



Consolidated Results

9 Months 2014





CTT – Correios de Portugal, S.A.

Public Company

Avenida D. João II, nº 13

1999-001 LISBON

Share capital EUR 75,000,000.00

Lisbon commercial registry and fiscal no. 500 077 568

9 month report

2014

Interim Condensed Consolidated Accounts



CTT – Correios de Portugal, S.A.

Public Company

Avenida D. João II, nº 13

1999-001 LISBON

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INTERIM CONDENSED CONSOLIDATED ACCOUNTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014 AND 31 DECEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	31.12.2013
ASSETS			
Non-current assets			
Tangible fixed assets	4	206,569,829	225,364,429
Investment properties	6	24,284,612	21,761,886
Intangible assets	5	12,993,723	13,049,308
Goodwill	8	24,297,705	25,083,869
Investments in associated companies		475,018	710,723
Other investments		1,106,812	130,829
Other non-current assets		528,262	1,951,139
Deferred tax assets	18	101,553,139	103,645,256
Total non-current assets		371,809,100	391,697,439
Current assets			
Inventories		6,141,989	5,993,971
Accounts receivable		138,556,990	135,589,645
Deferrals		5,899,975	4,875,139
Other current assets		27,180,289	17,102,436
Cash and cash equivalents		696,507,442	544,875,803
Total current assets		874,286,685	708,436,994
Total assets		1,246,095,785	1,100,134,433
EQUITY AND LIABILITIES			
Equity			
Share capital	10	75,000,000	75,000,000
Reserves	11	30,397,559	30,397,559
Retained earnings	11	84,381,037	83,367,465
Other changes in equity	11	24,131,871	24,548,756
Net profit attributable to equity holders of parent company		52,633,572	61,016,067
Non-controlling interests		(68,422)	1,604,372
Total equity		266,475,617	275,934,219
Liabilities			
Non-current liabilities			
Medium and long term debt		2,155,547	3,282,126
Employee benefits	14	275,086,809	278,638,868
Provisions	15	34,473,719	38,501,835
Deferrals		7,029,365	8,837,037
Deferred tax liabilities	18	5,211,951	5,481,878
Total non-current liabilities		323,957,391	334,741,744
Current liabilities			
Accounts payable	16	540,894,070	391,958,039
Employee benefits	14	19,789,259	19,904,186
Income taxes payable		10,188,026	93,968
Short term debt		5,544,232	3,716,557
Deferrals		3,279,708	4,103,751
Other current liabilities		75,967,482	69,681,969
Total current liabilities		655,662,777	489,458,470
Total liabilities		979,620,168	824,200,214
Total equity and liabilities		1,246,095,785	1,100,134,433

The attached notes are an integral part of these interim condensed consolidated financial statements



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CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
Revenues		530,942,458	519,974,482
Sales and services rendered		515,901,806	509,741,715
Other operating income		15,040,652	10,232,767
Operating costs		(449,083,990)	(452,925,482)
Cost of sales		(11,297,900)	(11,454,663)
External supplies and services		(172,256,768)	(176,219,532)
Staff costs	17	(239,117,468)	(231,606,569)
Impairment of inventories and accounts receivable, net		(2,029,852)	(1,929,832)
Provisions, net		(1,668,679)	(4,753,575)
Depreciation/amortisation and impairment of investments, net		(16,060,818)	(19,521,496)
Other operating costs		(6,652,506)	(7,439,814)
Earnings before financial income and taxes		81,858,468	67,049,000
Financial results		(5,067,432)	(2,189,965)
Interest expenses		(8,909,462)	(8,951,587)
Interest income		3,538,937	6,741,114
Gains/losses in associated companies		303,093	20,508
Earnings before taxes		76,791,036	64,859,035
Income tax for the period	18	(24,229,675)	(19,607,642)
Net profit for the period		52,561,361	45,251,393
Net profit for the period attributable to:			
Equity holders of parent company		52,633,572	45,169,483
Non-controlling interests		(72,211)	81,910
Earnings per share of the parent company		0.35	0.30

The attached notes are an integral part of these interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
Net profit for the period		52,561,361	45,251,393
Employee benefits (non re-classifiable adjustment to profit and loss)	14	(593,008)	(5,579,230)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	18	176,123	1,617,977
Other changes in equity		(1,603,077)	26,260
Other comprehensive income for the period after taxes		(2,019,962)	(3,934,993)
Comprehensive income for the period		50,541,399	41,316,400
Attributable to non-controlling interests		(1,672,794)	131,318
Attributable to shareholders of CTT		52,214,193	41,185,082

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CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2014 AND 31 DECEMBER 2013

Euros

	NOTES	Share capital	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2013		87,325,000	28,628,508	33,079,577	87,105,292	35,735,268	1,607,508	273,481,153
Share capital reduction		(12,325,000)	12,325,000	-	-	-	-	-
Appropriation of net profit for the year of 2012		-	-	-	35,735,268	(35,735,268)	-	-
Dividends	12	-	(10,555,949)	-	(39,444,053)	-	(64,174)	(50,064,175)
		(12,325,000)	1,769,051	-	(3,708,784)	(35,735,268)	(64,174)	(50,064,175)
Other movements		-	-	-	-	-	(28,181)	(28,181)
Actuarial gains/losses - Health Care	11	-	-	(8,530,821)	-	-	-	(8,530,821)
Adjustments from the application of the equity method	11	-	-	-	(29,043)	-	-	(29,043)
Net profit for the period		-	-	-	-	61,016,067	89,218	61,105,285
Comprehensive income for the period		-	-	(8,530,821)	(29,043)	61,016,067	61,038	52,517,241
Balance on 31 December 2013		75,000,000	30,397,559	24,548,756	83,367,465	61,016,067	1,604,372	275,934,219
Balance on 1 January 2014		75,000,000	30,397,559	24,548,756	83,367,465	61,016,067	1,604,372	275,934,219
Share capital reduction		-	-	-	-	-	-	-
Appropriation of net profit for the year of 2013		-	-	-	61,016,067	(61,016,067)	-	-
Dividends	12	-	-	-	(60,000,000)	-	-	(60,000,000)
		-	-	-	1,016,067	(61,016,067)	-	(60,000,000)
Other movements		-	-	-	(2,495)	-	(6,482)	(8,977)
Participation sale		-	-	-	-	-	(1,594,100)	(1,594,100)
Actuarial gains/losses - Health Care	11	-	-	(416,885)	-	-	-	(416,885)
Adjustments from the application of the equity method		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	52,633,572	(72,211)	52,561,361
Comprehensive income for the period		-	-	(416,885)	(2,495)	52,633,572	(1,672,794)	50,541,399
Balance on 30 September 2014 (Unaudited)		75,000,000	30,397,559	24,131,871	84,381,037	52,633,572	(68,422)	266,475,617

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CTT-CORREIOS DE PORTUGAL, S.A.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

Euros

	NOTES	Unaudited 30.09.2014	Unaudited 30.09.2013
<u>Operating activities</u>			
Collections from customers		499,504,748	495,899,243
Payments to suppliers		(186,766,494)	(208,230,808)
Payments to employees		(222,057,752)	(221,418,537)
Cash flow generated by operations		<u>90,680,502</u>	<u>66,249,898</u>
Payments/receivables of income taxes		(14,389,554)	(15,137,387)
Other receivables/payments		<u>131,146,395</u>	<u>125,662,535</u>
Cash flow from operating activities (1)		<u><u>207,437,343</u></u>	<u><u>176,775,046</u></u>
<u>Investing activities</u>			
Receivables resulting from:			
Tangible fixed assets		904,275	185,786
Financial investments		4,032,535	45,595
Interest income		3,832,042	3,664,492
Dividends		198,423	-
Payments resulting from:			
Tangible fixed assets		(4,529,983)	(3,648,499)
Intangible assets		(72,859)	(395,804)
Cash flow from investment activities (2)		<u><u>4,364,433</u></u>	<u><u>(148,430)</u></u>
<u>Financing activities</u>			
Receivables resulting from:			
Loans obtained		4,687,967	3,209,780
Payments resulting from:			
Loans repaid		(2,632,829)	(7,122,725)
Interest expenses		(789,009)	(1,190,166)
Finance leases		(739,344)	(744,922)
Dividends	12	(60,000,000)	(50,000,000)
Cash flow from financing activities (3)		<u><u>(59,473,215)</u></u>	<u><u>(55,848,033)</u></u>
Net change in cash and cash equivalents (1+2+3)		<u>152,328,561</u>	<u>120,778,583</u>
Changes in the consolidation perimeter		<u>(696,922)</u>	-
Cash and cash equivalents at the beginning of the period		<u>544,875,803</u>	<u>489,303,463</u>
Cash and cash equivalents at the end of the period		<u><u>696,507,442</u></u>	<u><u>610,082,046</u></u>

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CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

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1. INTRODUCTION

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

CTT – Correios de Portugal, S. A. – Sociedade Aberta (“CTT”, “Parent Company” or “Company”), with head Office at Avenida D. João II, Nr. 13, 1999-001 in Lisbon, had its origin in the “Administração Geral dos Correios Telégrafos e Telefones” a government department and its present legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the Communications area.

Decree-Law Nr. 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 Nr. 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 Nr. 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 Dispatch Nr. 2468/12 – SETF, 28 December determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced from 87,325,000 Euros 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 per share.

For the period ended 31 December 2013 CTT’s capital was opened to the private sector. Thus, and supported by Decree-Law Nr. 129/2013 of 6 September and the Resolution of the Council of Ministers (“RCM”) Nr. 62-A/2013, 10 October, RCM Nr. 62-B/2013 of 10 October and RCM Nr. 72-B/2013, 14 November, on 5 December, 2013 the first phase of the privatization of CTT’s capital took place. On this date, 63.64% of the shares of CTT (95.5 million shares) were transferred to the private sector, of which 14% (21 million shares) were sold in Public Offering and 49.64% (74.5 million shares) by an Institutional Direct Sale. On 31 December, 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 30.00% by direct ownership and 6.36% by attribution, of the shares of CTT.

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

The shares of CTT are listed on Euronext Lisbon.



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

These interim condensed consolidated financial statements were approved by the Board of Directors on 4 November 2014.

1.2- Activity

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

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

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, it was transposed into national law in 2012 through the adoption of Law Nr. 17/2012, of 26 April (“new Postal Law”), with the amendments introduced in 2013 by Decree-Law Nr. 160/2013, of 19 November, revoking Law Nr. 102/99, of 26 July.

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

Thus, as from the entry into force of the new Postal Law, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved for the provider of the universal postal service CTT – Correios de Portugal, SA (“CTT”). However, on the grounds of the general interest, the following activities and services remained reserved: placement



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of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

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

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

As a result of the new Postal Law, the Portuguese Government revised the basis of the concession, through the publication of Decree-Law Nr. 160/2013 of 19 November, after which the fourth amendment to the concession Contract of the Universal Postal Service was made on 31 December 2013.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The adopted accounting policies, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2013.



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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 in the European Union as at 1 January 2014, 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 release each business performance, as well as to allocate resources.

It is remarked that in 2014 the Business Solutions segment, existing in 2013, became part of the Mail segment.

With the sale in the first half of 2014 of the 51% participation in EAD, held by CTT, S.A., this company was excluded from the scope of the Mail segment in 2014.

The business of CTT is organized in the following segments:

- Mail – CTT, S.A. (without financial services), retail network, business solutions and corporate and support areas, including PostContacto, Mailtec Group and CTT Gest (EAD only in the first quarter of 2013);
- Express & Parcels –includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop and CTT, S.A. financial services.

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

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

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

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



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

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

However, as CTT, S.A. has assets in more than one segment it was necessary to split their 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 of services mentioned above. After this initial allocation, cost relating to corporate and support areas (Central Structure CTT) previously unallocated, are allocated among 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, earnings before depreciation, provisions, impairments, financial results and taxes by segment for the 9 months ended on 30 September 2014 and 2013 are defined as follows:



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

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



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30.09.2013							
Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	402,714,806	95,062,706	44,108,293	73,210,230	(95,121,553)	-	519,974,482
Sales and services rendered	377,560,158	93,910,419	41,777,132	-	(3,505,994)	-	509,741,715
Sales	14,106,343	943,069	-	-	(18,979)	-	15,030,433
Services rendered	363,453,815	92,967,350	41,777,132	-	(3,487,015)	-	494,711,282
Operating revenues external customers	12,419,396	1,152,287	2,320,062	11,127,289	(16,786,268)	-	10,232,767
Internal services rendered	12,735,252	-	11,099	53,994,301	(66,740,652)	-	-
Allocation central CTT structure	-	-	-	8,088,639	(8,088,639)	-	-
Operating costs	335,585,569	88,881,938	24,164,396	73,210,230	(95,121,553)	-	426,720,579
External supplies and services	80,403,903	69,979,503	7,828,509	38,160,167	(20,152,550)	-	176,219,532
Staff Costs	179,335,951	17,357,757	2,321,024	32,591,838	-	-	231,606,569
Other costs	15,320,148	1,544,678	264,845	1,904,519	(139,712)	-	18,894,477
Internal services rendered	52,497,528	-	13,689,417	553,706	(66,740,652)	-	-
Allocation to central CTT structure	8,028,038	-	60,601	-	(8,088,639)	-	-
EBITDA⁽¹⁾	67,129,237	6,180,768	19,943,897	-	-	-	93,253,903
Depreciation/amortisation and impairment of investments, net	(11,951,402)	(2,390,640)	(540,786)	(2,929,595)	-	(1,709,073)	(19,521,496)
Impairment of inventories and accounts receivable, net							(1,929,832)
Impairment of non-depreciable assets							-
Provisions net							(4,753,575)
Interest expenses							(8,951,587)
Interest income							6,741,114
Gains/losses in associated companies							20,508
Earnings before taxes							64,859,035
Income tax for the year							(19,607,642)
Net profit for the year							45,251,393
Non-controlling interests							81,910
Equity holders of parent company							45,169,483

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

The revenues are detailed as follows:



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Thousand Euros	30.09.2014	30.09.2013
Mail	400,794	402,715
Transactional mail	305,650	300,446
Press mail	11,064	10,992
Parcels (USO)	5,098	5,209
Advertising mail	22,302	25,676
Retail	12,218	12,756
Philately	5,256	4,948
Business Solutions	9,149	12,505
Other	30,057	30,183
Express & Parcels	93,957	95,063
Financial Services	57,451	44,108
Central CTT Structure	84,415	73,210
Intragroup eliminations	(105,675)	(95,122)
	530,942	519,974

The assets by segment are detailed as follows:

Assets (Euros)	30.09.2014					Total
	Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	
Intangible assets	2,241,112	3,502,901	147,399	3,455,123	3,647,187	12,993,723
Tangible fixed assets	178,853,597	11,036,809	939,084	13,596,254	2,144,084	206,569,829
Investments properties					24,284,612	24,284,612
Goodwill	7,299,356	16,592,248	406,101			24,297,705
Deferred tax assets					101,553,139	101,553,139
Account receivable					138,556,990	138,556,990
Other assets					41,332,346	41,332,346
Cash and cash equivalents					696,507,442	696,507,442
	188,394,066	31,131,958	1,492,585	17,051,377	1,008,025,800	1,246,095,785

Assets (Euros)	31.12.2013					Total
	Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	
Intangible assets	3,054,729	3,347,318	255,217	3,983,456	2,408,587	13,049,308
Tangible fixed assets	194,124,953	12,076,231	847,969	16,621,726	1,693,549	225,364,429
Investments properties					21,761,886	21,761,886
Goodwill	8,085,520	16,592,248	406,101			25,083,869
Deferred tax assets					103,645,256	103,645,256
Account receivable					135,589,645	135,589,645
Other assets					30,764,237	30,764,237
Cash and cash equivalents					544,875,803	544,875,803
	205,265,201	32,015,798	1,509,287	20,605,183	840,738,964	1,100,134,433

Debt by segment is detailed as follows:



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30.09.2014					
Other information (Euros)	Mail	Express & Parcels	Financial Services	Central CTT Struture	Total
Medium and long term debt	1,303,835	851,712	-	-	2,155,547
Bank loans	-	-	-	-	-
Leasings	1,303,835	851,712	-	-	2,155,547
Short term debt	458,781	5,085,451	-	-	5,544,232
Bank loans	-	4,582,454	-	-	4,582,454
Leasings	458,781	502,997	-	-	961,778
	1,762,616	5,937,163	-	-	7,699,779

31.12.2013					
Other information (Euros)	Mail	Express & Parcels	Financial Services	Central CTT Struture	Total
Medium and long term debt	2,047,077	1,235,049	-	-	3,282,126
Bank loans	-	0	-	-	-
Leasings	2,047,077	1,235,049	-	-	3,282,126
Short term debt	729,676	2,986,881	-	-	3,716,557
Bank loans	1,990	2,478,647	-	-	2,480,637
Leasings	727,686	508,233	-	-	1,235,919
	2,776,753	4,221,930	-	-	6,998,683

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

Thousand Euros	30.09.2014	30.09.2013
Revenue - Portugal	460,573	453,198
Revenue - other countries	55,329	56,544
	<u>515,902</u>	<u>509,742</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 9 months period ended 30 September 2014 and year ended on 31 December 2013, the movement which occurred in the carrying value of "Tangible fixed assets", as well as the respective accumulated depreciation, was as follows:



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30.09.2014								
Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets								
Opening balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	635,287,457
Acquisitions	-	311,412	980,209	-	193,234	202,828	1,044,185	2,833,118
Disposals	-	(23,210)	(5,242)	(166)	(17,887)	(359)	-	(46,864)
Transfers and write-offs	-	120,090	(9,785,427)	(482,988)	(29,847,203)	(1,946,687)	(120,090)	(42,062,305)
Adjustments	-	(2,656)	685,184	(280,939)	(398,509)	(59,528)	-	(56,448)
Other variations	(725,969)	(5,462,503)	-	-	-	-	-	(6,188,472)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	(7,791,694)
Closing balance	<u>36,831,709</u>	<u>329,304,185</u>	<u>137,654,555</u>	<u>2,612,885</u>	<u>51,058,912</u>	<u>22,558,876</u>	<u>1,098,378</u>	<u>581,974,791</u>
Accumulated depreciation								
Opening balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	409,923,028
Depreciation for the period	-	6,793,761	3,665,278	48,003	1,935,212	847,479	-	13,289,733
Disposals	-	(23,210)	(5,242)	(3,978)	(17,689)	(359)	-	(50,478)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,107,946)	(1,665,224)	-	(42,035,563)
Adjustments	-	613	292,073	(207,224)	(84,218)	(1,244)	-	-
Other variations	(11,119)	(2,716,299)	14,050	(2,247)	1,669	620	-	(2,713,327)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	(3,468,198)
Closing balance	<u>3,888,711</u>	<u>179,594,608</u>	<u>123,198,817</u>	<u>2,523,206</u>	<u>47,815,763</u>	<u>17,924,090</u>	<u>-</u>	<u>374,945,194</u>
Accumulated impairment								
Opening balance	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	2,458	-	2,458
Other variations	-	-	-	-	-	457,309	-	457,309
Closing balance	-	-	-	-	-	<u>459,768</u>	<u>-</u>	<u>459,768</u>
Net Tangible fixed assets	<u>32,942,998</u>	<u>149,709,577</u>	<u>14,455,738</u>	<u>89,679</u>	<u>3,243,149</u>	<u>4,175,019</u>	<u>1,098,378</u>	<u>206,569,829</u>
31.12.2013								
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	44,445,963	379,539,356	148,886,925	3,603,033	80,895,249	23,433,801	230,108	681,184,609
Acquisitions	393,899	3,865,339	2,771,881	5,037	861,425	1,169,866	166,995	9,946,942
Disposals	(376,886)	(3,443,845)	(1,256,101)	-	(50,122)	(1,030)	-	(5,127,984)
Transfers and write-offs	(19,706)	(34,538)	(1,741,726)	(8,823)	50,094	(189,454)	(222,820)	(2,278,657)
Adjustments	-	(80)	-	-	(8,913)	(33,919)	-	(39,861)
Other changes	(5,902,715)	(42,485,510)	-	8,086	(811)	(16,642)	3,051	(68,397,592)
Closing balance	<u>38,540,555</u>	<u>337,440,722</u>	<u>148,660,979</u>	<u>3,607,333</u>	<u>81,746,922</u>	<u>24,362,622</u>	<u>174,283</u>	<u>635,287,457</u>
Accumulated depreciation								
Opening balance	4,200,150	194,808,481	128,603,899	3,243,403	73,670,810	17,581,154	-	422,107,897
Depreciation for the period	-	9,199,355	5,569,980	167,315	3,176,149	1,168,689	-	19,281,488
Disposals	(26,370)	(2,019,718)	(1,256,101)	-	(49,689)	(203)	-	(3,352,081)
Transfers and write-offs	-	(2,226)	(1,860,092)	(8,823)	(107,664)	(6,869)	-	(1,985,674)
Adjustments	-	-	-	-	(5,862)	-	-	(5,862)
Other changes	(273,950)	(25,834,403)	-	(14,624)	190	47	-	(26,122,740)
Closing balance	<u>3,899,830</u>	<u>176,151,489</u>	<u>131,057,686</u>	<u>3,387,271</u>	<u>76,683,934</u>	<u>18,742,818</u>	<u>-</u>	<u>409,923,028</u>
Net Tangible fixed assets	<u>34,640,725</u>	<u>161,289,233</u>	<u>17,603,293</u>	<u>220,062</u>	<u>5,062,988</u>	<u>5,619,804</u>	<u>174,283</u>	<u>225,364,429</u>

As at 30 September 2014 and 31 December 2013, Land and natural resources and Buildings and other constructions include 5,038,585 Euros and 5,205,814 Euros, respectively, related to land and property in co-ownership with PT Comunicações, S.A..

In the 9 months period ended 30 September 2014, the caption changes in the consolidation perimeter relates to the balances of the company EAD that was sold in the first half of 2014.

As a result of the change in the Concession contract on 26 July 2006, at the end of the concession the assets included in the public and private domain of the State revert at no cost to the conceding entity, while before the previous change, all the assets allocated to the concession reverted to the Portuguese State. Since the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT Group will continue to own its assets. The Board of Directors, supported by its legal advisors, believes that CTT's assets do not include any public or private domain assets of the Portuguese State.



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During the 9 months period ended 30 September 2014, the most significant movements in Tangible Fixed Assets were the following:

Land and natural resources:

The movements associated to additions relate mostly to the capitalization of repairs in own and third party buildings of CTT, CTT Expresso and Tourline.

In the period ended at 30 September 2014, the Group reclassified to investment properties a set of nine properties that are no longer contributing to the Group's operating activities. On the other hand, one property which became a part of the Group's activity was reclassified to tangible fixed assets.

Basic equipment:

The amount in the additions caption relates to acquisitions of bikes and trailers for 347 thousand Euros, upgrade system for TOP labelling machines worth about 76 thousand Euros and acquisition of payment terminals, by Payshop, totalling 396 thousand Euros.

The amount in the adjustments caption, relates to the reclassification to basic equipment, performed in CORRE, against the remaining balances of Tangible Fixed Assets.

Tangible fixed assets in progress:

The amounts under this heading are related to improvement works on own property.

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

The depreciation recorded amounting to 13,289,733 Euros (14,365,265 Euros on 30 September 2013), is stated in the heading "Depreciation/amortisation and impairment of investments, net".

Contractual commitments relative to Tangible Fixed Assets are as follows:

Basic equipment

These commitments relate to the acquisition of sorting equipment upgrades of 397,000 Euros, improvements in OCR System (Optical code reading system) of 210,000 euros, transportation vans with a value of 2,464,600 Euros, electric vans (67,000 Euros), motorcycles (376,900 Euros), trailers (188,000 Euros) and pallet trucks of 15,500 Euros.

5. INTANGIBLE ASSETS

During the 9 months period ended 30 September 2014 and the year ended on 31 December 2013, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:



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	30.09.2014						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Acquisitions	-	149,772	-	-	2,071,143	-	2,220,915
Transfers and write-offs	-	1,549,435	-	-	(475,093)	-	1,074,342
Adjustments	-	-	1,618	-	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	-	(377,643)
Closing balance	4,372,922	37,923,003	11,659,692	444,739	4,268,114	-	58,668,469
Accumulated amortisation							
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Amortisation for the period	7,236	1,934,341	291,793	27,087	-	-	2,260,457
Transfers and write-offs	(19,682)	1,094,024	-	-	-	-	1,074,342
Adjustments	-	-	7,144	-	-	-	7,144
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	-	(367,127)
Closing balance	4,338,353	33,191,228	7,721,221	423,943	-	-	45,674,746
Net intangible assets	34,569	4,731,775	3,938,471	20,796	4,268,114	-	12,993,723
	31.12.2013						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,325,692	33,546,260	11,687,619	-	2,925,511	22,366	52,507,448
Acquisitions	47,230	961,720	10,554	-	2,027,086	-	3,046,590
Transfers and write-offs	-	2,032,613	(28,086)	-	(2,356,239)	(22,366)	(374,078)
Adjustments	-	-	-	444,739	75,706	-	520,445
Other changes	-	-	48,833	-	-	-	48,833
Closing balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Accumulated amortisation							
Opening balance	4,325,692	26,795,624	7,031,072	-	-	-	38,152,388
Amortisation for the period	25,107	3,684,037	440,712	396,856	-	-	4,546,712
Other variations	-	-	830	-	-	-	830
Closing balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Net intangible assets	22,123	6,060,932	4,246,306	47,883	2,672,064	-	13,049,308

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

Under Computer Software, there are 1,133,699 Euros included in the Transfers and write-offs caption, that respect to the reclassification occurred in CTT of the HR Access software which was previously classified under Office Equipment.

The transfers occurred on 30 September 2014 in Intangible Assets in progress refer to Computer Software, which were completed during the period.

The amounts of 285,571 Euros and 209,206 Euros, capitalized under Computer Software on intangible assets in progress as at 30 September 2014 and 30 September 2013, respectively, relate to staff costs incurred in the development of these projects.

As at 30 September 2014 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:



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New human resources management application	964,829
Certification of invoices	375,676
Evolution SAP	345,358
Repository business information Nave (Commercial ODF)	273,314
International (E-CIP)	221,520
Sales force automation	194,544
Mobility	176,389
Operational control security	113,740
Invoice management	110,604
Mail products evolution	99,639
Occasional customers data base	96,534
Web client application	96,387
Geo 10 (georeferencing system)	84,904
Corvendas	84,483
Treasury management system	84,216
Automatic addresses processing software	69,006
	<u>3,391,142</u>

The amortisation, amounting to 2,260,457 Euros (3,442,166 Euros at 30 September 2013) was recorded in the heading 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 for liabilities.

Contractual commitments relative to Intangible Assets are as follows:

Computer Programmes

The purchase commitments relate to developments in software for Litigation and Legal Advisory of 13,200 Euros and the acquisition of a control system for delivery routes for PostContacto of 52,100 Euros.

6. INVESTMENT PROPERTIES

As at 30 September 2014 and 31 December 2013, the Group has the following assets classified as Investment properties:



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	30.09.2014		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(35,211)	(1,080,605)	(1,115,816)
Transfers/Adjustments	725,969	5,462,503	6,188,472
Closing balance	<u>7,927,972</u>	<u>46,933,061</u>	<u>54,861,033</u>
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	571,218	571,218
Disposals	(1,545)	(684,157)	(685,702)
Transfers/Adjustments	11,119	2,716,342	2,727,462
Closing balance	<u>283,524</u>	<u>28,749,439</u>	<u>29,032,963</u>
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairment losses	-	-	-
Transfers/Adjustments	-	(63,048)	(63,048)
Closing balance	<u>-</u>	<u>1,543,457</u>	<u>1,543,457</u>
Net Investment properties	<u>7,644,448</u>	<u>16,640,164</u>	<u>24,284,612</u>
	31.12.2013		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	1,334,499	65,653	1,400,152
Transfers/Adjustments	5,902,715	42,485,510	48,388,225
Closing balance	<u>7,237,214</u>	<u>42,551,163</u>	<u>49,788,377</u>
Accumulated depreciation			
Opening balance	-	31,209	31,209
Depreciation for the period	-	782,537	782,537
Transfers/Adjustments	273,950	25,332,290	25,606,240
Closing balance	<u>273,950</u>	<u>26,146,036</u>	<u>26,419,986</u>
Accumulated impairment			
Opening balance	-	-	-
Impairment losses	-	1,104,392	1,104,392
Transfers/Adjustments	-	502,113	502,113
Closing balance	<u>-</u>	<u>1,606,505</u>	<u>1,606,505</u>
Net Investment properties	<u>6,963,264</u>	<u>14,798,622</u>	<u>21,761,886</u>

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



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The market value of these fixed assets, which are classified as investment property, in accordance with the valuations obtained at the end of fiscal year 2013 which were conducted by independent entities, amounts to 29,374,185 Euros.

The movements associated with disposals relate to the sale of three properties, which occurred during the 9 months period ended 30 September 2014.

In the 9 months period ended 30 September 2014, the Group reclassified to investment properties a set of nine properties that are no longer contributing to the Group's operating activities. On the other hand, one property which became a part of the Group's activity was reclassified to tangible fixed assets.

As at 30 September 2013 the impairment loss amounted to 1,031,268 Euros.

Depreciation for the period, amounting to 571,218 Euros (682,800 Euros on 30 September 2013) was recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals).

7. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 30 September 2014 and 31 December 2013, the parent company, CTT – Correios de Portugal, SA and the following subsidiaries in which it holds control were included in the consolidation:



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Company name	Head office	30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Parent company:							
CTT - Correios de Portugal, S.A.	Rua de S. José, 20 1166-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto - Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	95	5	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Av. D. João II lote 01.12.03 1999-001 Lisboa	100	-	100	100	-	100
CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	100	-	100	100	-	100
Mailtec Comunicação, S.A. (1) ("Mailtec TI")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	17.7	82.3	100	17.7	82.3	100
Mailtec Consultoria, S.A. (2) ("Mailtec CON")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	10	90	100	10	90	100
Mailtec Processos, Lda. (3) ("EQUIP")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	100	100	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona	-	100	100	100	-	100
EAD - Empresa de Arquivo de Documentação, S.A. (4) ("EAD")	Parque Industrial Mata Lobos, Lote 2 Apartado 151 2950- 901Palmela	-	-	-	51	-	51
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

(1) Previous name - Mailtec -Tecnologias de Informação, S.A.

(2) Previous name - DSTS - Desenvolvimento e Integração de Tecnologia, S.A.

(3) Previous name - Equipreste - Sociedade Técnica de Serviços, Lda.

(4) The participation held on the subsidiary EAD was sold on 30.04.2014

The associated company CORRE is included in the consolidation due to the fact that the Group exercises effective control.

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

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

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

Joint ventures

As at 30 September 2014 and 31 December 2013 the Group held the following interests in joint ventures, accounted for through the equity method:



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Company name	Head office	30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
TI-Post Prestação de Serviços informáticos, ACE ("Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisbon	49	-	49	49	-	49
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 30 September 2014 and 31 December 2013, CTT held the following interests in associated companies accounted for through the equity method:

Company name	Head office	30.09.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	R. da Sé, 114-4º. Maputo - Moçambique	-	35	35	-	35	35
Mafelosa, SL (b)	Castellon Espanha	-	25	25	-	25	25
Urpacsur, SL (b)	Málaga Espanha	-	30	30	-	30	30

(a) Company held by Payshop Portugal S.A.

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

Changes in the consolidation perimeter

During the 9 months period ended 30 September 2014, the consolidation perimeter was changed due to the sale of EAD's participation.

Following this transfer a gain of 256,383 Euros was recorded under the caption Gains / losses in associates in the consolidated income statement.

8. GOODWILL

As at 30 September 2014 and 31 December 2013, Goodwill is detailed as follows:

	Year of acquisition	30.09.2014	31.12.2013
Mailtec Holding SGPS, S.A. (51%)	2004	582,970	582,970
Mailtec Consultoria, S.A.	2004	4,718	4,718
Mailtec Comunicação, S.A. (51%)	2004	69,767	69,767
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Holding SGPS, S.A. (49%)	2005	6,641,901	6,641,901
Tourline Express Mensajería, SLU	2005	16,592,248	16,592,248
EAD - Empresa de Arquivo de Documentação, S.A.	2006	-	786,164
		<u>24,297,705</u>	<u>25,083,869</u>



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During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movements in Goodwill were as follows:

	<u>30.09.2014</u>	<u>31.12.2013</u>
Opening balance	25,083,869	25,528,608
Transfer / adjustments	-	(444,739)
Disposals	<u>(786,164)</u>	-
Closing balance	<u><u>24,297,705</u></u>	<u><u>25,083,869</u></u>

In the 9 months period ended 30 September 2014, following the sale of the participation in the company EAD, its related Goodwill in the amount of 786,164 Euros, was eliminated.

In 2013 the amount of 444,739 Euros regarding Tourline's *Fondos de Comércio* was reclassified to Other intangible assets.

Goodwill impairment assessment

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

As at 31 December 2013, CTT performed an impairment test, and not having been identified at 30 September 2014 indicators of impairment, no impairment tests were performed on this date.

As at 30 September 2014 and 31 December 2013, the impairment losses accounted for were as follows:

Company	Year of acquisition	<u>30.09.2014</u>			Carrying value
		Initial value	Impairment losses for the period	Accumulated impairment losses	
Payshop Moçambique, S.A. (a)	2008	<u>235,946</u>	-	<u>235,946</u>	-
		<u>235,946</u>	-	<u>235,946</u>	-
Company	Year of acquisition	<u>31.12.2013</u>			Carrying value
		Initial value	Impairment losses for the period	Accumulated impairment losses	
Tourline Express Mensajería, SLU	2005	20,671,985	-	4,079,737	16,592,248
EAD - Empresa de Arquivo de Documentação, S.A.	2006	1,082,015	-	295,851	786,164
Payshop Moçambique, S.A. (a)	2008	<u>235,946</u>	-	<u>235,946</u>	-
		<u>21,989,946</u>	-	<u>4,611,534</u>	<u>17,378,412</u>

(a) Held by Payshop Portugal, S.A., a subsidiary of CTT Group



9. ACCUMULATED IMPAIRMENT LOSSES

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the following movements occurred in the impairment losses:

	30.09.2014					Closing balance
	Opening balance	Increases	Reversals	Utilization/ Transfers	Changes in the consolidation perimeter	
Other non-current assets						
Other accounts receivable	1,296,044	270,244	-	-	-	1,566,288
INESC loan	1,397,613	-	(1,013,287)	-	-	384,326
	<u>2,693,657</u>	<u>270,244</u>	<u>(1,013,287)</u>	<u>-</u>	<u>-</u>	<u>1,950,614</u>
Customers and Other current assets						
Customers	24,361,985	2,848,911	(602,340)	(331,162)	(66,375)	26,211,019
Other accounts receivable	9,098,933	1,239,864	(877,408)	(919)	-	9,460,470
INESC loan	49,740	-	-	-	-	49,740
	<u>33,510,658</u>	<u>4,088,775</u>	<u>(1,479,748)</u>	<u>(332,081)</u>	<u>(66,375)</u>	<u>35,721,229</u>
Inventories						
Merchandise	1,812,893	51,010	(4,967)	-	-	1,858,936
Raw, subsidiary and consumable	685,925	117,825	-	-	-	803,750
	<u>2,498,818</u>	<u>168,835</u>	<u>(4,967)</u>	<u>-</u>	<u>-</u>	<u>2,662,686</u>
	<u>38,703,133</u>	<u>4,527,854</u>	<u>(2,498,002)</u>	<u>(332,081)</u>	<u>(66,375)</u>	<u>40,334,529</u>
	31.12.2013					Closing balance
	Opening balance	Increases	Reversals	Utilization	Transfers	
Other non-current assets						
Other accounts receivable	1,123,171	172,873	-	-	-	1,296,044
INESC loan	1,455,643	-	(58,030)	-	-	1,397,613
	<u>2,578,814</u>	<u>172,873</u>	<u>(58,030)</u>	<u>-</u>	<u>-</u>	<u>2,693,657</u>
Customers and Other current assets						
Customers	22,313,026	4,413,997	(1,505,980)	(859,058)	-	24,361,985
Other accounts receivable	8,924,866	730,691	(147,512)	(84,410)	(324,702)	9,098,933
INESC loan	49,740	-	-	-	-	49,740
	<u>31,287,632</u>	<u>5,144,688</u>	<u>(1,653,492)</u>	<u>(943,468)</u>	<u>(324,702)</u>	<u>33,510,658</u>
Inventories						
Merchandise	1,903,511	4,906	(95,524)	-	-	1,812,893
Raw, subsidiary and consumable	715,248	28,623	(13,846)	(44,100)	-	685,925
	<u>2,618,759</u>	<u>33,529</u>	<u>(109,370)</u>	<u>(44,100)</u>	<u>-</u>	<u>2,498,818</u>
	<u>36,485,205</u>	<u>5,351,090</u>	<u>(1,820,892)</u>	<u>(987,568)</u>	<u>(324,702)</u>	<u>38,703,133</u>

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



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10. EQUITY

As at 30 September 2014, 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.

At the General Meeting held on 30 October, 2013, the registered capital of CTT was reduced from 87,325,000 to 75,000,000 Euros, being from that date forward 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 per share. The amount of 12,325,000 Euros related to the reduction of the capital was transferred to Other reserves (Note 11).

As at 30 September 2014 and 31 December 2013 the Company's shareholders with, greater than or equal to 2% shareholdings are as follows:

Shareholder	30.09.2014		
	Nr shares	%	Nominal value
Standard Life Investments (Holdings) Limited (1)	10,007,653	6.672%	5,003,827
Allianz Global Investors Europe GmbH (2)	4,695,774	3.131%	2,347,887
UBS AG (3)	3,605,950	2.404%	1,802,975
Pioneer Asset Management, S.A. (4)	3,128,282	2.086%	1,564,141
Fidelity Management Research LLC (5)	3,096,298	2.064%	1,548,149
DSAM Partners LLP (6)	3,096,079	2.064%	1,548,040
BlackRock, Inc. (7)	3,059,021	2.039%	1,529,511
Other shareholders	119,310,943	79.541%	59,655,472
Total	150,000,000	100.000%	75,000,000

(1) The shares managed by the parent company Standard Life Investments (Holdings) Limited are held by the subsidiaries Standard Life Investments Limited (6.61%) and Ignis Investment Services Limited (0.06%).

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

(3) Of the total shareholding of UBS AG in CTT, 3,246,912 shares are held by UBS AG and the remaining 359,038 are held by subsidiaries of UBS AG.

(4) Participation of several funds indirectly managed by Pioneer Asset Management, S.A., owned by UniCredit S.p.A.

(5) Participation indirectly held by FMR LLC and its affiliates FMRC-FMR CO., INC. and FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC..

(6) The position of DSAM Partners LLP is also imputable to DSAM Capital Partners Ltd, as member of DSAM Partners LLP, to DSAM Cayman LP, as shareholder of DSAM Capital Partners Ltd and to DSAM Cayman Ltd, as general partner of

(7) Participation of several companies controlled by BlackRock, Inc.



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Shareholder	31.12.2013		
	Nr shares	%	Nominal value
Parpública - Participações Públicas (SGPS), SA ⁽¹⁾	45,000,000	30.000%	22,500,000
Parpública - Participações Públicas (SGPS), SA ⁽²⁾	9,545,455	6.364%	4,772,728
Total ⁽³⁾	54,545,455	36.364%	27,272,728
Goldman Sachs International ⁽⁴⁾	7,496,479	4.998%	3,748,240
Deutsche Bank AG London ⁽⁵⁾	3,063,798	2.043%	1,531,899
Other shareholders ⁽⁶⁾	84,894,268	56.596%	42,447,134
Total	150,000,000	100.000%	75,000,000

(1) Shares held by Parpública – Participações Públicas (SGPS), SA, which in turn is fully owned by the Portuguese State.

(2) Shares attributed to Parpública - Participações Públicas (SGPS), SA, in accordance with the call option on the Underwriters, represented for the purpose by the Stabilisation Agent (Stabilisation Manager) under direct sales institutional Contract (institutional Underwriting agreement) signed with the Underwriters in the privatization process of CTT. Under this contract the Underwriters also held an option to sell (put option) on Parpública - Participações Públicas (SGPS), SA. The share stabilisation operations were completed on 3 January, 2014, having the underwriters exercised the option to sell 2,253,834 shares of all 9,545,455 shares, representing 1.5% of the share capital of CTT.

(3) Full participation Parpública - Participações Públicas (SGPS), SA as at 31 December 2013, which in turn is owned entirely by the Portuguese State. From 3 January, 2014 Parpública - Public Participation (SGPS), SA holds 47,253,834 shares, i.e. 31.5% of the share capital of CTT.

(4) Shares held by Goldman Sachs International, controlled by Goldman Sachs Holding (UK), which in turn is controlled by Goldman Sachs Group Holdings (UK) Limited, controlled by Goldman Sachs Group UK Limited, controlled by Goldman Sachs (UK) LLC, which in turn is controlled by the Goldman Sachs Group, Inc..

(5) Shares held by Deutsche Bank AG London which in turn is a branch of Deutsche Bank AG.

(6) Includes 2,064,660 shares held by CTT workers who, according to the terms of the offer reserved for employees under the privatization of CTT, were unavailable until 5 March, 2014.

11. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

As at 30 September 2014 and 31 December 2013, the heading "Reserves" was detailed as follows:

	30.09.2014	31.12.2013
Legal reserves	18,072,559	18,072,559
Other reserves	12,325,000	12,325,000
	<u>30,397,559</u>	<u>30,397,559</u>

Legal reserves

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



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Other reserves

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

In 2013, an amount of 10,555,949 Euros was used for the payment of an extraordinary dividend (Note 12).

The balance of “Other reserves” as at 30 September 2014 and 31 December 2013 of, 12,325,000 Euros refers to the amount of reduction of the share capital and was transferred to this caption (Note 10).

Retained earnings

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the following movements incurred in Retained earnings:

	<u>30.09.2014</u>	<u>31.12.2013</u>
Opening balance	83,367,465	87,105,292
Application of net profit of the prior year	61,016,067	35,735,268
Distribution of dividends (Note 12)	(60,000,000)	(39,444,051)
Adjustments from the application of the equity method	-	(29,043)
Other movements	(2,495)	-
Closing balance	<u>84,381,037</u>	<u>83,367,465</u>

Other changes in equity

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

Thus, for the 9 months period ended 30 September 2014 and the year ended 31 December 2013 the movements occurred in this heading were as follows:

	<u>30.09.2014</u>	<u>31.12.2013</u>
Opening balance	24,548,756	33,079,577
Actuarial gains/(losses)	(593,008)	(11,680,870)
Tax effect	176,123	3,150,049
Closing balance	<u>24,131,871</u>	<u>24,548,756</u>

12. DIVIDENDS

At the General Assembly held on 5 May 2014, the Board approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at



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31.12.2013) relative to 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

At the General Assembly held on 30 May 2013, the Board approved the distribution of a dividend of 2.20 Euros per share (which took into consideration the 17,500,000 shares existing at 31.12.2012) relative to 31 December 2012 and a total dividend of 38,554,129 Euros was paid, which was subject to a withholding tax of 25% in June 2013. It was also decided to pay an extraordinary dividend in the amount of 11,445,871 Euros (0.65 Euro per share), which was also subject to withholding tax of 25% in June 2013.

For the extraordinary dividend "Other reserves" were used in the amount of 10,555,949 Euros and "Retained earnings" in the amount of 889,922 Euros.

13. EARNINGS PER SHARE

During the 9 months periods ended on 30 September 2014 and 30 September 2013, the earnings per share were calculated as follows:

	<u>30.09.2014</u>	<u>30.09.2013</u>
Net profit for the period	52,633,572	45,169,483
Average number of ordinary shares	150,000,000	150,000,000
Earnings per share:		
Basic	0.35	0.30
Diluted	0.35	0.30

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

In October 2013, the number of shares varied, from 17,500,000 to 150,000,000 following the capital reduction made to reserves and a stock split by reducing the nominal value. Thus, since the change in the number of shares did not comprise the inflow or outflow of Company funds, the calculation of earnings per share on 30 September 2013, took into account the number of existing shares on 31 December 2013 (150,000,000).

There are no dilutive factors of earnings per share.

14. EMPLOYEE BENEFITS

Liabilities related to employee benefits refer to (i) post-employment benefits – health care and (ii) other benefits for employees. During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, these liabilities presented the following movement:



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	30.09.2014		
	Health care	Other long term benefits	Total
Opening balance	263,371,000	35,172,054	298,543,054
Movement of the period	552,750	(4,219,736)	(3,666,986)
Closing balance	<u>263,923,750</u>	<u>30,952,318</u>	<u>294,876,068</u>

	31.12.2013		
	Health care	Other long term benefits	Total
Opening balance	252,803,000	50,513,360	303,316,360
Movement of the period	10,568,000	(15,341,306)	(4,773,306)
Closing balance	<u>263,371,000</u>	<u>35,172,054</u>	<u>298,543,054</u>

The heading “Other long term benefits” essentially refer to the on-going staff reduction programme.

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

	30.09.2014	31.12.2013
Non-current liabilities	275,086,809	278,638,868
Current liabilities	19,789,259	19,904,186
	<u>294,876,068</u>	<u>298,543,054</u>

For the 9 months periods ended 30 September 2014 and 30 September 2013, the costs related to employee benefits recognised in the interim condensed consolidated income statement and the amount recognised directly in “Other changes in equity” were as follows:

	30.09.2014	30.09.2013
Costs for the period		
Health care ⁽¹⁾	10,569,750	10,310,250
Other long term benefits ⁽²⁾	494,941	(6,619,221)
	<u>11,064,691</u>	<u>3,691,029</u>
Other changes in equity		
Health care	(593,008)	(5,579,230)
	<u>(593,008)</u>	<u>(5,579,230)</u>

(1) Includes staff costs, other costs and interest expenses.

(2) Includes staff costs and interest expenses.



The impacts as at 30 September 2014 were obtained by the company supported on the 2014 cost estimate included in the actuarial study as at 31 December 2013.

Health care

CTT is responsible for financing the health care plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is made by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, having, as at 31 December 2013, obtained an actuarial study.

The main assumptions used in the actuarial study performed on 31 December 2013 are detailed as follows:

	<u>31.12.2013</u>
Financial assumptions	
Discount rate	4.00%
Salaries expected growth rate	0% in 2013 and 2014 2.75% from that date
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	2.00%
Health costs growth rate	
- Inflation rate	2.00%
- Growth due to ageing	0% in 2013 and 2014 2% from that date
Demographic assumptions	
Mortality table	TV 88/90
Disability table	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating (“AA” or equivalent) at the date of the actuarial study and with a duration equivalent to that of the liabilities with health care.

The maintenance of the discount rate at 4.00% was motivated by the Group’s analysis of the evolution of the macroeconomic context taking into account a constant need to match the actuarial and financial assumptions to that reality.

The salaries expected growth rate was determined according to the salary policy defined by the Group.

The pensions expected growth rate was determined considering the estimated evolution of inflation and GDP growth rate.



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The health care costs growth rate reflects the best estimate for the future evolution of these costs, considering the historic plan's data.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

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

	<u>30.09.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Liabilities at the end of the period	<u>263,923,750</u>	<u>263,371,000</u>	<u>252,803,000</u>	<u>272,102,000</u>	<u>272,123,000</u>

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movement which occurred in the present value of the defined benefits liability regarding the health care plan was as follows:

	<u>30.09.2014</u>	<u>31.12.2013</u>
Opening balance	263,371,000	252,803,000
Service costs of the period	2,868,750	3,882,000
Interest cost of the period	7,701,000	9,865,000
Pensioners contributions	2,704,562	3,552,478
(Payment of benefits)	(12,448,320)	(17,249,738)
(Other costs)	(866,250)	(1,162,610)
Actuarial (gains)/losses	<u>593,008</u>	<u>11,680,870</u>
Closing balance	<u>263,923,750</u>	<u>263,371,000</u>

During the 9 months periods ended 30 September 2014 and 30 September 2013, the total costs for the period are recognised as follows:

	<u>30.09.2014</u>	<u>30.09.2013</u>
Staff costs/employee benefits (Note 17)	2,002,500	2,074,951
Other costs	866,250	836,549
Interest expenses	<u>7,701,000</u>	<u>7,398,750</u>
	<u>10,569,750</u>	<u>10,310,250</u>

On 30 September 2014 the actuarial gains / (losses) amounting to 593,008 Euros (11,680,870 Euros as at 31 December 2013) were recognised in equity under the caption Other changes in equity, net of deferred taxes amounting to 176,123 Euros (3,150,049 Euros as at 31 December 2013).

The sensitivity analysis performed on 31 December 2013, for the health care plan leads to the following conclusions:



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(i) If there was an increase of 1 per cent in the growth rate of medical costs, keeping all the remaining variables constant, the liabilities of the health care plan would be 307,989 thousand Euros, increasing by approximately 16.9%.

(ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 6.8%, amounting to 281,280 thousand Euros.

Other long term benefits

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

The main assumptions used in the actuarial study performed on 31 December 2013 are detailed as follows:

	<u>31.12.2013</u>
Financial assumptions	
Discount rate	4.00%
Salaries growth rate	0% in 2013 and 2014 2.75% from that date
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	2.00%
Demographic assumptions	
Mortality table	TV 88/90
Disability rate	Swiss RE

For the determination of the Group's liabilities to employees in situations of “Suspension of contracts, redeployment and release of employment”, salary growth rates of 0% were considered for 2013 and 2014, and 2.75% for the following years. The salary growth rate of 2.75% was applied to the remaining employee benefits, except for the “Telephone subscription fee” and “Support for cessation of professional activity” for which no updated value was considered.

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movement of liabilities with other long-term employee benefits was as follows:



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	<u>30.09.2014</u>	<u>31.12.2013</u>
Suspension of contracts, redeployment and release of employment		
Opening balance	19,743,891	24,084,448
Interest cost of the period	517,653	844,267
Liabilities relative to new beneficiaries	286,725	1,914,115
(Payment of benefits)	(4,064,883)	(7,459,833)
Curtailement	(908,166)	-
Actuarial (gains)/losses	468,661	360,894
Closing balance	<u>16,043,881</u>	<u>19,743,891</u>
Telephone subscription charge		
Opening balance	4,800,195	14,242,125
Interest cost of the period	133,908	451,814
Curtailement	-	(8,211,129)
(Payment of benefits)	(203,828)	(1,445,398)
Actuarial (gains)/losses	(301,055)	(237,217)
Closing balance	<u>4,429,220</u>	<u>4,800,195</u>
Pension for accidentes at work		
Opening balance	7,004,370	7,563,939
Interest cost of the period	203,735	293,948
(Payment of benefits)	(317,538)	(422,708)
Actuarial (gains)/losses	(2,722)	(430,809)
Closing balance	<u>6,887,845</u>	<u>7,004,370</u>
Monthly life annuity		
Opening balance	3,544,784	3,691,640
Interest cost of the period	104,786	145,503
(Payment of benefits)	(84,622)	(108,120)
Actuarial (gains)/losses	6,722	(184,239)
Closing balance	<u>3,571,670</u>	<u>3,544,784</u>
Support for cessation of professional activity		
Opening balance	78,815	931,209
Interest cost of the period	-	18,624
(Payment of benefits)	(43,806)	(871,064)
Actuarial (gains)/losses	(15,305)	46
Closing balance	<u>19,704</u>	<u>78,815</u>
Total closing balance	<u><u>30,952,319</u></u>	<u><u>35,172,055</u></u>

During the 9 months periods ended on 30 September 2014 and 30 September 2013, the total costs for the period were recognised as follows:



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	30.09.2014	30.09.2013
Staff costs/employee benefits (Note 17)		
Suspension of contracts, redeployment and release of employment	(152,780)	1,024,334
Telephone subscription charge	(301,055)	(8,448,347)
Pension for accidents at work	(2,722)	(430,809)
Monthly life annuity	6,722	(184,239)
Support for cessation of professional activity	(15,305)	46,231
subtotal	<u>(465,141)</u>	<u>(7,992,830)</u>
Interest expenses	<u>960,082</u>	<u>1,373,609</u>
	<u>494,941</u>	<u>(6,619,221)</u>

In the year ended 31 December 2013, the Portaria 378-G/2013 of 31 December changed the retirement age from 65 to 66 years of age for employees covered by the Social Security. This change had a more significant impact on the liability in connection with the "Suspension of contracts, relocation and release of jobs" where the addition of the responsibility was approximately 642 thousand Euros.

In the year ended 31 December 2013, the Board of Directors of CTT, decided to substitute the payment from 1 January 2014 of the telephone subscription fee, with an equivalent measure to retired workers and surviving spouses who translated this benefit by in replacing the financial support for a benefit in kind.

The sensitivity analysis performed at 31 December 2013 for the employees Other long term benefits leads to the conclusion that, if the discount rate was reduced by 0.5 per cent, keeping everything else constant, this would give rise to an increase of liabilities for past services of approximately 3.1%, increasing to 36,262 thousand Euros.

15. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the 9 months period ended 30 September 2014 and the year ended 31 December 2013, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which show the following movement:

	30.09.2014					Closing balance
	Opening balance	Increases	Reversals	Reduction	Transfers	
Non-current provisions						
Litigation	10,868,975	3,367,348	(3,329,405)	(2,734,224)	966,460	9,139,154
Investments in associated companies	213,840	-	-	-	-	213,840
Onerous contracts	12,643,714	823,888	-	(1,892,935)	-	11,574,667
Other provisions	<u>14,775,306</u>	<u>806,848</u>	<u>-</u>	<u>(612,327)</u>	<u>(1,423,769)</u>	<u>13,546,058</u>
	<u>38,501,835</u>	<u>4,998,084</u>	<u>(3,329,405)</u>	<u>(5,239,486)</u>	<u>(457,309)</u>	<u>34,473,719</u>



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	31.12.2013					Closing balance
	Opening balance	Increases	Reversals	Reduction	Transfers	
Non-current provisions						
Litigation	9,268,429	3,757,359	(3,595,059)	(1,269,365)	2,707,611	10,868,975
Investments in associated companies	220,816	-	-	(6,976)	-	213,840
Onerous contracts	13,212,379	1,844,338	-	(2,413,003)	-	12,643,714
Other provisions	13,894,565	4,387,527	(746,183)	(377,694)	(2,382,909)	14,775,306
	<u>36,596,189</u>	<u>9,989,224</u>	<u>(4,341,242)</u>	<u>(4,067,038)</u>	<u>324,702</u>	<u>38,501,835</u>

Litigation

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

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..

Onerous Contracts

During the 9 months period ended 30 September 2014 the provision to cover the estimate of the net present value of the expenditure associated with onerous contracts was increased by 823,888 Euros (1,844,338 Euros at 31 December 2013). The reductions, in the amount of 1,892,935 Euros are related to the rentals payments that occurred during the period.

As at 30 September 2014 the amount provided for onerous contracts is 11,574,667 Euros (12,643,714 Euros at 31 December 2013).

Other provisions

As at 30 September 2014 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings, and related to remuneration differences amounts to 11,545,733 Euros (12,512,193 Euros at 31 December 2013).

During the 9 months period ended 30 September 2014, in addition to the previously mentioned situations, this heading also includes the amount of 890,000 Euros, which arises from the assessment made by management regarding the possibility of the enforcement of tax contingencies.

The net amount between increases and reversals of provisions was recorded in the Interim Condensed Consolidated income statement under the headings “Provisions, net” and amounted to 1,668,679 Euros and 4,753,575 Euros as at 30 September 2014 and 30 September 2013, respectively.

Guarantees provided

As at 30 September 2014 and 31 December 2013 the Group had provided bank guarantees to third parties as follows:



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Description	30.09.2014	31.12.2013
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,000,469	-
EURO BRIDGE- Sociedade Imobiliária, Lda	2,944,833	-
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	-
LandSearch, Compra e Venda de Imóveis	1,775,310	-
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,508,269	-
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,261,863	-
Autoridade Tributária e Aduaneira	515,000	390,000
Tribunais	312,753	754,399
Lisboagás, S.A.	190,000	190,000
Autarquias	155,724	153,674
Sofinsa	91,618	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	77,969	77,969
Alfândega do Porto	74,820	74,820
ACT Autoridade Condições Trabalho	70,830	45,733
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Fonavi, Nave Hospitalet	40,477	40,477
Record Rent a Car (Cataluña, Levante)	40,000	40,000
ANA - Aeroportos de Portugal	34,000	29,000
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	16,092
SetGás, S.A.	30,000	30,000
Santa Casa da Misericórdia de Lisboa	25,000	86,917
Ministério Educação	23,700	38,700
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
EMEL, S.A.	19,384	19,384
Natur Import (nave Barbera)	18,096	18,096
Portugal Telecom, S.A.	16,658	16,657
Secretaria Geral do Ministério da Administração Interna	16,000	14,000
Instituto Gestão Financeira Segurança Social	12,681	16,092
Petrogal, S.A.	10,774	10,774
REN Serviços, S.A.	9,818	9,818
Inmobiliaria Ederkin	7,800	7,800
Outras entidades	7,693	2,735
Alquiler Nave Tarragona	7,155	7,155
Consejería Salud	6,433	6,433
TNT Express Worldwide	6,010	6,010
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira, SA	4,752	4,752
Universidad Sevilla	4,237	4,237
SMAS Torres Vedras	4,001	4,001
Instituto Infra-Estruturas Rodoviárias	3,725	3,725
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	3,400	3,400
Martinez Estevez	3,000	3,000
Gexploma	3,000	3,000
Casa Pia de Lisboa, I.P.	1,863	1,863
IFADAP	1,746	1,746
DRCAL Direcção Regional Contencioso Administrativo Lisb	-	49,880
TIP - Transportes Intermodais do Porto, ACE	-	50,000
Poczta Polska Usługi Cyfrowe Sp	-	257,783
Infarmed IP	-	8,223
	<u>14,564,774</u>	<u>2,734,022</u>



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Relating the guarantees for lease contracts and according to the determinations in some of the contracts of the buildings occupied by the Company's services, having the Portuguese State ceased to hold the majority of the share capital of CTT- Correios de Portugal, S.A., bank guarantees on first demand must be provided. These guarantees have already been issued in the amount of 12,524,326 Euros.

Commitments

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

16. ACCOUNTS PAYABLE

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the heading "Accounts payable" showed the following composition:

	<u>30.09.2014</u>	<u>31.12.2013</u>
Advances from customers	2,954,920	2,826,481
CNP money orders	199,036,678	202,301,462
Suppliers	57,234,068	59,737,076
Invoices pending confirmation	10,731,293	8,816,225
Fixed assets suppliers	730,391	2,463,632
Invoices pending confirmation (fixed assets)	512,158	523,341
Concession rent	-	201,424
Values collected on behalf of third parties	6,072,313	4,180,724
Postal financial services	259,407,909	107,689,039
Other accounts payable	4,214,340	3,218,635
	<u>540,894,070</u>	<u>391,958,039</u>

CNP money orders

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

Postal financial services

The increase in this heading arises, mainly, from values collected related to taxes, associated with the 2nd payment on account that occurred in September, and savings certificates.

17. STAFF COSTS

During the 9 months periods ended 30 September 2014 and 30 September 2013, the composition of the heading "Staff Costs" was as follows:



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	<u>30.09.2014</u>	<u>30.09.2013</u>
Board of Directors and Audit Board remuneration (Note 19)	1,737,296	957,994
Staff remuneration	184,245,736	183,873,440
Employee benefits	1,537,359	(5,917,879)
Indemnities	1,752,386	1,374,647
Social security charges	40,622,718	40,842,333
Occupational accident and disease insurance	1,361,062	1,308,728
Social welfare costs	7,823,448	9,083,196
Other staff costs	37,463	84,110
	<u>239,117,468</u>	<u>231,606,569</u>

Remuneration of the statutory bodies

In the 9 months periods ended 30 September 2014 and 30 September 2013, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

30.09.2014				
	Executive Board of Directors	Audit Board /Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	1,523,828	211,528	-	1,735,356
Variable remuneration	-	-	1,940	1,940
	<u>1,523,828</u>	<u>211,528</u>	<u>1,940</u>	<u>1,737,296</u>
30.09.2013				
	Board of Directors	Audit Board /Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	803,509	153,225	-	956,734
Variable remuneration	-	-	1,260	1,260
	<u>803,509</u>	<u>153,225</u>	<u>1,260</u>	<u>957,994</u>

Staff remuneration

The variation in the heading "Staff remuneration" is mainly a result of the combined effect between the reduction in the average number of employees working for the Company and the remuneration increase that resulted from the cessation of the salary reductions, the reintroduction of seniority-based payments as well as the modifications on the contributory base of retirement discounts.

Indemnities

During the 9 months period ended 30 September 2014 the caption "Indemnities" includes the amount of 657,711 Euros related to compensations paid in proceedings for termination of employment contracts by mutual agreement.

Social welfare costs

The social welfare costs are almost exclusively composed by health costs supported by the company with active employees and costs related to Health and Safety at work.



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During the 9 months periods ended 30 September 2014 and 30 September 2013 the heading "Staff costs" includes the amounts of 632,792 Euros and 601,540 Euros, respectively, related to expenses with workers' representative bodies.

For the 9 months periods ended on 30 September 2014 and 30 September 2013, the average number of staff of the Group was 12,508 and 13,030 employees, respectively.

18. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 23% (25% in 2013), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and the state surcharge is 3% of the taxable profit above 1,500,000 Euros, the 5% of taxable profit above 7,500,000 Euros up to for 35,000,000 Euros and 7% on taxable profit exceeding 35,000,000 Euros. Tourline is subject to income taxes in Spain, through Impuesto sobre Sociedades - "IS" at a rate of 30%, and the subsidiary Corre is subject to corporate income tax in Mozambique ("IRPC").

Corporate income tax (IRC) is levied on CTT and its subsidiaries Postcontacto – Correio Publicitário, Lda., CTT – Expresso, S.A., Mailtec Holding, SGPS, S.A., Mailtec Comunicação, S.A., Mailtec Consultoria, S.A., Mailtec Processos, Lda., Payshop Portugal, S.A. ("Payshop"), and CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest"), 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 9 months periods ended 30 September 2014 and 30 September 2013, the reconciliation between the nominal rate and the effective income tax rate is as follows:



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	<u>30.09.2014</u>	<u>30.09.2013</u>
Earnings before taxes	76,791,036	64,859,035
Nominal tax rate	23.0%	25.0%
	<u>17,661,938</u>	<u>16,214,759</u>
Tax Benefits	(201,966)	(269,184)
Accounting capital gains	(187,880)	(76,766)
Tax capital gains	64,456	38,383
Equity method	-	(5,127)
Provisions not considered in the calculation of deferred tax	-	46,765
Impairment losses and reversals	(311,211)	110,560
Other situations, net	2,284,981	392,302
Adjustments related with - autonomous taxation	447,929	523,667
Adjustments related with - Municipal Surcharge	1,129,387	784,345
Adjustments related with - State Surcharge	3,600,631	1,964,199
Excess estimated income tax	(258,590)	(116,261)
Income taxes for the period	<u>24,229,675</u>	<u>19,607,642</u>
Effective tax rate	<u>31.55%</u>	<u>30.23%</u>
Income taxes for the period		
Current tax	22,495,217	15,910,768
Deferred tax	1,993,048	3,813,135
Excess estimate of income tax	(258,590)	(116,261)
	<u>24,229,675</u>	<u>19,607,642</u>

Deferred taxes

As at 30 September 2014 and 31 December 2013, the balance of deferred tax assets and liabilities was composed as follows:



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	<u>30.09.2014</u>	<u>31.12.2013</u>
Deferred tax assets		
Employee benefits - health care	78,385,354	78,221,187
Employee benefits - other long term benefits	9,097,594	10,433,440
Deferred accounting capital gains	2,695,304	3,229,688
Impairment losses and provisions	8,238,216	8,651,941
Conversion adjustments - derecognition of inventories	19,455	77,821
Conversion adjustments - value deducted from staff debts	4,673	18,692
Tax losses carried forward	2,432,702	2,432,702
Impairment losses in tangible fixed assets	555,685	452,859
Other	124,156	126,926
	<u>101,553,139</u>	<u>103,645,256</u>
	<u>30.09.2014</u>	<u>31.12.2013</u>
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	4,046,201	4,288,852
Suspended capital gains	1,055,179	1,082,455
Other	110,571	110,571
	<u>5,211,951</u>	<u>5,481,878</u>

As at 30 September 2014, expected deferred tax assets and liabilities to be settled within 12 months amount to 2,670,638 Euros and 359,903 Euros, respectively.

During the 9 months period ended 30 September 2014 and the year ended 31 December 2013, the movements which occurred under the deferred tax headings were as follows:



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	<u>30.09.2014</u>	<u>31.12.2013</u>
Deferred tax assets		
Opening balances	103,645,256	102,228,537
Effect on net profit		
Employee benefits - health care	(11,956)	1,757,201
Employee benefits - other long term benefits	(1,335,846)	(4,354,755)
Deferred accounting gains	(534,384)	(667,578)
Impairment losses and provisions	(413,725)	(105,163)
Impairment losses in tangible fixed assets	102,826	307,246
Derecognition of inventories	(58,366)	(79,395)
Value deducted from debts	(14,019)	(19,069)
Tax losses carried forward	-	1,358,869
Other	(2,770)	69,314
Effect on equity		
Employee benefits - health care	176,123	3,150,049
Closing balance	<u>101,553,139</u>	<u>103,645,256</u>
	<u>30.09.2014</u>	<u>31.12.2013</u>
Deferred tax liabilities		
Opening balances	5,481,878	5,740,233
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(242,651)	(240,583)
Suspended capital gains	(27,276)	(14,067)
Other	-	(3,705)
Closing balance	<u>5,211,951</u>	<u>5,481,878</u>

The tax losses carried forward are entirely related to the losses of the subsidiary Tourline in the years 2008, 2009, 2011, 2012 and 2013. These losses may be tax reported in the next 15 years, except the tax loss related to 2012 and 2013, which may be carried forward in the next 18 years.

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

Other information

Pursuant to the legislation in force, income tax returns are subject to review and correction by the tax authorities for a period of four years (five for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Group's income tax returns after 2010 may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.



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Public Company

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CTT believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 September 2014.

19. RELATED PARTIES

According to the Group's internal rules on financial reporting, the parties related to the Group are CTT shareholders, and other shareholders of companies in which the Group has a stake, the associated companies, joint ventures, and the members of the Board of Directors, the General Meeting, and the Audit Committee.

The terms or conditions applied between the Group's companies and the related parties are, as a rule, substantially identical to those which are normally contracted, accepted and applied between independent entities in comparable operations.

During 9 months the periods ended on 30 September 2014 and 30 September 2013, the following transactions took place and the following balances existed with related parties:

	30.09.2014				
	Accounts receivable current	Accounts payable current	Revenues	Dividends	Costs
Shareholders	-	-	-	60,000,000	-
Other Group companies					
Associated companies	2,929	21,636	13,345	-	70,651
Jointly controlled	25,558	15,084	177,460	-	137,014
Members of the					
Executive Board of Directors	-	-	-	-	1,523,828
General Meeting	-	-	-	-	1,940
Audit Board	-	-	-	-	211,528
	<u>28,487</u>	<u>36,720</u>	<u>190,805</u>	<u>60,000,000</u>	<u>1,944,962</u>
	30.09.2013				
	Accounts receivable current	Accounts payable current	Revenues	Dividends	Costs
Parpública, SGPS (a)	-	-	-	50,000,000	-
Other Group companies					
Associated companies	2,915	51,142	14,911	-	53,789
Jointly controlled	38,377	15,043	179,476	-	145,425
Members of the					
Board of Directors	-	-	-	-	803,509
General Meeting	-	-	-	-	1,260
Statutory Audit Board	-	-	-	-	153,225
	<u>41,292</u>	<u>66,185</u>	<u>194,387</u>	<u>50,000,000</u>	<u>1,157,208</u>



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(a) CTT has availed of the exemption available in paragraph 25 of IAS 24, and therefore has not provided detailed disclosure of its transaction with the State of Portugal and related parties. A summary of the Group's transactions with the State of Portugal and its related parties is included below:

- 1- CTT sells and render services to the State of Portugal and various of its related entities.
- 2- CTT collects various payroll taxes and other taxes on behalf of the State of Portugal and its liable to Portuguese Corporate Tax on profits earned and to employees's Social Security Taxes on its payroll.
- 3- CTT accounts for VAT in Portugal.
- 4- CTT Group incurs in costs as result of services provided by several State of Portugal related parties, namely:
 - Water Supply costs;
 - Air transportation costs.

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

20. SUBSEQUENT EVENTS

From 1 January 2015, CTT's healthcare plan until now managed by PTACs, will be managed by Médis, following a competitive tendering process to four agencies.

The transition to Médis ensures continuity of all health care in the same manner and with the same principles that have been being provided by the current manager, PT-ACS.

This change will impact CTT's accounts regarding the healthcare plan, both in the active beneficiaries (workers) as well as the liabilities for post-employment benefits (health care liabilities). Currently is not possible to accurately quantify this impact, however, a significant cost reduction is estimated.

On 4 November 2014, the Board of Directors of CTT approved the launch of the Postal Bank, in continuation of the established strategy to expand the Financial Services product offer. The indicative bases of the model for the Postal Bank are still subject to adjustments related to: the process of authorisation by and registration with the Bank of Portugal; the detailed implementation of the project; the market environment; and any minor inorganic acquisitions that might reduce the time-to-market of the operation.