bank loans and other loans	7,773	8,813	-11.8
Financial leasings	629	994	-36.7
Net cash	282,759	295,306	-4.2
Net financial debt	(274,357)	(285,499)	-3.9
Liabilities with employee benefits	265,193	272,317	-2.6
Deferred tax assets related to employee benefits	(75,057)	(77,093)	-2.6
Net debt (incl. Liabilities with employee benefits)	(84,220)	(90,275)	-6.7

Net cash			
Thousand Euros	30.06.2017	31.12.2016	Δ% 17/16
Net cash			
(+) Cash and cash equivalents	720,291	618,811	16.4
(-) Net Financial Services payables	(437,532)	(323,506)	35.2
Net cash	282,759	295,306	-4.2

3.1.11. Impact of Banco CTT results on the consolidated results

The analysis of the balance sheet and income statement without the full consolidation of Banco CTT allows a clear view of the CTT Group without the assets / liabilities related to the activity of Banco CTT.

The economic and financial position of CTT Group excluding Banco CTT from the consolidation perimeter, being accounted as a financial investment according to the equity method, would be as follows:

Consolidated income statement

Thousand Euros	1 H2017	1 H2016	Δ% 17/16
Revenues	349,259	351,073	-0.5
Operating costs	(305,854)	(291,719)	4.8
Earnings before financial income and taxes	43,405	59,354	-26.9
Financial results	-12,534	-12,000	-4.5
<i>Gains/losses in associated companies</i>	-10,134	-9,261	9.4
Earnings before taxes	30,871	47,354	-34.8
Income tax for the period	-13,176	-15,804	-16.6
Net profit for the period	17,695	31,550	-43.9
Non-controlling interests	-50	-127	-60.6
Net profit for the period attributable to equity holders	17,745	31,677	-44.0
EBITDA	57,282	68,408	-16.3

Consolidated statement of financial position

Thousand Euros	30.06.2017	31.12.2016	Δ% 17/16
Non-current assets	412,684	393,226	4.9
Current assets	708,259	669,901	5.7
Total assets	1,120,943	1,063,127	5.4
Equity	179,659	233,327	-23.0
Total liabilities	941,284	829,800	13.4
Non-current liabilities	267,064	269,512	-0.9
Current liabilities	674,220	560,288	20.3
Total equity and liabilities	1,120,943	1,063,127	5.4

Impact of the exclusion of Banco CTT from the consolidation perimeter on the economic position (Profit & Loss) in the first half of 2017:

- +€12.9m of operating income and +€11.5m of EBITDA;
- -€10.1m of financial results, which reflect the equity method of Banco CTT, due to the negative net profit.

Impact of the exclusion of Banco CTT from the consolidation perimeter on the financial position (Balance Sheet) in the first half of 2017:

- -€426.9 m on assets;
- -€197.4m concerning cash and cash equivalents.

3.2. CTT share performance

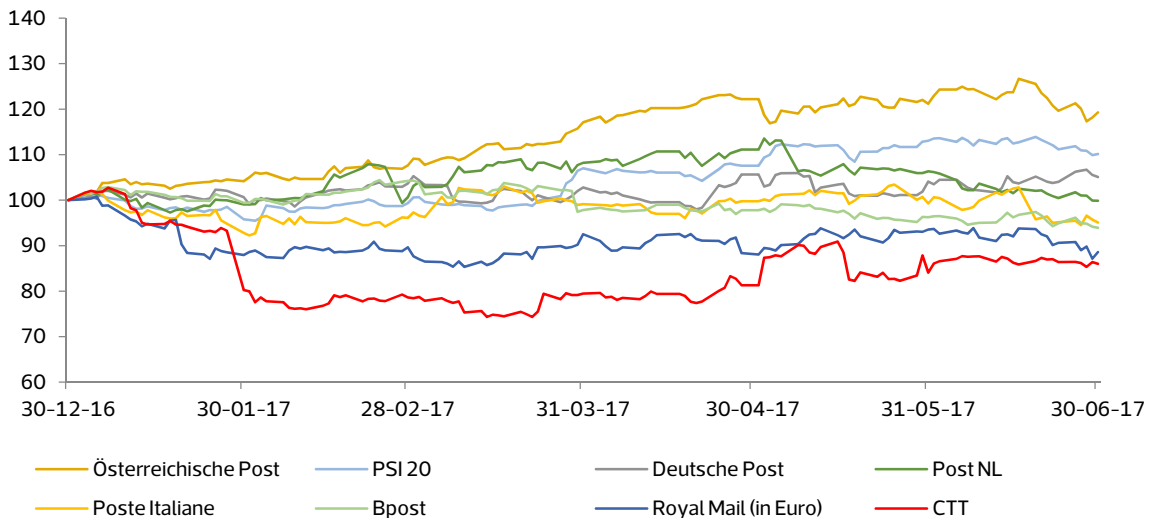
During the first half of 2017, CTT paid a dividend of €0.48 per share and the CTT share price depreciated by 14.00%. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at 31 December 2016) in the period was -6.24%. During the same period, the PSI 20 had a total shareholder return of 13.87%.

From the date of CTT IPO until the end of the first half of 2017, the company shares gave a total shareholder return of 28.55%, outperforming the PSI 20, whose return was negative (-8.79%), and in line with the average performance of the EU postal sector peers (27.07%).

In terms of share price appreciation, the best performer of the EU postal sector in the first half of 2017 was Österreichische Post, whose shares appreciated by 19.27%. On the same basis, the PSI 20 index appreciated by 10.12% in the first half of 2017.

CTT share price performance vs PSI 20 & sector

(1st half 2017 - rebased at 100 as at 31 Dec 2016)



During the first half of 2017, circa 125 million CTT shares were traded, corresponding to a daily average of 976 thousand shares, which translates into an annualised turnover ratio of 167% of the share capital, which is a strong measure of the share liquidity. As at 30 June 2017 market close, the CTT share price was €5.543.

4. HUMAN RESOURCES

Human resource management continues to be driven by the following priorities: (i) definition and implementation of new, complete and consistent human resource development policies that promote skills and reward the organisation's performance and agility, (ii) maintaining a sound social climate; (iii) continued investment in training and qualification; and (iv) optimisation and adequacy of staff to meet the evolving needs and challenges of the markets CTT operates in.

Current activity

On 30 June 2017, CTT headcount (permanent staff and employees on fixed-term contracts) was 12,911, corresponding to 189 more (+1.5%) than in the same period in 2016. This increase includes the integration of Transporta's 205 employees due to its acquisition in May 2017.

Permanent staff was increased by 15 and employees on fixed-term contracts rose by 174. Banco CTT and Express & Parcels business unit, due to the integration of Transporta, had a particular impact on this rise.

No. of Employees

	30.06.2017	30.06.2016	Δ 2017/2016	
Mail	10,417	10,260	157	1.5%
Express & Parcels	1,179	1,085	94	8.7%
Financial Services	92	96	-4	-4.2%
Banco CTT	176	136	40	29.4%
Other	1,047	1,145	-98	-8.6%
Total, of which:	12,911	12,722	189	1.5%
Permanent	11,363	11,348	15	0.1%
Fixed-term contracts	1,548	1,374	174	12.7%
Total in Portugal	12,474	12,275	199	1.6%

Excluding the number of Transporta employees, the total would have been 12,706 employees representing a year-on-year fall of 16 employees (-0.1%).

Due to their importance, we highlight two major areas: operations and delivery (with 7,214 employees, particularly delivery postmen and women in a total of 4,666) and the retail network (with 2,806 employees). Together, these areas represent nearly 78% of the CTT's workforce.

In terms of employee rotation in the first half of 2017 and without taking the integration of Transporta into account, more employees left than those that joined the company – **113 employees left**, 69 due to termination of their contracts or similar situations (16 of which from Tourline Express and 4 from CORRE), 29 due to retirement and 15 due to death. On the other hand, **58 employees were hired**, 45 in Portugal (3 in CTT Espresso, 13 in Banco CTT and 29 in CTT, S.A.) and 13 abroad (in Tourline Express). Hiring was motivated by the need to obtain lacking, but indispensable skills to implement the company's strategic options (banking business, commercial activities, IT, among other).

As regards, **Hygiene, Safety and Ergonomics**, 130 interventions were carried out to assess work conditions and risks in CTT premises. These were carried out by company technicians.

The **welfare service for beneficiaries of CTT's Welfare Schemes** observed the social and economic situations or social dysfunction of beneficiaries and their families and promoted the most adequate responses to meet detected needs. In this regard, welfare support to beneficiaries recorded situations of dependency, mental health, support to the elderly and welfare aid that were being accompanied. This led to 24 visits to institutions and homes, nearly 400 interviews and nearly 3,500 telephone calls.

On 28 June 2017, effective January 2017, hence with impact on the 1st half accounts, a **Revision Agreement for CTT's 2016 Company Agreement** was signed with eleven Trade Unions, wherein a raise in monthly base salaries was agreed as follows: monthly base salaries up to €1,267.20, were raised by 1.0%; monthly base salaries from €1,267.21 up to €1,889.60 were raised by 0.75%; monthly base salaries from €1,889.61 up to €2,772.30 were raised by 0.65%. An identical raise was applied to subsidiary employees.

In addition, the minimum amount of the monthly base salary was agreed at €600.00 throughout the various Group companies, effective as of 1 July 2017. This revision of fixed remuneration was an important adjustment for lower levels of remuneration.

This Revision Agreement takes into account the importance of a climate of social stability and peace within the Company, which is a goal of both CTT and the signing trade unions. The agreement seeks to value work, substantially via the performance-indexed variable remuneration policy.

Development of human capital

Under the reinforcement and development of the human capital needed for CTT's growth, measures to promote the hiring of staff with new skills and resources have been continued, thereby reinforcing the units undergoing growth.

In this regard, the **3rd edition of the Trainee Programme** was launched with a view to attract and retain young people of high-potential, promote their development within a structured overall programme, contribute to the rejuvenation of staff, foster a mobility culture and position CTT as an "employer of first choice". This programme is currently in the stage of identifying future trainees.

The annual **performance assessment** was carried out for the 2016 financial year under its two components - behaviour and goals. The overall assessment was the result of the weighing of those two components, in light of the various activities and functional groups. The performance management system is articulated with the business cycle in order to evaluate activities and communicate new goals to employees.

Following the **organisational environment** questionnaire carried out at the end of 2016, workshops and focus groups were held with management officers to present the main results thereof, after which the departments stipulated the measures to be carried out throughout the year in order to strengthen levels of commitment and empowerment.

In pursuing its policy of best practices in human resource management and under the structured talent management plan, CTT specified the principles and goals for its talent model and implemented the **2017 talent management programme**. It identified potential candidates for a number of department heads and employees in various areas and functional groups, in order to prepare development plans throughout the 2nd half of 2017.

As one of the pillars of the remuneration policy and for the third consecutive year since CTT became a public company, **annual variable remuneration** was granted in light of the company's results and

performance in the 2016 financial year. This extraordinary bonus was allocated on a differentiated individual basis, in light of merit and various functional groups and performance and attendance levels and encompassed more than 7,750 employees totalling nearly 3.3 million euros.

Throughout the 1st half of 2017, more than 8 thousand employees participated in **training** sessions, of which 143 thousand hours were carried out. We highlight Banco CTT's continued training programme and the specific training undergone by teams in preparation for the launch of mortgage loans at Banco CTT's branches. Under the "Mais CTT" (meaning, "more CTT") programme that intends to stimulate sales and promote commercial excellence, the sales teams were given training on CTT's portfolio and the planning and organisation of commercial activity. The training project "Leading and involving through communication", which taught concepts fundamental to managing postal delivery offices, was drawn to a close. Road safety training continued to be offered by CTT.

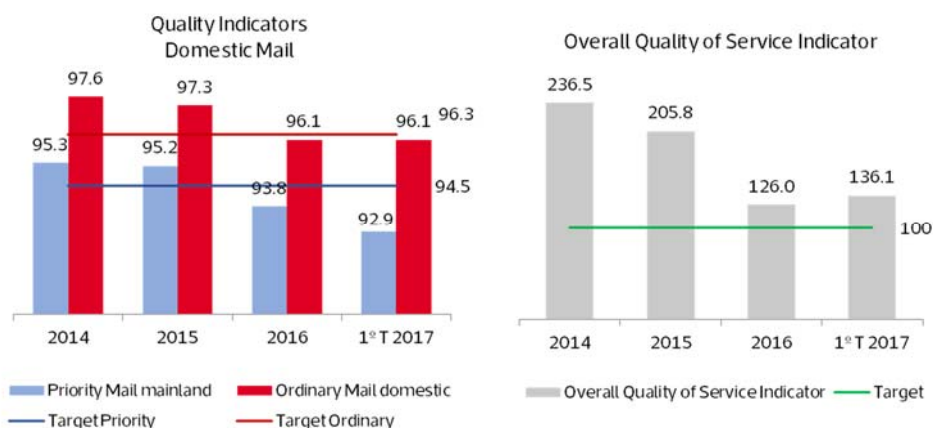
Significant efficiency gains were obtained through the sharp growth in e-learning training, which already represents 26% of the total hours of training carried out in the semester.

5. QUALITY, INNOVATION AND SUSTAINABILITY IN CTT'S ACTIVITIES

5.1. Quality of Service

In the first half of 2017, CTT client perception of the quality of service provided remained positive: 85.2% of customers that responded to the satisfaction survey said that CTT's overall quality of service was good or very good.

In terms of the quality of the Universal Postal Service and in the aftermath of the new Postal Law, quality indicators began to be measured as of the 4th quarter of 2016 through a measurement system carried out by an independent external entity, an international company. Following certain detected insufficiencies in the measurement process, this supplier is implementing a number of measures to improve the operation and stability of the new measurement system. Therefore, indicators relative to the second quarter of 2017 are still under revision. In the first three months of the year, the OQSI – Overall Quality of Service Indicator – registered 136.1 points, compared to a target of 100.



In the first quarter of 2017, seven of the quality indicators for the Universal Postal Service performed above the stipulated targets:

Quality levels	Minimum	Target	Score
Priority Mail			
% Delivered on the following day (Mainland)	93.50	94.50	92.90
% Delivered within two days (Azores and Madeira)	84.00	87.00	91.10
% Delivered within ten days	99.75	99.85	99.69
Ordinary Mail			
% Delivered within three days	95.50	96.30	96.10
% Delivered within fifteen days	99.77	99.86	99.92
Newspapers and Periodicals			
% Delivered within three days	95.50	96.30	98.20
International Mail			
% Delivered within three days	85.00	88.00	86.70
% Delivered within five days	95.00	97.00	97.30
Parcels			
% Delivered within three days	90.50	92.00	96.60
Waiting time at post offices			
% Customers assisted within 10 minutes	75.00	85.00	87.60
Registered Mail			
% Delivered on the following day	89.00	91.00	91.90

In the 1st half of 2017, internal efforts were made to maintain all certified management systems. In parallel, new certification initiatives, expected to be concluded throughout 2017, were undertaken.

At the end of the 1st quarter, an external audit took place for the renewal of CTT Espresso's quality, environmental and safety and work healthcare certification, with favourable results. In the 2nd quarter, an external audit of Mailtec (quality, environment, FSC¹⁶ and information safety) and of the production and logistics centres took place (quality, environment and safety and work healthcare), as a result of which those certifications were maintained.

Contact Centre

During the 1st half of 2017, customer services received nearly 1.2 million contacts by telephone and email, a year-on-year increase of 14%. Although telephone continues to be the preferred method of contacting CTT (55% of clients use the telephone, as opposed to 45% who use email), there has been a growing preference in recent years for email. In general, contacts are made to obtain information on the location of items, customs clearance and complaints. As regards email, contacts are related to the client's need to obtain various forms of proof or scanned documents, namely for the customs clearance of items.

As referenced in the "Awards and Recognitions" section of this report, in the 1st half of 2017, CTT's and CTT Espresso's customer service lines were awarded the silver and bronze medals, respectively, in APCC's 2017 Best Awards in the category of "Transport, Delivery and Logistics".

5.2. Innovation and development

CTT's mission and values define innovation as both a guarantee for the fulfilment of that mission and as a way of continuing to explore new ideas, procedures and solutions that contribute to CTT's present and future growth.

Thus, in the context of I&D, the highlights in the first half of 2017 are:

Development of solutions, products and services

- Reinforcement of the **Mail** business, by designing solutions and/or pursuing developments that, in particular, seek to: expand the features of the ViaCTT service, launch CTTAds in the first quarter of 2017, continue to pursue the "Future Opens" initiative (mentioned under the Retail Network section), expand the Online Invoice solution, test drone delivery, launch the Vedur project (detailed in the Operations section) and install an automated feeding system for the Rest Mail equipment based on robots and automated arm.
- Boosting the **Express & Parcels** business by expanding CTT *e-segure* offer, launched at the end of 2016 for the contractual segment, to occasional customers and across the entire CTT network.
- Regarding **e-commerce**, please see the description of activities undertaken in the 1st half of the year in section 2.3 Express & Parcels.

¹⁶ FSC – Forest Stewardship Council (Forest Management Certification and Liability Chain Certification).

- In the financial area, we highlight the reinforcement of:
 - the **Payshop** offer, through the partnership with CTT Expresso for the pick-up/drop-off of Express parcels in the Payshop network of agents, the agreement with the Portuguese start-up OneBiller to create a “Virtual Payshop Agent” (web and mobile application) and new pre-paid services in the Payshop agents network for online purchases of international brands;
 - **Banco CTT** by launching mortgage loans, leveraged on the innovative Banco CTT House App that allows customers to monitor the entire process of obtaining credit/purchasing a home, including document delivery.

Corporate initiatives

- Carrying out activities under several of the pillars that make up the “+Innovation by CTT” – Innovation & Development Management System –, namely regarding:
 - idea management – 3rd and 4th cycle of challenges, with more than 1,400 users and more than 400 ideas submitted;
 - the CTT External Observatory – continued identification of start-ups aligned with CTT’s goals and strategies;
 - exploratory innovation, carrying out workshops on “DM/Advertising Campaigns”, “Drones” and “Blockchain Technology”.
- Production of the “new Postal 360” (monthly) newsletter for internal circulation of information on the latest technological advances in strictly postal technologies or other ICT which, by influencing the postal activity, may constitute an opportunity for new solutions and businesses for CTT and the main merger & acquisition events for postal / logistic / delivery companies, in the entire world, whose monitoring is of interest to CTT.

5.3. Sustainability

CTT continued to implement its sustainability policy in the first half of 2017 by involving the stakeholders.

Customers

Quality (a topic addressed in its own specific section) attained 136.1 points in the 1st quarter of 2017, relative to the 100-point target set with the Regulator. Perceived quality remained unaltered and 85.2% of customers continue to claim to be satisfied or very satisfied with the services rendered.

In the 1st half of 2017, a Mystery Client assessment was carried out with the main goal of measuring the quality of service perceived by the customer. In that assessment, carried out between March and May, 615 post offices were evaluated with an overall result of 99.2% favourable opinions. Several variables were assessed, including the way the customer is served, the presentation of employees, their product knowledge, information available and presentation of the space.

Additionally, in order to obtain in-depth knowledge and improve satisfaction with the services provided, CTT periodically carries out studies and questionnaires with its customers from both the retail segment (customers that go to CTT post offices) and the business segment (contractual customers).

Company and Employees

CTT was among the first Portuguese companies and first companies in the sector to integrate the United Nation's Sustainable Development Goals (SDGs) in its business strategy, having mapped and prioritised six SDGs (quality healthcare, quality education, renewable and accessible energy, dignified employment and economic growth, climate change and peace, justice and effective institutions) and identified a set of associated goals.

The new Board of Directors (BoD) elected in April for the 2017-2019 term of office includes four women (31% of the total), thereby complying with the goal set with the government concerning the presence of the underrepresented female gender on the BoD by 2018. In this area, CTT was distinguished by *Human Resources Portugal 2016* with two awards in the categories of "Gender Equality", for the third time, and "Management of Older Employees", for the second time.

Training had a year-on-year decline of 21% to 143 thousand hours, mainly due to a lower volume of banking training in the current year. As regards work safety, there were 531 work related accidents, a year-on-year growth of 13%, mainly due to internalising the Express & Parcels operations previously carried out by external providers. CTT was distinguished in the *Excellence in Road Safety Awards* due to the breadth of its road safety programme. The level of absenteeism stood at 6.6%.

CTT renewed its membership to the Forum of Companies for Equality (*IGEN – Fórum Empresas para a Igualdade*), undertaking commitments regarding disclosure of parenting rights, supporting the reintegration of employees in the work force that interrupted their career following parental leave and improvement of information on recruitment and selection.

As has become customary, employees and their relatives were encouraged to participate in various activities, sponsored by the company, thereby **reconciling work and family**. Among these, we highlight the Lisbon Marathon, the CTT Cup, the Médis race, the Women's race, visits to Kidzania and the Zoo. Contests were launched and tickets given away for sporting, cultural and social events.

More than 60 CTT volunteers contributed to activities with reference partners, such as *Banco Alimentar contra a Fome*, Quercus, Just a Change and EPIS. Other activities were promoted, such as painting the facilities of *Ajuda de Mãe* and cleaning the Mafra Forest. Ten mentors and 13 CTT trainees continued to support students facing academic challenges under the partnership with EPIS. Other trainees participate in a volunteer programme that entails supporting isolated persons identified by CTT and the *Vitae*, *Mão Amiga* and *União Zoófila* associations.

Society and the Environment

Among other social and environmental initiatives, CTT sponsored the wheelchair race in the 27th Lisbon Half Marathon, the Serralves Foundation, the Salesian Foundation, *Terra dos Sonhos*, *Associação Salvador*, APCL and the Iberian lynx at the Zoo.

Under the "**A Tree for the Forest**" project developed in partnership with Quercus in order create more fire-resistant woodlands, CTT employees and their relatives came together with other volunteers to plant more than 5,000 trees in the Natural Park of Alvão. Eleven thousand trees have already been planted in total. CTT was also present in an initiative to stock fish species in the Alcabrichel Creek, promoted by Quercus.

CTT Expresso became the 1st Portuguese company in the sector and one of the few worldwide to completely offset CO₂ emissions from its activities. The **carbon offsetting** projects were selected by votes collected on CTT's Facebook page, with more than half a million participants. The selected projects were a project for the conservation of river wildlife in the country's Southern rivers and an international project for the use of renewable biomass in Northern Brazil.

The **green portfolio** stabilised in terms of its weight in DM Eco volumes and revenues, with a slight increase in the case of Green Mail. With the full carbon neutrality of CTT Expresso's offer, CTT's green offer has expanded quite a bit and is currently about 12% of the company's total revenue. As for procurement, the weight of ecological purchases was 99% of the total.

Launched with the goal of reducing emissions from employee commutes, CTT's **carpooling** platform has already enabled 6.94 tons of CO₂ to be saved since December 2015. This project was on the short-list of Posteurop's *Coups de Coeur 2017* awards, in the environment category.

A slight increase in the group's consumption of electricity took place in the semester at an estimated +2.8% and +0.9% of fuel, associated with the banking business (which also explains the growth of paper consumption) and the increase in CTT's fleet activity. Scope 1 and 2 CO₂ emissions increased by 1.7%.

Twenty-seven Paxster electric quadricycles were put to use, thereby reinforcing CTT's national leadership in alternative fleets. These will contribute to reduce CO₂ emissions by more than 12 tons annually. Remote monitoring tests of energy consumption began in various postal delivery offices. Work in this area has been acknowledged this year with an honourable mention in the Efficient Resource Management award of the **Green Projects Awards**.

Shareholders and investors

Throughout the semester, CTT spent 11.5 days in external meetings with investors, 4 of which in 4 conferences (organised by 4 different brokers in 3 different cities) and 7.5 days in 8 roadshows (organised by 8 different brokers in 8 different cities). The CEO of the Company spent 4 days on these activities and the CFO spent 10.5 days for the same purpose. Over the period, the Company met with 162 investors. Furthermore, CTT was visited by 3 investors in Lisbon.

As at 30 June 2017, coverage of CTT shares was provided by 14 research analysts from 5 Portuguese brokers (Caixa BI, BPI, Haitong, Intermoney and Banco BIG), 4 from North America (JP Morgan, Morgan Stanley, Goldman Sachs and Jefferies), 3 from Spain (BBVA, Santander and Fidentis), 1 from Germany (MainFirst) and 1 from the United Kingdom (Barclays).

6. MAIN RISKS

6.1. Risks faced by CTT

Throughout 2016, a risk assessment was undertaken in order to re-evaluate CTT's risk profile, by aligning it with new realities in the market and the postal sector and with new strategic goals and challenges in the short- and medium-term. The risk profile is the fundamental basis for selecting the best strategies to handle risk and will, in most cases, entail defining and implementing mitigation measures.

Under the pre-established criteria, the most relevant risks were selected and, as a result, the company gained an integrated view of the main events that could adversely affect its ability to attain its strategic goals, thereby compromising its sustainability, should they occur.

In January, in order to prioritise the relevant risks by importance, a survey was undertaken with the company's first-line managers. The priority exercise identified **top risks** which will be the immediate focus in defining and implementing the Risk Management Plan with specific mitigation measures.

Top risks are described below:

Strategic Risks	
arise from uncertainties from CTT's stipulated strategy and the way in which it is implemented.	
Large Customers	There is a limited number of large customers that represent a very significant percentage of CTT's operating revenues. This risk pertains to a drop in the amount of mail sent by CTT's large customers or their transfer to CTT's competition, which would have a negative impact on its revenues.
Response to Competition	Solutions offered by competing players may offer more competitive prices, in addition to simpler and more innovative characteristics. This may result in decreased value as perceived by the customer when compared to CTT's products/services. This risk pertains to a lack of agility/hurdles in presenting new solutions to the market and CTT's response to competition via the price lever.
Iberian CEP Challenge	CEP clients tend to prefer global solutions, both in the Iberian market and wider geographic areas. At the same time, there has been a rise in international parcel volumes. This risk pertains to CTT's possible difficulty in taking on a role as a relevant player in the international CEP market, with a focus on the Iberian Peninsula.
Conditions of Access to the Postal Network	In 2016, a postal network access model was presented with its respective commercial conditions. This risk pertains to the possibility of the Regulator being called to intervene and invoke the need to protect the interests of users or promote effective competition, thereby deciding in favour of CTT's competition and against CTT's interests.
Other relevant strategic risks are being monitored, namely:	
<ul style="list-style-type: none"> • Public Image • Universal Postal Service Prices • CTT's Commercial Model 	

Operational Risks

arise from breakdowns or deficiencies in the management of business processes, people and IT systems.

Operational Effectiveness/Efficiency	<p>The fact some processes are unsuitable to new business dynamics could constrain operational effectiveness/efficiency.</p> <p>This risk pertains to a drop in quality of service rendered to the customer and, at most, disruptions in providing that service, thereby resulting in operational ineffectiveness/inefficiency, whether recurring or one-off.</p>
Continued Delivery	<p>The occurrence of certain events such as breakdown in IT systems, high absenteeism, replacement of human resources, labour disputes, among others, may have an impact on the normal operation of mail delivery.</p> <p>This risk pertains to the occurrence of local or general disturbances in mail delivery that may lead to a rise in complaints and negative publicity.</p>
Continued Sorting and Transport	<p>The occurrence of certain events such as labour disputes, supplier shortcomings, vehicle or equipment breakdown, among others, may have an impact on the normal operation of mail sorting and transport.</p> <p>This risk pertains to possible disturbances in sorting and/or transporting operations that may lead to worse quality of service.</p>
Information Security	<p>IT systems are essential to CTT's operation, efficiency and competitiveness and the information itself is one of its most valuable assets. It is a legal, ethical and essential duty that the business ensures confidentiality, integrity and availability of business information, whether the property of CTT, customers or other parties and regardless of its format (logical, physical or intellectual).</p> <p>This risk pertains to the commitment to confidentiality, integrity or availability of information that may result from behavioural shortcomings, whether deliberate or not, as well as non-authorised access to premises and/or cyber attacks.</p>

Other relevant operational risks are being monitored, namely:

- Labour Disputes
- Continued Customer Service
- Ageing Operational Personnel
- Anticompetitive Behaviour

Financial Risks

arise from external and internal factors that significantly and directly affect CTT's performance and financial condition.

Operational Investment	<p>Investment consists of swapping present expenses for future returns and the consideration for that swap is a rise in the company's potential.</p> <p>This risk pertains to the possibility of operational investment projects earning less returns than initially expected.</p>
Financial Investments	<p>In a context of globalisation and increased competition, the focus on a growth strategy by way of acquiring financial stakes in other companies is a way of diversifying and harnessing new markets.</p> <p>This risk pertains to the total or partial loss of capital used by CTT in that(those) company(ies), regardless of the level of control or influence there over.</p>

Other relevant financial risks are being monitored, namely:

- Interest Rates
- Healthcare Plan

External Risks

arise from more or less unpredictable factors that are beyond CTT's power of intervention or influence.

Digital Economy	<p>The national economic climate puts companies under enormous pressure to reduce costs, whereby measures that increase efficiency (e.g.: Simplex) may accelerate the reduction and/or dematerialisation of documents and, as a result, reduce mail sent. In the context of the digital economy, e-commerce creates an opportunity that CTT should explore to its maximum potential.</p> <p>The risk pertains to a rise in the phenomenon of electronic substitution of mail, with the resulting fall in mail volumes and, thereby, in generated income and the inability to harness the e-commerce business.</p>
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Other relevant external risks are being monitored, namely:

- Consumer Behaviour
- Eurozone Exit

During the first semester, all supporting documentation of the Risk Management System was revised and condensed in a single document called the "Internal Regulation of Risk Management". Simultaneously, a new Risk Management governance model was stipulated that adopts a

“3 defence line” model based on best practices of Auditing and Internal Control, with a description of the duties and responsibilities of intervening parties in the process.

Regarding the risk profile, a statistic model has been developed for quantitative assessment of the impact associated with top risks and the remaining risks relevant to the profile. The model is expected to be finalised by the third quarter of 2017.

During June, workshops to discuss and identify top risk mitigation measures began to be prepared. Officers responsible for the processes where those top risks are managed will be involved in those workshops, which will be carried out in July.

6.2. Risk management and internal control systems

The Board of Directors ensures the effectiveness of the CTT Group’s internal control and risk management systems, ensuring a culture of control based on defining, implementing and periodically revising the risk management model.

CTT’s management and supervisory bodies, together with the department heads, are entrusted with ensuring that the internal control system in force enables the stipulated goals to be leveraged, while certifying that control duties are suitably independent from a structural perspective and allows the proper exercise of those duties.

The risk management system is supported by a number of rules and procedures and all relevant risks are assessed as to their probability and impact. This process determines the definition of mitigation strategies, in order to avoid, reduce, share and/or accept a certain level of risk.

The following bodies are responsible for identifying and addressing risk events:

- Risk Management, entrusted with the centralised coordination of CTT’s risk management model, including planning and implementing programmes in order to ensure risks with potentially relevant short or medium-term relevance are mitigated or minimised.
- Internal Audit through the assessment of the internal control system and monitoring of the principal risks, so as to identify any relevant shifts that result in a need to change the existing internal control system.

In terms of the internal control system, procedures have been implemented to ensure the prudent management of the risks CTT is exposed to, ensuring the business is sustainable in the medium and long-term and the existence of timely, complete and trustworthy financial and management information and independent reporting mechanisms of that information to the management and supervisory bodies.

As a management tool across the entire organisation, the internal control system has the following components:

- Environment of control – the basis of the internal control system to the extent that it reflects the management bodies’ and other employees’ commitment thereto, namely as regards adopting the ethical values set out in the Code of Conduct.
- Information and communication – formal and informal channels that monitor corporate activity, which is pivotal for controls to be understood and carried out by the entire organisation.
- Information management – activities that continuously and cyclically allow the identification, assessment, mitigation, monitoring, control and reporting of risk.

- Human resources – the organisation’s basis of operation that, aligned with internal benchmarks, influences behaviour at the remaining levels.
- Organisational structure – relationship matrix for missions, duties and powers.
- Knowledge management – activities to identify potential risk exposures, in order to ensure adequate response.
- Assurance – a supervisory activity entrusted to the Audit Committee and to the Statutory Auditor, pursuant to the applicable legal provisions and Articles of Association. This component is supplemented by work carried out by the Business Assurance and Optimisation area that supports the various businesses in identifying events/procedures or activities that generate revenue loss or inefficiencies.

7. FUTURE PERSPECTIVES

The 1st half of 2017 confirmed the 1st quarter trend of revenues growth from the developing CTT growth levers, the business units Express & Parcels, Financial Services and Banco CTT, from an integrated perspective. This trend, together with the gradual and growing revenues that have been forecast for the next quarters and the business-generating initiatives over the last months, enable CTT to maintain its expectation of revenues growth for these levers in 2017. This assuming the revenue performance of the Mail business unit remains stable.

The fall in addressed mail volumes by 5.6% in this period, which was higher than expected from the normal substitution effect (-4% to -5%), puts some additional pressure on the 2nd semester, but, for now, this does not indicate a steeper dip in volumes, but only various effects in the period. We highlight that developments in addressed mail volumes for 2017 will be very material to the growth of consolidated revenues, given it is an essential condition for stable revenues in the Mail business unit, which will benefit from the positive impact of the April price update.

Growing integration and restructuring of Transporta throughout the 2nd half of 2017, after its effective acquisition in May, will allow CTT to expand its Express & Parcels offer, which will further enhance the growth of this lever. The results in the 1st semester reflect CTT's focus on this business unit, mainly in parcels.

Together with this Portugal-focused initiative, the restructuring project in Spain is underway and has already contributed with its strong revenues growth in the 1st half of 2017. Its positive contribution is expected to increase throughout the rest of the year, with break-even at EBITDA level expected to take place in the 4th quarter of 2017.

The comparatively positive contribution of Banco CTT's EBITDA as of the 3rd quarter (as compared to 2016) allows us to forecast improved profitability at consolidated EBITDA level. This shows the potential of the CTT Group's businesses to maximise profitability based on the use of their unique networks.

CTT is currently analysing non-organisational growth opportunities to consolidate its business units in terms of future growth. If these opportunities come to pass, they may accelerate the aforementioned growth and further maximise the Group's economies of scale and of scope.

8. DECLARATION OF CONFORMITY

Pursuant to article 246 of the Portuguese Securities Code, the members of the Board of Directors and the members of the Audit Committee of CTT identified below hereby state that, to the best of their knowledge, the interim condensed consolidated accounts relative to the first half of 2017 were prepared in accordance with the applicable accounting rules, providing a true and appropriate reflection of the assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter, and that the interim report faithfully presents the important events which occurred in the first half of 2017 and their impact on the interim condensed consolidated accounts, as well as the main risks and uncertainties for the second half of this year.

Lisbon, 31 July 2017

The Board of Directors

António Sarmento Gomes Mota
Non-Executive Chairman of the Board of Directors

Francisco José Queiroz de Barros de Lacerda
Vice-Chairman of the Board of Directors and Chief Executive Officer (CEO)

André Manuel Pereira Gorjão de Andrade Costa
Member of the Board of Directors and of the Executive Committee (CFO)

Dionizia Maria Ribeiro Farinha Ferreira
Member of the Board of Directors and of the Executive Committee

Nuno de Carvalho Fernandes Thomaz

Non-Executive Member of the Board of Directors and of the Audit Committee

José Manuel Baptista Fino

Non-Executive Member of the Board of Directors

Céline Dora Judith Abecassis-Moedas

Non-Executive Member of the Board of Directors

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee

Francisco Maria da Costa de Sousa de Macedo Simão

Member of the Board of Directors and of the Executive Committee

João Afonso Ramalho Sopas Pereira Bento

Non-Executive Member of the Board of Directors

M^a Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-Executive Member of the Board of Directors and Chairman of the Audit Committee

Belén Amatriain Corbi

Non-Executive Member of the Board of Directors and of the Audit Committee

Rafael Caldeira de Castel-Branco Valverde

Non-Executive Member of the Board of Directors

PART II – FINANCIAL STATEMENTS

Interim Condensed Consolidated Financial Statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

Euros

		Unaudited	
	NOTES	30.06.2017	31.12.2016
ASSETS			
Non-current assets			
Tangible fixed assets	4	202,446,303	208,921,781
Investment properties	6	8,489,223	9,291,983
Intangible assets	5	39,681,838	38,916,723
Goodwill		7,835,640	7,700,739
Investments in associated companies		296,260	296,260
Other investments		1,503,572	1,503,572
Investments held to maturity	8	163,931,808	93,986,115
Other non-current assets		1,401,295	1,306,148
Credit to bank clients	11	4,937,328	-
Financial assets available for sale	9	5,299,985	4,473,614
Other banking financial assets	10	4,630,939	-
Deferred tax assets	24	84,527,445	86,220,762
Total non-current assets		524,981,636	452,617,698
Current assets			
Inventories		5,660,843	5,407,685
Accounts receivable		131,147,585	122,113,270
Credit to bank clients	11	27,622,128	7,103,905
Income taxes receivable	21	-	3,587,614
Deferrals	12	7,134,432	6,128,931
Investments held to maturity	8	7,600,689	1,108,428
Other current assets		34,514,882	30,033,571
Financial assets available for sale	9	9,259,396	1,973,711
Other banking financial assets	10	70,840,325	59,054,303
Cash and cash equivalents		720,291,197	618,811,099
		10,140,714,777	855,322,515
Non-current assets held for sale		8,756,999	8,756,999
Total current assets		1,022,828,476	864,079,515
Total assets		1,547,810,112	1,316,697,213
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(5,097,536)
Reserves	15	79,940,086	34,891,671
Retained earnings	15	34,244,962	93,589,211
Other changes in equity	15	(27,137,824)	(27,137,824)
Net profit		17,745,100	62,160,395
Equity attributable to equity holders		179,792,315	233,405,918
Non-controlling interests		(133,734)	(79,135)
Total equity		179,658,580	233,326,782
Liabilities			
Non-current liabilities			
Accounts payable	19	390,876	375,379
Medium and long term debt		160,090	127,145
Employee benefits		247,990,575	250,445,608
Provisions	18	14,232,757	14,127,483
Deferrals	12	325,542	334,191
Deferred tax liabilities	24	4,000,478	4,123,146
Total non-current liabilities		267,100,318	269,532,952
Current liabilities			
Accounts payable	19	543,296,918	444,863,700
Banking clients' deposits and other loans	20	424,293,402	253,944,840
Employee benefits		17,202,356	17,390,573
Income taxes payable	21	5,817,151	-
Short term debt		8,242,241	9,679,829
Deferrals	12	2,230,773	4,177,609
Other current liabilities		96,498,170	82,562,725
Other banking financial liabilities	10	3,470,203	1,218,205
Total current liabilities		1,101,051,214	813,837,479
Total liabilities		1,368,151,532	1,083,370,431
Total equity and liabilities		1,547,810,112	1,316,697,213

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
Euros

	NOTES	Six months ended		Three months ended	
		Unaudited 30.06.2017	Unaudited 30.06.2016	Unaudited 30.06.2017	Unaudited 30.06.2016
Revenues		352,113,592	351,083,561	175,157,996	171,483,691
Sales and services rendered	3	340,466,142	336,187,306	167,311,889	165,564,125
Financial margin		1,161,179	15,510	755,953	7,407
Other operating income	22	10,486,271	14,880,745	7,090,154	5,912,159
Operating costs		(321,558,792)	(303,650,751)	(162,186,129)	(155,060,664)
Cost of sales		(4,968,503)	(6,781,770)	(2,771,830)	(3,425,954)
External supplies and services		(120,035,994)	(114,538,260)	(61,203,746)	(59,423,104)
Staff costs	23	(174,221,448)	(167,073,880)	(85,657,444)	(82,926,914)
Impairment of accounts receivable, net		(305,009)	(259,667)	(232,216)	(234,006)
Provisions, net	18	13,074	3,657,846	71,106	602,284
Depreciation/amortisation and impairment of investments, net		(14,900,430)	(12,986,278)	(7,721,878)	(6,766,262)
Other operating costs		(7,140,482)	(5,668,742)	(4,670,121)	(2,886,708)
Earnings before financial income and taxes		30,554,800	47,432,810	12,971,867	16,423,027
Financial results		(2,399,840)	(2,508,206)	(1,321,226)	(1,330,093)
Interest expenses		(2,684,908)	(3,201,441)	(1,340,516)	(1,601,219)
Interest income		285,068	462,895	19,290	230,562
Gains/losses in associated companies		-	230,340	-	40,564
Earnings before taxes		28,154,960	44,924,604	11,650,641	15,092,934
Income tax for the period	24	(10,459,815)	(13,374,753)	(4,260,062)	(4,170,638)
Net profit for the period		17,695,145	31,549,851	7,390,579	10,922,316
Net profit for the period attributable to:					
Equity holders		17,745,100	31,676,537	7,410,608	11,004,572
Non-controlling interests		(49,954)	(126,685)	(20,029)	(82,255)
Earnings per share:	17	0.12	0.21	0.05	0.07

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
Euros

	NOTES	Six months ended		Three months ended	
		Unaudited 30.06.2017	Unaudited 30.06.2016	Unaudited 30.06.2017	Unaudited 30.06.2016
Net profit for the period		17,695,145	31,549,851	7,390,579	10,922,316
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)		(4,644)	-	(15,062)	-
Changes to fair value reserves		29,052	6,521	18,871	8,058
Employee benefits (non re-classifiable adjustment to profit and loss)		-	-	-	(408,277)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)		-	-	-	115,787
Other changes in equity		(4,644)	67,576	(15,062)	78,710
Other comprehensive income for the period after taxes		19,763	74,098	(11,254)	(205,721)
Comprehensive income for the period		17,714,908	31,623,949	7,379,325	10,716,595
Attributable to non-controlling interests		(54,599)	(118,825)	(35,092)	(42,900)
Attributable to shareholders of CTT		17,769,507	31,742,774	7,414,417	10,759,495

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017 AND 31 DECEMBER 2016
 Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2016		75,000,000	(1,873,125)	33,384,112	(18,644,832)	91,727,994	72,065,283	175,322	251,834,754
Appropriation of net profit for the year of 2015		-	-	-	-	72,065,283	(72,065,283)	-	-
Dividends		-	(3,224,410)	-	-	(70,264,792)	-	-	(70,264,792)
Acquisition of own shares		-	-	1,493,546	-	-	-	-	(3,224,410)
Share plan		-	(3,224,411)	1,493,546	-	1,800,491	(72,065,283)	-	3,493,546
Other movements		-	-	-	-	40,506	-	8,871	49,777
Actuarial gains/losses - Health Care, net from deferred taxes		-	-	-	(8,492,992)	-	-	-	(8,492,992)
Changes to fair value reserves		-	-	14,014	-	-	-	-	14,014
Adjustments from the application of the equity method		-	-	-	-	8,820	-	-	8,820
Net profit for the period		-	-	-	-	-	63,160,395	(663,328)	61,897,067
Comprehensive income for the period		-	-	14,014	(8,492,992)	60,726	62,160,395	(234,457)	53,487,686
Balance on 31 December 2016		75,000,000	(5,097,536)	34,891,671	(27,137,824)	93,589,211	62,160,395	(79,135)	233,326,782
Balance on 1 January 2017		75,000,000	(5,097,536)	34,891,671	(27,137,824)	93,589,211	62,160,395	(79,135)	233,326,782
Share capital increase		49,500,000	-	-	-	(49,500,000)	-	-	-
Share capital decrease		(49,500,000)	-	49,500,000	-	-	-	-	-
Appropriation of net profit for the year of 2016		-	-	-	-	62,160,395	(62,160,395)	-	-
Dividends		-	-	-	-	(72,000,000)	-	-	(72,000,000)
Attribution of own shares		-	5,097,537	(4,480,638)	-	-	-	-	616,899
		-	5,097,537	45,019,362	-	(59,339,605)	(62,160,395)	-	(71,383,100)
Other movements		-	-	-	-	-	-	(4,644)	(4,644)
Changes to fair value reserves		-	-	29,052	-	-	-	-	29,052
Adjustments from the application of the equity method		-	-	-	-	(4,644)	-	-	(4,644)
Net profit for the period		-	-	-	-	-	17,745,100	(49,954)	17,695,145
Comprehensive income for the period		-	(8)	29,052	(27,137,824)	(4,644)	17,745,100	(54,599)	17,714,908
Balance on 30 June 2017 (unaudited)		75,000,000	(8)	79,940,066	(27,137,824)	34,244,962	17,745,100	(133,734)	179,658,580

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

Euro

	NOTES	Unaudited 30.06.2017	Unaudited 30.06.2016
Cash flow from operating activities			
Collections from customers		325,692,517	329,215,851
Payments to suppliers		(119,507,305)	(127,512,952)
Payments to employees		(154,598,461)	(154,399,313)
Banking customer deposits and other loans		170,437,230	55,897,979
Credit to bank clients		(25,502,790)	-
	Cash flow generated by operations	<u>196,521,191</u>	<u>103,201,565</u>
Payments/receivables of income taxes		(901,032)	(7,994,869)
Other receivables/payments		<u>10,109,389</u>	<u>92,707,962</u>
	Cash flow from operating activities (1)	<u><u>296,717,548</u></u>	<u><u>187,914,659</u></u>
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		3,040,720	180,064
Investment properties		-	4,839,750
Financial assets available for sale		5,600,000	-
Investments held to maturity		1,253,248	-
Demand deposits at Bank of Portugal		3,721,804	-
Other banking financial assets		62,965,000	-
Interest income		400,470	599,292
Payments resulting from:			
Tangible fixed assets		(16,133,750)	(8,837,226)
Intangible assets		(6,793,156)	(12,196,452)
Financial investments		(1,728,091)	-
Financial assets available for sale		(13,733,418)	(3,006,121)
Investments held to maturity		(77,279,085)	(28,343,223)
Other banking financial assets		(79,215,000)	(29,709,033)
	Cash flow from investing activities (2)	<u>(117,901,258)</u>	<u>(76,472,948)</u>
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained		4,550,000	4,513,610
Payments resulting from:			
Loans repaid		(5,506,409)	(1,500,000)
Interest expenses		(359,494)	(311,980)
Finance leases		(454,088)	(495,115)
Acquisition of own shares		-	(2,534,357)
Dividends		(72,000,000)	(70,264,792)
	Cash flow from financing activities (3)	<u>(73,769,991)</u>	<u>(70,592,634)</u>
Net change in cash and cash equivalents (1+2+3)		<u>105,046,299</u>	<u>40,849,076</u>
Changes in the consolidation perimeter		134,862	-
Cash and equivalents at the beginning of the period		<u>613,845,248</u>	<u>603,649,717</u>
Cash and cash equivalents at the end of the period		<u>719,026,409</u>	<u>644,498,793</u>
Cash and cash equivalents at the end of the period		719,026,409	644,498,793
Sight deposits at Bank of Portugal		70,529	-
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		1,194,259	-
Cash and cash equivalents (Balance sheet)		720,291,197	644,498,793

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 Párpública – 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 Párpública – 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 Párpública – 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 31 July 2017.

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 2016.

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 2017, and in accordance with IAS 34 – Interim Financial Reporting.

3. SEGMENT REPORTING

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

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

The business of CTT is organised in the following segments:

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

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 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 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 in the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

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

Initially, CTT, S.A. operating costs are affected to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, cost relating to corporate

and support areas (Central Structure CTT) previously unallocated, are allocated among the segments Mail and Financial Services according to the average number of CTT, S.A. employees affected to each of these segments.

With the allocation of all costs, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the first half of 2017 and 2016 are analysed as follows:

30.06.2017								
Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	269,809,611	62,758,747	32,752,664	3,515,795	54,805,193	(71,528,417)	-	352,113,592
Sales and services rendered	248,171,506	61,702,527	32,088,044	-	-	(1,495,935)	-	340,466,142
Sales	7,212,345	390,807	-	-	-	-	-	7,603,152
Services rendered	240,959,161	61,311,719	32,088,044	-	-	(1,495,935)	-	332,862,990
Financial Margin	-	-	-	1,161,179	-	-	-	1,161,179
Operating revenues external customers	13,680,193	1,056,221	623,391	2,354,616	7,167,363	(14,395,512)	-	10,486,271
Internal services rendered	7,957,911	-	41,229	-	20,252,700	(28,251,841)	-	-
Allocation to CTT central structure	-	-	-	-	27,385,129	(27,385,129)	-	-
Operating costs	228,684,076	63,574,748	15,779,802	15,051,025	54,805,193	(71,528,417)	-	306,366,427
External supplies and services	50,498,019	50,630,616	4,526,870	8,771,347	21,406,570	(15,797,428)	-	120,035,994
Staff costs	124,562,528	11,778,060	2,018,750	5,854,806	30,099,677	(92,373)	-	174,221,448
Other costs	6,935,101	1,166,073	785,398	424,871	2,799,188	(1,646)	-	12,108,985
Internal services rendered	19,468,269	-	8,283,814	-	499,758	(28,251,841)	-	-
Allocation to CTT central structure	27,220,159	-	164,971	-	-	(27,385,129)	-	-
EBITDA⁽¹⁾	41,125,534	(81 6,001)	16,972,862	(11,535,230)	-	-	-	45,747,165
Depreciation/amortisation and impairment of investments, net	(7,902,876)	(1,818,196)	(229,639)	(1,229,525)	(3,629,032)	-	(91,161)	(14,900,430)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(305,009)
Impairment of other financial banking assets	-	-	-	-	-	-	-	-
Provisions net	-	-	-	-	-	-	-	13,074
Interest expenses	-	-	-	-	-	-	-	(2,684,908)
Interest income	-	-	-	-	-	-	-	285,068
Gains/losses in associated companies	-	-	-	-	-	-	-	-
Earnings before taxes								28,154,960
Income tax for the period	-	-	-	-	-	-	-	(10,459,815)
Net profit for the period								17,695,145
Non-controlling interests	-	-	-	-	-	-	-	(49,954)
Equity holders of parent company								17,745,100

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

30.06.2016								
Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	271,953,497	59,859,208	32,170,580	174,917	51,120,001	(64,194,641)	-	351,083,561
Sales and services rendered	250,645,480	57,510,444	29,564,116	-	(57)	(1,532,676)	-	336,187,306
Sales	8,906,610	398,013	-	-	-	-	-	9,304,623
Services rendered	241,738,870	57,112,431	29,564,116	-	(57)	(1,532,676)	-	326,882,684
Financial Margin	-	-	-	15,510	-	-	-	15,510
Operating revenues external customers	13,120,088	2,348,764	2,564,704	159,407	10,334,771	(13,646,989)	-	14,880,745
Internal services rendered	8,187,929	-	41,761	-	20,290,730	(28,520,420)	-	-
Allocation to CTT central structure	-	-	-	-	20,494,557	(20,494,557)	-	-
Operating costs	221,307,105	57,997,876	16,270,287	11,562,025	51,120,001	(64,194,641)	-	294,062,652
External supplies and services	50,454,059	45,765,619	4,961,547	7,598,243	20,924,140	(15,165,348)	-	114,538,260
Staff costs	123,253,531	10,999,361	2,216,021	3,864,185	26,743,139	(2,356)	-	167,073,880
Other costs	7,653,727	1,232,897	540,673	99,596	2,935,580	(11,961)	-	12,450,512
Internal services rendered	19,594,535	-	8,408,742	-	517,143	(28,520,420)	-	-
Allocation to CTT central structure	20,351,253	-	143,304	-	-	(20,494,557)	-	-
EBITDA⁽¹⁾	50,646,392	1,861,331	15,900,294	(11,387,108)	-	-	-	57,020,909
Depreciation/amortisation and impairment of investments, net	(7,484,009)	(1,369,975)	(176,226)	(533,879)	(3,143,816)	-	(278,373)	(12,986,278)
Impairment of accounts receivable, net	-	-	-	-	-	-	-	(259,667)
Impairment of non-depreciable assets	-	-	-	-	-	-	-	-
Provisions net	-	-	-	-	-	-	-	3,657,846
Interest expenses	-	-	-	-	-	-	-	(3,201,441)
Interest income	-	-	-	-	-	-	-	462,895
Gains/losses in associated companies	-	-	-	-	-	-	-	230,340
Earnings before taxes								44,924,604
Income tax for the period	-	-	-	-	-	-	-	(13,374,753)
Net profit for the period								31,549,851
Non-controlling interests	-	-	-	-	-	-	-	(126,685)
Equity holders of parent company								31,676,537

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

The revenues are detailed as follows:

Thousand Euros	30.06.2017	30.06.2016
Mail	269,810	271,953
Transactional mail	208,122	208,539
Editorial mail	8,273	8,279
Parcels (USO)	3,543	2,971
Advertising mail	14,360	14,796
Retail	4,352	8,635
Philately	3,907	3,189
Business Solutions	4,242	4,671
Other	23,011	20,873
Express & Parcels	62,759	59,859
Financial Services	32,753	32,171
Banco CTT	3,516	175
CTT Central Structure	54,805	51,120
Intragroup eliminations	(71,528)	(64,195)
	352,114	351,084

The assets by segment are detailed as follows:

Assets (Euros)	30.06.2017						
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Non allocated assets	Total
Intangible assets	3,089,888	3,919,785	449,232	20,397,678	7,086,580	4,738,674	39,681,838
Tangible fixed assets	170,928,477	14,744,575	578,717	347,424	14,486,344	1,360,765	202,446,303
Investment properties						8,489,223	8,489,223
Goodwill	7,294,638	134,901	406,101				7,835,640
Deferred tax assets						84,527,445	84,527,445
Accounts receivable						131,147,585	131,147,585
Credit to bank clients				32,559,456			32,559,456
Investments held to maturity				171,532,497			171,532,497
Financial assets available for sale				14,559,381			14,559,381
Other banking financial assets				75,471,264			75,471,264
Other assets						50,511,284	50,511,284
Cash and cash equivalents						720,291,197	720,291,197
Non-current assets held for sale						8,756,999	8,756,999
	181,313,004	18,799,260	1,434,050	314,867,700	21,572,925	1,009,823,172	1,547,810,112

Assets (Euros)	31.12.2016						
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Non allocated assets	Total
Intangible assets	2,688,799	3,989,255	383,266	18,455,823	7,853,454	5,546,126	38,916,723
Tangible fixed assets	172,040,917	13,822,493	711,568	59,727	14,920,468	7,366,608	208,921,781
Investment properties						9,291,983	9,291,983
Goodwill	7,294,638		406,101				7,700,739
Deferred tax assets						86,220,762	86,220,762
Accounts receivable						122,113,270	122,113,270
Credit to bank clients				7,103,905			7,103,905
Investments held to maturity				95,094,543			95,094,543
Financial assets available for sale				6,447,325			6,447,325
Other banking financial assets				59,054,303			59,054,303
Other assets						48,263,780	48,263,780
Cash and cash equivalents						618,811,099	618,811,099
Non-current assets held for sale						8,756,999	8,756,999
	182,024,355	17,811,748	1,500,934	186,215,627	22,773,922	906,370,627	1,316,697,213

Debt by segment is detailed as follows:

30.06.2017						
Other information (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	-	160,090	-	-	-	160,090
Bank loans	-	94,271	-	-	-	94,271
Leasings	-	65,819	-	-	-	65,819
Short-term debt	492,721	7,749,520	-	-	-	8,242,241
Bank loans	-	7,679,119	-	-	-	7,679,119
Leasings	492,721	70,402	-	-	-	563,122
	492,721	7,909,610	-	-	-	8,402,331

31.12.2016						
Other information (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	-	127,145	-	-	-	127,145
Bank loans	-	87,202	-	-	-	87,202
Leasings	-	39,943	-	-	-	39,943
Short-term debt	724,749	8,955,080	-	-	-	9,679,829
Bank loans	-	8,726,161	-	-	-	8,726,161
Leasings	724,749	228,919	-	-	-	953,668
	724,749	9,082,224	-	-	-	9,806,973

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

Thousand Euros	30.06.2017	30.06.2016
Revenue - Portugal	298,488	298,676
Revenue - other countries	41,978	37,511
	<u>340,466</u>	<u>336,187</u>

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

4. TANGIBLE FIXED ASSETS

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation and accumulated impairment, were as follows:

30.06.2017									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,903,717	334,909,767	140,435,199	3,269,073	59,021,936	25,037,425	5,016,467	3,351,405	607,944,990
Acquisitions	-	230,470	594,720	432	424,199	141,898	809,468	44,713	2,245,899
Disposals	-	-	(156,926)	-	(40,687)	(137)	-	-	(197,750)
Transfers and write-offs	-	5,402,584	817,800	-	784,423	178,424	(4,736,492)	(3,031,694)	(584,955)
Adjustments	-	(44,779)	30,429	1,237	13,489	2,096	-	(10,570)	(8,098)
Changes in the consolidation perimeter	197,025	110,220	731,285	30,889	417,295	115,144	-	-	3,630,344
Closing balance	37,100,742	341,600,248	142,452,506	3,301,631	60,620,655	26,511,150	1,089,443	353,854	613,030,230
Accumulated depreciation									
Opening balance	3,851,494	197,359,750	121,934,623	3,208,997	52,255,805	20,239,484	-	-	398,850,154
Depreciation for the period	-	4,892,817	3,494,240	18,772	1,676,151	538,412	-	-	10,620,393
Disposals	-	-	(150,989)	-	(40,236)	(137)	-	-	(191,361)
Transfers and write-offs	-	-	(302,199)	-	(28,678)	(201,302)	-	-	(532,178)
Adjustments	-	415	18,897	722	1,763	1,776	-	-	23,574
Changes in the consolidation perimeter	-	422,804	459,736	28,437	218,784	572,388	-	-	1,702,349
Closing balance	3,851,494	202,675,785	125,454,330	3,256,929	54,083,590	21,150,621	-	-	410,472,729
Accumulated impairment									
Opening balance	-	-	-	-	-	173,055	-	-	173,055
Other variations	-	-	-	-	-	(61,857)	-	-	(61,857)
Closing balance	-	-	-	-	-	111,197	-	-	111,197
Net Tangible fixed assets	33,249,248	138,924,462	16,998,196	44,703	6,537,065	5,249,331	1,089,443	353,854	202,446,303

31.12.2016									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	37,306,577	337,982,013	138,002,341	3,273,327	54,961,400	23,252,352	19,716,16	1,398,408	598,148,034
Acquisitions	-	313,458	6,625,240	9,719	4,156,018	1,937,614	8,381,884	2,888,955	24,312,888
Disposals	(526,637)	(3,885,980)	(1,503,859)	-	(52,919)	-	-	-	(5,969,395)
Transfers and write-offs	123,778	675,516	(2,289,200)	(8,174)	51,751	(115,897)	(5,337,034)	(812,692)	(7,711,951)
Adjustments	-	(175,240)	(399,323)	(5,800)	(94,314)	(36,644)	-	(123,265)	(834,586)
Closing balance	36,903,717	334,909,766	140,435,200	3,269,073	59,021,936	25,037,425	5,016,467	3,351,405	607,944,989
Accumulated depreciation									
Opening balance	3,888,322	192,743,987	118,629,681	3,154,422	50,187,217	19,306,751	-	-	387,910,380
Depreciation for the period	-	9,380,124	7,430,835	66,457	2,621,487	1,111,546	-	-	20,390,450
Disposals	(36,827)	(2,390,937)	(1,481,994)	-	(52,919)	-	-	-	(3,962,677)
Transfers and write-offs	-	(2,172,820)	(2,533,933)	(8,174)	(487,515)	(173,533)	-	-	(5,375,973)
Adjustments	-	(604)	(89,968)	(3,709)	(12,465)	(5,280)	-	-	(112,027)
Closing balance	3,851,494	197,359,750	121,934,624	3,208,996	52,255,806	20,239,484	-	-	398,850,154
Accumulated impairment									
Opening balance	-	-	-	-	-	296,769	-	-	296,769
Other variations	-	-	-	-	-	(123,744)	-	-	(123,744)
Closing balance	-	-	-	-	-	173,055	-	-	173,055
Net Tangible fixed assets	33,052,223	137,550,016	18,500,576	60,077	6,766,130	4,624,886	5,016,467	3,351,405	208,921,781

During the six-month period ended 30 June 2017, Land and natural resources and Buildings and other constructions include 643,812 Euros (650,717 Euros as at 31 December 2016), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During 2016, an exchange of 4 properties in co-ownership was made with MEO – Serviços de Comunicações e Multimédia, S.A., resulting in gains in the amount of 485,134 Euros.

During the six-month period ended 30 June 2017, 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, Banco CTT and Tourline.

Basic equipment:

The amount of acquisitions mainly relates to the purchase of ATM's in the amount of 51 thousand Euros and IT equipment worth approximately 194 thousand Euros by CTT. Tourline acquired pallets in the amount of 9 thousand Euros, IT equipment worth approximately 20 thousand Euros and PDA's amounting to 274 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase of various administrative equipment, namely safes and security doors totaling 59 thousand Euros, various office furniture worth about 50 thousand Euros by CTT. Banco CTT acquired several office and IT equipment in the amount of 209 thousand Euros. In addition, Tourline acquired office furniture worth 20 thousand Euros and several micro-computing equipment for approximately 12 thousand Euros.

Other tangible fixed assets:

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 70 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.

In the six-month period ended 30 June 2017, the amounts recorded under changes in the consolidation perimeter refer to the balances of Transporta at the acquisition date.

In the year ended 31 December 2016, the amounts recorded under write-offs, with particular emphasis on Basic equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciation recorded of 10,620,393 Euros (9,622,875 Euros on 30 June 2016), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

	<u>30.06.2017</u>
Hardware firewall networks	280,353
Safes and security doors	209,920
Upgrades to mail sorting machines	47,312
Labeller TOP	7,815
	<u>545,400</u>

5. INTANGIBLE ASSETS

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

	<u>30.06.2017</u>					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,923	69,732,469	11,722,559	444,739	8,870,277	95,142,968
Acquisitions	-	2,320,178	2,175	-	2,575,203	4,897,556
Disposals	-	-	-	-	-	-
Transfers and write-offs	-	3,926,242	(16,833)	-	(5,256,974)	(1,347,565)
Adjustments	-	-	31,008	-	-	31,008
Changes in the consolidation perimeter	-	7,629	-	-	19,281	26,910
Closing balance	<u>4,372,923</u>	<u>75,986,519</u>	<u>11,738,909</u>	<u>444,739</u>	<u>6,207,786</u>	<u>98,750,876</u>
Accumulated amortisation						
Opening balance	4,360,060	43,021,166	8,400,280	444,739	-	56,226,245
Amortisation for the period	4,824	4,018,703	165,349	-	-	4,188,876
Transfers and write-offs	-	(1,340,356)	(16,833)	-	-	(1,357,189)
Adjustments	-	(454)	10,880	-	-	10,427
Changes in the consolidation perimeter	-	679	-	-	-	679
Closing balance	<u>4,364,883</u>	<u>45,699,739</u>	<u>8,559,677</u>	<u>444,739</u>	<u>-</u>	<u>59,069,038</u>
Net intangible assets	<u>8,039</u>	<u>30,286,781</u>	<u>3,179,232</u>	<u>-</u>	<u>6,207,786</u>	<u>39,681,838</u>

	31.12.2016					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,923	48,455,024	12,004,296	444,739	12,175,413	77,452,395
Acquisitions	-	7,715,502	17,573	-	10,114,453	17,847,528
Disposals	-	(15,490)	-	-	-	(15,490)
Transfers and write-offs	-	13,235,156	1,893	-	(13,419,588)	(182,539)
Adjustments	-	(15,640)	(301,202)	-	-	(316,843)
Other movements	-	357,918	-	-	-	357,918
Closing balance	4,372,923	69,732,469	11,722,559	444,739	8,870,277	95,142,968
Accumulated amortisation						
Opening balance	4,350,412	36,912,898	8,120,329	444,739	-	49,828,379
Amortisation for the period	9,647	6,277,006	336,578	-	-	6,623,231
Disposals	-	(15,490)	-	-	-	(15,490)
Transfers and write-offs	-	(150,959)	(454)	-	-	(151,413)
Adjustments	-	(2,289)	(56,173)	-	-	(58,463)
Closing balance	4,360,060	43,021,166	8,400,280	444,739	-	56,226,245
Net intangible assets	12,863	26,711,303	3,322,280	-	8,870,277	38,916,723

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 six-month period ended 30 June 2017 in Intangible assets in progress to Computer software refer to IT projects which were completed during the period.

The amounts of 424,936 Euros and 317,778 Euros that were capitalised in Computer software or in Intangible assets in progress as at 30 June 2017 and 30 June 2016, respectively, related to the staff costs incurred in the development of these projects.

In the six-month period ended 30 June 2017, the amounts recorded under changes in the consolidation perimeter refer to the balances of Transporta at the acquisition date.

As at 30 June 2017, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	30.06.2017
Management information - Software International (E-CIP)	1,090,759
CBS - Core banking system	745,902
Mail products evolution	725,835
NAVE evolution	482,125
RAID - Software	453,857
Business Excellence - Software	194,824
CTT Mobile	133,248
SAP Hana & Hybris Billing-Setup	121,569
SADIP - Dynamics Change Plans	113,959
Payment platform	106,684
DOL - Treatment and generation of schedules	100,830
OPICS - Treasury management	94,522
	76,878
	<u>4,440,992</u>

The amortisation for the period, of 4,188,876 Euros (3,085,030 Euros as at 30 June 2016), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible assets are as follows:

	30.06.2017
CBS - Core Banking System	6,318,780
SAP S/4 Hana e SAP Hybris	2,510,642
APP Mobile CTT 2.0	94,710
Intranet CTT	85,340
Riposte - NAVe	84,881
CRM - Microsoft Dynamics	59,000
Management Mortgage Loans	45,170
APP Mobility Android	20,295
Videoconferencing upgrade	29,608
Intranet Banco CTT	26,800
SADIP - Dynamics Change Plans	9,335
	<u>9,284,562</u>

6. INVESTMENT PROPERTIES

As at 30 June 2017 and 31 December 2016, the Group has the following assets classified as investment properties:

	30.06.2017			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,921,049	18,372,780	-	22,293,828
Additions	-	-	43,152	43,152
Disposals	(267,628)	(1,004,321)	-	(1,271,949)
Transfers and write-offs	-	43,152	(43,152)	-
Closing balance	<u>3,653,421</u>	<u>17,411,611</u>	<u>-</u>	<u>21,065,031</u>
Accumulated depreciation				
Opening balance	210,097	11,500,249	-	11,710,347
Depreciation for the period	-	159,781	-	159,781
Disposals	(19,022)	(560,032)	-	(579,055)
Transfers and write-offs	-	-	-	-
Closing balance	<u>191,075</u>	<u>11,099,998</u>	<u>-</u>	<u>11,291,073</u>
Accumulated impairment				
Opening balance	-	1,291,498	-	1,291,498
Transfers/Adjustments	-	(6,762)	-	(6,762)
Closing balance	<u>-</u>	<u>1,284,736</u>	<u>-</u>	<u>1,284,736</u>
Net Investment properties	<u>3,462,346</u>	<u>5,026,877</u>	<u>-</u>	<u>8,489,223</u>

	31.12.2016			
	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	7,079,433	40,895,219	-	47,974,653
Additions	-	-	-	-
Disposals	(890,140)	(8,088,615)	-	(8,978,754)
Transfers and write-offs	(2,268,245)	(14,433,825)	-	(16,702,070)
Closing balance	<u>3,921,049</u>	<u>18,372,780</u>	-	<u>22,293,828</u>
Accumulated depreciation				
Opening balance	239,427	26,669,509	-	26,908,936
Depreciation for the period	-	569,250	-	569,250
Disposals	(25,824)	(5,432,025)	-	(5,457,848)
Transfers and write-offs	(3,506)	(10,306,485)	-	(10,309,991)
Closing balance	<u>210,097</u>	<u>11,500,249</u>	-	<u>11,710,347</u>
Accumulated impairment				
Opening balance	-	1,282,622	-	1,282,622
Transfers/Adjustments	-	8,876	-	8,876
Closing balance	<u>-</u>	<u>1,291,498</u>	-	<u>1,291,498</u>
Net Investment properties	<u>3,710,951</u>	<u>5,581,032</u>	-	<u>9,291,983</u>

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

During the six-month period ended 30 June 2017, the amount of disposals relates to the sale of four properties, having the corresponding gains, of 679 thousand Euros, been recorded in the caption Other operating income.

During the year ended 31 December 2016, the amount of disposals relates to the sale of six properties, having the corresponding gains, of 1.2 million Euros, been recorded in the caption Other operating income.

Depreciation for the period, of 159,781 Euros (343,845 Euros on 30 June 2016), was recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals).

7. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 30 June 2017 and 31 December 2016, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

Company name	Place of business	Head office	30.06.2017			31.12.2016		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Pedrosa C. 38-40 Hospitalet de Llobregat (08908)- Barcelona - Spain	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50
Escrita Inteligente, S.A. ("RONL")	Portugal	Av. D. João II N.º 13 1999-001Lisboa	100	-	100	100	-	100
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 11 1999-001Lisboa	100	-	100	100	-	100
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521Cacém	100	-	100	-	-	-

On 27 May 2017 the share capital of Banco CTT, S.A. was increased by 40,000,000 Euros, currently totaling 125,000,000 Euros.

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

Joint ventures

As at 30 June 2017 and 31 December 2016, the Group held the following interests in joint ventures, accounted for by the equity method:

Company name	Place of business	Head office	30.06.2017			31.12.2016		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestação de Serviços Informáticos, ACE ("Ti-Post") ^(a)	Portugal	R. do Mar da China, Lote 107.2.3 Lisboa	-	-	-	-	-	-
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

^(a) The joint-venture has been dissolved during the year 2016.

Associated companies

As at 30 June 2017 and 31 December 2016, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	30.06.2017			31.12.2016		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. ^(a)	Mozambique	R. da Sé, 114-4º. Maputo - Mozambique	-	35	35	-	35	35
Mafelosa, SL ^(b)	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL ^(b)	Spain	Málaga - Spain	-	30	30	-	30	30

^(a) Company held by Payshop Portugal, S.A., which is currently under liquidation.

^(b) Company held by Tourline Mensajería, SLU, which currently has no activity.

Changes in the consolidation perimeter

During the six-month period ended 30 June 2017, the consolidation perimeter was changed following the acquisition of the company Transporta – Transportes Porta a Porta, S.A. on 4 May 2017, with a corresponding goodwill of 134,901 Euros.

The following table summarizes the impacts on the balance sheet at the acquisition date:

Statement of financial position – Acquisition date

Caption	Amount
Non-current assets	2,075,180
Current assets	3,426,473
Total assets	5,501,653
Equity	1,593,190
Non-current liabilities	461,277
Current liabilities	3,447,186
Total liabilities	3,908,463
Total equity and liabilities	5,501,653

The main impacts on results at 30 June 2017 are as follows and refer to the months of May and June:

Income Statement – 30.06.2017

Caption	Amount
Revenues	2,338,559
Operating costs	(3,788,037)
Earnings before financial income and taxes	(1,449,478)
Other captions	310,542
Net profit for the period	(1,138,936)

8. INVESTMENTS HELD TO MATURITY

As at 30 June 2017 and 31 December 2016, this caption showed the following composition:

	30.06.2017	31.12.2016
Non-current		
Debt securities and other fixed-income securities		
Public issuers	150,120,299	78,863,164
Other issuers	13,811,509	15,122,951
	<u>163,931,808</u>	<u>93,986,115</u>
Current		
Debt securities and other fixed-income securities		
Public issuers	7,371,979	878,115
Other issuers	228,710	230,313
	<u>7,600,689</u>	<u>1,108,428</u>
	<u>171,532,497</u>	<u>95,094,543</u>

The analysis of the residual maturity of the investments held to maturity as at 30 June 2017 and 31 December 2016, is detailed as follows:

	30.06.2017					Total
	Current		Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public issuers	2,199,351	5,172,628	17,058,720	133,061,579	-	157,492,278
Other issuers	228,710	-	-	13,811,509	-	14,040,219
	<u>2,428,061</u>	<u>5,172,628</u>	<u>17,058,720</u>	<u>146,873,088</u>	<u>-</u>	<u>171,532,497</u>

	31.12.2016					Total
	Current		Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public issuers	878,115	-	12,256,862	66,606,302	-	79,741,279
Other issuers	22,818	207,495	-	15,122,951	-	15,353,264
	<u>900,933</u>	<u>207,495</u>	<u>12,256,862</u>	<u>81,729,253</u>	<u>-</u>	<u>95,094,543</u>

9. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 30 June 2017 and 31 December 2016, the composition of this heading is as follows:

	30.06.2017	31.12.2016
Non-current		
Debt securities and other fixed-income securities		
Public issuers	560,010	540,400
Other issuers	4,739,975	3,933,214
	<u>5,299,985</u>	<u>4,473,614</u>
Current		
Debt securities and other fixed-income securities		
Public issuers	5,134,985	139,180
Other issuers	4,124,411	1,834,531
	<u>9,259,396</u>	<u>1,973,711</u>
	<u>14,559,381</u>	<u>6,447,325</u>

The analysis of the Financial assets available for sale and the corresponding residual maturity is detailed as follows:

	30.06.2017			Total
	Cost ⁽¹⁾	Fair value reserve	Impairment losses	
Debt securities and other fixed-income securities				
Public-debt securities				
National	5,669,658	25,337	-	5,694,995
Foreign	-	-	-	-
Other issuers				
National	2,550,062	-	-	2,550,062
Foreign	6,297,135	17,189	-	6,314,324
	<u>14,516,855</u>	<u>42,526</u>	<u>-</u>	<u>14,559,381</u>

⁽¹⁾ Acquisition cost regarding shares and other equity instruments and amortised cost regarding debt securities.

	30.06.2017					Total
	Current		Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public-debt securities						
National	7,751	5,127,234	-	560,010	-	5,694,995
Foreign	-	-	-	-	-	-
Other issuers						
National	2,550,062	-	-	-	-	2,550,062
Foreign	621,057	953,292	4,626,864	113,111	-	6,314,324
	<u>3,178,870</u>	<u>6,080,526</u>	<u>4,626,864</u>	<u>673,121</u>	<u>-</u>	<u>14,559,381</u>

	31.12.2016			
	Cost ⁽¹⁾	Fair value reserve	Impairment losses	Total
Debt securities and other fixed-income securities				
Public-debt securities				
National	679,406	174	-	679,580
Foreign	-	-	-	-
Other issuers				
National	-	-	-	-
Foreign	5,754,445	13,300	-	5,767,745
	<u>6,433,851</u>	<u>13,474</u>	<u>-</u>	<u>6,447,325</u>

⁽¹⁾ Acquisition cost regarding shares and other equity instruments and amortised cost regarding debt securities.

	31.12.2016					Total
	Current		Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public-debt securities						
National	14,866	124,314	-	540,400	-	679,580
Foreign	-	-	-	-	-	-
Other issuers						
National	-	-	-	-	-	-
Foreign	562,258	1,272,273	3,614,529	318,685	-	5,767,745
	<u>577,124</u>	<u>1,396,587</u>	<u>3,614,529</u>	<u>859,085</u>	<u>-</u>	<u>6,447,325</u>

10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2017 and 31 December 2016, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	30.06.2017	31.12.2016
Non-current assets		
Investments in credit institutions	4,630,939	-
	<u>4,630,939</u>	<u>-</u>
Current assets		
Investments in credit institutions	70,358,487	58,718,171
Other	481,838	336,132
	<u>70,840,325</u>	<u>59,054,303</u>
	<u>75,471,264</u>	<u>59,054,303</u>
Current liabilities		
Other	3,470,203	1,218,205
	<u>3,470,203</u>	<u>1,218,205</u>
	<u>3,470,203</u>	<u>1,218,205</u>

Regarding the caption Investments in credit institutions, the scheduling by maturity is as follows:

	30.06.2017	31.12.2016
Up to 3 months	32,709,982	42,111,692
From 3 to 6 months	21,921,820	4,500,135
From 6 to 12 months	15,726,685	12,106,344
From 1 to 3 years	2,983,386	-
Over 3 years	1,647,553	-
	<u>74,989,426</u>	<u>58,718,171</u>

11. CREDIT TO BANK CLIENTS

As at 30 June 2017 and 31 December 2016, the caption Credit to bank clients was detailed as follows:

	30.06.2017	31.12.2016
Domestic credit	32,580,514	7,104,322
Overdrafts	139,056	69,498
Factoring	27,498,971	7,034,824
Mortgage loans	4,942,487	-
Credit risk impairment	(60,520)	(417)
Overdue loans	39,462	-
	<u>32,559,456</u>	<u>7,103,905</u>

The maturity analysis of the Credit to bank clients is detailed as follows:

	30.06.2017					Total
	Current		Non-current			
	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	
Overdrafts	120,353	-	-	-	-	120,353
Factoring	-	27,498,971	-	-	-	27,498,971
Mortgage loans	-	-	-	-	4,937,328	4,937,328
Overdue loans	-	2,804	-	-	-	2,804
	<u>120,353</u>	<u>27,501,775</u>	<u>-</u>	<u>-</u>	<u>4,937,328</u>	<u>32,559,456</u>
	31.12.2016					Total
	Current		Non-current			
	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	
Overdrafts	69,498	-	-	-	-	69,498
Factoring	-	7,034,407	-	-	-	7,034,407
Mortgage loans	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-
	<u>69,498</u>	<u>7,034,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,103,905</u>

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the movement in the Credit risk impairment caption was as follows:

	30.06.2017				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Non-current assets					
Credit to bank clients	-	5,169	(8)	-	5,161
	-	5,169	(8)	-	5,161
Current assets					
Credit to bank clients	417	55,562	(619)	-	55,360
	<u>417</u>	<u>55,562</u>	<u>(619)</u>	<u>-</u>	<u>55,360</u>
	417	60,731	(627)	-	60,521
	31.12.2016				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Current assets					
Credit to bank clients	-	417	-	-	417
	-	417	-	-	417

12. DEFERRALS

As at 30 June 2017 and 31 December 2016, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:

	<u>30.06.2017</u>	<u>31.12.2016</u>
Assets deferrals		
Current		
Rents payable	1,362,338	1,293,963
Meal allowances	1,649,919	1,668,745
Other	<u>4,122,175</u>	<u>3,166,223</u>
	<u>7,134,432</u>	<u>6,128,931</u>
Liabilities deferrals		
Non-current		
Investment subsidy	<u>325,542</u>	<u>334,191</u>
	<u>325,542</u>	<u>334,191</u>
Current		
Deferred capital gains	1,071,689	2,143,378
Phone-ix top ups	143,780	158,698
Deferred comissions	246,058	799,062
Investment subsidy	17,299	17,299
Other	<u>751,947</u>	<u>1,059,172</u>
	<u>2,230,773</u>	<u>4,177,609</u>
	<u>2,556,315</u>	<u>4,511,800</u>

In the years 2001 and 2002, CTT sold certain properties, which it subsequently leased. The gains on these sales were deferred and are being recognised over the period of the lease contracts.

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the amounts of 1,071,689 Euros and 3,394,833 Euros, respectively, were recognised under Other operating income in the consolidated income statement, related to the above-mentioned gains. The amount recognised in the year ended 31 December 2016 includes the amount of 1,725,642 Euros regarding Conde Redondo building as a result of the lease contract's termination.

In 2014, CTT signed an agreement with Cetelem, according to which CTT received an amount of 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, for non-refundable fees, will be recognised over the period of the contract. As at 30 June 2017 an amount of 246,058 Euros is being related to this contract was deferred (799,062 Euros as at 31 December 2016).

13. ACCUMULATED IMPAIRMENT LOSSES

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the following movements occurred in the impairment losses:

30.06.2017						
	Opening balance	Increases	Reversals	Utilisations	Changes in the consolidation perimeter	Closing balance
Non-current assets						
Tangible fixed assets	173,055	-	(61858)	-	-	111,197
Investment properties	1,291,498	-	(6,762)	-	-	1,284,736
	1,464,553	-	(68,620)	-	-	1,395,933
Credit to bank clients	-	5,169	(8)	-	-	5,161
Other non-current assets	1,748,286	24,595	-	-	-	1,772,881
	1,748,286	29,764	(8)	-	-	1,778,042
	3,212,839	29,764	(68,628)	-	-	3,173,975
Current assets						
Accounts receivable	30,309,524	1,303,286	(668,123)	(492,610)	2,278,091	32,730,168
Credit to bank clients	417	55,562	(619)	-	-	55,360
Other current assets	8,173,677	46,431	(461,284)	(67,444)	326,796	8,018,176
	38,483,618	1,405,279	(1,130,026)	(560,054)	2,604,887	40,803,704
Merchandise	1,565,187	223,029	(456)	(81,240)	-	1,706,520
Raw, subsidiary and consumable	579,327	78,458	-	-	-	657,785
	2,144,514	301,487	(456)	(81,240)	-	2,364,305
	40,628,132	1,706,766	(1,130,482)	(641,294)	2,604,887	43,168,009
	43,840,971	1,736,530	(1,199,110)	(641,294)	2,604,887	46,341,984
31.12.2016						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Tangible fixed assets	296,769	-	(123,714)	-	-	173,055
Investment properties	1,282,622	12,491	(3,615)	-	-	1,291,498
	1,579,391	12,491	(127,329)	-	-	1,464,553
Other non-current assets	1,472,836	83,597	-	-	191,853	1,748,286
INESC loan	347,021	-	(347,021)	-	-	-
	1,819,857	83,597	(347,021)	-	191,853	1,748,286
	3,399,248	96,088	(474,350)	-	191,853	3,212,839
Current assets						
Accounts receivable	31,737,169	2,875,921	(2,267,005)	(2,036,561)	-	30,309,524
Credit to bank clients	-	417	-	-	-	417
Other current assets	8,622,168	440,664	(691,210)	(6,092)	(191,853)	8,173,677
INESC loan	49,740	-	(49,740)	-	-	-
	40,409,077	3,317,002	(3,007,955)	(2,042,653)	(191,853)	38,483,618
Merchandise	1,397,098	198,203	(438)	(29,676)	-	1,565,187
Raw, subsidiary and consumable	565,513	21,592	(7,778)	-	-	579,327
	1,962,611	219,795	(8,216)	(29,676)	-	2,144,514
	42,371,688	3,536,797	(3,016,171)	(2,072,329)	(191,853)	40,628,132
	45,770,936	3,632,885	(3,490,521)	(2,072,329)	-	43,840,971

In the six-month period ended 30 June 2017, the caption changes in the consolidation perimeter refers to the balances of Transporta at the acquisition date.

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

14. EQUITY

As at 30 June 2017, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 30 June 2017 and 31 December 2016 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

Shareholder	30.06.2017		
	No. of shares	%	Nominal value
Gestmin SGPS, S.A. ⁽¹⁾	15,072,519	10.048%	7,536,260
Manuel Carlos de Melo Champalimaud	Total	15,357,404	10.238%
Allianz Global Investors GmbH ⁽²⁾	Total	7,552,637	5.035%
BNP Paribas Asset Management SAS ⁽³⁾⁽⁴⁾		3.710%	
BNP Paribas Investment Partners S.A. ⁽⁴⁾	Total	7,274,095	4.849%
Norges Bank	Total	3,333,792	2.223%
F&C Asset Management plc ⁽⁵⁾		2.083%	1,562,401
Banco de Montreal ⁽⁵⁾	Total	3,124,801	2.083%
Wilmington Capital, S.L. ⁽⁶⁾		2.014%	1,510,184
Indumenta Pueri, S.L. ⁽⁶⁾	Total	3,020,368	2.014%
CTT, S.A. (own shares) ⁽⁷⁾	Total	1	0.000%
Other shareholders	Total	110,336,902	73.558%
Total	150,000,000	100.000%	75,000,000

- (1) Includes Gestmin SGPS, S.A. with 15,000,000 shares and members of the Board of Directors of Gestmin with 72,519 shares, the latter attributable to Gestmin. Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who holds a controlling interest in Gestmin and also holds directly 284,885 shares corresponding to 0.190% of the share capital and voting rights in CTT.
- (2) Previously, Allianz Global Investors Europe GmbH.
- (3) Company controlled by BNP Paribas Investment Partners S.A..
- (4) Percentages indicated by the shareholder in the last notification of qualifying holdings, disclosed through a press release of 4 May 2017 available at CTT website (www.ctt.pt) and CMVM website (www.cmvm.pt): BNP Paribas Asset Management - 1.86% directly; BNP Paribas Investment Partners Belgium SA - 1.09% directly (proxy voting by BNP Paribas Investment Partners UK Ltd); BNP Paribas Investment Partners Luxembourg - 1.90% indirectly (proxy voting by BNP Paribas Asset Management 1.846% + BNP Paribas Investment Partners Nederland N.V. 0.055%).
- (5) This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
- (6) Wilmington Capital, S.L. is controlled by Indumenta Pueri, S.L..
- (7) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

31.12.2016			
Shareholder	No. of shares	%	Nominal value
Gestmin SGPS, S.A. ⁽¹⁾	14,576,115	9.717%	7,288,058
Manuel Carlos de Melo Champalimaud	284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud	Total	9.907%	7,430,500
Standard Life Investments Limited ⁽²⁾	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽²⁾	97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	6.672%	5,003,827
Allianz Global Investors GmbH ⁽³⁾	Total	5.035%	3,776,319
BNP Paribas Investment Partners Belgium S.A. ⁽⁴⁾		0.833%	
BNP Paribas Investment Partners Luxembourg S.A. ⁽⁴⁾		2.972%	
BNP Paribas Asset Management SAS ⁽⁴⁾		1.197%	
BNP Paribas Investment Partners S.A.	Total	5.002%	3,751,215
Norges Bank	Total	4.948%	3,711,050
BlackRock, Inc. ⁽⁵⁾	Total	3.308%	2,480,983
F&C Asset Management plc ⁽⁶⁾	3,124,801	2.083%	1,562,401
Banco de Montreal ⁽⁶⁾	Total	2.083%	1,562,401
Kames Capital PLC ⁽⁷⁾	Total	2.015%	1,511,085
Wilmington Capital, S.L. ⁽⁸⁾	3,020,368	2.014%	1,510,184
Indumenta Pueri, S.L. ⁽⁸⁾	Total	2.014%	1,510,184
CTT, S.A. (own shares) ⁽⁹⁾	Total	0.400%	300,266
Other shareholders	Total	58.616%	43,962,173
Total	1 50,000,000	100.000%	75,000,000

(1) Shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

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

(3) Previously, Allianz Global Investors Europe GmbH.

(4) Companies controlled by BNP Paribas Investment Partners S.A..

(5) The full chain of BlackRock, Inc. controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at the attachments of the qualifying holding press releases, available at: <http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1#panel2-1>

(6) This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.

(7) Kames Capital PLC is acting as investment manager for Scottish Equitable PLC, Royal County of Berkshire Pension Fund, Kames Capital Investment Company (Ireland) PLC and Kames Capital ICVC and is the nominated holder of the voting rights and custodian of the shares to which voting rights are attached.

(8) Wilmington Capital, S.L. is controlled by Indumenta Pueri, S.L..

(9) The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Portuguese Companies Code.

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

Own shares

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

On 31 January 2017, and pursuant to the remuneration policy approved by the Remuneration Committee for the 2014-2016 term of office and the Share Plan to the executive members of the Board of Directors approved by the General Meeting on 5 May 2015, CTT granted a total of 600,530

own shares, representing 0.400% of the corresponding share capital, to the Company's executive members of the Board of Directors, as long-term variable remuneration.

As at 30 June 2017, CTT held 1 own share, corresponding to 0.000% of the Company's share capital, with a nominal value of 0.50 €, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

Own shares held by CTT are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31December 2016	600,531	5,097,536	8.488
Acquisitions	-	-	-
Attribution	(600,530)	(5,097,527)	8.488
Balance at 30 June 2017	<u>1</u>	<u>8</u>	<u>8.488</u>

	Quantity	Value	Average price
Balance at 31December 2015	200,177	1,873,125	9.357
Acquisitions	400,354	3,224,411	8.054
Disposals	-	-	-
Balance at 31December 2016	<u>600,531</u>	<u>5,097,536</u>	<u>8.488</u>

Reserves

As at 30 June 2017 and 31 December 2016, the heading Reserves is detailed as follows:

	30.06.2017				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	5,097,536	13,474	11,708,102	34,891,671
Share capital decrease	-	-	-	49,500,000	49,500,000
Transfers	(3,072,559)	-	-	3,072,559	-
Own shares attribution	-	(5,097,527)	-	5,097,527	-
Assets fair value	-	-	29,052	-	29,052
Share Plan (attribution)	-	-	-	(4,480,638)	(4,480,638)
Closing balance	<u>15,000,000</u>	<u>8</u>	<u>42,526</u>	<u>64,897,551</u>	<u>79,940,086</u>

	31.12.2016				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	1,873,125	(540)	13,438,968	33,384,112
Own shares acquisitions	-	3,224,411	-	(3,224,411)	-
Assets fair value	-	-	14,014	-	14,014
Share Plan	-	-	-	1,493,546	1,493,546
Closing balance	<u>18,072,559</u>	<u>5,097,536</u>	<u>13,474</u>	<u>11,708,102</u>	<u>34,891,671</u>

As deliberated at the General Meeting of Shareholders, which was held on 20 April 2017, an operation of reduction and increase of CTT's share capital was performed according to the following terms:

- (i) decrease in the share capital, to release capital surplus, from €75m to €25.5m, with the decrease in the amount of €49.5m to be transferred to free reserves (through the reduction of the nominal value of each share from €0.50 to €0.17), and the share capital increase from €25.5m to €75m, corresponding to an increase of €49.5m (through the increase of the nominal value of each share from €0.17 to €0.50 and article 4 (1) and (2) of the Articles of Association of CTT shall remain unchanged) to be carried out by way of incorporation of reserves mainly resulting from retained earnings arising from revaluations of tangible fixed assets, carried out under special legislation in the amount of € 44m and other retained earnings amounting to € 5.5m; and
- (ii) adjustment of the amount of the Company's legal reserve, which will thus amount to €15m, by transferring the amount of €3m to free reserves.

Legal reserves

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

Own shares reserve (CTT, S.A.)

Following the attribution of own shares to executive members of the Board of Directors within the scope of the remuneration policy established by the Remuneration Committee for the 2014-2016 term of office, the correspondent reserve was, during the six-month period ended 30 June 2017, reduced in the amount of 5,097,527 Euros.

As at 30 June 2017, 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 articles of association, nor constituted pursuant to contracts signed by the Company.

As at 31 December 2016, it also recorded the amount recognised in each year related to the Share Plan that constituted the long-term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee, in the amount of 4,480,638 Euros.

Retained earnings

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the following movements were made in the heading Retained earnings:

	30.06.2017	31.12.2016
Opening balance	93,589,211	91,727,994
Application of the net profit of the prior year	62,160,395	72,065,283
Distribution of dividends (Note 16)	(72,000,000)	(70,264,792)
Share capital increase	(49,500,000)	-
Adjustments from the application of the equity method	-	19,820
Other movements	(4,644)	40,906
Closing balance	34,244,962	93,589,211

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 six-month period ended 30 June 2017 and the year ended 31 December 2016, the movements occurred in this heading were as follows:

	<u>30.06.2017</u>	<u>31.12.2016</u>
Opening balance	(27,137,824)	(18,644,832)
Actuarial gains/losses - Healthcare	-	(11,827,990)
Tax effect - Healthcare	-	3,334,998
Closing balance	<u>(27,137,824)</u>	<u>(27,137,824)</u>

16. DIVIDENDS

According to the dividends distribution proposal included in the 2016 Annual Report, at the General Meeting of Shareholders, which was held on 20 April 2017, a dividend distribution of 72,000,000 Euros regarding the financial year ended 31 December 2016 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totaling 0,48 Euros.

On 28 April 2016 a dividend distribution of 70,500,000 Euros regarding the financial year ended 31 December 2015 and corresponding to a dividend per share of 0.47 Euros, was also approved at the General Meeting of Shareholders. The dividend was paid on 25 May 2016. The dividend amount assigned to own shares was transferred to Retained earnings, totaling 235,208 Euros.

	<u>30.06.2017</u>	<u>31.12.2016</u>
Assigned dividends	72,000,000	70,500,000
Dividends assigned to own shares	(0.48)	(235,208)
Dividends paid	<u>72,000,000</u>	<u>70,264,792</u>

17. EARNINGS PER SHARE

During the six-month periods ended 30 June 2017 and 30 June 2016, the earnings per share were calculated as follows:

	<u>30.06.2017</u>	<u>30.06.2016</u>
Net income for the period	17,745,100	31,676,537
Average number of ordinary shares	149,900,464	149,627,286
Earnings per share		
Basic	0.12	0.21
Diluted	0.12	0.21

The average number of shares is detailed as follows:

	<u>30.06.2017</u>	<u>30.06.2016</u>
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	99,536	372,714
Average number of shares during the period	149,900,464	149,627,286

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

As at 30 June 2017, the number of own shares held by the Group is 1 and its average number for the period ended 30 June 2017 is 99,536, reflecting the fact that the acquisition of own shares occurred in previous years and their attribution occurred on 31 January 2017.

There are no dilutive factors of earnings per share.

18. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the six-month period ended 30 June 2017 and the year ended 31 December 2016, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which showed the following movement:

	30.06.2017						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	4,838,552	1368,599	(1,406,751)	(831,277)	89,801	30,000	4,088,924
Other provisions	9,288,931	25,078	-	(278,793)	(89,801)	-	8,945,415
	<u>14,127,483</u>	<u>1,393,677</u>	<u>(1,406,751)</u>	<u>(1,110,070)</u>	<u>-</u>	<u>30,000</u>	<u>13,034,339</u>
Restructuring	-	198,418	-	-	-	-	198,418
	<u>14,127,483</u>	<u>2,592,095</u>	<u>(1,406,751)</u>	<u>(1,110,070)</u>	<u>-</u>	<u>30,000</u>	<u>14,232,757</u>

	31.12.2016					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	9,102,699	1,929,078	(5,715,244)	(2,093,786)	1,615,805	4,838,552
Onerous contracts	14,358,103	139,058	(6,613,918)	(7,883,243)	-	-
Other provisions	17,035,233	180,942	(6,263,597)	(47,842)	(1,615,805)	9,288,931
	<u>40,496,035</u>	<u>2,249,078</u>	<u>(18,592,759)</u>	<u>(10,024,871)</u>	<u>-</u>	<u>14,127,483</u>
Investments in subsidiary and associated compan	189,775	-	(189,775)	-	-	-
Restructuring	46,522	-	-	(46,522)	-	-
	<u>40,732,332</u>	<u>2,249,078</u>	<u>(18,782,534)</u>	<u>(10,071,393)</u>	<u>-</u>	<u>14,127,483</u>

In the six-month period ended 30 June 2017, the caption changes in the consolidation perimeter refers to the balances of Transporta at the acquisition date.

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 13,074 Euros (3,657,846 Euros as at 30 June 2016).

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.

Onerous Contracts

Following the termination of the Conde Redondo building lease contract, CTT recorded, in the first quarter of 2016, a reversal of the provision for onerous contracts regarding the lease contract of this building, in the amount of 2,913,557 Euros.

The utilisations, during the year ended 31 December 2016, in the amount of 7,883,243 Euros relate to the payment of rents due during the period as well as part of the outstanding rents of the Conde Redondo building.

As a result of the restructuring of CTT's retail network and the new sublease contracts, the associated profitability now exceeds the amount of the rents paid under the lease contracts in force, therefore, these contracts are no longer considered as onerous contracts.

Consequently, as at 30 June 2017 and 31 December 2016 there are no amounts recognised as onerous contracts.

Other provisions

For the six-month period ended 30 June 2017, 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 8,040,678 Euros (8,130,479 Euros as at 31 December 2016).

In the period ended 31 December 2016 reversals in the amount of 6,263,597 Euros were recorded as a result of the following situations:

- in CTT, S.A. they include the result of the review of the calculation methodology associated with this provision through the incorporation of additional historical data, namely, information regarding the outcome of the legal proceedings.
- at CTT Expresso, S.A., as a result of the favourable outcome of the court actions, in 2016, the probability of the provision was revised and the total amount of the provision, amounting to 2.1 million Euros, was reversed. Therefore, in 2016, these proceedings were considered as contingent liabilities.

As at 30 June 2017, in addition to the previously mentioned situations, this heading also includes:

- the amount of 81,684 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 278,459 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies.

Investments in associated companies

The provision for investments in associated companies corresponds to the assumption by the Group of legal or constructive obligations regarding the associated company Payshop Moçambique, S.A.. The reversal recorded in the year ended 31 December 2016 results from the Group's assessment in which it concluded that the previously existing obligations are no longer maintained.

Restructuring

During the six-month period ended 30 June 2017, a provision for restructuring was recognised in the accounts of the subsidiary Transporta – Transportes Porta a Porta, S.A., for 1,198,418 Euros, following the human resources optimisation and restructuring process. This provision was recorded under the heading Staff costs in the consolidated income statement (Note 23).

Guarantees provided

As at 30 June 2017 and 31 December 2016, the Group had provided bank guarantees to third parties as follows:

Description	30.06.2017	31.12.2016
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Municipal autarchy	185,681	183,677
Courts	157,107	167,107
Solred	80,000	80,000
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
INCM - Imprensa Nacional da Casa da Moeda	46,167	46,167
Fonavi, Nave Hospitalet	40,477	40,477
ACT Autoridade Condições Trabalho	35,538	58,201
ANA - Aeroportos de Portugal	34,000	34,000
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180
EMEL, S.A.	26,984	19,384
Águas do Norte	23,804	-
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Direção Geral do Tesouro e Finanças	16,867	16,867
Portugal Telecom, S.A.	16,658	16,658
Instituto de Gestão Financeira Segurança Social	16,406	16,406
Other entities	29,992	29,992
Administração Regional de Saúde LVT	13,086	-
Águas do Porto, E.M	10,720	10,720
SMAS Torres Vedras	9,909	9,909
Instituto de Segurança Social	8,190	-
Imobiliaria Ederkin	7,998	7,998
Promodois	6,273	6,273
TNT Express Worldwide	6,010	6,010
Consejeria Salud	4,116	4,116
Instituto do emprego e formação profissional	3,718	3,718
Casa Pia de Lisboa, I.P.	1,863	-
IFADAP	1,746	1,746
Águas de Coimbra	870	870
Lisboagás, S.A.	-	190,000
Record Rent a Car (Cataluña, Levante)	-	40,000
SetGás, S.A.	-	30,000
Estradas de Portugal, EP	-	5,000
	11,129,989	11,371,107

Guarantees for lease contracts

According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 9,654,198 Euros as at 30 June 2017 and 31 December 2016.

Commitments

As at 30 June 2017, the Group had subscribed promissory notes amounting to approximately 43.5 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline and regarding the subsidiary CORRE in the amount of 94,271 Euros, which are still active as at 30 June 2017.

As at 30 June 2017, the commitments assumed by the Group regarding the sponsoring of “Taça da Liga” (Football League Cup) for three seasons amount to 0.8 million Euros.

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

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

19. ACCOUNTS PAYABLE

As at 30 June 2017 and 31 December 2016, the heading Accounts payable showed the following composition:

	<u>30.06.2017</u>	<u>31.12.2016</u>
Non-current		
Other accounts payable	390,876	375,379
	<u>390,876</u>	<u>375,379</u>
Current		
Advances from customers	2,989,632	3,039,657
CNP money orders	371,410,090	200,238,100
Suppliers	62,856,796	65,044,068
Invoices pending confirmation	11,477,895	8,559,890
Fixed assets suppliers	2,063,246	13,684,684
Invoices pending confirmation (fixed assets)	2,321,284	6,206,806
Amounts collected on behalf of third parties	9,249,609	8,955,667
Postal financial services	71,406,662	131,878,955
Other accounts payable	9,521,704	7,255,873
	<u>543,296,918</u>	<u>444,863,700</u>
	<u>543,687,794</u>	<u>445,239,079</u>

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Centre (CNP), whose payment date to the corresponding pensioners must occur in the month after the closing of the period. The increase in this caption is due to the payment of the holiday pay to the pensioners that occurs in the month of June.

Postal financial services

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

20. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 30 June 2017 and 31 December 2016, the composition of the heading Banking clients' deposits and other loans is as follows:

	<u>30.06.2017</u>	<u>31.12.2016</u>
Sight deposits	252,252,021	114,041,001
Term deposits	130,395,797	131,417,483
Savings deposits	41,645,584	8,486,356
	<u>424,293,402</u>	<u>253,944,840</u>

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 30 June 2017 and 31 December 2016, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

	30.06.2017					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	252,252,021	-	-	-	-	252,252,021
Term deposits	-	58,374,910	72,020,887	-	-	130,395,797
Savings deposits	41,645,584	-	-	-	-	41,645,584
	<u>293,897,605</u>	<u>58,374,910</u>	<u>72,020,887</u>	<u>-</u>	<u>-</u>	<u>424,293,402</u>

	31.12.2016					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	114,041,001	-	-	-	-	114,041,001
Term deposits	-	73,693,366	57,724,117	-	-	131,417,483
Savings deposits	8,486,356	-	-	-	-	8,486,356
	<u>122,527,357</u>	<u>73,693,366</u>	<u>57,724,117</u>	<u>-</u>	<u>-</u>	<u>253,944,840</u>

21. INCOME TAXES RECEIVABLE /PAYABLE

As at 30 June 2017, the caption reflects the estimated income tax regarding the six-month period ended 30 June 2017.

22. OTHER OPERATING INCOME

During the six-month periods ended 30 June 2017 and 30 June 2016, the composition of the heading Other operating income was as follows:

	30.06.2017	30.06.2016
Supplementary revenues	2,211,602	1,478,661
Altice agreement	-	5,000,000
Early settlement discounts received	32,475	23,835
Favourable exchange rate differences of assets and liabilities other than financing	1,829,350	459,982
Income from financial investments	441,070	322,481
Income from non-financial investments	1,761,857	4,226,737
Income from services and commissions	2,270,582	52,011
Interest income and expenses - financial services	102,216	154,672
VAT adjustments	1,581,229	1,967,568
Other	255,890	1,194,799
	<u>10,486,271</u>	<u>14,880,745</u>

Following the Memorandum of understanding signed with Altice and being the acquisition of PT Portugal completed by Altice, CTT received from Altice the agreed initial payment, which was recognised in the consolidated income statement over the exclusive period for the negotiation of the partnerships, as provided in the Memorandum. This recognition ended in December 2016.

The caption Income from non-financial investments includes, in the period ended 30 June 2016, the gain in the amount of 1.7 million Euros regarding Conde Redondo building as a result of the lease contract's termination.

The amount related to VAT adjustments mainly results from the improvements made in the procedures of the VAT deduction methodology.

23. STAFF COSTS

During the six-month periods ended 30 June 2017 and 30 June 2016, the composition of the heading Staff Costs was as follows:

	30.06.2017	30.06.2016
Statutory bodies remuneration	2,399,512	2,372,966
Staff remuneration	132,050,792	129,100,779
Employee benefits	2,266,612	718,266
Indemnities	2,672,975	834,199
Social Security charges	29,450,246	28,907,861
Occupational accident and health insurance	1,664,875	1,567,318
Social welfare costs	3,638,948	3,541,979
Other staff costs	77,488	30,512
	<u>174,221,448</u>	<u>167,073,880</u>

Remuneration of the statutory bodies

In the six-month periods ended 30 June 2017 and 30 June 2016, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

	30.06.2017				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,729,397	198,714	18,720	4,500	1,951,331
Annual variable remuneration	<u>448,181</u>	-	-	-	<u>448,181</u>
	<u>2,177,578</u>	<u>198,714</u>	<u>18,720</u>	<u>4,500</u>	<u>2,399,512</u>
Long-term remuneration					
Defined contribution plan RSP	113,889	-	-	-	113,889
Long-term variable remuneration - Share Plan	<u>616,890</u>	-	-	-	<u>616,890</u>
	<u>730,779</u>	-	-	-	<u>730,779</u>
	<u>2,908,357</u>	<u>198,714</u>	<u>18,720</u>	<u>4,500</u>	<u>3,130,291</u>

	30.06.2016				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,557,512	109,286	15,104	4,500	1,686,401
Annual variable remuneration	<u>686,565</u>	-	-	-	<u>686,565</u>
	<u>2,244,076</u>	<u>109,286</u>	<u>15,104</u>	<u>4,500</u>	<u>2,372,966</u>
Long-term remuneration					
Defined contribution plan RSP	111,750	-	-	-	111,750
Long-term variable remuneration - Share Plan	<u>746,773</u>	-	-	-	<u>746,773</u>
	<u>858,523</u>	-	-	-	<u>858,523</u>
	<u>3,102,599</u>	<u>109,286</u>	<u>15,104</u>	<u>4,500</u>	<u>3,231,489</u>

Following the new remuneration model for the statutory bodies defined by the Remuneration Committee for the 2014–2016 term of office and in compliance with the Share Plan to the executive members of the Board of Directors, 600,530 own shares were granted to the Company's executive members of the Board of Directors. The amount of 616,890 Euros recorded under the caption "Long-term variable remuneration – Share Plan" results from the derecognition of the liability after the attribution of the shares, reflecting the difference between that liability, estimated on 31 December 2014, and the value of the own shares recorded in Equity granted to the statutory bodies on 31 January 2017.

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

The annual variable remuneration will be determined and paid on an annual basis.

Employee benefits

The variation registered under Employee benefits mainly reflects the liability reduction related to the Telephone subscription fee due to the adjustment to the actual cost of the beneficiaries in the six-month period ended 30 June 2017 and 30 June 2016, in the amount of 425,298 Euros and 1,815,868 Euros respectively.

Indemnities

During the six-month period ended 30 June 2017, this caption includes the amount of 1,038,993 Euros related to compensation paid for termination of employment contracts by mutual agreement.

It also includes the amount of 1,198,418 Euros related to the provision for restructuring recorded in Transporta following the human resources optimisation process.

Social welfare cost

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 six-month periods ended 30 June 2017 and 30 June 2016, the heading Staff costs includes the amounts of 401,109 Euros and 287,333 Euros, respectively, related to expenses with workers' representative bodies.

For the six-month periods ended 30 June 2017 and 30 June 2016, the average number of staff of the Group was 12,402 and 12,243, respectively.

24. INCOME TAX FOR THE PERIOD

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

Corporate income tax is levied on the Group and its subsidiaries CTT – Expresso, S.A., Mailtec Comunicação, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. 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 six-month periods ended 30 June 2017 and 30 June 2016, the reconciliation between the nominal rate and the effective income tax rate is as follows:

	30.06.2017	30.06.2016
Earnings before taxes	28,154,960	44,924,604
Nominal tax rate	210%	210%
	5,912,542	9,434,167
Tax Benefits	(179,010)	(99,683)
Accounting capital gains/(losses)	(144,476)	(127,692)
Tax capital gains/(losses)	73,646	(856,478)
Equity method	-	(8,518)
Provisions not considered in the calculation of deferred taxes	-	(96,330)
Impairment losses and reversals	(91,271)	390,130
Other situations, net	858,306	1,515,717
Adjustments related with - autonomous taxation	792,586	769,940
Adjustments related with - Municipal Surcharge	553,056	530,492
Adjustments related with - State Surcharge	1,870,241	1,749,794
Tax losses without deferred tax	849,309	814,070
Excess estimated income tax	(35,114)	(640,857)
Income taxes for the period	<u>10,459,815</u>	<u>13,374,753</u>
Effective tax rate	<u>37.15%</u>	<u>29.77%</u>
Income taxes for the period		
Current tax	8,809,790	8,748,067
Deferred tax	1,685,139	5,267,543
Excess estimated income tax	(35,114)	(640,857)
	<u>10,459,815</u>	<u>13,374,753</u>

During the six-month period ended 30 June 2017, the heading Insufficiency/(Excess) estimated income tax relates to the reimbursement of Autonomous Taxation of 2011 and 2012 in the amount of 347,036 Euros, the insufficiency of the income tax estimate of 2016 amounting to 1,391,132 Euros and to the tax credit related to SIFIDE of 2015 in the amount of 1,079,208 Euros. In the six-month period ended 30 June 2016 the same caption includes the amount of 268,898 Euros regarding the tax credit allocated under the SIFIDE program of 2014 of CTT – Correios de Portugal, S.A..

Deferred taxes

As at 30 June 2017 and 31 December 2016, the balance of deferred tax assets and liabilities was composed as follows:

	30.06.2017	31.12.2016
Deferred tax assets		
Employee benefits - healthcare	70,148,161	70,523,096
Employee benefits - pension plan	91,831	-
Employee benefits - other long-term benefits	4,816,518	5,301,326
Deferred accounting capital gains	303,395	606,790
Impairment losses and provisions	3,334,975	3,030,558
Tax losses carried forward	387,068	327,183
Impairment losses in tangible fixed assets	333,906	360,333
Share Plan	-	1,268,470
Land and buildings	1,752,922	1,847,637
Tangible assets' tax revaluation regime	2,680,786	2,680,786
Other	677,883	274,583
	<u>84,527,445</u>	<u>86,220,762</u>
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	3,046,613	3,151,709
Suspended capital gains	917,249	934,821
Other	36,616	36,616
	<u>4,000,478</u>	<u>4,123,146</u>

As at 30 June 2017, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 4.1 million Euros and 0.2 million Euros, respectively.

During the six-month period ended 30 June 2017 and the year ended 31 December 2016, the movements which occurred under the deferred tax headings were as follows:

	30.06.2017	31.12.2016
Deferred tax assets		
Opening balances	86,220,762	87,535,941
Effect on net profit		
Employee benefits - healthcare	(374,935)	29,917
Employee benefits - pension plan	91,831	-
Employee benefits - other long-term benefits	(484,808)	(1,230,552)
Deferred accounting gains	(303,395)	(1,116,452)
Impairment losses and provisions	304,418	(5,967,001)
Tax losses carried forward	59,885	2,857
Impairment losses in tangible fixed assets	(26,427)	(45,040)
Share plan	(1,268,470)	421,330
Land and buildings	(94,715)	454,713
Tangible assets' tax revaluation regime		
Other	403,299	119,265
Effect on equity		
Employee benefits - healthcare	-	3,334,998
Closing balance	<u>84,527,445</u>	<u>86,220,762</u>
	<u>30.06.2017</u>	<u>31.12.2016</u>
Deferred tax liabilities		
Opening balances	4,123,146	4,576,598
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(105,096)	(410,811)
Suspended capital gains	(17,572)	(36,858)
Other	-	(5,783)
Closing balance	<u>4,000,478</u>	<u>4,123,146</u>

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

<u>Company</u>	<u>Tax losses</u>	<u>Deferred tax assets</u>
Tourline	41,317,944	320,408
Escrita Inteligente	48,042	10,089
Transporta	269,384	56,571
Total	41,635,370	387,068

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 year 2015 have no time limit for deduction. As far as Escrita Inteligente is concerned the tax losses refer to the years 2015, 2016 which may be carried forward in the next 12 years and the tax losses regarding the six-month period ended 30 June 2017 may be carried forward in the next 5 years. Transporta's tax losses refer to the six-month period ended 30 June 2017 and may be carried forward in the next 5 years.

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

SIFIDE

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

In relation to the expenses incurred with R&D during 2014 of 736,033 Euros and according to the notification dated 18 January 2016 of the Certification Commission, a tax credit of 268,898 Euros was attributed to CTT.

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

For the year ended 31 December 2016, 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.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Group's income tax returns from 2013 may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 June 2017.

25. RELATED PARTIES

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

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

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

During the six-month periods ended 30 June 2017 and 30 June 2016, the following transactions took place and the following balances existed with related parties:

	30.06.2017				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	72,000,000
Other shareholders of Group companies					
Associated companies	2,247	25,281	6,110	34,391	-
Jointly controlled	140,067	-	255,130	216	-
Members of the					
Board of Directors	-	-	-	2,177,578	-
Audit Committee	-	-	-	198,714	-
Remuneration Committee	-	-	-	18,720	-
General Meeting	-	-	-	4,500	-
	<u>142,315</u>	<u>25,281</u>	<u>261,240</u>	<u>2,434,120</u>	<u>72,000,000</u>
	30.06.2016				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	70,264,792
Other shareholders of Group companies					
Associated companies	11,533	-	6,795	30,186	-
Jointly controlled	136,419	-	134,596	18,664	-
Members of the					
Board of Directors	-	-	-	2,244,076	-
Audit Committee	-	-	-	109,286	-
Remuneration Committee	-	-	-	15,104	-
General Meeting	-	-	-	4,500	-
	<u>147,952</u>	<u>-</u>	<u>141,391</u>	<u>2,421,816</u>	<u>70,264,792</u>

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

26. OTHER INFORMATION

Regulatory proceedings

CTT's activity is regularly subject to inquiry and check-up procedures from the supervisory entities for verification of effective compliance with the rules and regulations in force. In this framework, the Company adopts an attitude of collaboration by providing the necessary clarifications and due answer.

Following a thorough analysis of the "statement of objections" that the Company received from the Competition Authority on 16 August 2016 concerning an infraction proceeding on the basis of an alleged obstruction of access of its competitors to the postal network infrastructure, CTT gave its answer within the legal deadline, which refuted those allegations and considered them as unfounded for the following main reasons:

- (i) The Company has always shown and will continue to show its willingness to give access to its postal network in non-discriminatory conditions whenever the requested terms are compatible with an efficient management of the operation and with the sustainability of the universal service provision (agreements regarding access to the postal network have already been concluded with other operators);
- (ii) The Company intends to adopt good competition practices in this field which take into account both the efficiency of its postal network and the access conditions set up by universal postal service operators from other Member States.

The case is still under instruction phase and there is no decision by the Competition Authority yet. A final decision of this entity to impose a potential fine and / or penalties is still subject to a court appeal.

Acquisition of Transporta,S.A.

As anticipated, on 4 May 2017, the acquisition by CTT of the entire share capital of "Transporta - Transportes Porta a Porta S.A." was completed. The purchase and sale agreement with the Barraqueiro Group had been announced on 15 December 2016, and CTT was subsequently notified of the Competition Authority's decision not to oppose it on 2 March 2017.

This acquisition is part of the expansion and diversification strategy of CTT, through which it intends to capture growth opportunities in adjacent markets and with business synergies with the CEP market. Recently, the integration process has focused on the migration of items between networks and the optimization of human resources. Within the scope of the gradual integration process in the CTT universe, the optimization of human resources was already planned, and aims at the sustainability of the company as well as its productive and operational efficiency.

27. SUBSEQUENT EVENTS

After the end of the year and up to the present date, no relevant or material fact has occurred in the Group's activity that has not been disclosed in the notes to the financial statements.

THE DIRECTOR OF ACCOUNTING & TREASURY

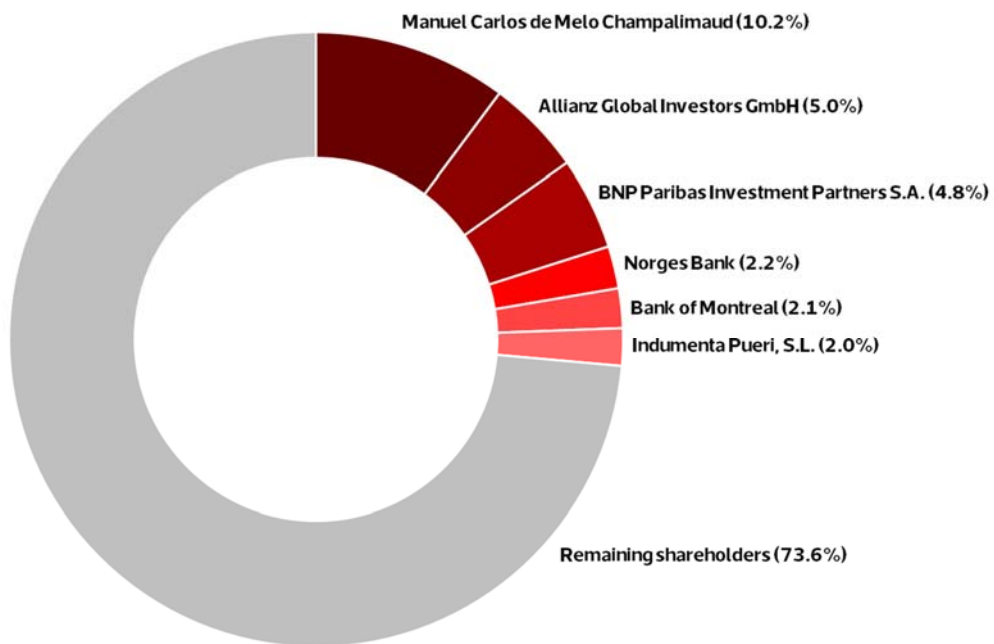
THE BOARD OF DIRECTORS

PART III – OTHER CORPORATE GOVERNANCE DOCUMENTS

1. Capital structure

In the 1st half of 2017, the share capital of CTT, amounting to €75,000,000, was fully subscribed and paid-up, represented by 150,000,000 ordinary shares with a nominal value of €0.50 each. These shares are registered and in book-entry form having no different categories. All shares representing the capital of the Company are admitted to trading on the regulated market Euronext Lisbon.

As at 30 June 2017, CTT shareholder structure in terms of qualifying holdings was as follows:



2. Holders of qualifying holdings

At the end of the 1st half of 2017, based on the communications made to the Company, the qualifying holdings in CTT, as calculated in accordance with the provisions of article 20 of the Portuguese Securities Code, were as follows:

**Holders of Qualifying Shareholdings in CTT as at 30 June 2017
based on the communications made to the Company**

Shareholders	No. of shares	% Share capital	% Voting rights
Gestmin SGPS, S.A. ⁽¹⁾	15,072,519	10.048%	10.048%
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total 15,357,404	10.238%	10.238%
Allianz Global Investors GmbH ⁽²⁾	Total 7,552,637	5.035%	5.035%
BNP Paribas Asset Management SAS ⁽³⁾⁽⁴⁾		3.71%	3.71%
BNP Paribas Investment Partners S.A. ⁽⁴⁾	Total 7,274,095	4.849%	4.849%
Norges Bank	Total 3,333,792	2.223%	2.223%
F&C Asset Management plc ⁽⁵⁾	3,124,801	2.083%	2.083%
Banco de Montreal ⁽⁵⁾	Total 3,124,801	2.083%	2.083%
Wilmington Capital, S.L. ⁽⁶⁾	3,020,368	2.014%	2.014%
Indumenta Pueri, S.L. ⁽⁶⁾	Total 3,020,368	2.014%	2.014%
CTT, S.A. (own shares) ⁽⁷⁾	Total 1	0.000%	0.000%
Other shareholders	Total 110,336,902	73.558%	73.558%
TOTAL	150,000,000	100.000%	100.000%

⁽¹⁾ Includes Gestmin SGPS, S.A. with 15,000,000 shares and members of the Board of Directors of Gestmin with 72,519 shares, the latter attributable to Gestmin. Qualifying shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who holds a controlling interest in Gestmin and also holds directly 284,885 shares corresponding to 0.190% of the share capital and voting rights in CTT.

⁽²⁾ Previously, Allianz Global Investors Europe GmbH.

⁽³⁾ Company controlled by BNP Paribas Investment Partners S.A..

⁽⁴⁾ Percentages indicated by the shareholder in the last notification of qualifying holdings, disclosed through a press release of 4 May 2017 available at CTT website (www.ctt.pt) and CMVM website (www.cmvm.pt): BNP Paribas Asset Management - 1.86% directly; BNP Paribas Investment Partners Belgium SA - 1.09% directly (proxy voting by BNP Paribas Investment Partners UK Ltd); BNP Paribas Investment Partners Luxembourg - 1.90% indirectly (proxy voting by BNP Paribas Asset Management 1.846% + BNP Paribas Investment Partners Nederland N.V. 0.055%).

⁽⁵⁾ This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.

⁽⁶⁾ Wilmington Capital, S.L. is controlled by Indumenta Pueri, S.L..

⁽⁷⁾ 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.

The updated information on qualifying holdings in the Company as at the date of approval of this report can be found at www.ctt.pt and the Portuguese Securities Commission (CMVM) website, www.cmvm.pt.

3. Own shares

As at 31 December 2016, following the acquisition of own shares held in various tranches during the years 2015 and 2016, CTT owned 600,531 treasury shares, representing 0.400% of the company's share capital. These shares were intended to comply with the remuneration policy defined by the Remuneration Committee for the 2014/2016 term of office and the Share Allocation Plan for Executive Directors approved by the General Meeting of Shareholders.

Accordingly, on 31 January 2017 and pursuant to the aforementioned remuneration policy, a total of 600,530 own shares representing 0.400% of the Company's share capital were attributed to the Executive Directors of the Company as long-term variable remuneration ("LTVR").

As at the present date, CTT is thus the holder of one own share corresponding to 0.000% of the share capital, with a nominal value of €0.50, all rights inherent to it being suspended under said terms.

4. Shares held by and relevant transactions of the members of the governing and supervisory bodies

On 20 April 2017 the Annual General Meeting ("AGM") of CTT - Correios de Portugal was held during which the Company's corporate bodies were elected for the 2017/2019 three-year period. As a result of this election, the composition of the Board of Directors of CTT ("BoD") changed, therefore the tables below show the number of shares held by the members that constituted the BoD before and after the AGM referred to above, as well as by the supervisory body of the company and entities closely related to them, including all their acquisitions, encumbrances or disposals of said shares carried out during the 1st half of 2017, based on the communications made to the Company, pursuant to the terms of article 447, paragraph 5 of the Portuguese Companies Code and article 14 of CMVM Regulation no. 5/2008.

Board of Directors ^(a)	No. of shares s at 31.12.2016	Date	Acquisition	Encum- brance	Disposal	Price	No. of shares as at 30.06.2017
António Sarmiento Gomes Mota	0						0
Francisco José Queiroz de Barros de Lacerda	3,110	31.01.2017	148,142			0 € ^(b)	
		01.02.2017			83,270	5.016 € ^(c)	67,982
Manuel Cabral de Abreu Castelo-Branco	1,550	31.01.2017	111,504			0 € ^(b)	
		01.02.2017			62,676	5.016 € ^(c)	50,378 ^(d)
André Manuel Pereira Gorjão de Andrade Costa	3,890	31.01.2017	117,876			0 € ^(b)	
		01.02.2017			66,258	5.016 € ^(c)	50,378
Dionizia Maria Ribeiro Farinha Ferreira	0	31.01.2017	111,504			0 € ^(b)	
		01.02.2017			62,676	5.016 € ^(c)	48,828
Ana M ^a Carvalho Jordão Ribeiro Monteiro de Macedo	0	31.01.2017	111,504			0 € ^(b)	
		01.02.2017			62,676	5.016 € ^(c)	48,828 ^(d)
Rui Miguel de Oliveira Horta e Costa ^(e)	0 ^(e)	08.02.2017					0
António Pedro Ferreira Vaz da Silva ^(f)	0 ^(f)	20.04.2017					0
Francisco Maria da Costa de Sousa Macedo Simão ^(f)	0 ^(f)	20.04.2017					0
Nuno de Carvalho Fernandes Thomaz	0						0
José Manuel Baptista Fino	0						0
Céline Dora Judith Abecassis-Moedas ^(g)	0						0
Manuel Carlos de Melo Champalimaud ^(h)	284,885						284,885 ^(h)
João Afonso Ramalho Sopas Pereira Bento ⁽ⁱ⁾	9,550						9,550

Board of Directors ^(a)	No. of shares as at 31.12.2016	Date	Acquisition	Encum- brance	Disposal	Price	No. of shares as at 30.06.2017
M ^a Luísa Coutinho F. L. de Castro Anacoreta Correia ^(b)	0	20.04.2017					0
Belén Amatriain Corbi ^(c)	0	20.04.2017					0
Rafael Caldeira de Castel-Branco Valverde ^(d)	0	20.04.2017					0

^(a) Includes the members of the Executive Committee and the Audit Committee.

^(b) Acquired as long-term variable remuneration (LTVR) regarding the 2014-2016 term of office.

^(c) Weighted average price. The details of the transactions are included in Annex i of Part III of this Report.

^(d) Number of shares as at the date of the Annual General Meeting (AGM) of 20 April 2017. On this date he/she ceased his/her duties as Executive Director.

^(e) Resigned from the post of Non-Executive Director on 08 February 2017. Number of shares held as at that date.

^(f) Elected Executive Director at the AGM of 20 April 2017.

^(g) Co-opted by a Board of Directors resolution of 04 August 2016 ratified by the AGM of 20 April 2017 where she was elected to the position of Non-Executive Director.

^(h) Ceased his duties as Non-Executive Director on the date of the AGM of 20 April 2017. Number of shares held as at that date.

⁽ⁱ⁾ Elected to the position of Non-Executive Director at the AGM of 20 April 2017. Number of shares held as at that date.

Closely Related Parties	No. of shares as at 31.12.2016	Date	Acquisition	Encum- brance	Disposal	Price	No. of shares as at 30.06.2017
Susana Gorjão Costa ^(j)	3,110						3,110
Gestmin SGPS, S.A. ^(k)	14,576,115	06.02.2017	60,000			5.043 €	14,636,115 ^(l)
		10.03.2017	200,000			4.830 €	14,836,115 ^(l)
		13.03.2017	163,885			4.862 €	15,000,000

^(j) Person closely related to André Manuel Pereira Gorjão de Andrade Costa.

^(k) Person/entity closely related to Manuel Carlos de Melo Champalimaud and João Afonso Ramalho Sopas Pereira Bento. The details of the transactions are included in Annex ii of Part III of this Report.

^(l) Number of shares held following the transaction.

Statutory Auditor and External Auditor	No. of shares as at 31.12.2016	Date	Acquisition	Encum- brance	Disposal	Price	Nº de Ações em 30.06.2017
KPMG & Associados, SROC, S.A.	0						0
Maria Cristina Santos Ferreira ^(m)	0						0
Paulo Manuel Martins Quintas Paixão	0						0
Vítor Manuel da Cunha Ribeirinho	0						0

^(m) As of 1 May 2017 she was replaced as representative of the Statutory Auditor by Mr. Paulo Manuel Martins Quintas Paixão.

Other than those indicated above, as at 30 June 2017, the members of the managing and supervisory bodies of CTT did not hold any securities issued by the Company or by companies in a group or control relationship with CTT, or have they performed any other transactions in respect of such securities during the 1st half of 2017.

5. Business with the Company and other interests of current members of the Board

During the 1st half of 2017, no authorisations were given by the Board of Directors to any of its members to carry out business with the Company or with companies in a group or control relationship with CTT.

By a resolution of the AGM of 20 April 2017, António Pedro Ferreira Vaz da Silva and Francisco Maria da Costa de Sousa de Macedo Simão were elected as Executive Directors of the Company. At the date of their election, they were exercising the duties of Head of the Retail Network and Head of Strategy & Development, respectively. These duties were performed under individual employment contracts entered into between them and CTT. These contracts are suspended as of the date of their election pursuant to article 398(2) of the ("PCC").

Except for the Director referred to in the previous paragraph, none of the remaining members of the Board of Directors of CTT has held any temporary or permanent position subject to an employment or self-employment contract at CTT or at any Company in a group or control relationship with CTT during the 1st half of 2017.

The list shown below indicates the internal and external appointments of the members of the managing and supervisory bodies of the Company as at the date of approval of this Interim Report:

Members of the Board of Directors	Internal Appointments	External Appointments
<p>António Sarmiento Gomes Mota</p>	<ul style="list-style-type: none"> • Non-Executive Chairman of the Board of Directors of CTT – Correios de Portugal, S.A. (from 2014 to 2016 he held the positions of Vice-Chairman, Non-Executive Director of the Board of Directors and Lead Independent Director of CTT) • Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT Correios de Portugal, S.A. (appointed for the 2017-2019 term of office) • Chairman of the Selection Committee of Banco CTT, S.A. • Member of the Remuneration Committee of Banco CTT, S.A. (elected at the General Meeting) 	<ul style="list-style-type: none"> • Member of the General and Supervisory Board and since 2015 Chairman of the Audit Committee of EDP - Energias de Portugal, S.A. • Member of the Remuneration Committee of PHAROL, SGPS, S.A. • Vice-Chairman of the Portuguese Institute of Corporate Governance and Chairman of same since 2016
<p>Francisco José Queiroz de Barros de Lacerda</p>	<ul style="list-style-type: none"> • Vice-Chairman of the Board of Directors and Chief Executive Officer (CEO) of CTT (from 2012 to 2016 he held the positions of Chairman & CEO of CTT) • Non-Executive Chairman of the Board of Directors of Banco CTT, S.A. • Chairman of the Board of CTT Expresso – Serviços Postais e Logística, S.A. • Chairman of the Board of Tourline Express Mensajería, S.L.U. • Chairman of the Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A. 	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors and of the Audit & Compliance Committee and the Nominating & Remunerations Committee of Endesa Energia, S.A. • Chairman of the Board of COTEC Portugal – Associação Empresarial para a Inovação • Chairman of the Board of Directors of Fundação Portuguesa das Comunicações (former Supervisory Board) • Member of the Advisory Board of Nova School of Business & Economics • Member of the Remuneration Committee of PHAROL, SGPS, S.A. (suspended these

Members of the Board of Directors	Internal Appointments	External Appointments
	<ul style="list-style-type: none"> Chairman of the Remuneration Committee (within the Board of Directors) and Member of the Selection Committee of Banco CTT, S.A. Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. 	<p>functions from August 2012 to March 2014)</p> <ul style="list-style-type: none"> Member of the Advisory Board of the Master in Finance of Católica Lisbon School of Business & Economics Member of the Supervisory Board of the Cascais Yacht Club; appointed Deputy Commodore of this Board in 2016
André Manuel Pereira Gorjão de Andrade Costa	<ul style="list-style-type: none"> Member of the Board of Directors and Chief Financial Officer (CFO) of CTT (holds the position since 2012, reelected for the 2017-2019 term of office) Non-Executive Member of the Board of Directors of Banco CTT, S.A. Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. Member of the Board of Directors of Tourline Express Mensajería, S.L.U. Chairman of the Board of Directors of Payshop (Portugal), S.A. 	<ul style="list-style-type: none"> Member of the Board of AEM Associação de Empresas Emitentes de Valores Cotados em Mercado (Association of Portuguese Issuers of Listed Securities) Non-Executive Member of the Board of Eurogiro A/S and its Non-Executive Vice-Chairman since 2015
Dionizia Maria Ribeiro Farinha Ferreira	<ul style="list-style-type: none"> Member of the Board of Directors and of the Executive Committee of CTT (holds the position since 2012, reelected for the 2017-2019 term of office) Chairwoman of the Board of Directors of Transporta – Transportes Porta a Porta, S.A. Chairwoman of the Board of Directors of CTT Contacto, S.A. Chairwoman of the Board of Directors of Mailtec Comunicação, S.A. Chairwoman of the Boards of Directors of CTT Expresso – Serviços Postais e Logística, S.A. and Tourline Express Mensajería, S.L.U. Member of the Board of Directors of Correio Expresso de Moçambique, S.A. 	
Nuno de Carvalho Fernandes Thomaz	<ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT (holds the position since 2014, re-elected for the 2017-2019 term of office). Member of the Audit Committee of CTT (holds the position since 2014, re-elected for the 2017-2019 term of office) Chairman of the Ethics Committee of CTT (re-elected for the 2017-2019 term of office) 	<ul style="list-style-type: none"> Chairman of the Fiscal Board da Sagasta Finance, STC, S.A. Chairman of Sociedade Gestora do Fundo de Capital de Risco Bem Comum Manager of I Cook – Organização de Eventos, Lda. Member of the Advisory Committee of Luz Saúde, S.A. Member of the Advisory Committee of the Portuguese Institute of Corporate Governance Chairman of Nova School of Business and Economics

Members of the Board of Directors	Internal Appointments	External Appointments
		<ul style="list-style-type: none"> Member of the International and European Boards of UNIAPAC – Union des Entrepreneurs Chrétiens Vice-Chairman of the Competitiveness Forum
José Manuel Baptista Fino	<ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT (holds the position since 2014, re-elected for the 2017-2019 term of office). Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (holds the position since 2014, re-elected for the 2017-2019 term of office) Member of the Selection Committee of Banco CTT, S.A. 	<ul style="list-style-type: none"> Chairman of the Board of Directors of Ramada Energias Renováveis, S.A. Member of the Board of Directors of SDC – Investimentos, SGPS, S.A. Sole Director of Dignatis - Investimentos Imobiliários e Turísticos, SGPS, S.A. Chairman of the Board of Directors of Ramada Holdings SGPS, S.A. Managing Partner of Nova Algodoeira, Lda. Sole Director of Dorfino Imobiliário, S.A. Non-Executive Member of the Board of Directors of Specialty Minerals (Portugal) Especialidades Minerais, S.A.
Céline Dora Judith Abecassis-Moedas	<ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of CTT (co-opted in 2016, re-elected for the 2017-2019 term of office) Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (appointed for the 2017-2019 term of office) 	<ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of José de Mello Saúde, S.A. Member of the Audit Committee of Europac (<i>Papeles y Cartones de Europa, S.A.</i>) Lead Independent Director and Chairwoman of the Nominations and Remuneration Committee of Europac (<i>Papeles y Cartones de Europa, S.A.</i>) Non-Executive Member of the Board of Directors of Europac (<i>Papeles y Cartones de Europa, S.A.</i>)
António Pedro Ferreira Vaz da Silva	<ul style="list-style-type: none"> Member of the Board of Directors and of the Executive Committee of CTT (appointed for the 2017-2019 term of office) Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (appointed to complete the 2015-2017 term of office) 	
Francisco Maria da Costa de Sousa de Macedo Simão	<ul style="list-style-type: none"> Member of the Board of Directors and of the Executive Committee of CTT (appointed for the 2017-2019 term of office) Non-Executive Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (appointed to complete the 2015-2017 term of office) Chairman of the Board of Directors of Escrita Inteligente, S.A. (<i>start-up</i> of the digital area acquired by CTT) 	<ul style="list-style-type: none"> Non-Executive Member of the Board of Directors of Almonda S.A. (main shareholder of Renova)

Members of the Board of Directors	Internal Appointments	External Appointments
João Afonso Ramalho Sopas Pereira Bento	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT (appointed for the 2017-2019 term of office) • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (appointed for the 2017-2019 term of office) 	<ul style="list-style-type: none"> • Member of the Board of Directors of Sogestão, S.A. • Manager of Gestmin Serviços, Unipessoal, Lda. • Member of the Board of Directors of OZ Energia, S.A • Vice-Chairman of the Board of Directors and Chief Executive Officer (CEO) of Gestmin, SGPS, S.A. • Member of the Advisory Committee of the Portuguese Institute of Corporate Governance • Member of the Board of COTEC Portugal – Associação Empresarial para a Inovação (Chairman in 2012-2015) • Chairman of the Quinta do Peru Golf Club • Member of the Advisory Board of ANI – Agência Nacional de Inovação • Member of the Advisory Board of the University of Lisbon • Permanent Member of the Advisory Board of AICEP – Agência para o Investimento e Comércio Externo de Portugal • Vice-Chairman of the Engineering Academy • Honorary President of ASECAP – Association of the European Tolted Motorways
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT (appointed for the 2017-2019 term of office) • Chairman of the Audit Committee of CTT (appointed for the 2017-2019 term of office) 	<ul style="list-style-type: none"> • Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A. • Partner of Novais, Anacoreta & Associado, SROC • Non-Executive Member of the Board of Directors and of the Audit Committee of Impresa, S.A. • Chairwoman of the Portuguese Institute of Statutory Auditors and its representative within the <i>Fédération des Experts-Comptables Européens</i> • Member of the Scientific Board of the Portuguese Tax Association • Arbitrator in tax-related matters of CAAD –Administrative Arbitration Board
Belén Amatriain Corbi	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT (appointed for the 2017-2019 term of office) • Member of the Audit Committee of CTT (appointed for the 2017-2019 term of office) 	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors and Chairman of the Audit Committee of PRIM (listed company in the area of healthcare technology) • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of Euskaltel (listed company in the area of telecommunications)

Members of the Board of Directors	Internal Appointments	External Appointments
		<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors, Chairman of the Appointments and Remuneration Committee and Member of the Audit and Compliance Committee of SolidQ (Business Intelligence) • Non-Executive Member of the Board of Directors and Member of the Audit and Compliance Committee and of the Risk Committee and Chairman of the Appointments and Remuneration Committee of Banco Evo (Spain) • Non-Executive Member of the Board of Directors and Member of the Appointments and Remuneration Committee of IC-A Instituto de Consejeros-Administradores
<p>Rafael Caldeira de Castel-Branco Valverde</p>	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of CTT (appointed for the 2017-2019 term of office) • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT (appointed for the 2017-2019 term of office) 	<ul style="list-style-type: none"> • Non-Executive Member of the Board of Directors of Empark – <i>Aparcamientos y Servicios</i>, S.A.

ANNEX I

Detail of the transactions of CTT shares carried out by the **CEO Francisco José Queiroz de Barros de Lacerda** during the 1st half of 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.950 €	618	01-02-2017
Sale	XLIS	4.951 €	284	01-02-2017
Sale	XLIS	4.952 €	700	01-02-2017
Sale	XLIS	4.955 €	869	01-02-2017
Sale	XLIS	4.956 €	1,234	01-02-2017
Sale	XLIS	4.960 €	1,319	01-02-2017
Sale	XLIS	4.963 €	371	01-02-2017
Sale	XLIS	4.965 €	370	01-02-2017
Sale	XLIS	4.970 €	2,590	01-02-2017
Sale	XLIS	4.980 €	4,262	01-02-2017
Sale	XLIS	4.981 €	158	01-02-2017
Sale	XLIS	4.982 €	446	01-02-2017
Sale	XLIS	4.983 €	554	01-02-2017
Sale	XLIS	4.984 €	587	01-02-2017
Sale	XLIS	4.985 €	1,074	01-02-2017
Sale	XLIS	4.986 €	1,564	01-02-2017
Sale	XLIS	4.987 €	247	01-02-2017
Sale	XLIS	4.989 €	25	01-02-2017
Sale	XLIS	4.990 €	4,542	01-02-2017
Sale	XLIS	4.991 €	2,988	01-02-2017
Sale	XLIS	4.992 €	439	01-02-2017
Sale	XLIS	4.993 €	295	01-02-2017
Sale	XLIS	4.994 €	4,403	01-02-2017
Sale	XLIS	4.995 €	3,507	01-02-2017
Sale	XLIS	4.999 €	3,517	01-02-2017
Sale	XLIS	5.000 €	12,246	01-02-2017
Sale	XLIS	5.001 €	299	01-02-2017
Sale	XLIS	5.005 €	1,592	01-02-2017
Sale	XLIS	5.010 €	1,295	01-02-2017
Sale	XLIS	5.011 €	389	01-02-2017
Sale	XLIS	5.013 €	119	01-02-2017
Sale	XLIS	5.014 €	95	01-02-2017
Sale	XLIS	5.015 €	1,974	01-02-2017
Sale	XLIS	5.016 €	197	01-02-2017
Sale	XLIS	5.020 €	297	01-02-2017
Sale	XLIS	5.023 €	104	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.026 €	203	01-02-2017
Sale	XLIS	5.027 €	72	01-02-2017
Sale	XLIS	5.029 €	133	01-02-2017
Sale	XLIS	5.030 €	1,700	01-02-2017
Sale	XLIS	5.031 €	417	01-02-2017
Sale	XLIS	5.034 €	740	01-02-2017
Sale	XLIS	5.035 €	1,282	01-02-2017
Sale	XLIS	5.040 €	2,232	01-02-2017
Sale	XLIS	5.042 €	132	01-02-2017
Sale	XLIS	5.043 €	133	01-02-2017
Sale	XLIS	5.044 €	119	01-02-2017
Sale	XLIS	5.045 €	1,577	01-02-2017
Sale	XLIS	5.049 €	987	01-02-2017
Sale	XLIS	5.050 €	1,734	01-02-2017
Sale	XLIS	5.051 €	669	01-02-2017
Sale	XLIS	5.055 €	300	01-02-2017
Sale	XLIS	5.056 €	1,119	01-02-2017
Sale	XLIS	5.060 €	3,674	01-02-2017
Sale	XLIS	5.065 €	246	01-02-2017
Sale	XLIS	5.070 €	1,974	01-02-2017
Sale	XLIS	5.075 €	493	01-02-2017
Sale	XLIS	5.080 €	1,418	01-02-2017
Sale	XLIS	5.090 €	863	01-02-2017
Sale	XLIS	5.100 €	1,442	01-02-2017
Sale	XLIS	5.101 €	318	01-02-2017
Sale	XLIS	5.102 €	369	01-02-2017
Sale	XLIS	5.104 €	126	01-02-2017
Sale	XLIS	5.120 €	493	01-02-2017
Sale	XLIS	5.140 €	290	01-02-2017
Sale	XLIS	5.160 €	1,110	01-02-2017
Sale	XLIS	5.163 €	247	01-02-2017
Sale	XLIS	5.168 €	149	01-02-2017
Sale	XLIS	5.170 €	494	01-02-2017
Sale	XLIS	5.171 €	247	01-02-2017
Sale	XLIS	5.175 €	75	01-02-2017
Sale	XLIS	5.180 €	123	01-02-2017

Detail of the transactions of CTT shares carried out by the **Executive Director Manuel Cabral de Abreu Castelo-Branco** during the 1st half of 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.950 €	466	01-02-2017
Sale	XLIS	4.951 €	215	01-02-2017
Sale	XLIS	4.952 €	527	01-02-2017
Sale	XLIS	4.955 €	654	01-02-2017
Sale	XLIS	4.956 €	928	01-02-2017
Sale	XLIS	4.960 €	994	01-02-2017
Sale	XLIS	4.963 €	278	01-02-2017
Sale	XLIS	4.965 €	279	01-02-2017
Sale	XLIS	4.970 €	1,949	01-02-2017
Sale	XLIS	4.980 €	3,208	01-02-2017
Sale	XLIS	4.981 €	119	01-02-2017
Sale	XLIS	4.982 €	336	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.983 €	417	01-02-2017
Sale	XLIS	4.984 €	442	01-02-2017
Sale	XLIS	4.985 €	808	01-02-2017
Sale	XLIS	4.986 €	1,179	01-02-2017
Sale	XLIS	4.987 €	186	01-02-2017
Sale	XLIS	4.989 €	20	01-02-2017
Sale	XLIS	4.990 €	3,418	01-02-2017
Sale	XLIS	4.991 €	2,250	01-02-2017
Sale	XLIS	4.992 €	331	01-02-2017
Sale	XLIS	4.993 €	221	01-02-2017
Sale	XLIS	4.994 €	3,314	01-02-2017
Sale	XLIS	4.995 €	2,639	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.999 €	2,647	01-02-2017
Sale	XLIS	5.000 €	9,217	01-02-2017
Sale	XLIS	5.001 €	224	01-02-2017
Sale	XLIS	5.005 €	1,198	01-02-2017
Sale	XLIS	5.010 €	974	01-02-2017
Sale	XLIS	5.011 €	293	01-02-2017
Sale	XLIS	5.013 €	89	01-02-2017
Sale	XLIS	5.014 €	73	01-02-2017
Sale	XLIS	5.015 €	1,485	01-02-2017
Sale	XLIS	5.016 €	149	01-02-2017
Sale	XLIS	5.020 €	223	01-02-2017
Sale	XLIS	5.023 €	79	01-02-2017
Sale	XLIS	5.026 €	154	01-02-2017
Sale	XLIS	5.027 €	53	01-02-2017
Sale	XLIS	5.029 €	99	01-02-2017
Sale	XLIS	5.030 €	1,279	01-02-2017
Sale	XLIS	5.031 €	315	01-02-2017
Sale	XLIS	5.034 €	558	01-02-2017
Sale	XLIS	5.035 €	966	01-02-2017
Sale	XLIS	5.040 €	1,681	01-02-2017
Sale	XLIS	5.042 €	100	01-02-2017
Sale	XLIS	5.043 €	99	01-02-2017
Sale	XLIS	5.044 €	89	01-02-2017
Sale	XLIS	5.045 €	1,188	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.049 €	743	01-02-2017
Sale	XLIS	5.050 €	1,306	01-02-2017
Sale	XLIS	5.051 €	504	01-02-2017
Sale	XLIS	5.055 €	226	01-02-2017
Sale	XLIS	5.056 €	842	01-02-2017
Sale	XLIS	5.060 €	2,766	01-02-2017
Sale	XLIS	5.065 €	186	01-02-2017
Sale	XLIS	5.070 €	1,485	01-02-2017
Sale	XLIS	5.075 €	371	01-02-2017
Sale	XLIS	5.080 €	1,067	01-02-2017
Sale	XLIS	5.090 €	650	01-02-2017
Sale	XLIS	5.100 €	1,085	01-02-2017
Sale	XLIS	5.101 €	239	01-02-2017
Sale	XLIS	5.102 €	277	01-02-2017
Sale	XLIS	5.104 €	94	01-02-2017
Sale	XLIS	5.120 €	371	01-02-2017
Sale	XLIS	5.140 €	217	01-02-2017
Sale	XLIS	5.160 €	835	01-02-2017
Sale	XLIS	5.163 €	186	01-02-2017
Sale	XLIS	5.168 €	111	01-02-2017
Sale	XLIS	5.170 €	371	01-02-2017
Sale	XLIS	5.171 €	186	01-02-2017
Sale	XLIS	5.175 €	56	01-02-2017
Sale	XLIS	5.180 €	92	01-02-2017

Detail of the transactions of CTT shares carried out by the **Executive Director André Manuel Pereira Gorjão de Andrade Costa** during the 1st half of 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.950 €	492	01-02-2017
Sale	XLIS	4.951 €	226	01-02-2017
Sale	XLIS	4.952 €	557	01-02-2017
Sale	XLIS	4.955 €	692	01-02-2017
Sale	XLIS	4.956 €	982	01-02-2017
Sale	XLIS	4.960 €	1,049	01-02-2017
Sale	XLIS	4.963 €	295	01-02-2017
Sale	XLIS	4.965 €	295	01-02-2017
Sale	XLIS	4.970 €	2,061	01-02-2017
Sale	XLIS	4.980 €	3,391	01-02-2017
Sale	XLIS	4.981 €	126	01-02-2017
Sale	XLIS	4.982 €	355	01-02-2017
Sale	XLIS	4.983 €	441	01-02-2017
Sale	XLIS	4.984 €	467	01-02-2017
Sale	XLIS	4.985 €	855	01-02-2017
Sale	XLIS	4.986 €	1,245	01-02-2017
Sale	XLIS	4.987 €	197	01-02-2017
Sale	XLIS	4.989 €	20	01-02-2017
Sale	XLIS	4.990 €	3,613	01-02-2017
Sale	XLIS	4.991 €	2,378	01-02-2017
Sale	XLIS	4.992 €	349	01-02-2017
Sale	XLIS	4.993 €	234	01-02-2017
Sale	XLIS	4.994 €	3,504	01-02-2017
Sale	XLIS	4.995 €	2,790	01-02-2017
Sale	XLIS	4.999 €	2,799	01-02-2017
Sale	XLIS	5.000 €	9,744	01-02-2017
Sale	XLIS	5.001 €	238	01-02-2017
Sale	XLIS	5.005 €	1,267	01-02-2017
Sale	XLIS	5.010 €	1,030	01-02-2017
Sale	XLIS	5.011 €	310	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.013 €	94	01-02-2017
Sale	XLIS	5.014 €	75	01-02-2017
Sale	XLIS	5.015 €	1,571	01-02-2017
Sale	XLIS	5.016 €	157	01-02-2017
Sale	XLIS	5.020 €	236	01-02-2017
Sale	XLIS	5.023 €	83	01-02-2017
Sale	XLIS	5.026 €	161	01-02-2017
Sale	XLIS	5.027 €	57	01-02-2017
Sale	XLIS	5.029 €	106	01-02-2017
Sale	XLIS	5.030 €	1,353	01-02-2017
Sale	XLIS	5.031 €	332	01-02-2017
Sale	XLIS	5.034 €	588	01-02-2017
Sale	XLIS	5.035 €	1,020	01-02-2017
Sale	XLIS	5.040 €	1,777	01-02-2017
Sale	XLIS	5.042 €	105	01-02-2017
Sale	XLIS	5.043 €	106	01-02-2017
Sale	XLIS	5.044 €	94	01-02-2017
Sale	XLIS	5.045 €	1,255	01-02-2017
Sale	XLIS	5.049 €	786	01-02-2017
Sale	XLIS	5.050 €	1,380	01-02-2017
Sale	XLIS	5.051 €	533	01-02-2017
Sale	XLIS	5.055 €	239	01-02-2017
Sale	XLIS	5.056 €	891	01-02-2017
Sale	XLIS	5.060 €	2,923	01-02-2017
Sale	XLIS	5.065 €	196	01-02-2017
Sale	XLIS	5.070 €	1,571	01-02-2017
Sale	XLIS	5.075 €	392	01-02-2017
Sale	XLIS	5.080 €	1,128	01-02-2017
Sale	XLIS	5.090 €	687	01-02-2017
Sale	XLIS	5.100 €	1,147	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.101 €	253	01-02-2017
Sale	XLIS	5.102 €	293	01-02-2017
Sale	XLIS	5.104 €	99	01-02-2017
Sale	XLIS	5.120 €	392	01-02-2017
Sale	XLIS	5.140 €	231	01-02-2017
Sale	XLIS	5.160 €	883	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.163 €	197	01-02-2017
Sale	XLIS	5.168 €	118	01-02-2017
Sale	XLIS	5.170 €	393	01-02-2017
Sale	XLIS	5.171 €	197	01-02-2017
Sale	XLIS	5.175 €	59	01-02-2017
Sale	XLIS	5.180 €	98	01-02-2017

Detail of the transactions of CTT shares carried out by the **Executive Director Dionizia Maria Ribeiro Farinha Ferreira** during the 1st half of 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.950 €	466	01-02-2017
Sale	XLIS	4.951 €	215	01-02-2017
Sale	XLIS	4.952 €	526	01-02-2017
Sale	XLIS	4.955 €	653	01-02-2017
Sale	XLIS	4.956 €	928	01-02-2017
Sale	XLIS	4.960 €	993	01-02-2017
Sale	XLIS	4.963 €	278	01-02-2017
Sale	XLIS	4.965 €	278	01-02-2017
Sale	XLIS	4.970 €	1,951	01-02-2017
Sale	XLIS	4.980 €	3,207	01-02-2017
Sale	XLIS	4.981 €	118	01-02-2017
Sale	XLIS	4.982 €	339	01-02-2017
Sale	XLIS	4.983 €	418	01-02-2017
Sale	XLIS	4.984 €	443	01-02-2017
Sale	XLIS	4.985 €	812	01-02-2017
Sale	XLIS	4.986 €	1,178	01-02-2017
Sale	XLIS	4.987 €	185	01-02-2017
Sale	XLIS	4.989 €	20	01-02-2017
Sale	XLIS	4.990 €	3,418	01-02-2017
Sale	XLIS	4.991 €	2,250	01-02-2017
Sale	XLIS	4.992 €	332	01-02-2017
Sale	XLIS	4.993 €	221	01-02-2017
Sale	XLIS	4.994 €	3,313	01-02-2017
Sale	XLIS	4.995 €	2,641	01-02-2017
Sale	XLIS	4.999 €	2,648	01-02-2017
Sale	XLIS	5.000 €	9,217	01-02-2017
Sale	XLIS	5.001 €	224	01-02-2017
Sale	XLIS	5.005 €	1,197	01-02-2017
Sale	XLIS	5.010 €	974	01-02-2017
Sale	XLIS	5.011 €	292	01-02-2017
Sale	XLIS	5.013 €	89	01-02-2017
Sale	XLIS	5.014 €	72	01-02-2017
Sale	XLIS	5.015 €	1,485	01-02-2017
Sale	XLIS	5.016 €	148	01-02-2017
Sale	XLIS	5.020 €	222	01-02-2017
Sale	XLIS	5.023 €	79	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.026 €	153	01-02-2017
Sale	XLIS	5.027 €	53	01-02-2017
Sale	XLIS	5.029 €	99	01-02-2017
Sale	XLIS	5.030 €	1,281	01-02-2017
Sale	XLIS	5.031 €	314	01-02-2017
Sale	XLIS	5.034 €	557	01-02-2017
Sale	XLIS	5.035 €	966	01-02-2017
Sale	XLIS	5.040 €	1,681	01-02-2017
Sale	XLIS	5.042 €	99	01-02-2017
Sale	XLIS	5.043 €	99	01-02-2017
Sale	XLIS	5.044 €	89	01-02-2017
Sale	XLIS	5.045 €	1,188	01-02-2017
Sale	XLIS	5.049 €	742	01-02-2017
Sale	XLIS	5.050 €	1,306	01-02-2017
Sale	XLIS	5.051 €	505	01-02-2017
Sale	XLIS	5.055 €	225	01-02-2017
Sale	XLIS	5.056 €	842	01-02-2017
Sale	XLIS	5.060 €	2,766	01-02-2017
Sale	XLIS	5.065 €	186	01-02-2017
Sale	XLIS	5.070 €	1,485	01-02-2017
Sale	XLIS	5.075 €	373	01-02-2017
Sale	XLIS	5.080 €	1,068	01-02-2017
Sale	XLIS	5.090 €	650	01-02-2017
Sale	XLIS	5.100 €	1,085	01-02-2017
Sale	XLIS	5.101 €	238	01-02-2017
Sale	XLIS	5.102 €	277	01-02-2017
Sale	XLIS	5.104 €	94	01-02-2017
Sale	XLIS	5.120 €	372	01-02-2017
Sale	XLIS	5.140 €	217	01-02-2017
Sale	XLIS	5.160 €	836	01-02-2017
Sale	XLIS	5.163 €	185	01-02-2017
Sale	XLIS	5.168 €	111	01-02-2017
Sale	XLIS	5.170 €	371	01-02-2017
Sale	XLIS	5.171 €	185	01-02-2017
Sale	XLIS	5.175 €	55	01-02-2017
Sale	XLIS	5.180 €	93	01-02-2017

Detail of the transactions of CTT shares carried out by the **Executive Director Ana M^a Carvalho Jordão Ribeiro Monteiro de Macedo** during the 1st half of 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.950 €	466	01-02-2017
Sale	XLIS	4.951 €	215	01-02-2017
Sale	XLIS	4.952 €	527	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.955 €	654	01-02-2017
Sale	XLIS	4.956 €	928	01-02-2017
Sale	XLIS	4.960 €	993	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	4.963 €	278	01-02-2017
Sale	XLIS	4.965 €	278	01-02-2017
Sale	XLIS	4.970 €	1,949	01-02-2017
Sale	XLIS	4.980 €	3,207	01-02-2017
Sale	XLIS	4.981 €	119	01-02-2017
Sale	XLIS	4.982 €	336	01-02-2017
Sale	XLIS	4.983 €	417	01-02-2017
Sale	XLIS	4.984 €	444	01-02-2017
Sale	XLIS	4.985 €	808	01-02-2017
Sale	XLIS	4.986 €	1,178	01-02-2017
Sale	XLIS	4.987 €	185	01-02-2017
Sale	XLIS	4.989 €	20	01-02-2017
Sale	XLIS	4.990 €	3,418	01-02-2017
Sale	XLIS	4.991 €	2,250	01-02-2017
Sale	XLIS	4.992 €	332	01-02-2017
Sale	XLIS	4.993 €	221	01-02-2017
Sale	XLIS	4.994 €	3,314	01-02-2017
Sale	XLIS	4.995 €	2,641	01-02-2017
Sale	XLIS	4.999 €	2,649	01-02-2017
Sale	XLIS	5.000 €	9,217	01-02-2017
Sale	XLIS	5.001 €	224	01-02-2017
Sale	XLIS	5.005 €	1,197	01-02-2017
Sale	XLIS	5.010 €	974	01-02-2017
Sale	XLIS	5.011 €	292	01-02-2017
Sale	XLIS	5.013 €	89	01-02-2017
Sale	XLIS	5.014 €	72	01-02-2017
Sale	XLIS	5.015 €	1,485	01-02-2017
Sale	XLIS	5.016 €	149	01-02-2017
Sale	XLIS	5.020 €	222	01-02-2017
Sale	XLIS	5.023 €	79	01-02-2017
Sale	XLIS	5.026 €	154	01-02-2017
Sale	XLIS	5.027 €	53	01-02-2017
Sale	XLIS	5.029 €	99	01-02-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Sale	XLIS	5.030 €	1,280	01-02-2017
Sale	XLIS	5.031 €	315	01-02-2017
Sale	XLIS	5.034 €	557	01-02-2017
Sale	XLIS	5.035 €	966	01-02-2017
Sale	XLIS	5.040 €	1,681	01-02-2017
Sale	XLIS	5.042 €	100	01-02-2017
Sale	XLIS	5.043 €	99	01-02-2017
Sale	XLIS	5.044 €	89	01-02-2017
Sale	XLIS	5.045 €	1,188	01-02-2017
Sale	XLIS	5.049 €	742	01-02-2017
Sale	XLIS	5.050 €	1,306	01-02-2017
Sale	XLIS	5.051 €	505	01-02-2017
Sale	XLIS	5.055 €	226	01-02-2017
Sale	XLIS	5.056 €	842	01-02-2017
Sale	XLIS	5.060 €	2,766	01-02-2017
Sale	XLIS	5.065 €	186	01-02-2017
Sale	XLIS	5.070 €	1,485	01-02-2017
Sale	XLIS	5.075 €	371	01-02-2017
Sale	XLIS	5.080 €	1,069	01-02-2017
Sale	XLIS	5.090 €	650	01-02-2017
Sale	XLIS	5.100 €	1,085	01-02-2017
Sale	XLIS	5.101 €	238	01-02-2017
Sale	XLIS	5.102 €	277	01-02-2017
Sale	XLIS	5.104 €	94	01-02-2017
Sale	XLIS	5.120 €	372	01-02-2017
Sale	XLIS	5.140 €	217	01-02-2017
Sale	XLIS	5.160 €	836	01-02-2017
Sale	XLIS	5.163 €	185	01-02-2017
Sale	XLIS	5.168 €	111	01-02-2017
Sale	XLIS	5.170 €	371	01-02-2017
Sale	XLIS	5.171 €	185	01-02-2017
Sale	XLIS	5.175 €	55	01-02-2017
Sale	XLIS	5.180 €	94	01-02-2017

ANNEX II

Detail of the transactions of CTT shares carried out by **Gestmin SGPS, S.A.** on 10 March 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Purchase	XLIS	4.745 €	200	10-03-2017
Purchase	XLIS	4.748 €	1,000	10-03-2017
Purchase	XLIS	4.750 €	1,000	10-03-2017
Purchase	XLIS	4.756 €	1,000	10-03-2017
Purchase	XLIS	4.760 €	1,000	10-03-2017
Purchase	XLIS	4.781 €	1,000	10-03-2017
Purchase	XLIS	4.782 €	1,000	10-03-2017
Purchase	XLIS	4.785 €	5,000	10-03-2017
Purchase	XLIS	4.786 €	800	10-03-2017
Purchase	XLIS	4.787 €	4,000	10-03-2017
Purchase	XLIS	4.790 €	3,500	10-03-2017
Purchase	XLIS	4.791 €	2,500	10-03-2017
Purchase	XLIS	4.792 €	7,500	10-03-2017
Purchase	XLIS	4.793 €	1,000	10-03-2017
Purchase	XLIS	4.794 €	1,000	10-03-2017
Purchase	XLIS	4.795 €	11,000	10-03-2017
Purchase	XLIS	4.797 €	2,400	10-03-2017
Purchase	XLIS	4.798 €	2,583	10-03-2017
Purchase	XLIS	4.799 €	1,440	10-03-2017
Purchase	XLIS	4.800 €	9,072	10-03-2017
Purchase	XLIS	4.801 €	2,500	10-03-2017
Purchase	XLIS	4.802 €	1,500	10-03-2017
Purchase	XLIS	4.803 €	150	10-03-2017
Purchase	XLIS	4.804 €	3,350	10-03-2017
Purchase	XLIS	4.805 €	1,605	10-03-2017
Purchase	XLIS	4.806 €	2,500	10-03-2017
Purchase	XLIS	4.807 €	1,000	10-03-2017
Purchase	XLIS	4.808 €	792	10-03-2017
Purchase	XLIS	4.809 €	991	10-03-2017
Purchase	XLIS	4.810 €	25,536	10-03-2017
Purchase	XLIS	4.812 €	500	10-03-2017
Purchase	XLIS	4.813 €	2,500	10-03-2017
Purchase	XLIS	4.815 €	12,750	10-03-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Purchase	XLIS	4.820 €	10,000	10-03-2017
Purchase	XLIS	4.825 €	10,927	10-03-2017
Purchase	XLIS	4.827 €	3,494	10-03-2017
Purchase	XLIS	4.830 €	3,000	10-03-2017
Purchase	XLIS	4.835 €	5,000	10-03-2017
Purchase	XLIS	4.842 €	300	10-03-2017
Purchase	XLIS	4.843 €	400	10-03-2017
Purchase	XLIS	4.844 €	518	10-03-2017
Purchase	XLIS	4.848 €	600	10-03-2017
Purchase	XLIS	4.849 €	870	10-03-2017
Purchase	XLIS	4.850 €	6,893	10-03-2017
Purchase	XLIS	4.855 €	5,000	10-03-2017
Purchase	XLIS	4.860 €	1,000	10-03-2017
Purchase	XLIS	4.864 €	1,000	10-03-2017
Purchase	XLIS	4.865 €	2,500	10-03-2017
Purchase	XLIS	4.870 €	4,000	10-03-2017
Purchase	XLIS	4.875 €	3,000	10-03-2017
Purchase	XLIS	4.880 €	2,000	10-03-2017
Purchase	XLIS	4.902 €	500	10-03-2017
Purchase	XLIS	4.904 €	2,109	10-03-2017
Purchase	XLIS	4.905 €	2,391	10-03-2017
Purchase	XLIS	4.911 €	300	10-03-2017
Purchase	XLIS	4.912 €	2,386	10-03-2017
Purchase	XLIS	4.913 €	9,143	10-03-2017
Purchase	XLIS	4.915 €	1,500	10-03-2017
Purchase	XLIS	4.973 €	500	10-03-2017
Purchase	XLIS	4.981 €	500	10-03-2017
Purchase	XLIS	4.990 €	500	10-03-2017
Purchase	XLIS	4.993 €	500	10-03-2017
Purchase	XLIS	4.995 €	1,000	10-03-2017
Purchase	XLIS	5.015 €	1,500	10-03-2017
Purchase	XLIS	5.020 €	3,000	10-03-2017

Detail of the transactions of CTT shares carried out by **Gestmin SGPS, S.A.** on 13 March 2017, according to the communications sent to the Company:

Type of transaction	Venue	Price	Volume	Date of the transaction
Purchase	XLIS	4.825 €	2,987	13-03-2017
Purchase	XLIS	4.829 €	2,500	13-03-2017
Purchase	XLIS	4.830 €	4,000	13-03-2017
Purchase	XLIS	4.833 €	3,000	13-03-2017
Purchase	XLIS	4.835 €	9,500	13-03-2017
Purchase	XLIS	4.836 €	2,000	13-03-2017
Purchase	XLIS	4.840 €	11,000	13-03-2017
Purchase	XLIS	4.845 €	28,069	13-03-2017
Purchase	XLIS	4.850 €	1,500	13-03-2017
Purchase	XLIS	4.854 €	431	13-03-2017
Purchase	XLIS	4.855 €	2,500	13-03-2017
Purchase	XLIS	4.859 €	1,343	13-03-2017

Type of transaction	Venue	Price	Volume	Date of the transaction
Purchase	XLIS	4.860 €	13,046	13-03-2017
Purchase	XLIS	4.864 €	893	13-03-2017
Purchase	XLIS	4.865 €	4,607	13-03-2017
Purchase	XLIS	4.868 €	2,000	13-03-2017
Purchase	XLIS	4.870 €	3,000	13-03-2017
Purchase	XLIS	4.874 €	2,500	13-03-2017
Purchase	XLIS	4.875 €	18,794	13-03-2017
Purchase	XLIS	4.878 €	250	13-03-2017
Purchase	XLIS	4.880 €	9,795	13-03-2017
Purchase	XLIS	4.885 €	17,500	13-03-2017
Purchase	XLIS	4.890 €	22,670	13-03-2017

PART IV - AUDIT REPORT



KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)**

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of **CTT – Correios de Portugal, S.A.** (the Entity), which comprise the condensed consolidated statement of financial position as of 30 June 2017 (that presents a total of Euro 1,547,810,112 and total equity attributable to the shareholders of Euro 179,658,580, including negative non-controlling interests of Euro 133,734 and a consolidated net profit attributable to the shareholders of the Entity of Euro 17,745,100), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Executive Board of Directors' responsibilities

The Executive Board of Director is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.



A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. as at 30 June 2017, are not prepared in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Lisbon, 31 July 2017

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr 1427)

CONTACTS

HEADQUARTERS

Avenida D. João II, N. 13
1999-001 Lisbon
PORTUGAL
Telephone: +351 210 471 836
Fax: +351 210 471 994

Customers

E-mail: informacao@ctt.pt
CTT Line 707 26 26 26
Business days and Saturdays from 8:00 am to 10:00 pm

Market Relations Representative

André Gorjão Costa

Investor Relations Department

Peter Tsvetkov
E-mail: investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 994

Media

Brand and Communication Department
Press Advisor
Fernando Marante
E-mail: gabinete.imprensa@ctt.pt
Telephone: +351 210 471 800