



Annual Report

2015



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CHAIRMAN & CHIEF EXECUTIVE OFFICER'S STATEMENT

Two years after its privatisation, CTT continues to demonstrate its full potential and determination to reach further.

The main trends of a sector undergoing profound transformation were reaffirmed in 2015, and CTT continued to define and implement business development initiatives based on its key strategic pillars, while providing a substantial return to its shareholders.

The year 2015 will be marked by the launch of Banco CTT, the additional driver we needed in order to accelerate the growth in the financial services business and upon which we place high expectations for the future. And also by the re-introduction of the variable compensation for employees and management after 6 years, thus aligning the incentives and compensating the ones that determine the success of CTT.

The way our employees and the company have responded to the various challenges that we faced over the last three years make me very proud of the quality of our organisation and optimistic about the road ahead.

A Postal Sector undergoing Profound Transformation on a Global Scale

The Postal Sector is changing deeply and several trends are contributing to this change, among which I would highlight:

- i. **The competitive environment and the growing scrutiny of all the stakeholders** – nowadays postal operators (i) operate in completely liberalised/deregulated markets, which means greater competition in their natural markets, (ii) compete in a global market with international integrators with a high level of technological sophistication, entailing increased customer requirements and (iii) undergo an ever greater scrutiny from the competent authorities and /or the investors.
- ii. **The substitution effect/digitalisation and the need for diversification** – is a reality. We all know mail volumes are declining every year – even if, in CTT's case, the decline is slowing down – as a consequence of the penetration of new technologies. This fact obliges the operators to find new ways to preserve their core business and diversify their sources of revenues.
- iii. **The explosion of E-commerce** – Portugal and Spain (CTT's main markets), are still below the European average in e-commerce and online purchases. Projections point out to a significant growth in the revenues generated by e-commerce in the Iberian Peninsula and this is obviously an opportunity to be captured by the postal operators.
- iv. **Internet of postal things/data-driven marketing** – The new digital world opens up several opportunities, besides e-commerce, for the postal operators to leverage their assets – proximity, capillarity and trust – maximising the technological capacities of data processing and use of information. The collection of data with market value, the new advertising mail functionalities, smart cities, new last-mile delivery models or the deliveries with recourse to crowd are some examples of that trend, which is still at its early stages and starting to be explored by the operators.

Thus, the Postal Sector is no longer a closed one. The mentioned trends are just some examples of developments that compel postal operators to be more dynamic, not simply focused on their traditional businesses but instead always with an eye on new opportunities, namely Banking / Financial Services, Transport and Logistics or even the possibilities offered by Digitalisation.

A Dynamic Benchmark Operator in the postal sector all over the world

CTT is today one of the benchmarks in the postal sector, both for its ability to innovate and diversify its businesses while maintaining the solid performance of its universal postal service quality indicators and for its outstanding track record in the capital markets since its privatisation.

CTT is also one of the most valuable national brands, considered a Trusted Brand in many consecutive years, not only in terms of consumer recognition but also in terms of the values attributed to the brand, mainly proximity and trust. CTT occupies a unique position in the minds of the Portuguese population, which we wish to protect and maximise.

Finally, CTT sees in its networks (retail and distribution) one of the most powerful demonstrations of its identity and a clear competitive advantage. We are present all over the country, directly or through our partners. Our network of over 600 post offices combined with our Partnership branches and Payshop network provide us with more than 6,000 contact points with our customers. Additionally, we have around 5,000 postmen and women, the only network in the country to reach all households and addresses in every working day.

Laying today the Foundations for our Future Development

In 2015, we continued to lay the foundations for our future with the vision of becoming increasingly a multiservice postal operator acknowledged as a world reference in quality, efficiency and value creation. Our strategy is clear and well defined, based on 4 strategic pillars:

1- Focus on the preservation of the Mail business: efficiency programmes, regulatory management and new initiatives in the physical-digital area and specialised segments

Mail is our core business, hence the focus on Mail continues to be one of our strategic priorities. Besides launching efficiency programmes and addressing regulatory management, CTT's ambition is also to capture its natural digital fringe and develop specialised segments, such as, for instance, advertising mail.

Advertising Mail is increasingly becoming a preferred mean of advertising in comparison to digital channels due to the fact that consumers rely more on printed advertising and consider it safer. CTT is implementing a new strategy in which technology and digitalisation have a key role in the revitalisation of this mail service, which is expected to generate relevant additional revenues in the future.

In the digital area, CTT already has some solutions available (e.g. ViaCTT, mailmanager), oriented to the business world in order to digitalise and facilitate the mail posting and reception processes. Also underway is an analysis on the positioning of our portfolio based primarily on boosting new physical / digital hybrid solutions to mitigate the negative impact of the mail volumes decline and leverage the power of physical communication.

Projects aiming at continuous operational and efficiency improvements remain a priority for CTT, and in 2015 several initiatives were carried out to optimise the operations and the network, of which I would emphasize the installation of a new sorting machine for postal parcels ("Rest Mail"), the transfer of the subsidiary Mailtec to Cabo Ruivo and the integration of a significant part of non-time-definite Express & Parcels products in the Mail distribution network, which will allow for significant cost savings.

2- Capture the growth trend in Parcels: E-commerce with High Development Potential in Portugal and Spain

Technological advances and the whole new digital universe open a number of options on the supply and demand sides that greatly facilitate the choice of e-sellers and end-users (online shopping experience, forms of payments, track & trace, etc.), representing a wide set of opportunities for all stakeholders.

This is a priority and as such we have defined a detailed action plan in order to make CTT one of the driving forces of the transition of the national business fabric to e-commerce. I point out some of the key initiatives that we have defined:

- i. Foster the development of the domestic markets:** Leveraging an e-commerce ecosystem for SMEs (still under study), integration of processes in existing "marketplaces" and creation of partnerships with relevant digital players.
- ii. Focus on the e-seller customer:** Development of a new modular e-commerce offer fully adapted to the needs of sender customers.
- iii. Focus on e-buyer customer:** by integrating the offering of new features to the end customer focused on (i) Simplicity, (ii) Convenience, (iii) Flexibility and (iv) Interactivity. In order to expand its PuDo network, CTT also signed an agreement with an important retailer (> 140 points), currently providing more than 1,000 pick-up and drop-off points.
- iv. Capture of international volumes:** by providing solutions to increase international inbound flows through add-ons such as postal virtualisation and cargo-postal line hauls (both in progress).

In the context of Express & Parcels Operations, in 2015, CTT completed an integration project of the Express & Parcels distribution network with the Mail distribution network for slower and less customised services (24h to 48h) that is already having a relevant impact on operational efficiency and can be even more significant in the future. This process took place gradually in order to ensure compliance with the service level which our customers have become used to, while minimising any disruptions.

3- Launch of Banco CTT: a very important step that Completes the Financial Services business

Banco CTT is a step change that completes the product offer of our financial services business. CTT has a very close and capillary network, present throughout the country, and an unparalleled capital of trust. To this we add a team of professionals in our post offices that have a unique knowledge about our customers and an extensive experience in selling financial products developed over decades, namely by selling public debt certificates and other products such as insurance. The bank is, therefore, in the DNA of CTT and it represents a long lasting ambition of the company.

Banco CTT fills a clear market opportunity. In recent years, the Portuguese banking and financial institutions suffered a severe reputational damage caused by a long and deep economic crisis aggravated by the sovereign debt crisis that specially affected the banking sector. Through a thorough and careful analysis of the market, CTT identified an opportunity to launch a bank aimed at a population that values trust and favours simplicity (instead of complexity) for their day-to-day banking needs.

The differentiating concept of Banco CTT is its positioning as an alternative to the current offer on the market, capitalising on its clear competitive advantages, in particular:

- i. **Simplicity:** Concept based on the principle of simplification ("no-frills") both in terms of product portfolio and communication with which we also intend to capture a younger segment prone to new digital channels.
- ii. **Trust:** Strong reputation and image of the CTT brand.
- iii. **Proximity:** Proximity to the population by leveraging on the physical network already in place and comparable with those of the largest banks.
- iv. **Efficiency:** Extensive experience and strong track record in the sales and marketing of financial products.
- v. **Strength:** Opportunity to start a bank from scratch with a clean balance sheet, without a legacy of non-performing loans and real estate assets and with innovative information systems.

Banco CTT started its operation in November through a soft opening only for CTT employees in order to extensively test all operational functions in a real-life but protected environment. The commercial rollout will begin on 18 March 2016 in 52 CTT post offices throughout the country, a number that will be increased to up to 200 post offices by the end of the year and further expanded in future years.

The ambition and drive of Banco CTT project, unparalleled in the Portuguese banking landscape, has attracted to the team a well-diversified group of talented, committed and experienced professionals that we believe will be key to ensure the success of the Bank.

It has been an extremely demanding process for all, involving many challenges, some of an internal nature due to the tight project schedule, the necessary additional training to be carried out (+40,000 hours and +500 trained employees) and the cultural transformation required in CTT in order to assure that the people who are connected with customers and other external stakeholders are able to communicate properly our competitive advantages and value proposition, projecting a differentiating strength and confidence, capitalising on the values of the CTT brand.

4- Continue to Leverage the Scalability of our Assets

Finally, we continue to see growth potential through the scalability of our Assets, i.e., looking at our Distribution Network and Retail Network not as postal assets but rather as relevant group assets that will allow us to constantly improve CTT's value creation through key partnerships. The services of general economic interest agreed with the Government of Portugal as well as the toll payment solution in partnership with Brisa are two examples of successful partnerships. Others will come.

Solid Results and Strong Investment in the Launch of Banco CTT

In 2015, CTT remained focused on creating shareholder value by delivering strong results. After reversing the trend of decreasing revenues in 2014, CTT continued on a sustainable growth path with total recurring revenues growing to €727.2m (+1.3% over the previous year). This achievement was possible due to the positive contribution from all business units of the group:

- i. **Mail** revenues increased by 1.5% to €554.6m due to the combined effect of the increase in the average addressed mail prices, the change in the discount policy and the slowdown in the rate of decline in addressed mail volumes which stood at 3.2 % (vs. a 5.7% decrease in 2014 compared to 2013). Also worth noting is the 6.0% growth in addressed advertising mail volumes due to the increased number of advertising campaigns by large customers – it supports our strategy of additional focus in this segment.
- ii. **Express & Parcels** revenues grew by 1.7% to €131.3m, as a result of a 3.2% growth in volumes. In this business unit the main focus was on increasing profitability through the network integration project in Portugal and the ongoing restructuring in Spain in order to maximise operating results. It is expected that the market trends, particularly related to e-commerce, will drive an even stronger growth in the future, although the competition in this market, the price pressure and the impacts of the turnaround of Tourline are very significant.
- iii. **Financial Services** continued to be a key lever for the overall growth of CTT, consolidating their offer and market position, and paving the way for Banco CTT. Recurring revenues amounted to €75.3m, an increase of 1.9% over the previous year. This growth was mainly supported by the contribution of the Savings & Insurance business, presenting an increase in revenues of 7.9% compared to 2014, showing once again the extraordinary ability of the CTT Retail Network to attract savings by capturing about €4.3 billion of placements throughout the year, including PPR, capitalisation insurance and especially public debt products.

In line with the strategy announced and adopted in recent years, CTT continued on its path of operational efficiency improvement and increased productivity levels. Thus, the recurring operating costs stood stable at €583.2m (+0.1% compared to the previous year) absorbing salary increases and recurring variable remuneration and Banco CTT recurring costs, as they were offset by lower costs related to the new healthcare plan, the outsourcing of information systems and the initiatives carried out for the optimisation and rationalisation of the Retail Network and operations, such as the integration of the distribution networks that brought greater synergies between the Mail and the Express & Parcels distribution networks.

Recurring EBITDA grew by 6.6% year-on-year to €144.0m and, on a like-for-like basis excluding recurring costs with Banco CTT, the EBITDA grew by 10.3%. This performance was driven primarily by the growth in the recurring EBITDA of the Mail (+€11.0m, +12.0%) and in the Financial Services business units (+€4.6m, +12.2%), which posted a recurring EBITDA of €102.7m and €41.9m, respectively.

It is also worth highlighting the operational revitalisation plan in Spain. Due to its very nature, this plan – intended to reinforce in the long term the network of commercial representatives and the distribution network of Tourline (franchisees) – has negative impacts in the short term as the strong reduction of franchisees (typically the least efficient and profitable ones that did not accept the changes introduced in the commercial agreements) has resulted in an increase in distribution costs and in the (temporary) loss of commercial capillarity. The Spanish market is growing and we are confident that Tourline is taking the necessary steps to capture its potential.

The year was also marked by the strong investment which stood at €32.3m (almost twice as much as the previous year), mainly due to key investments in the Banco CTT project (€11.7m), especially in information systems (acquisition of the Core Banking System and creation of the bank's digital channels). Several operational infrastructures were also strengthened, e.g. through the acquisition of a sorting machine for Rest mail items (€1.9m) to support the growth of e-commerce, the acquisition of cargo and transport vehicles, renovation / maintenance of buildings and even some investments arising from the transformation programme related to information systems in order to modernise this component of the organisation and provide teams with better management tools.

CTT maintains a high financial strength (net cash of €271m in December 2015, €83m net of liabilities related to employee benefits, +€8m vs. the same period of last year) due to its extraordinary capacity to generate operating cash flow. It continues to be one of the most profitable postal operators in the sector with a recurring EBITDA margin of 19.8% (+1.0 p.p. than in 2014 driven by the increased weight of the highly profitable financial services).

CTT's strong financial position and the level of results achieved allow the maintenance of a policy offering a sustainable growth of dividends, reconciling the shareholder remuneration objectives with the development needs of CTT.

CTT counts with a stable, well-diversified (geographically and by investment strategy), blue-chip institutional shareholder base (c.90% of capital). In 2015, the CTT shares displayed the strongest Total Shareholder Return (TSR) in the European postal sector (+15.9%) and once again outperformed the local index (PSI20). The bond with the investment community remains strong – throughout 2015 we held more than 400 investor meetings and conference calls. More than 55% of our capital base voted at the Annual Shareholders Meeting in May, overwhelmingly supporting all resolutions. We also held the first ever CTT Capital Markets Day in Lisbon in November. The stock is now closely covered by 16 research analysts.

My sincere Thanks to All Those who Contributed to a Successful 2015 and let's make 2016 Even Better...

I would like to thank all those who work in CTT and its subsidiaries, my colleagues of the governing and management bodies of the company and also our shareholders, customers and other stakeholders for your dedication and exceptional collaboration. Together, we have been doing an excellent job and I feel extremely proud to be leading this extraordinary group, and to count, each day, with your valuable contribution.

I wish to thank the capital market participants for your close involvement with CTT, for your active participation in the company's governance, and for the straightforward and open feedback at the meetings. Long may it continue.

We remain very confident about our position in the market. Our strategic vision has allowed us to anticipate, prepare and adapt to the recent transformation of the industry by leveraging our strong capabilities and clear competitive advantages. We remain fully focused on our sustainable growth objectives in the short and long term, improving the profitability of each of our business areas and creating value for our shareholders.

Last but not the least: The people. CTT has been able to attract and retain an impressive set of very talented people. Over the last years, we have been able to progressively renew the company's management at all levels while retaining a set of very committed, experienced and trustworthy professionals. In fact, the transformational period that our industry is undergoing has impacted in our people willingness to change. The cultural transformation, while retaining the core and best of CTT's

culture, is undergoing and different HR policies (employer's brand, new incentive scheme, corporate events, etc.) are being set and implemented in line with such ambition.

The year 2015 was another landmark year in the history of nearly 500 years of CTT and 2016 will certainly be another one...

Francisco de Lacerda

Chairman of the Board of Directors & CEO

GOVERNING AND MANAGEMENT BODIES

Governing bodies

Board of the General Meeting

Chairman: Júlio de Lemos de Castro Caldas

Vice-Chairman: Francisco Maria de Moraes Sarmento Ramalho

Board of Directors

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

Vice-Chairmen: António Sarmento Gomes Mota (Chairman of the Audit Committee)
Manuel Cabral de Abreu Castelo-Branco

Members: André Manuel Pereira Gorjão de Andrade Costa (CFO)
Dionízia Maria Ribeiro Farinha Ferreira
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo
António Manuel de Carvalho Ferreira Vitorino
Nuno de Carvalho Fernandes Thomaz (Member of the Audit Committee)
Diogo José Paredes Leite de Campos (Member of the Audit Committee)
Rui Miguel de Oliveira Horta e Costa
José Manuel Baptista Fino

Remuneration Committee

Chairman: João Luís Ramalho de Carvalho Talone

Members: José Gonçalo Ferreira Maury¹
Rui Manuel Meireles dos Anjos Alpalhão

¹ Elected on 24 March 2014 as Member of the Remuneration Committee for the 2014-2016 term-of-office, he submitted his resignation on 15 January 2016.

Executive Committee

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

Members: Manuel Cabral de Abreu Castelo-Branco
André Manuel Pereira Gorjão de Andrade Costa (CFO)
Dionízia Maria Ribeiro Farinha Ferreira
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo

Audit Committee

Chairman: António Sarmento Gomes Mota

Members: Diogo José Paredes Leite de Campos
Nuno de Carvalho Fernandes Thomaz

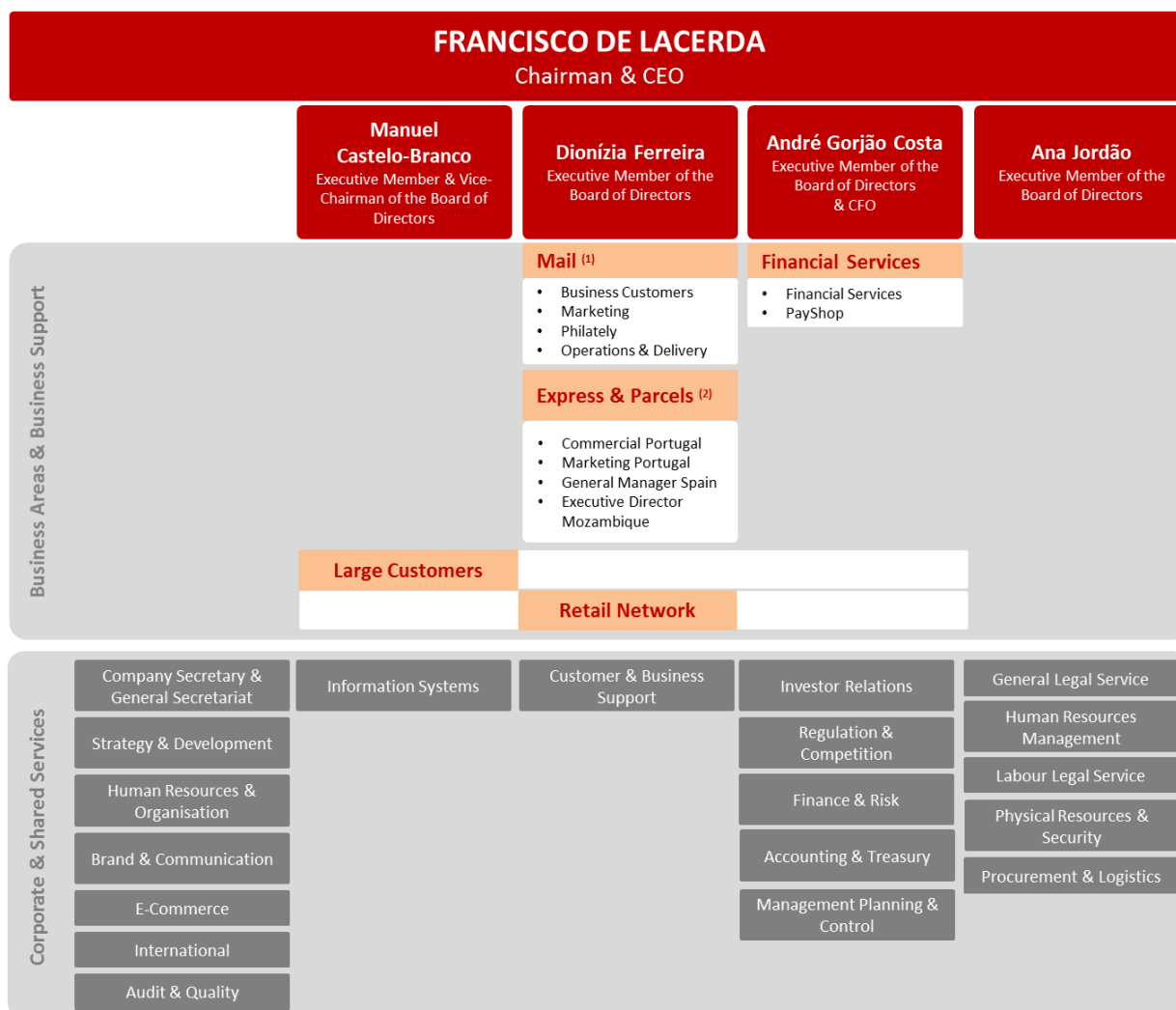
Statutory Auditor and External Auditor²

Statutory Auditor: KPMG & Associados, SROC, S.A., represented by Maria Cristina Santos Ferreira

Alternate Statutory Auditor: Vítor Manuel da Cunha Ribeirinho

² The Statutory Auditor KPMG & Associados, SROC, S.A. was elected for the mandate 2015–2017 at the Annual General Meeting held on 5 May 2015.

Management Organisation



⁽¹⁾ Includes Mailtec Comunicação and CTT Contacto; ⁽²⁾ Includes CTT Expresso, Tourline and CORRE.

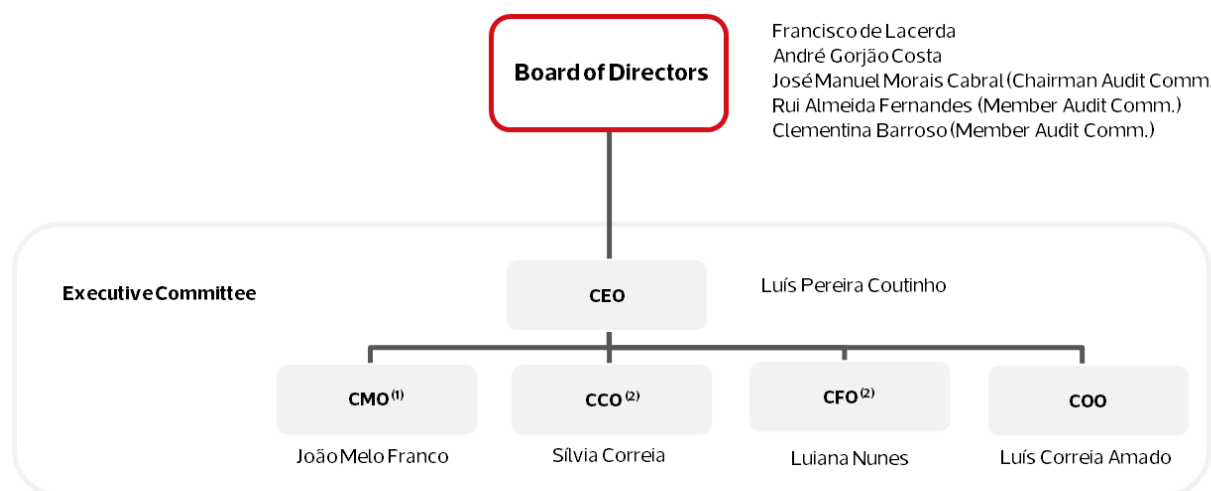
Note: Banco CTT has its own management structure, autonomous from CTT's Executive Committee.

• Banco CTT

Banco CTT adopts an Anglo-Saxon governance model, based on the existence of a Board of Directors, an Audit Committee and a Statutory Auditor.

As at 31 December 2015, the Board of Directors of Banco CTT was composed of nine Directors, including five Non-Executive Directors (including the Chairman of the Board of Directors and three independent Directors) and four Executive Directors (including the Chairman of the Executive Committee). In January 2016, the composition of the Board of Directors increased to 10 members, including five Executive Directors.

Banco CTT has thereafter adopted the following management organisation:



(1) Appointed only on 14 January 2016 as Director and on 15 January 2016 as Member of the Executive Committee.

(2) Resignations from their positions in Banco CTT: Luiana Nunes, on 29 January 2016 effective as of 12 March 2016, and Silvia Correia, on 19 February 2016 effective as of 31 March 2016.

In turn, on 18 November 2015, CTT and Banco CTT signed three agreements which basically govern the CTT/Banco CTT partnership related to the Retail Network Channel and provide for four discussion fora for said partnership: Partnership Governance Committee, Retail Network Committee, Products Committee and Shared Services Committee.

KEY FIGURES

Economic and financial indicators (consolidated IFRS data)

€ thousand or %, except where indicated	2015	2014	Δ% 15/14
Revenues ⁽¹⁾	727,180	717,774	1.3
Operating costs excluding depreciation, amortisation, impairments, provisions and non recurring-costs	583,205	582,674	0.1
Recurring EBITDA ⁽²⁾	143,975	135,100	6.6
Recurring EBIT ⁽²⁾	119,762	111,522	7.4
EBIT	109,932	135,418	-18.8
EBT	104,610	127,999	-18.3
Net profit for the period	72,071	76,844	-6.2
Net profit attributable to equity holders	72,065	77,171	-6.6
Earnings per share (euro) ⁽³⁾	0.48	0.51	-6.5
Recurring EBITDA margin	19.8%	18.8%	1.0 p.p.
Recurring EBIT margin	16.5%	15.5%	1.0 p.p.
Net profit margin	9.9%	10.8%	-0.9 p.p.
Return on Equity (ROE)	28.8%	29.4%	-0.6 p.p.
Return on Invested Capital (ROIC)	21.3%	26.2%	-4.9 p.p.
Return on Capital Employed (ROCE)	20.2%	24.0%	-3.8 p.p.
Capex	32,331	16,596	94.8
Operating free cash flow ⁽⁴⁾	68,322	106,434	-35.8
Cash and cash equivalents	603,650	664,570	-9.2
Net cash	278,999	278,891	0.0
	31.12.2015	31.12.2014	Δ% 15/14
Assets	1,119,472	1,180,997	-5.2
Liabilities	867,637	931,787	-6.9
Equity	251,835	249,210	1.1
Share Capital	75,000	75,000	-
Number of shares	150,000,000	150,000,000	-
Current liquidity ratio	133.0%	134.5%	-1.5 p.p.
Solvency ratio	29.0%	26.7%	2.3 p.p.
Adjusted Solvency ratio ⁽⁵⁾	46.4%	45.6%	0.7 p.p.
Net debt ⁽⁶⁾	-82,590	-74,876	10.3
Net debt/EBITDA ⁽⁷⁾	-0.6 x	-0.6 x	0.0 x
Tangible fixed asset coverage	237.0%	239.0%	-2.0 p.p.

(1) Excluding non-recurring revenues.

(2) Before non-recurring revenues and costs.

(3) It is considered in 2015 the number of shares outstanding excluding own shares acquired in the 1st half of 2015.

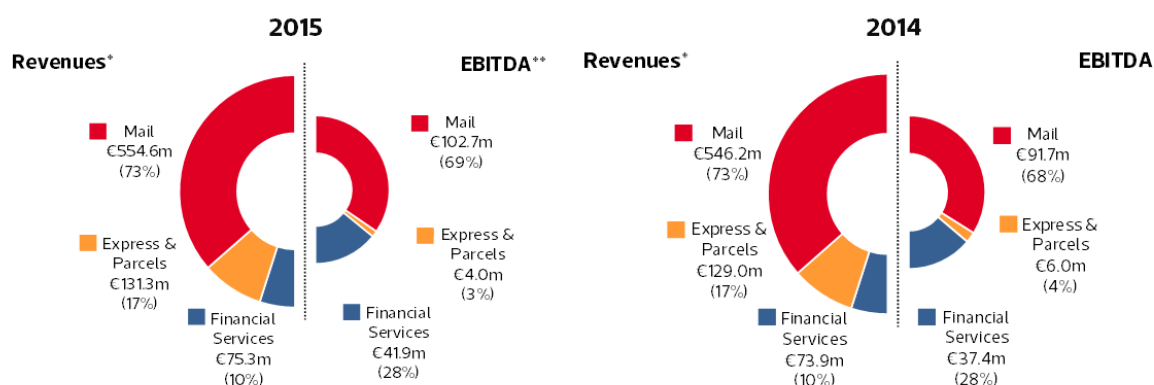
(4) Cash flow from operating and investment activities excluding change in net Financial Services payables.

(5) Equity/(Total liabilities - Financial Services payables).

(6) Net debt includes the responsibility with employee benefits, net of deferred tax credit.

(7) If negative indicates a positive net cash position.

Recurring Revenues* and EBITDA by Business unit



* Including internal provision of services and intra-group transactions eliminated in the consolidation process; excluding income related to CTT Central Structure and intra-group eliminations amounting to -€34.0m in 2015 and -€31.3m in 2014.

** Weight calculated excluding -€4.7m related to Banco CTT EBITDA.

Operating indicators

	2015	2014	Δ% 15/14
Mail			
Addressed mail volumes (million items)	814.7	841.3	-3.2
Transactional mail	688.3	718.0	-4.1
Editorial mail	46.2	47.6	-2.9
Advertising mail	80.2	75.7	6.0
Unaddressed mail volumes (million items)	473.4	507.7	-6.7
Express & Parcels			
Portugal (million items)	14.4	13.8	4.8
Spain (million items)	14.0	13.7	2.3
Financial Services			
Payments (number of transactions; millions)	61.5	67.0	-8.2
Savings and insurance (subscriptions and redemptions; € millions)	5,288.4	6,655.6	-20.5
Staff			
Staff (FTE) ⁽¹⁾	12,462	12,523	-0.5
Retail, Transport and Delivery Networks			
Post offices	619	623	-0.6
Postal agencies (partnership branches)	1,711	1,694	1.0
PayShop agents	3,939	3,876	1.6
Postal delivery offices	254	262	-3.1
Postal delivery routes	4,731	4,659	1.5
Fleet (number of vehicles) ⁽²⁾	3,530	3,478	1.5

(1) FTE = Full-time equivalent.

(2) Operational fleet.

Sustainability indicators

	2015	2014	Δ% 15/14
Customers			
Customer satisfaction (%) ⁽¹⁾	85.2	84.8	0.4 p.p.
Total number of operating units certified (ISO standard and retail and delivery networks certification)	1,183	1,159	2.1
Retail and delivery networks certification (% coverage)	100	100	-
Global Quality of Service Indicator (points)	206.4	236.5	-30.1
Staff			
Number of accidents	905	955	-5.2
Training (hours)	316,042	263,828	19.8
Women in management positions (1 st management level) (%)	35.3	38.3	-3.0 p.p.
Community / Environment			
Value chain - contracts with environmental criteria (%)	99.2	99.5	-0.3 p.p.
Total CO2 emissions, scope 1 and 2 (kton.) ^{(1) (2)}	21.6	20.7	4.3
Energy consumption (TJ) ^{(1) (2)}	370.5	357.9	3.5
Weight of Eco product range in Direct Mail line (%) ⁽³⁾	34.3	22.8	11.5 p.p.
Investment in the Community (€ thousand)	908	1,039	-12.6

(1) Change in the series - new methodology; (2) Not including values from the subsidiary Corre and values relating to the fleet of subsidiary Tourline Express; (3) Volumes.

HIGHLIGHTS OF THE YEAR

January

- Registration of the **merger by incorporation of Mailtec Holding, S.G.P.S. in CTT – Correios de Portugal, S.A.**, through the global transfer of Mailtec Holding, S.G.P.S., S.A.'s assets and liabilities.
- Signing of the protocol between the Government and CTT for the opening of **300 Citizen's Bureau Areas** at CTT post offices by the end of 2016.

February

- **Incorporation of the company CTT Serviços S.A.**, with the share capital of 5,000,000.00 Euros, whose corporate scope was the provision of advisory and support services in the acquisition, development, structuring and preparation of the incorporation of the Postal Bank.
- Signing of the **new Company Agreement** and revision of the **Regulation of Social Works (Healthcare Benefits Plan)**, CTT's internal healthcare and social welfare system, with the eleven trade unions represented within the Company.

March

- **Selection of the IT platform provider for the Postal Bank (Core Banking System).** The consortium Misys/Deloitte was selected through a tender process.

April

- **Share capital increase of CTT Serviços, S.A.** to 20,000,000.00 Euros.

May

- **CTT's Annual General Meeting** where the 2014 financial reporting documents were approved, including the management report, the individual and consolidated accounts, the corporate governance report, the year's profit allocation including the payment of a gross dividend per share of €0.465 pursuant to the terms proposed by the Board of Directors and votes of recognition for the members of the management and supervisory bodies. KPMG was appointed for the 2015/2017 mandate.
- **Payment of a gross dividend** per share of €0.465.
- Attribution of a **share in profits to the Company's employees and executive directors.**

July

- **Presentation of the CTT Cup**, the new designation for the football League Cup, an agreement valid for three athletic seasons until the end of the 2017/2018 season.

August

- **Commercial registration of the acts regarding the setting up of the subsidiary Banco CTT, S.A.** with a share capital of 34 million euros (and formation of CTT Serviços, S.A. in a bank and respective amendment of the statutes) **and the appointment of the respective governing bodies.**
- Final registration of the **merger by incorporation** through the global transfer of the assets and liabilities of the companies **PostContacto – Correio Publicitário, Lda. and Mailtec Processos, Unipessoal, Lda., to CTT Gest – Gestão de Serviços and Equipamentos Postais, S.A. whose name was changed to CTT Contacto, S.A..**

October

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

November

- **Launch of Banco CTT's Brand**, at the Torreão Nascente of Praça do Comércio in Lisbon.
- **Capital Markets Day 2015** is held in Lisbon bringing together CTT investors and analysts. Results of the last three years were presented, along with the Banco CTT project and the company's business ambition and goals until 2020.
- **Banco CTT initiates its activity**, on a limited basis, with a soft-opening. It operates at the Head branch, in a reserved environment, exclusively for CTT and Banco CTT employees.

December

- Final registration of the **merger by incorporation through the global transfer of Mailtec Consultoria, S.A.'s assets and liabilities to CTT – Correios de Portugal, S.A..**
- Decision on **undertaking an analysis of the best corporate structure for ownership of Tourline** as an instrument for possible future restructuring strategies of the company's business and of **CTT's presence in the Spanish express and parcels market.**
- **Acquisition of the company Escrita Inteligente, S.A.,** which enabled the acquisition of the patented RecibosOnline (online invoices) solution present in more than 200 retail stores in Portugal and that brings the concept of the e-invoice to any retail counter.

AWARDS AND RECOGNITIONS

CTT was awarded the following distinctions / recognitions in 2015:

- **FRANCISCO DE LACERDA RECEIVES THE BEST CEO IN INVESTOR RELATIONS AWARD OF THE 2015 IRGA**

CTT's Chairman and CEO, Francisco de Lacerda, was distinguished with the Best CEO in Investor Relations Award of the Investor Relations & Governance Awards 2015 (IRGA). This award is promoted by Deloitte and distinguishes the best company performances and best governance practices.

- **"EXTEL WECONVENE - IR AWARDS 2015"**

Last 28 September, CTT took the stage at the "Extel WeConvene - IR Awards 2015", in the 4th edition of the Pan-European Investor Relations (IR) Conference in Amsterdam. CTT was distinguished in the "Corporate Best for Investor Relations" category, in addition to the recognition of the performance of the Investor Relations director, who received the accolade of "IR Professional Best for Investor Relations". Both awards were granted in the "Small and Mid-Caps Portugal" category.

- **HUMAN RESOURCES PORTUGAL DISTINGUISHES CTT WITH TWO AWARDS**

CTT was awarded first place by the magazine Human Resources Portugal in the Human Resources Portugal 2014 awards in the categories of "Company with the best Senior Employees optimisation policy" and "Company that most promotes Gender Equality".

- **THE LUSOS PRIZES DISTINGUISH "THE COUNTRY'S LARGEST THANKS NETWORK"**

The campaign "The Country's Largest Thanks Network", which successfully encouraged the Portuguese to send over 70 thousand "thanks", was distinguished with two bronze medals in the categories of "Relationship Marketing - Digital Direct Marketing" and "Relationship Marketing - Printed Direct Marketing", at the awards ceremony for the 2nd four-monthly edition of the Lusos Prizes.

- **CTT IS RECOGNISED AS "COMMITTED TO EXCELLENCE"**

CTT earned the "Committed to Excellence - 1 star" award from the Portuguese Quality Association (*Associação Portuguesa para a Qualidade (APQ)*), encompassing the Company's entire operational network: post offices, postal delivery offices and production and logistics centres, under the European Foundation for Quality Management's European Excellence Model.

- **CTT IS DISTINGUISHED WITH THE "TRUSTED BRANDS" AWARD**

CTT was once again distinguished at the "Trusted Brands" awards ceremony, following a study undertaken by the Reader's Digest Selections for 40 distinct product and service categories. CTT was awarded first place as a Trusted Brand for the 13th time.

- **ENVIRONMENTALLY TRUSTED BRAND**

CTT was also distinguished, for the second consecutive time, as an Environmentally Trusted Brand, an important recognition of the environmental policy the Company has implemented over the past years, earning it votes for first place.

- **THE IPC RENEWS THE CERTIFICATE OF EXCELLENCE OF THE LISBON OFFICE OF EXCHANGE**

The International Post Corporation (IPC) renewed the Certificate of Excellence of the Lisbon Office of Exchange, made up of the Lisbon Production and Logistics Centre and the Airmail Unit. This demanding distinction recognises CTT's excellent quality of service, based on the ability to ensure the best practices in international mail processing (inbound and outbound) from among the operators that are members of this reference organisation.

- **CTT'S CUSTOMER SERVICE LINES DISTINGUISHED IN THE APCC BEST AWARDS 2015**

CTT's and CTT Expresso's customer service lines were awarded the bronze and silver medals, respectively, in the APCC Best Awards 2015, in the category of "Delivery and Logistics", by the Portuguese Contact Centre Association (*Associação Portuguesa de Contact Centers (APCC)*).

- **THE WORLD MAIL AWARDS 2015 DISTINGUISHES CTT**

CTT was Highly Commended in the categories of "Corporate Social Responsibility" and "Retail Customer Access" in the 2015 edition of the World Mail Awards, the Oscars of the World Mail Industry, for its "Mobility Plan Programme" and "Largest Thanks Network" projects, respectively. The Mobility Plan Programme, presented under the subtitle "Moving smarter, moving greener", addresses the way the Company promotes soft mobility to its employees in their commutes to and from work and on business trips by explaining how it is the best option both business-wise and in terms of social and environmental responsibility.

- **CTT INTAGLIO STAMP DISTINGUISHED IN THE GRANDS PRIX DE L'ART PHILATÉLIQUE**

CTT was awarded third place in the *Grands Prix de l'Art Philatélique Européen* for the commemorative sheet of stamps of the "500 Year Anniversary of Andreas Vesalius (1514-1564)", joint issue with the Belgian Post, put into circulation on 19 and 21 April 2014, in Belgium and Portugal respectively. This marks the first time CTT has received an award for the intaglio technique. The 11th edition of the *Grands Prix de l'Art Philatélique Européen*, that recognise the best philatelic and artistic work made in the European Union, awarded 3rd place to the issue to Portugal and Belgium, in the "Intaglio" category.

- **45th ASIAGO PRIZE**

CTT was again distinguished in the International Prize of Philatelic Art of Asiago. This time, the recognised stamp issue was the issue called "150 Years of the Geophysical Institute of the University of Coimbra", designed by the national studio "Design&Etc". The issue was awarded in the "Tourism" category.

- **INTERNATIONAL PRIZE FOR THE BOOK "EXPERIENCING PORTUGAL WITH THE MEDITERRANEAN AT THE TABLE"**

The Book "Experiencing Portugal with the Mediterranean at the Table", written by Fortunato da Câmara and edited by CTT, will represent Portugal in the most important global cookbook competition, the *Gourmand World Cookbook Awards*, in the Mediterranean cuisine category. The final decision will be announced in China next May. To represent Portugal, this organisation considered this edition the best Portuguese book dedicated to Mediterranean cuisine published in 2015.

- **PORTUGUESE STAMP ISSUE CONSIDERED AS THE MOST UNIQUE IN THE WORLD**

The issue of stamps "International Year of Light and International Year of Soils" was considered the most original in the world by the monthly magazine "L'Arte del Francobollo" of February 2016.

- **PAYSHOP, BEST PAYMENT SOLUTION**

PayShop received the "Best payment solution in Portugal" prize from the magazine CFI.co, a prestigious British publication. The accolade distinguishes the work of those "offering the most convenient invoice processing service in the market, for both private customers and companies".

- **APCE 2015 GRAND PRIZE – EXCELLENCE IN COMMUNICATION**

CTT was once again distinguished by the Portuguese Association of Corporate Communication (*Associação Portuguesa de Comunicação de Empresa (APCE)*) and by the APCE 2015 Grand Prize jury for the various communication projects submitted to the competition. CTT collected three first prizes and seven honorary mentions.

- **SILVER MEDAL IN MEDIA & ADVERTISING'S MARKETING AWARDS FOR "THE COUNTRY'S LARGEST THANKS NETWORK" CAMPAIGN**

CTT was awarded a Silver medal in the Marketing Awards of the publication Media & Advertising (*Meios & Publicidade*) for "The Country's Largest Thanks Network" campaign and was the only winning project in its category.

- **GREEN PROJECT AWARDS 2015**

CTT was a finalist in the Green Project Awards with the "a tree for the forest" project, in partnership with Quercus, in the "mobilisation initiative" category.

- **POSTEUROP'S "2015 CSR COUPS DE COEUR"**

CTT was a finalist with the projects "adding to divide" and "drivers' competition", in the society and environment categories, respectively.

- **"BICYCLE-FRIENDLY COMPANY 2015"**

CTT was awarded the "bicycle-friendly company" merit badge by mubi, the association for bicycle urban mobility.

- **CALL CENTRE TROPHY**

The head of Ongoing Improvement in CTT's Customer and Business Support Department won the Person of the Year award in the Call Centre Trophy, organized by IFE – International Faculty for Executives.

PART I – MANAGEMENT REPORT

1. STRATEGIC LINES

1.1. Sector trends

In 2015, CTT's strategy remained in line with the plan established and disclosed to the market in the context of the privatisation. The ongoing revisiting of initiatives to be launched (arising from the strategic plan) is based on new consumer demands and the main trends currently detected in the sector, which are contributing towards its profound transformation on a global scale:

1. **The postal tripod “Globalisation, Liberalisation and Privatisation”** – growing competition, scrutiny and requirements by the various stakeholders.
2. **Digitalisation / substitution effect** – structural decline in mail volumes year-after-year due to the growing digitalisation of services and new forms of communication.
3. **Growth of e-commerce** – the online retail world represents not only a new paradigm, but also a new business opportunity for postal operators to capture/seize.
4. **Focus on efficiency** – continuous operational improvement and resource optimisation in order to improve profitability, which is increasingly based on a flexible and wide-reaching technological architecture that maximises the offer with new features and services.
5. **Service diversification** – leverage the unique distribution and retail networks and maximise return on existing assets (a focus on financial services, partnerships with the Government, network integration, etc.).
6. **Data-driven marketing** – allow customers to benefit the most from the postal operators' profound knowledge of the public to which they render services.

1.2. Strategic lines

During the year, CTT reaffirmed its three strategic axes directly related to its business areas (Mail, Express & Parcels, Financial Services), while consolidating one more which cuts across the entire organisation and that entails leveraging scalability of its assets. Therefore, CTT's current strategic pillars are four, among which are some of the main initiatives carried out or currently underway:

1. **Leverage the scalability of its assets:** (i) carry out initiatives to define the Retail Network's portfolio and segmentation, thereby maximising and optimising its use; and (ii) diversify and expand the use of existing networks (retail and delivery, as well as the PayShop) thereby more efficiently profiting from assets and leveraging growth.
2. **Focus on the preservation of the value of the Mail business:** (i) active regulatory management (price and others); (ii) develop specialised segments, such as advertising mail; (iii) review positioning in the convergence of physical and digital services; and (iv) continuous effort on efficiency programmes in order to adjust the structure and sustain an operation of excellence.

3. **Capture the growth trend in Parcels (CEP):** (i) upgrade the offer through innovative solutions in the product portfolio in line with principles of simplicity, convenience, flexibility and interactivity; (ii) develop specific initiatives for e-commerce development; (iii) carry out the network integration project (Mail and Express) for less urgent (19h to 48h) and less tailored services; (iv) monitor growth opportunities in businesses adjacent to CEP such as logistics and specialised delivery services; and (v) focus on restructuring Tourline's business in order to ensure future profitability and a strong presence in Spain.
4. **Launch Banco CTT to expand the Financial Services business:** (i) expand the financial products portfolio with new offers such as a credit card in partnership with BNP Paribas and health insurance products; (ii) launch Banco CTT using the Retail Network and offering a portfolio of no-frills banking products, leveraged on the proximity and trust associated with the CTT brand and (iii) develop new solutions / services outside the banking realm to pursue the diversification of the offer to clients and thereby foster further growth resilience.

CTT's strategy is based on its competitive advantages and differentiating factors and is grounded on its (i) financial strength; (ii) capillarity and proximity of its distribution and Retail networks (post offices); (iii) constant operational excellence; and (iv) growing enhancement of human capital.

CTT's Strategy



2. BUSINESS

2.1. Economic, sectoral and regulatory environment

2.1.1. Economic environment

International

In 2015, the world economy maintained a moderate growth trend. According to the last IMF estimates, the world GDP grew by 3.1%, slightly lower than the 3.4% recorded in 2014. The growth rates continued to diverge among regions – advanced economies registered a gradual recovery (1.9% growth in 2015 compared to 1.8% in 2014) while emerging and developing market economies slowed down (from 4.6% in 2014 to 4.0% growth in 2015). This trend, which started in 2013, became even stronger due to the recent fall in the price of commodities, particularly oil, leading to a substantial redistribution of revenues among exporting and importing countries. The continuation of accommodating monetary policies and less restrictive budgetary policies also had a positive contribution. Consequently, there was a recovery in salary growth in developed countries and consumer confidence increased to pre-crisis levels. The economic activity in emerging market economies continued to slow down. The change in China's economic policy to a model rather based on internal consumption led to a gradual reduction in economic growth when compared to the very high rates of the last decade (7.3% in 2014 to 6.9% in 2015). The decrease in the prices of raw materials and the market contraction significantly affected many commodity-exporting emerging economies. In Brazil and Russia, additional political and structural factors were present, resulting in the contraction of economic activity (0.1% in 2014 to -3.8% in 2015 in Brazil, 0.6% in 2014 to -3.7% in 2015 in Russia). Despite the reduction of their relative contribution to the growth of the world GDP, the emerging and developing market economies were still responsible for more than 70% of the world GDP in 2015. The weak demand in these economies led to a strong reduction in the world trade of goods and services, which grew by 2.6%, lower than the 3.4% of 2014.

In the Euro area, the improved growth rate evidenced at the end of 2014 continued throughout the year 2015 while the GDP increased from 0.9% in 2014 to 1.6% in 2015, according to the last European Commission estimates. As in other advanced economies, the sharp fall in the prices of energy products increased the real disposable income and helped the further increase of private consumption, resulting in its highest rate since the beginning of the crisis. The growing confidence of the consumers in an environment of gradual improvement of the labour market lent further impetus to consumption. Besides, a higher degree of monetary accommodation from the ECB by means of unconventional measures contributed to strengthen the economic activity. In this context, the cost of credit decreased as well as the interest rates for loans. These developments, together with a more neutral budgetary orientation in most countries, contributed to a broader recovery of the euro area. The activity in Spain in particular continued to accelerate strongly, as the GDP grew from 1.45% in 2014 to 3.2% in 2015. Simultaneously, countries such as Italy (-0.4% in 2014 to 0.8% in 2015) and France (0.2% in 2014 to 1.1% in 2015) recovered from the stagnation observed at the end of 2014.

National

In 2015, a gradual recovery of the economic activity took place as well as improvements in the labour market and in the adjustment of external accounts.

Gross Domestic Product (GDP) increased by 1.5%, corresponding to an increase of 0.6 p.p. vs. the previous year, according to INE – Instituto Nacional de Estatística (Statistics Portugal). Internal consumption contributed in a larger extent to the annual growth of GDP in 2015, increasing from 2.2 p.p. in 2014 to 2.5 in 2015, which reflects the acceleration in private consumption (2.6%) and the increase in public consumption (0.8%) given that investment slowed down. The net external demand posted a less negative contribution of -1.0 p.p. in 2015 (-1.3 p.p. in 2014), as a result of the acceleration of the exports of goods and services, which grew by 3.9% in 2014 while in 2015 growth was 5.1%. A substantial gain in the terms of trade resulting from lower energy prices should also be noted. Investment slowed down from 5.5% growth in 2014 to 3.6%, as a consequence of the performance of the change in inventories, which posted a nil contribution to the GDP variation in 2015 following the positive contribution of 2014 (0.4 p.p.). Gross Fixed Capital Formation (GFCF) accelerated in 2015, increasing by 3.7% (2.8% in 2014) mainly due to the recovery of the GFCF in construction, which went from a -3.2% decline in 2014 to 4.1% growth in 2015, as well as to the GFCF in Transportation Equipment which grew by 18.8% in 2014 and 25.4% in 2015.

Employment registered a growth rate of 1.4% in 2015, similar to that of the previous year. Unemployment rate stood at 12.4% in 2015, a 1.5 p.p. decline vis-à-vis 2014.

The inflation rate, as measured by the annual average rate of change in the Harmonised Index of Consumer Prices (HICP) stood at 0.5% in 2015 (-0.2% in 2014), 0.5 p.p. above that of the Euro area. Food products, alcoholic beverages and tobacco posted a growing contribution to the HICP throughout the year, as the contribution of services remained stable; energy, on the contrary, reflected the fall of oil and refined products prices in the international markets and exerted a negative pressure on the index.

The year of 2015 was marked by a continued depreciation of the real effective exchange rate, even if at a slower pace than in the Euro area, which translated into a positive impact in the competitiveness of national exports.

In the whole year of 2015, the export of goods increased by 3.6% (1.7% in 2014) and imports grew by 1.9% (3.4% in 2014) compared to the previous year, thereby leading to a coverage rate of 82.9% (81.6% in 2014). Excluding fuel and lubricants, exports increased by 4.2% and imports grew by 6.7% in 2015 (4.1% and 6.2% in 2014, respectively). This evolution produced a positive performance of the trade balance, which presented a surplus of 10.3 billion euros, an increase of around 569.8 million euros when compared to the year 2014.

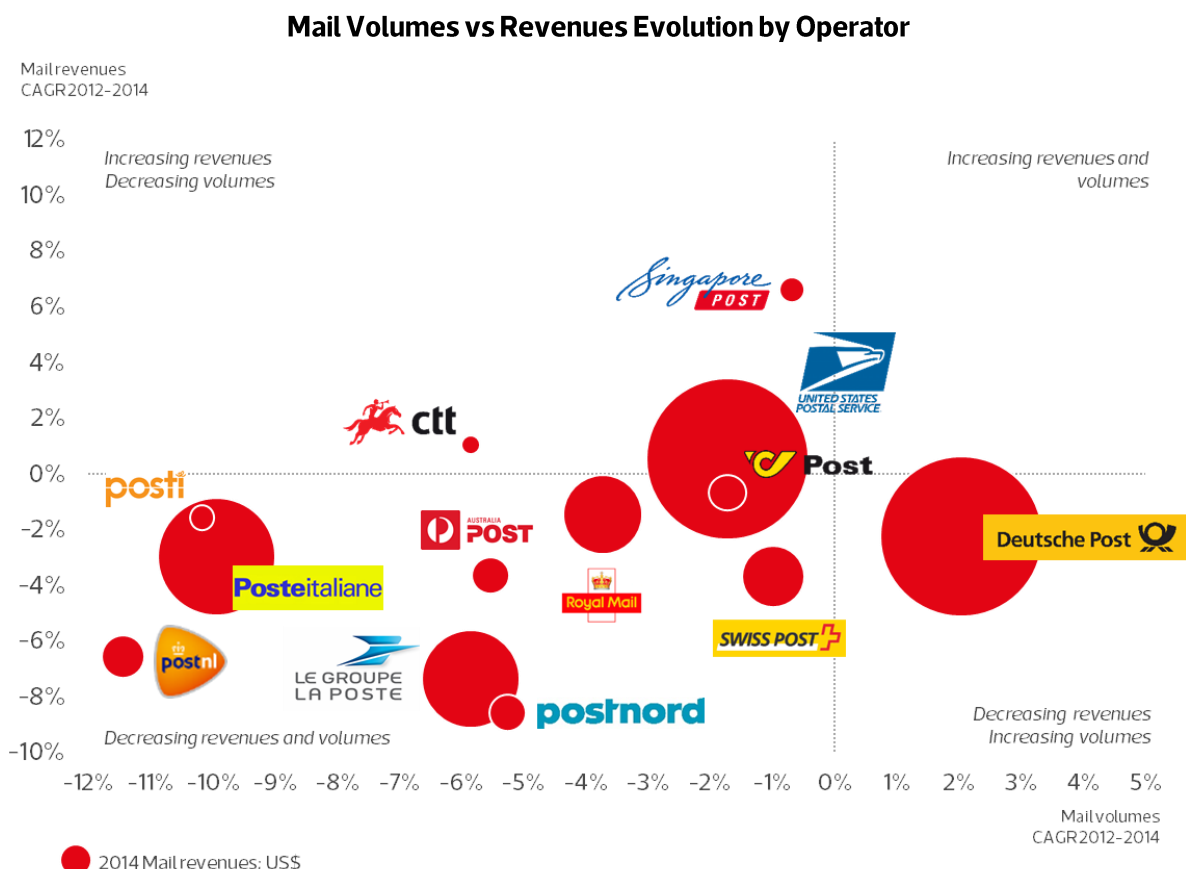
In 2015, the public accounts were strongly influenced by the injection of funds in several companies which were registered as expenditure, as well as the resolution and disposal of Banif bank, the impact of which is estimated at 1.2% of the GDP. The budget deficit is projected to reach 4.3% of the GDP, exceeding the 3% limit stipulated in the Stability Pact (SP). However, the European Union's Code of Conduct of the SP provides for a one-year extension of the deadline for the correction for a Member State under an Excessive Deficit Procedure and for adopting fiscal policy measures to cut down the budget deficit.

2.1.2. Sectoral environment

2.1.2.1. Postal Sector

In 2015, the postal sector went through an even more marked transformation moment as a consequence of the sectorial transformations already mentioned that led the operators to adopt business diversification strategies.

With respect to mail, there is in fact a pressure on volumes in most postal operators, which resulted from a volume decline in the last years and consequently in a reduction of the revenues associated with the mail business, CTT being an exception in this topic. The following chart presents the relationship between volume growth versus revenue growth in a number of postal operators in a sectorial trend analysis for the years 2012 to 2014 (no sectorial data for 2015 is available yet, but in general terms this trend is expected to be confirmed).

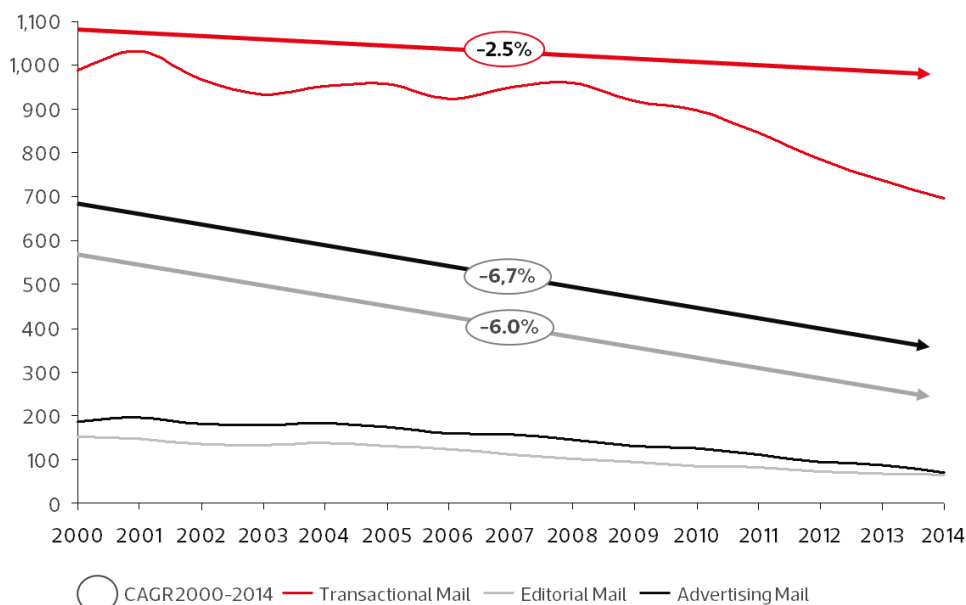


Source: Accenture, "Achieving High Performance in the Post and Parcel Industry".

In the domestic market, the panorama is similar to the international markets, with a historical downward trend of the volumes of all mail segments in the last 15 years. However, it is important to mention that the segments presenting most significant downward volume trends are those that are most permeable to the digital substitution effect, such as the advertising mail and editorial mail. Transactional mail, as the one that represents the vast majority of the postal volumes, has been more resistant to the trends that impact the sector, presenting historical market volume decline trends of 2.5% a year.

The following graph illustrates mail volume evolution in the last 15 years (total market).

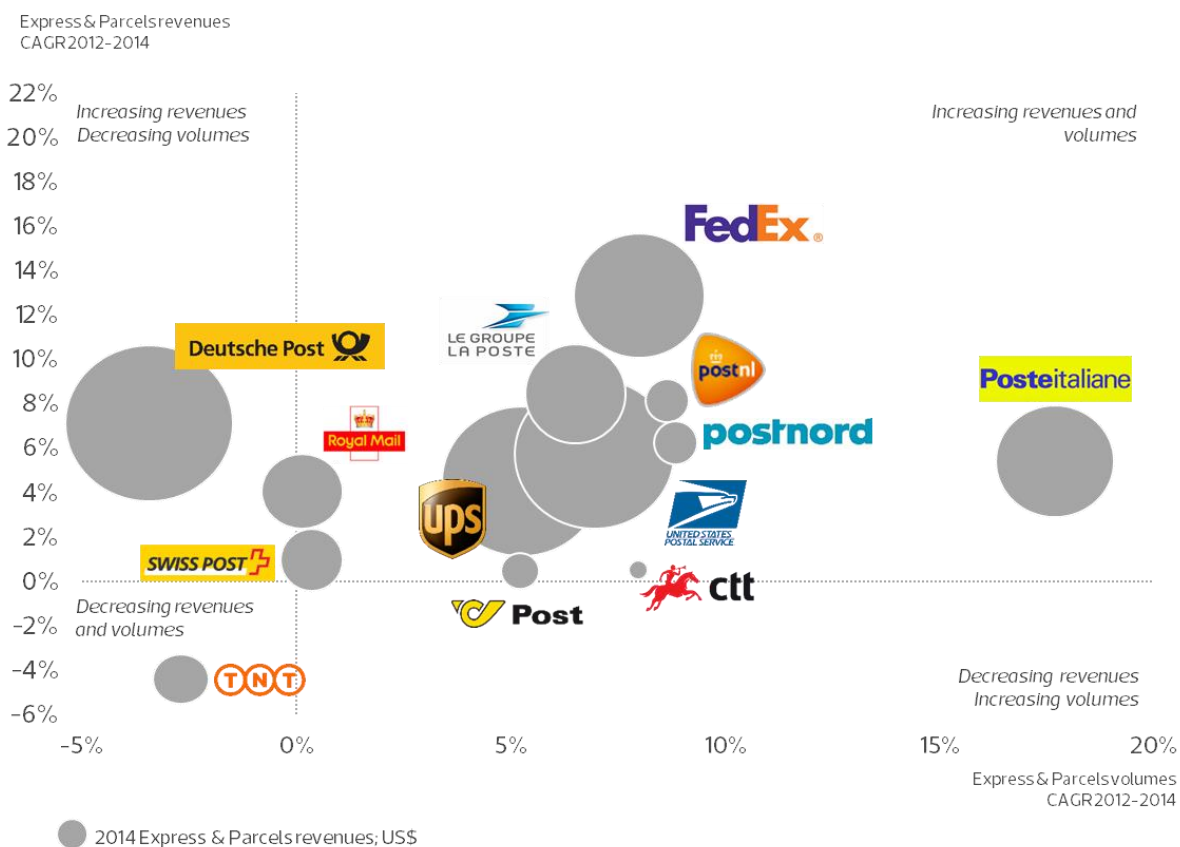
**Mail Market Volume Evolution in Portugal
(2001-2014; million items)**



Source: ANACOM, "Desenvolvimento do Setor Postal em Portugal".

On the contrary, the global express & parcels market is in a strong upward phase, with overall volumes and revenues growing, as the following chart by postal operator shows.

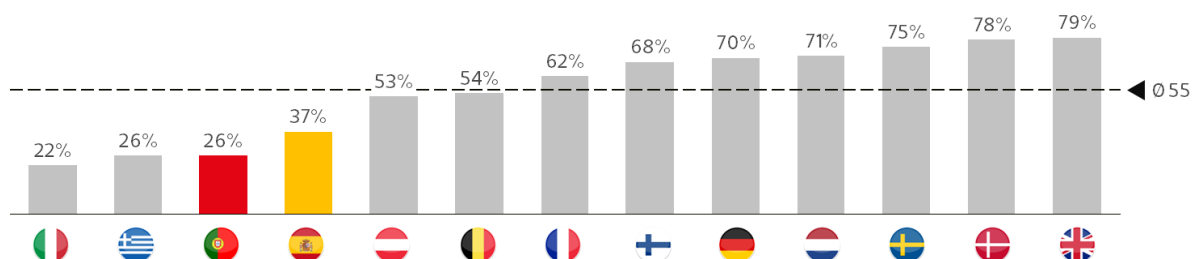
Express & Parcels Volumes vs Revenues Evolution by Operator



Source: Accenture, "Achieving High Performance in the Post and Parcel Industry".

Additionally, in the markets where CTT directly operates, particularly Portugal and Spain, there is a very significant opportunity to capture share in e-commerce, as the percentage of purchases from local e-sellers is still quite lower than the European average.

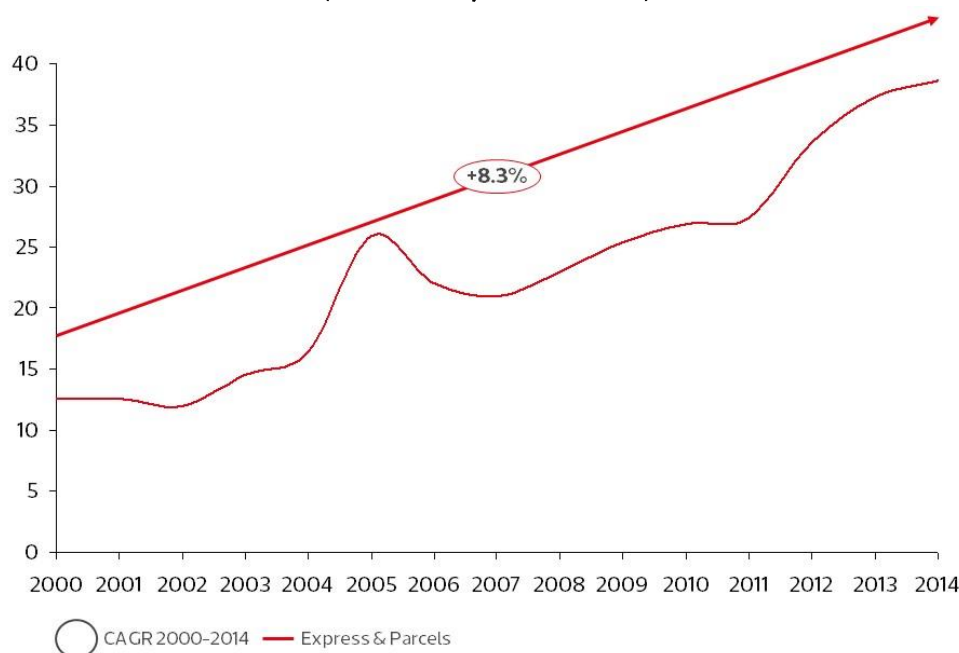
Percentage of users buying from local e-sellers (2014)



Source: Ecommerce Report Europe, 2014.

In relation specifically to the domestic Express & Parcels market, the growth trend is consistent with the global market and the opportunity resulting from e-commerce, with a volume growth pace of 8.3% a year in the last 15 years, as shown in the graph below.

Express & Parcels Market Volume Evolution in Portugal (2001-2014; million items)



Source: ANACOM, "Desenvolvimento do Setor Postal em Portugal" (Development of the Postal Sector in Portugal).

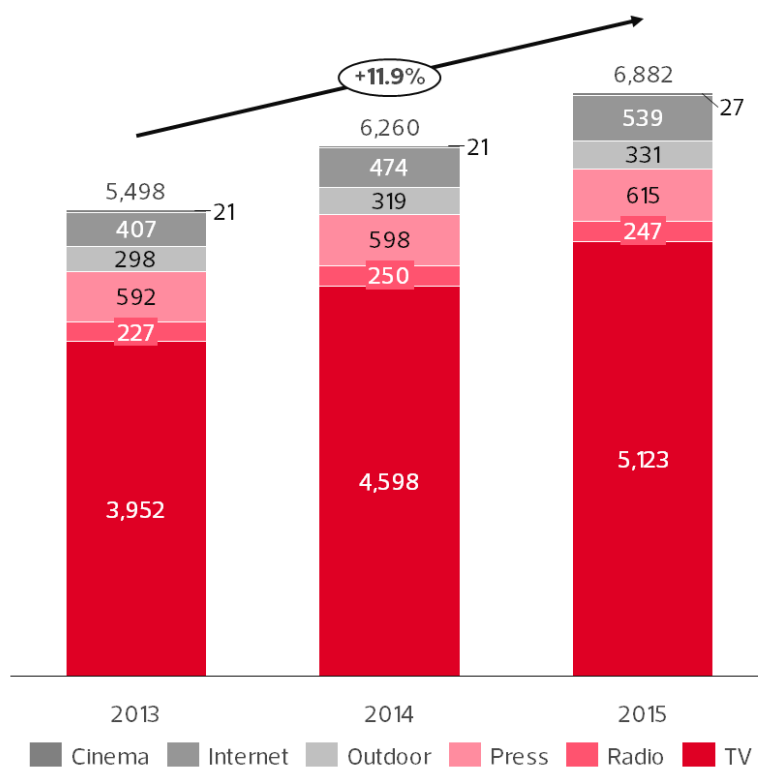
2.1.2.2. Other business sectors

The evolution of the postal sector and the trends that impact it lead to an increasingly narrow connection of the postal operators to other industries, such as logistics and transport, the financial sector or the advertising sector.

Advertising market

The advertising sector in particular has a very direct and significant impact on the postal operators' business, especially in the performance of the product line offer related to advertising mail. It is thus relevant to note that the advertising sector in Portugal is in an important growth phase after a period of divestment from the advertisers coinciding with the period of greatest deterioration of the economic situation (as indicated in the following graph).

Advertising Investment Evolution in Portugal by Channel (€ million)

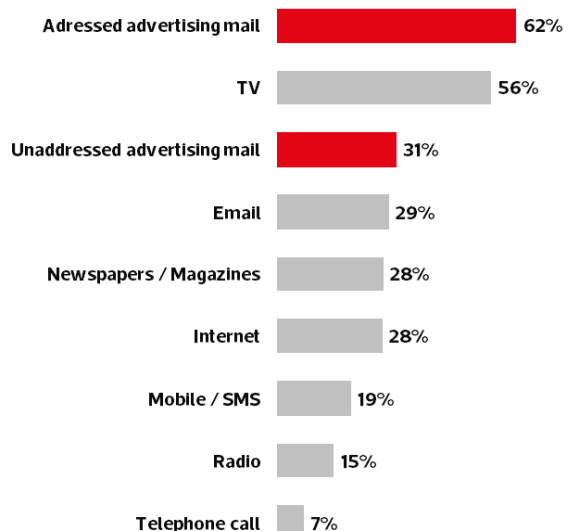


Source: Marktest MediaMonitor.

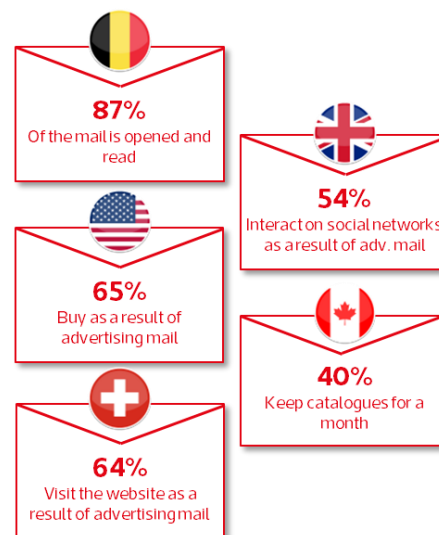
Besides the advertising sector's growth trend, it is also important to mention the goodwill advertising mail generates in Portugal, as well as the relevance it has gained globally in the advertisers' marketing mix. In some international markets, the postal operators have also witnessed good results from their focus on this sector. It is expected that these factors, together with the CTT strategic revitalisation of the advertising mail / direct marketing offer will have positive impacts that tackle the mail volumes declining trend.

Preferred Advertising Channel in Portugal and Advertising Mail Indicators in: Belgium, USA, United Kingdom, Switzerland and Canada

Preferred channel for advertising (n=602) Portugal, 2014



Indicators related to advertising mail



Source: CTT Market Study on advertising mail; n=602; IPC.

Finally, the growing slowdown in the written press at a global level, and likewise in Portugal, with the migration of some newspapers and magazines to online distribution only, opens a window of opportunity for the growth of advertising mail as a physical written medium of choice for the advertising market.

Financial Markets

In 2015, the financial markets were characterised by a promising start to the year, supported by the monetary stimulus policies of the main central banks, which fueled the debt and stock markets, followed by a general slowdown, triggered by the concern surrounding the Chinese economy, the weak economic recovery in the eurozone and the asynchronous economic policies of the major world powers.

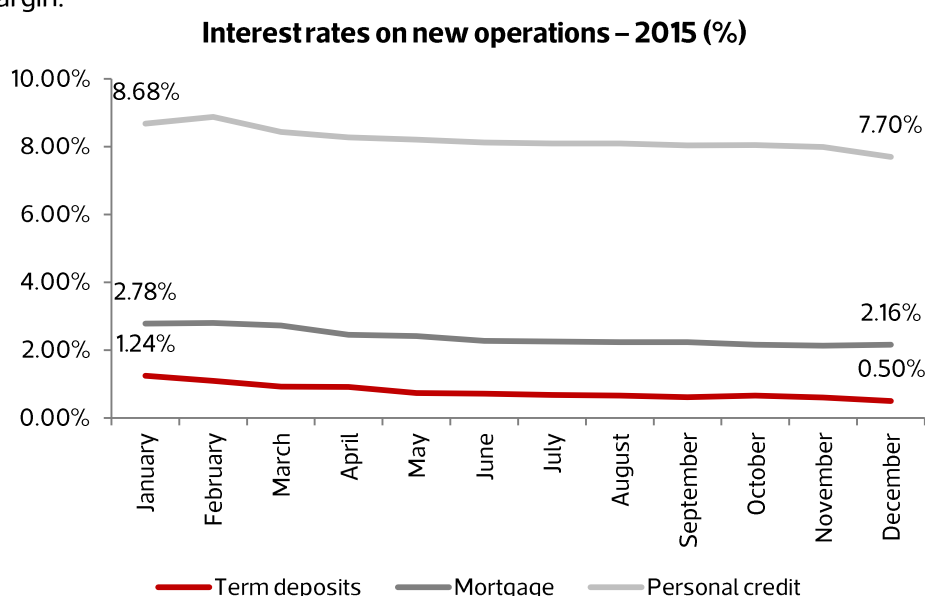
The European debt market was influenced by the start of the European Central Bank asset purchase programme, with monthly volumes of €60 bn, which held the yields of the Eurozone members bonds at historically low levels. On the other hand, in the United States of America (US), the postponement of the fed interest rate hike cycle to the end of the year, together with a higher risk aversion due to emerging economies slowdown, countered the expectations for the increase of US bond yields, which stood relatively stable throughout the year.

In the stock market, the year was characterised by positive performances in the developed economies, whereas in emerging markets it was a disappointing year. On the other hand, volatility intensified, especially due to the concerns about the slowdown in emerging economies, namely China, and to the postponement of the interest rate hikes in the US, which caused great turbulence in the markets.

Banking System

In the banking sector, the year 2015 was marked by indefinities in the competitive landscape. The slowdown in the banking business and the low interest rate environment, as well as the enforcement of a resolution procedure to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A., resulted in several merger and acquisition rumours in the sector, which materialised in the entry of Bankinter in Portugal, through the acquisition of part of Barclays business, and in the consolidation of Banco Santander Totta, S.A.'s position, through the acquisition of the activity and part of the assets and liabilities of Banif – Banco Internacional do Funchal, S.A..

Yet, in spite of all of these signals, the Portuguese banking sector achieved an improvement in profitability in 2015, mainly due to the significant reduction of impairments, which have been penalising the sector's results, but also due to the gains obtained through the sale of sovereign bonds, which have more than compensated for the impact of lower interest margins on the net interest margin.



Source: BP stat, Bank of Portugal.

Additionally, the trend of operating cost reduction was maintained throughout the year, supported mainly by branch closures and headcount reductions, measures that allowed for the reduction of the system's cost-to-income. In turn, the effort to resize the balance sheets was reinforced, mainly through the reduction of the stock of loans to customers, which allowed for the renewed deleveraging. Finally, it is important to note the reinforced uptrend in the volumes of new credit production, although these remain at levels significantly below the ones registered prior to 2011.

Portuguese banking system – indicators (%)

	2010	2011	2012	2013	2014	9M15
Assets to GDP ratio – Portugal	3.0%	2.9%	2.9%	2.7%	2.5%	2.3%
Loan to deposit ratio	157.8%	140.2%	127.9%	116.9%	107.2%	104.2%
Provisions to loans (gross)	3.2%	4.2%	5.5%	6.2%	7.7%	7.9%
Cost-to-income	57.6%	61.5%	58.8%	71.9%	65.6%	58.8%
Return on Equity	7.7%	-6.3%	-5.5%	-11.7%	-19.2%	3.7%

Source: Evolution of the Portuguese banking system report, Bank of Portugal (3Q15).

2.1.3. Regulatory framework

2.1.3.1. Postal Sector

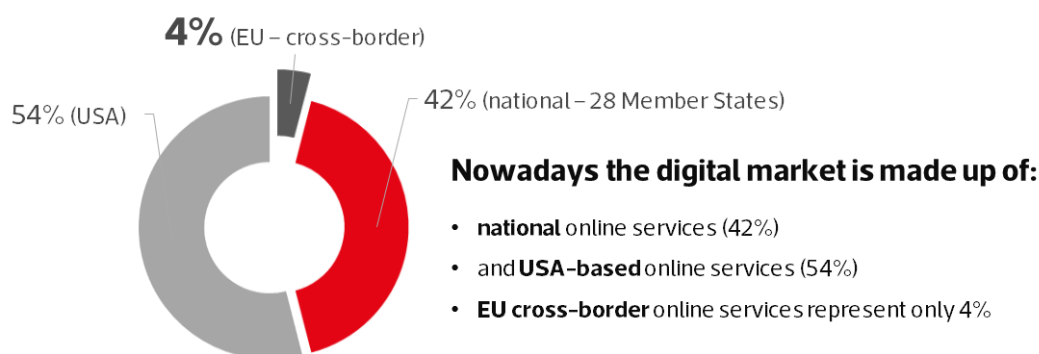
At the level of the European Union

The approval of the third Postal Directive (Directive 2008/6/EC) of the European Parliament and Council, on 20 February 2008, established the final schedule for the total liberalisation of the postal market (until 31 December 2010), safeguarding a common universal postal service level for all users of the Member States of the European Union (EU) and defined the harmonised principles for the regulation of postal services in a free market environment.

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

With the creation of the Single Digital Market and measures carried out to improve consumer and corporate access to digital goods and services, namely those facilitating cross-border e-commerce, the European Commission (EC) launched a public consultation on 6 May 2015 to hear from all stakeholders on the main issues and possible areas of improvement for cross-border delivery services for goods acquired online across the EU. This initiative arises from concerns that the European market has not grown to its full potential as a result of a still fragmented offer of solutions at a European level for goods and services offered online.

The digital market



Source: European Commission, "Why we need a Digital Single Market".

Capture the potential of e-commerce



15% of consumers bought online from other EU countries in 2014, while **44%** did so domestically

→ EU consumers could **save €11.7 billion** per year if they could choose from a full range of EU goods and services when shopping online



Only **7% of SMEs** in the EU sell cross-border

Small online businesses wishing to trade in another EU country face around **€ 9,000 in extra costs** for having to adapt to national laws

→ If the same rules for e-commerce were applied in all EU Member States, **57% of companies** would either start or increase their online sales to other EU countries

Source: European Commission, "Why we need a Digital Single Market".

Following the outcome of the public consultation, disclosed on 22 December 2015, the EC intends to change this situation through better supervision and ensured transparency in the delivery of goods acquired online in the EU and intends to propose specific measures thereon in the spring of 2016.

As the European postal industry has identified a set of obstacles to the development and growth of the e-commerce market, the European postal operators are working together to implement the Interconnect project, which will initiate operations throughout this year and basically includes 5 commitments: flexible delivery options; return solutions; track & trace for light items; improved customer service; and harmonised labels concept. The aim of this project is to remove the obstacles that keep consumers from buying online outside their own country and thus maximise the growth potential of the cross-border electronic commerce for the postal operators.

Through the Interconnect project, the European operators should have a very relevant contribution to the development of the Single Digital Market, with the electronic commerce (e-commerce) as one of its main growth drivers, especially considering that in the last years the e-commerce achieved an annual growth rate close to 19% at a global level, and that it is expected to keep growing until 2019 at an average annual growth rate of 20%, thus increasing its weight in the total retail market to 12.8%.

At a national level

The Postal Law entered into force in April 2012 (Law no. 17/2012, of 26 April, as amended by Decree-Law no. 160/2013, of 19 November), transposing to the Portuguese legal system Directive 2008/6/EC. The postal market in Portugal was fully opened to competition, eliminating the areas under the universal service that were still reserved to CTT. However, for reasons of public order and security and general public interest, some activities and services remain reserved up to 2020: placement of letter and mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

The universal service includes the following services, of national and international scope:

- a postal service for letter mail, excluding addressed advertising, books, catalogues, newspapers and other periodicals weighing up to 2 Kg;

- a postal service for parcels weighing up to 10 Kg, as well as delivery in the national territory of postal parcels received from other Member States of the European Union weighing up to 20Kg;
- a registered mail and insured mail service.

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

As the concessionaire of the universal postal service, CTT shall remain the universal service provider until 2020, with the Government having reviewed the principles of the concession pursuant to the system established in the Postal Law, through the publication of Decree-Law no. 160/2013, of 19 November, with the finalisation, under this Law and in order to reflect the legislative modification, of the amendment to the concession contract on 31 December 2013.

Pursuant to the XV Principles of the Concession of the Universal Postal Service, in August 2014, ANACOM approved the final decision on the objectives of postal network density and minimum services offer with which CTT should comply until 2017. The objectives defined in terms of postal network density and minimum services offer, which did not significantly alter the current postal network, reinforce the assurance of the existence of availability and accessibility of the universal service provision entrusted to CTT. In 2014 and 2015, CTT had to make marginal changes to its network, namely through the reinforcement of the number of letter / mailboxes in order to fully meet the set objectives and has currently surpassed the minimum requirements.

Under the criteria for formation of prices for the 2015/2017 period as established by an ANACOM resolution of 21 November 2014, ANACOM approved the universal service price proposal presented by CTT on 17 December 2014, as adjusted on 6 February 2015, by a resolution of 12 February 2015. The prices inherent to this proposal, which complied with the established price formation principles and criteria, became effective on 1 March 2015, save for the prices of the delivery of newspapers, periodicals and books, which became effective on 1 June 2015.

Special prices for postal services included in the universal service offer applicable to bulk mail senders were also updated on 1 March 2015, following the proposal submitted to the Regulator on 14 January 2015.

Some mail service operators, or entities intending to offer this service, requested access to the postal infrastructure and network. In order to provide a standardised and non-discriminatory service for operators that wish to use the postal network, CTT established a competitive access offer that safeguards the security and efficiency of the universal postal service. It will enter into force from February 2016.

In terms of the quality of the universal postal service and in the aftermath of the new Postal Law, a new quality measurement and control system is being implemented and will be carried out by an external entity. To ensure effective and efficient measurement of quality levels due to the specificities of the postal sector, CTT launched a pre-qualified international tender on 5 November 2015 in order to select the external entity responsible for measuring the levels of quality.

In terms of the objectives and minimum quality of service levels, whose quantification is presented in section 5.1, the quality of service standards and the performance goals associated with the provision of the universal service in the 2015/2017 period, defined by an ANACOM resolution of 30 December 2014, maintain the high standards required for postal services in Portugal, which CTT has continuously surpassed.

2.1.3.2. Financial Sector

Although the financial component has been assuming growing importance in the banking sector, mostly due to the continuing decline of the use of cash, this segment has been subject to a constant industry-challenging regulatory pressure. An example of this is the recent legislation endorsed by the European Union in 2015 to protect the consumers' interests, which set a ceiling for the fees to be charged by the payment services providers on operations performed with debit cards. On the other hand, the creation of SEPA – Single Euro Payments Area, with the objective of strengthening European integration and promoting the completion of single payments market, has forced the banking institutions to make developments in their offer of means of payment. In Portugal, although available since 2008, only in August 2014 did the providers and the users of payment means fully migrate from the traditional credit transfer direct debit scheme of their respective subsystems of the Interbank Clearing System (SICOI) to SEPA.

Money laundering, terrorist financing and organised crime are topics of utmost importance within the European Union as they cover aspects capable of jeopardising the integrity and stability of the credit and financial institutions as well as of the whole financial system. With the aim of intensifying the prevention and fight of these phenomena, the European Union has enacted legislation in 2015 – the 4th AML (Anti-Money Laundering) Directive – to strengthen the scope and enlarge the duties of the financial institutions when performing that duty, by imposing the adoption of certain more restrictive practices to control and monitor their customers and their respective banking activity. Those requirements have forced banking institutions to further develop their management information systems and provide their teams with specific skills in the detection of money laundering activities and terrorist financing, thus imposing a growing pressure upon their operating costs structure.

Given the instability that has affected the financial industry over the last decade, the supervisory authorities' main concern has been to increase the resilience of the sector, endeavouring to promote better quality in the financial institutions' balance sheets. The legislation produced, including that enacted in the scope of the so-called Basel III agreements, has tried to address that concern by defining new capital requirements that the financial institutions had to meet in a phased manner, from 2013 and until 2019. First, in a so-called phased in stage that took place until the end of 2015 the banks had to increase their Common Equity Tier 1 ratio (which is the banking institutions' best quality asset) from 3.5% to 4.5%. As from 1 January 2016 and for a period of three years, it is the fully implemented stage within which the financial institutions are obliged to create an additional conservative buffer of 2.5% of their share capital.

Hence, the growing regulatory requirements have created some restrictions to the profitability of the assets of the banking institutions. In the case of Banco CTT, the conservative and prudent approach of this matter from the beginning has enabled to incorporate the full impact of the ratio in the model of the Bank.

2.2. Mail

2.2.1. Activity

The revenues³ of the Mail business unit reached €554.6m (73% of the consolidated total⁴) in 2015, corresponding to a growth of 1.5% in relation to 2014.

This business unit includes the postal services and upstream and downstream mail business solutions, namely printing & finishing, mail manager, video encoding, hybrid mail and other solutions complementary to the business. The Retail Network is also included in this business unit, that in addition to postal and retail services renders services to the other business units as a sales channel. The services mentioned above are provided by CTT S.A. (parent company), CTT Contacto, CTT Gest and Mailtec.

In 2015, despite the fall in volumes (explained below), there was a favourable evolution in the revenues of this business unit, mainly due to greater use of the distribution and Retail Networks to provide other services. Postal services performance also contributed to this. Price and discount policies, product mix, the foreign exchange appreciation of international mail (inbound) and mail items weight structure were further contributors.

Changes in product prices for the Universal Service and bulk mail from 1 March 2015, as well as for books, newspapers and periodicals of the domestic service from 1 June 2015, resulted in a global average year-on-year increase of 4.1% in 2015. Prices for advertising mail also increased from 1 March 2015 (average increase of 2%). The revision of the discount policy increased the clients' demand for pre-sorting and compliance with payment dates, which fostered efficiency-oriented behaviour but also led to the loss of some discounts by large customers.

Mail

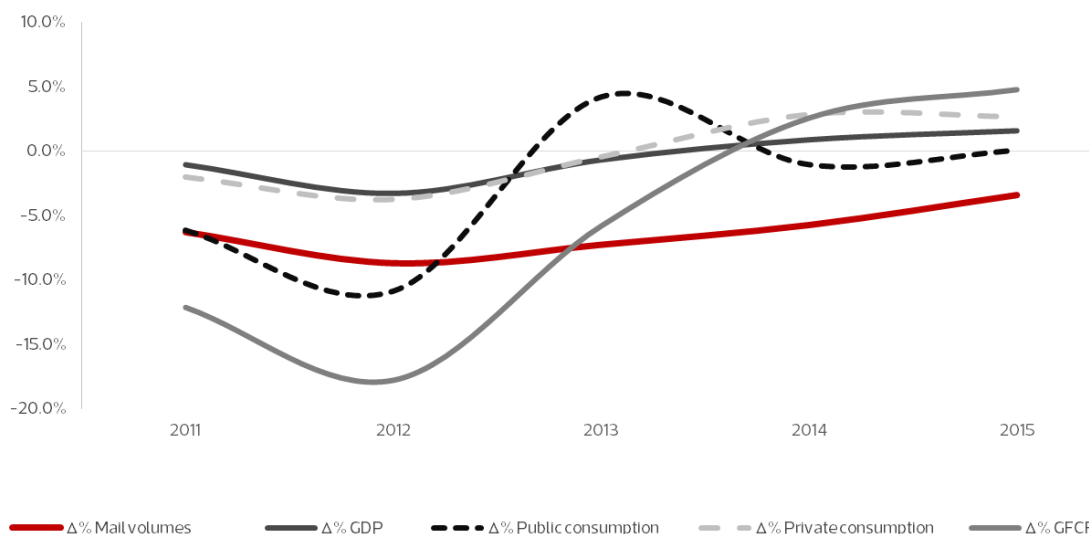
The decrease in **addressed mail** volumes (including letter mail and direct mail) in 2015 was 3.2%.

The comparison of the decrease in addressed mail volumes in 2015 (-3.2%) versus 2014 (-5.7%) is favourable and reflects the impact on mail consumption of positive developments in the national economy, mainly domestic consumption, as shown in the graph below.

³ Including internal services and intra-group transactions which are eliminated for the purposes of consolidation.

⁴ Excluding revenues from the CTT Central Structure and intra-group eliminations, amounting to -€34m in 2015.

Annual Change of Mail Volumes, GDP, Public and Private Consumption and GFCF



Source: CTT; Pordata.

Transactional mail volumes decreased by 4.1% in 2015. This evolution is the result of changes in the volumes of priority mail (-0.1%), ordinary mail (-4.3%), registered mail (-8.2%) and international outbound mail (-8.1%). These changes were mitigated by the positive evolution of the volumes of international inbound mail (+5.9%) and "Green Mail" (+8.0%). The following factors were fundamental to the mentioned evolution: the decrease in registered mail mainly due to the reduction in consumption by the State and Public Administration, especially in the 4th quarter and the significant influence of growth in e-commerce on growth in international inbound mail. Packets parcels of reduced value sent mainly from China grew significantly due to the large number of apps and websites that appeared in the market.

The price increase mentioned above and especially the new discount rules allowed transactional mail revenues to grow 0.7% in 2015.

Editorial mail declined (-2.9%) in 2015, following the drop that took place in the 4th quarter (-3.5%), which was greater in the non-contractual segment. However, and as result of the important price review that took place on 16 August 2015, an increase of 10.7% on average, this segment's revenues grew by 4.7% in 2015.

Addressed advertising mail volumes grew (+6.0%) in 2015, due to the significant increase in volumes in the 4th quarter (+19.8%), due to the revitalisation of this business, assumed as a strategic priority within the CTT Group. This was the result of a higher number of advertising campaigns by large customers relative to the previous year. For this reason, the growth of revenue for this product was only 2.1%, as a result of the effects of the price mix.

Unaddressed mail volumes decreased by 6.7% in 2015, mainly due to fewer campaigns by current customers. The selection of addressed versus unaddressed advertising mail is always a solution of greater cost, but also greater value for customers who, in periods of growth, tend to prefer this advertising medium, which is more direct and effective. The non-contractual segment had a positive impact due to government elections, which was not clearly reflected in the total because of its lesser weight vis-à-vis to the contractual segment.

Business Solutions

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

There is a growing market demand from a wide variety of business sectors for CTT's integrated solutions, which include features tailored to the needs and goals of each organisation, based on the portfolio and capabilities inherent to CTT's two capillary networks – Retail and Distribution. In addition, the Integral Sorting Solution for Administrative Offenses and the Integrated Water Management Solution bring together in a unique offer a set of services made available by the CTT group: printing & finishing, despatch, mailmanager, collections, among others.

As regards Digital Communication, several features were implemented in the ViaCTT service support system that complement automated communication between sender and receiver by putting in operation the automated receipt of responses generated by receivers regarding documents sent by senders. This feature fosters and facilitates the electronic processing of electronic pledges between the tax authorities (*AT – Autoridade Tributária e Aduaneira*) and banks.

In addition, a set of new features was implemented in the electronic mailbox. On the one hand, these features seek to make the service more user-friendly by, for instance, using the national identification card to access the box and improving electronic mailbox access recovery procedures and, on the other hand, reducing operating costs of the service. Given CTT's awareness that electronic communications (e-mail) will have an ever-growing importance in transaction communications, CTT focuses on creating reliable, safe and custom-made solutions to address this market's concerns. On the other hand, physical communications will increasingly be a form of effective fulfilment of electronic communications and its integrated offer a trend.

Philately

The Philately business achieved €8.2m in revenue in 2015, corresponding to an increase of 11.0% as compared to the previous year.

Contributed to this positive evolution: the launch of 27 commemorative stamp issues, the 2nd group of the definitive issue on Extreme Sports and the booklet of self-adhesive stamps of Madeira, 27 postal stationery postal cards and 1 letter card, 4 prestige thematic books, 2 books with the year's stamps (one of which was dedicated to young people) and a children's Christmas book. The wider offer adapted to demand and topics of vast interest from customers, such as the Lynx, Dinosaurs or Portuguese Motorbikes enabled the continued upward trend observed since 2014, reversing the downward trend observed up to now.

Given the success of promoting commemorative issues to institutional clients, such as Montepio Geral's 175-year anniversary issue in 2015, CTT intends to make this strategy an important incentive for commercial contacts with this type of client in the future, by focusing on the exclusivity and prestige inherent to the issue of stamps of the Portuguese Republic.

In 2015, CTT received three international awards for the quality of the design. It was recognised for the 7th time at the International Competition of Philatelic Design, promoted by the municipality of Asiago, in the Vincenza province of Italy. The stamp issue commemorating the "150 Years of the Geophysical Institute of the University of Coimbra" was distinguished in the "Tourism" category.

The commemorative sheet of stamps of the 500 Year Anniversary of Andreas Vesalius (issued in 2014) won two awards in 2015 in the category of intaglio printing. It was awarded 3rd place in Brussels and was considered best in the world (1st place) in Madrid.

The Book "Living Portugal with the Mediterranean on the Table", written by Fortunato da Câmara was considered the Best Mediterranean Cuisine Book in 2015 in Portugal and qualified to compete with the other winning books from each country in the same category on a global level.

The issue of stamps "International Year of Light and International Year of Soils" was considered by the monthly magazine "L'Arte del Francobollo" of February 2016 the most original in the world by addressing the United Nations decision to proclaim 2015 as both the "International Year of Light" and the "International Year of Soils".

The topics illustrated by the commemorative issues covered various areas of human knowledge, as shown in the list presented in the table below:

Commemorative issues	
<ul style="list-style-type: none"> • 25 Years of AICEP • 150 Years of the International Telecommunication Union • 500 Years of the Torre de Belém • 40 Years of the Ombudsman • Laws of Heredity – 150 Years • 150 Years of the Coimbra issue • 600 Years of the Portuguese in Ceuta • 175 Years of Montepio Geral • 500 Years of the Arrival in Timor • International Year of Light and Soils 	History
<ul style="list-style-type: none"> • Figures of Portuguese History and Culture • 100 Years of Orpheu Magazine • Great Musicians of the World: Elizabeth Schwarzkopf and Sibelius • Popular Clay Figurines • Azores Handicraft • Roads to Santiago • EUROPA – Old Toys • Flower Festival – Madeira • Mediterranean Boats • The Mediterranean Diet • Great Figures of the Church: Saint Teresa of Ávila • Great Figures of the Church: St. John Bosco • Pioneers of Dance in Portugal 	Music, art and culture
<ul style="list-style-type: none"> • Sustainable Mobility • Reintroducing the Iberian Lynx in Portugal • Portuguese Fruits • The Portuguese Sea 	Environment

As mentioned above, the following thematic books have been launched with the usual enormous success:

Thematic books

- Talking about Coffee - Fátima Moura
- Portuguese 50cc Motorbikes - Pedro Pinto
- Living Portugal with the Mediterranean on the Table - Fortunato da Câmara
- From the Mar Oceano to the Portuguese Sea - coordination by Mário Ruivo

2.2.2. Retail Network

The Retail Network is an increasingly important sales and service channel in CTT's revenue growth in all business units. Although it is the main network for access to postal services, its activity is much more far-reaching. It manages over-the-counter services and direct sales to final customers (private individuals and small enterprises) and is the largest diversified commercial network at a national level with close proximity to the population. The Company has increased the value of this asset, transforming it into a platform of convenience and multi-services (especially financial services and services of general interest to citizens), thereby boosting its sales volume, while fully and strictly complying with the universal postal service obligations. In 2015, the value of this convenient network was boosted by using it to deliver and collect parcels, thereby providing a wider offer to the e-commerce segment.

The business strategy of the Retail Network is based on three fundamental axes:

- Development of the Mail business, promoting operating excellence and better quality of service, as a result of the greater proximity to and knowledge of its customers, ensuring enhanced productivity levels;
- A channel of proximity for the marketing of financial products and services (savings and investment, payment solutions and personal credit among others), affirming itself as an alternative in terms of offer of innovative and competitive financial products to the population. The partnership with Western Union also enables a unique channel of proximity and capillarity for urgent cash transfers to any part of the world. The role of the Network as a fundamental pillar to the Banco CTT project also applies. The latter is essential in order to provide a wide array of financial services in a "one-stop-shop" logic, where the offer of current accounts and mortgage loans will be fundamental.
- Creation and development of businesses and services of convenience for the population, services of general interest, by taking on the vocation of local multi-service assistance, in addition to offering postal services, and operating as a preferred location for services to citizens (such as in the EDP partnership and the Citizen's Bureau Areas project), in addition to acting as yet another delivery and collection option in the solutions offered for e-commerce in the Express & Parcels unit.

At the end of 2015, the Retail Network comprised 5,208 contact points, with 619 post offices, 1,711 partnership branches (postal agencies) and 2,878 stamp sales points. The offer of services, under self-service and in some cases available 24 hours a day, is complemented by 222 automatic stamp vending machines and 18 automatic postal products vending machines.

The new 24-hour P.O. Box ("Apartado 24H") service was launched at the Delivery self-service machine located at the Parque das Nações post office. It is a new version of the P.O. Box that allows the customer to collect mail after being automatically notified thereof, including bulkier mail.

In 2015, optimisation activities were carried out under the ongoing Transformation Programme, focused on the following:

- Core / satellite post offices (a transformation that entails placing smaller post offices under the management of core post offices);
- Change / reduction of opening hours – adequacy analysis of post office opening hours in order to match supply to demand.

The post offices where this project will be implemented, in coordination with the launch of Banco CTT, have been identified. Additionally, a post office segmentation study was also carried out in order to maximize the available capacity to provide banking and other added-value services, thereby determining the offer basket according to the type and demand of the post offices, trying to reduce the offer of third-party products only to those that add value to the network and are consistent with the image of provision of banking services but keeping the CTT matrix and DNA as a basis. The segmentation study resulted in four post office clusters where the significant reduction of third-parties portfolios in priority post offices upon Banco CTT opening is noticeable. These post offices are thus more capable of focusing on the provision of Mail, Express, Financial Services and Banco CTT services, as well as on the provision of specialised services and partnership services, e.g. Citizen's Bureau. The chart below summarises the result of the segmentation.

Result of the Retail Network Segmentation for Portfolio Optimisation (2015)

	CTT DNA	CTT DNA + Books	Extended CTT DNA	Optimised CTT bazaar
% of total network revenue	14%	25%	50%	11%
Postal Services	✓	✓	✓	✓
Financial Services	✓	✓	✓	✓
Specialised partnerships	✓	✓	✓	✓
Banco CTT implementation	Year 1	2 nd priority	2 nd priority	3 rd priority
Third-party products sold	Top 10 books Telco services	Books Telco services	Books Telco services CDs DVDs	Books Telco services CD / DVDs Gifts Cards

Source: CTT.

Under the Retail Network Reorganisation Project, a Customer Support Line was implemented in December, thereby freeing post offices from daily telephone calls from customers (as contacts are funnelled to the call centre). The provision of the service through a specialised line allows a more uniform and consistent message to be disseminated and the Post Offices will be able to organize their time by refocusing on the client and commercial activity.

As established in the Concession Agreement, the objectives for network density were defined in 2014, considering factors such as the distance to be travelled by customers in order to access the

closest CTT branch, taking into account whether the area is urban or rural, as well as citizen accessibility to the various mail services and the opening hours when available. Full compliance with the defined objectives reinforces the Company's intention to maintain a Retail Network that offers proximity and convenience to its customers and the population in general.

In addition to being an important sales channel for products and services from all CTT's business units, principally Mail and Financial Services, the Retail Network has promoted initiatives to stimulate other retail business. Besides the Citizen's Bureau Areas project within CTT post offices, detailed below, business stimulation in the Retail Network involved leasing space, establishing partnerships with well-known reference brands in the national market and sales via catalogue by offering products with potential for cross selling with credit solutions.

Citizen's Bureau Areas

Proximity solutions for the public administration can play a very important role in the development of Services of General Economic Interest in the CTT Retail Network.

The Government intends to set-up nearly 1,000 Citizen's Bureau Areas throughout the country and CTT, with its Retail Network, is its main partner. Renewing a driver's license, requesting Social Security statements, property registration or Municipal Property Tax exemptions, submitting tax returns, and registering pupils in schools are a few of the tasks that citizens will be able to perform in these spaces, to which 11 official entities are already joined.

The expansion model and the business model were negotiated with the Government in the last quarter of 2014 and on 20 January 2015, a protocol was signed between the Government and CTT which lays down the following timetable for the implementation of Citizen's Bureau Areas in the CTT Retail Network:

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

After the conclusion of Stage II, this partnership will be reassessed by the partners and may be expanded, as long as the economic rationale supports it, based not only on the services provided, but also its cross-selling potential.

Following this protocol, a training cycle began in 2015, which endowed 370 employees with the skills and knowledge necessary to provide services for the protocolled entities. This initiative had to be coordinated with the training underway for the launch of Banco CTT. This service is already available in 127 post offices in CTT's Retail Network and CTT has concluded preparatory initiatives to make it available in the remaining post offices.

This is yet another project of great importance for the Retail Network. It not only increases proximity to citizens, but also makes the network more encompassing, qualified and diversified in its offer of services. It works as a one-stop shop for all services that clients need.

2.2.3. Operations

In 2015, in addition to the continuous reorganisation of the sorting, transport and distribution networks in order to improve productivity and operational efficiency, the Transformation Programme focused on deepening the integration of the Express & Parcels distribution network in

the CTT mail distribution network, which resulted in better use of the network's capabilities and greater capillarity of the offer, a factor which customers increasingly value more than speed of delivery.

The other initiatives of 2015 pertained to streamlining and reorganising the operational cycle, grouped into three major lines of action: sorting, transport and delivery.

Sorting

The sorting network is composed of three production and logistics centres, six logistics support centres and one business mail centre. The activities of the production and logistics centres are supported by 44 automated sorting machines (of which 24 are mail sequencing machines, one for sorting non-standard items (*Restmail*) and 78 video encoding posts.

In 2015, 2.13 million items (ordinary letter mail) a day were automatically sorted by postal delivery route. Nearly 1.83 million (85.9%) were automatically sequenced (door-to-door) for 4,731 postal delivery routes of 250 postal delivery offices.

Automation of the postal service continues to produce excellent results in address recognition, with letter mail achieving correct assignment rates of 93% for 7-digit postcodes and 66% for 10-digit postcodes. The redefinition of pre-sorting discount rules was important to achieve this result, given that it maximized automatic readings.

Processing of the mailmanager service and video encoding have been consolidated at the Taveiro (Coimbra) production and logistics centre. After the insourcing of video encoding at the production and logistics centre of Maia (Porto) in 2014, video encoding was also insourced at the production and logistics centre of Cabo Ruivo (Lisbon) in the 1st half of 2015. This resulted in a fall in outsourcing needs.

Also regarding operational optimisation, printing & finishing operations and CTT Contacto's operations (previously in Pinheiro de Fora) were reinstalled at the premises of the Production and Logistics Centre of Cabo Ruivo (Lisbon). This brought the mail production and sorting stages closer together both in terms of time and distance, thereby making for a better use of resources.

Of note is the implementation of new automated postal equipment for the sorting of non-standard items (*Restmail*). This gives CTT a distinctive feature given that this volume type is strongly associated with e-commerce. Packets of reduced value are delivered, under cross-border agreements, as ordinary mail and China is an important market of origin.

A new model for manual sorting was also implemented in the production and logistics centre of Maia (Porto), with the acquisition of new postal equipment, developed based on a new sorting methodology. Its implementation was concluded in the remaining production and logistics centres.

Worth mentioning is also the Zonal project, installed in 11 indexation devices. It is a new feature that allows the real time control of items delivered to each pricing zone, thereby addressing the need for a more effective control of acceptance and increasing the level of revenue protection for corporate clients.

New business mail check-up, acceptance, reporting and monitoring procedures were defined in order to mitigate identified revenue loss risks, make sure that the discounts are granted to the despatches that actually comply with the pricing requirements in force, and ensure uniform

procedures regardless of the counter where the services are provided or the customer to whom they are rendered. This had two main objectives:

- the full and correct invoicing of the services provided on credit, in accordance with the pricing rules approved by the regulator;
- the provision of a quality service to the customers.

The above-mentioned uniformity of the procedures avoided the risk of loss of revenue due to inefficiencies in the mail acceptance process.

Transport

The transport network operates with 252 vehicles, which travel approximately 48 thousand km/day. In 2015, the national transport network covered a total of 11.1 million km.

The continuous reorganisation of the national transport network (made up of the "primary", "secondary" and "tertiary" networks) and fleet renewal with recourse to ever more efficient vehicles adapted to specific needs are among the initiatives carried out.

The following measures are also of note:

- Operational adjustments as a result of changes to air transportation to the Azores region due to the liberalisation of the air space;
- Implementation of the project for the new customs clearance model for mail from outside the EU in the Airmail Unit (AMU);
- Integration in the International Post Corporation (IPC) production network of the equipment installed in the AMU, for the control of delivery and reception of postal volumes from airlines;
- Participation in certain initiatives, such as FREVUE (Freight Electric Vehicles in Urban Europe), a CTT partnership with the Mitsubishi Canter E-cell and European Mobility Week in collaboration with the Municipal Council of Lisbon in showcasing the use of electrical vehicles in urban logistics;
- Participation in the Drivers Challenge within IPC, which rewards the best in ecological and defensive driving, with a guest participation of a Portuguese team in Ivalo (Finland).

Delivery

The distribution network is composed of 254 postal delivery offices (PDO), including 80 delivery support offices, two delivery support services in Lisbon and another in Coimbra, and one logistics and distribution centre in Torres Novas. It manages 4,731 external postal delivery routes, which cover around 236 thousand km/day.

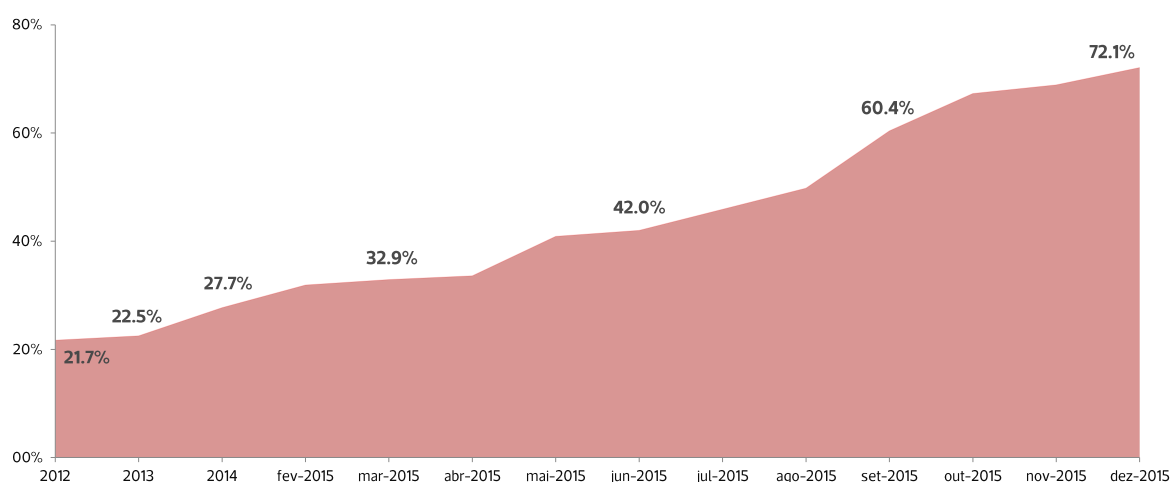
The fleet provided for delivery is primarily comprised of light vehicles, motorcycles and bicycles (mostly electric). Therefore, 75% of postal delivery routes are run using some type of vehicle, thus facilitating network integration by enabling the transport of greater loads and greater displacement flexibility.

During 2015, the main delivery objective was to increase operational efficiency, through the following measures:

- Consolidation of new delivery models that are more efficient and geared toward meeting product service standards, through the implementation of delivery segmented by priorities at all PDOs in mainland Portugal;

- Expansion of mail delivery with automatic sequencing, with no prior PDO handling, enabling increased efficiency in internal operations and creating conditions for the simultaneous delivery of manual and automatically sequenced mail. In 2015, this delivery model was implemented in 24 more PDOs, making up a total of 66 to date;
- Consolidation of the Mail and Express & Parcels distribution network integration project. In 2015, the CTT mail distribution network internalised the delivery of the EMS 19 product in 135 postal delivery offices, thereby increasing the delivery of EMS products in the Mail distribution network to more than 70% of the total;

Evolution of the integration process
(% of CTT Expresso volumes delivered by the basic distribution network)



- Streamlining physical structures by centralising and aggregating 10 postal delivery offices and delivery support centres.

Along with greater operational efficiency, sorting reliability and commitment to excellent quality of service, the focus continued to be on incentivising the network of postmen and women, as the preferred proximity channel and network for the marketing and sale of products and services.

2.3. Express & Parcels

The revenues⁵ of this business unit were €131.3m (17% of the consolidated total⁶) in 2015.

This business unit is comprised of the activities of CTT Expresso in Portugal, Tourline Express in Spain and CORRE in Mozambique.

CTT has an Iberian offer for the Express & Parcels market, through CTT Expresso and Tourline Express, providing customers with the same delivery solutions in Portugal and Spain and an array of integrated, simplified and competitive services. With this portfolio, CTT intends to position itself as one of the main operators in Portugal and Spain. The Iberian offer does not have integrated Iberian operations given the distinct business models with which CTT operates in each market, thereby hindering relevant economies of scale. Instead, the Express & Parcels distribution network in Portugal was integrated with CTT's Mail distribution network given the clear synergies and

⁵ Including internal services and intra-group transactions which are eliminated for the purposes of consolidation.

⁶ Excluding revenues from the CTT Central Structure and intra-group eliminations, amounting to -€34.0m in 2015.

economies of scale. Following this decision, the best corporate structure for both CTT Expresso and Tourline Express is under analysis.

In 2015, CTT launched a new convenience offer to support e-commerce in Portugal. It includes the pick-up service, which allows the e-buyer that buys a product from an online shop of a CTT Expresso customer (e-retailer) to pick up that shipment directly at a point of his/her choice (CTT post office or postal agency, for proximity, or with the possibility of choosing a Worten store for longer opening hours), and the drop-off service, that ensures non-contractual clients may make shipments from the same point. At the end of 2015, the number of CTT access points within the national territory from which parcel pick-up or drop-off was possible totalled more than 1,000, thus allowing for better coverage and convenience for online retailers and purchasers.

Given e-commerce's growing importance, which is a fundamental lever for the growth of parcels, CTT continued to carry out initiatives to develop this business, namely through:

- Based on an in-depth market survey on e-commerce on an Iberian level, including e-buyers, e-retailers and e-commerce platforms a new modular e-commerce offer was developed and became operational in 2015, with gradual developments throughout 2016. It is expected to be completed at the end of the 2nd quarter of 2016;
- Launch of the abovementioned Pick-Up and Drop-Off solution in the Retail Network and Worten stores, with new points under assessment;
- Making the “Click & Ship” service available in December, which enables the online preparation and payment of deliveries of items up to 10 Kg with a simple tariff to any national or international destination, including collection at the residence of the sender or delivery at one of the 1,000 points across the country;
- Commercial incentives focused on e-commerce activities, through the definition of commercial goals by the Company's various sales channels at the Iberian level;
- Establishing national and international partnerships, namely:
 - Making an “Easy Send” solution available to delivering customers of the website *olx.pt*, that allows the online preparation of the delivery of books to any CTT post office that the receiver chooses;
 - Establishing, in December, a partnership with the Singapore Post to launch a postal virtualisation service in Portugal that allows Portuguese e-buyers to access online shopping on websites located in geographies (e.g. the U.S.A.) where such is only possible for buyers living therein. This service will be launched in the first quarter of 2016;
- Development and implementation of the various scheduled activities within the InterConnect programme, that strives to create a network and the integrated offer of cross-border e-commerce services involving over 30 postal operators at its current stage of development. Under this programme, Premium, Standard and Economy products integrated in the modular offer are being developed and integrated.

In **Portugal**, CTT maintains the lead in the domestic market with a 34.8% share (source: Postal Services Report – Statistical Information – 3rd quarter 2015, ANACOM).

Worth highlighting is the progress of the integration of the Mail and outsourced Express & Parcels distribution networks that began in 2014. In 2015, a new phase began for the greater integration of the networks. The goal is to attain better use of the network of postmen and women for last-mile delivery of date-specific parcels and packages, using the installed capacity and high capillarity of the network to ensure delivery of EMS 48 and EMS 19 products.

Since the end of 2014, the delivery of EMS 48 products is ensured by CTT's Mail distribution network. The internalisation in CTT's Mail distribution network of EMS 19 products delivery was done gradually over 2015, based on geographic areas covered and was concluded at the end of the third quarter. It involved a total of 135 postal distribution centres (all those planned for), thereby increasing the delivery of EMS products through CTT's Mail distribution network to more than 70% of the total.

In **Spain**, CTT is in the Top 10 players in the Express & Parcels market, with a 5.2% share in 2014, according to the *paqueteria empresarial* study undertaken by DBK Informa.

In this market, CTT continued to implement the restructuring plan for Tourline's activity and franchisee network, in order to achieve better control and franchisee quality, in terms of business capacity, financial soundness and management skills. Given difficulties in finding partners that meet this dual criteria, this process has resulted in a more direct presence, both in stronger business areas and, temporarily, in delivery zones the Company does not intend to cover directly, but where it was necessary to compensate for the loss of franchisees. This latter aspect has penalised the Company's profitability, due to an increase in transport and delivery costs.

Tourline is also carrying out a human resources optimisation and restructuring process to increase its operational efficiency by reducing staff costs, as well as to improve and streamline procedures. The process entailed consultations with Tourline's employee representative structures, with staff reductions totalling 126 employees.

The initiatives carried out did not result in the full compliance with the set objectives, hence a procedure for reviewing the strategy is underway which will soon lead to decisions on the best way to address the future challenges of CTT's presence in Spain.

In **Mozambique**, CTT is active in the Express & Parcels business since October 2010 through the company CORRE – Correio Expresso de Moçambique, whose share capital is 50% held by CTT and 50% by Empresa Nacional de Correios de Moçambique.

The company intends to become market leader of the domestic express market and to become one of the most important players in the international Express & Parcels to/from Mozambique. The company covers most provinces and owns an operations centre, two own branches and an Airport Mail Unit in Maputo. CORRE products and services are also available at all post offices of Correios de Moçambique, thus achieving national coverage, which has contributed to the rapid expansion of the business.

CORRE's quality of service continues to win the trust of its customers, as a result of which the company has become the sole supplier of the biggest commercial bank in Mozambique, for logistics, sorting and delivery to all its branches. Close ties remain in place with the South African Post Office (SAPO), in order to use the Johannesburg transit hub, thereby enabling international routes with the various countries that are linked to this hub, as well as with CTT that handles transit operations to European destinations.

After operational difficulties in 2014, the situation stabilised in 2015 and CORRE was able to maintain a strong presence in that market thanks to its dedicated professional management. In 2015, the local currency (metical) suffered a significant devaluation in relation to the dollar/euro with an immediate impact on the costs of imported goods and companies' exposure to debts and agreements denominated in those currencies. However, measures have been taken in the last few years to reduce foreign currency expenses and to enter into agreements in the local currency.

Under the annual pricing strategy, a price update was carried out, in order to mitigate the effect mentioned above, which led to a price increase greater than 5%.

2.4. Financial Services

The recurring revenues⁷ of this business unit totalled €75.3m (10% of the consolidated total ⁸) in 2015, which is an increase of 1.9% as compared to 2014.

This business unit includes the financial services provided by CTT, S.A. (developed either internally or in partnership with leading operators in their respective areas of business, such as Western Union and BNP Paribas Personal Finance) and the PayShop business, a network of highly convenient agents for payments through face-to-face channels.

The systematic nature of the positive results that have occurred repeatedly since 2013 is evidence of the validity of the pillars of the implemented strategy, bringing together the technical skills and selling ability of CTT post offices, the solidity and good fit with partners, the quality and competitiveness of the offer made available, the convenience and high level of trust in the CTT brand in the financial market.

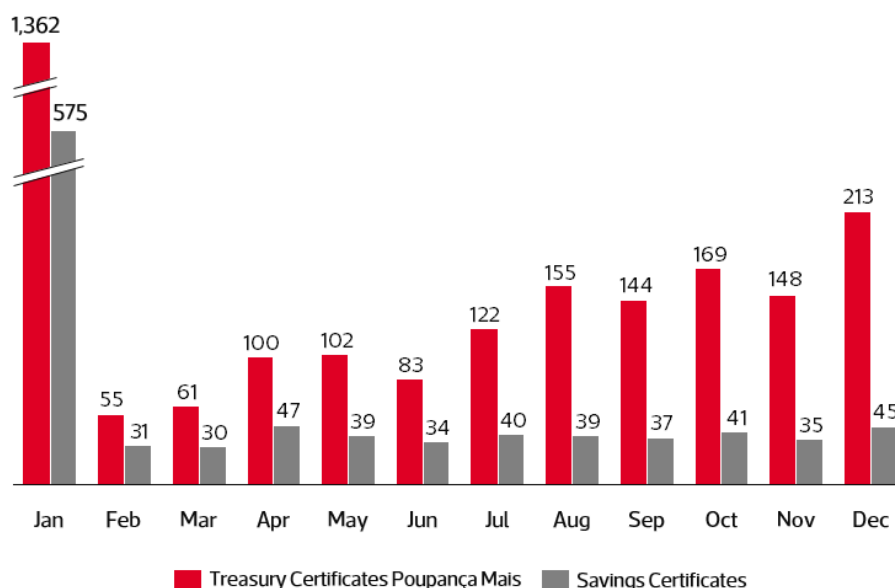
The year of 2015 was marked by the project to launch Banco CTT which, due to resource availability and team focus, took centre stage in the entire development strategy of this business unit. The need to train teams in the Retail Network, in addition to measures to launch Banco CTT in the Retail Network led to the postponement of some scheduled initiatives such as those related to the offer of health insurance.

In respect of the current businesses, the Savings business had a decisive impact, with revenue increasing 7.9% relative to 2014, which again showcases the CTT's Retail Network's extraordinary ability to attract savings, as well as the recurring maintenance commissions of the product portfolio placed with customers. Nearly 4.3 billion euros were placed throughout the year, including Retirement Savings Plans, Capitalisation Insurance and, above all, Public Debt Certificates. In this regard, special note is made to the placement of 2.2 billion euros in January, which was an absolute record in CTT's 50-year history of selling Public Debt Certificates.

⁷ Including internal services and intra-group transactions which are eliminated for the purposes of consolidation.

⁸ Excluding revenues from the CTT Central Structure and intra-group eliminations, amounting to -€34m in 2015.

Public Debt Placements – 2015 (€ million)



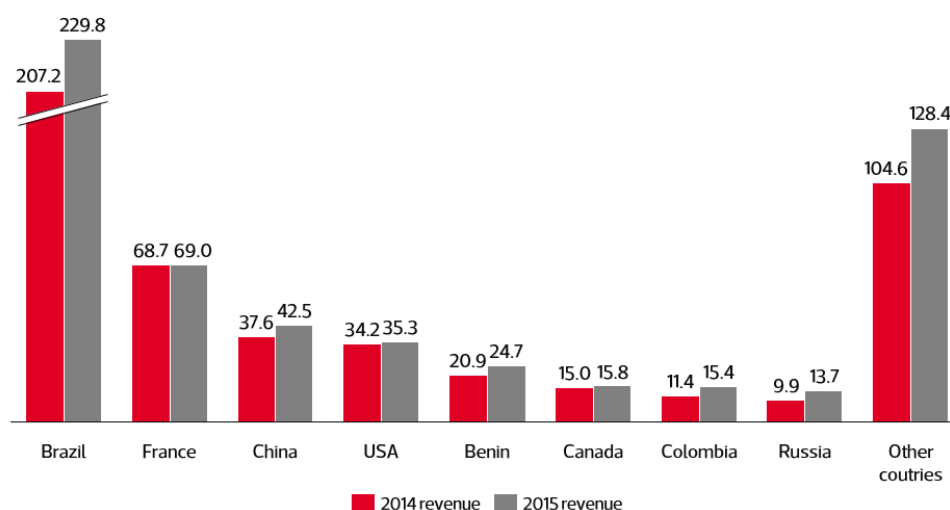
Source: CTT/IGCP.

This positive impact was lessened by the evolution in the Service Payments business, mainly by the negative effect of the sharp fall in mobile phone top-ups due to a migration to 4P offers (post-paid) and Money Orders and Transfers (the national segment, in particular, where the payment of social benefits, which are of great importance, showed signs of a fall in revenues).

The Payments business, the second most profitable, fell by 7.4%, mainly due to the negative effect of the sharp fall in mobile phone top-ups due to a migration to 4P offers (post-paid). The launch of new integrated payment solutions, as well as the positive performance in toll collections whose revenues grew a significant 10.5% vis-à-vis to 2014, had a positive impact.

The Money Orders and Transfers business decreased in revenues relative to 2014, due to its strong dependence on the evolution of the national segment, in particular the fall in social benefit payments via money orders. New benefits became payable through this channel, however, which could drive growth in 2016. In 2015, in the international segment of Transfers, urgent electronic transfers grew by 18.3% compared to 2014, due to a more aggressive pricing strategy (price reduction in the more important immigration channels) and the opening of new channels with countries showing an immigration influx to Portugal in the last few years (namely, Eastern Europe).

International transfers – Main outbound flows (€ thousands)



Source: CTT.

In the new Consumer Credit area, the year of 2015 was marked by the launch in April of the new CTT Credit Card in April. This product line was not actively promoted, given the proximity of the launch of Banco CTT. This segment, which will be integrated in Banco CTT's offer from the outset, will be leveraged within the banking offer and will have a strong cross-selling effect with current accounts.

2.5. Banco CTT

On 4 November 2014, CTT's Board of Directors approved the launch of the Postal Bank, thereby providing continuation on the established strategy to expand the offer of financial products and services. The Bank of Portugal approved a 12-month extension (until 27 November 2015) of the authorisation.

Since February 2015, CTT has carried out numerous procedures and activities for Banco CTT to begin operating. By creating CTT Serviços, S.A. – a vehicle that would later give rise to Banco CTT, S.A. – it was able to interact with the Regulator in assessing and implementing all the conditions set out and listed in the Bank of Portugal's License authorisation letter of November 2013 and reiterated in November 2014.

In a process that involved more than 150 people, Banco CTT became a reality last 27 November, having passed with honours a demanding and exhaustive process that marked some of 2015's milestones:


- 6 July: date the supporting file to the authorisation is submitted to the Bank of Portugal for the purposes of the Special Registration;
- 24 August: following the Regulator's authorisation, CTT Serviços is transformed into Banco CTT, with a share capital of €34m, and its governing bodies are appointed;
- 8 October: the Bank of Portugal gives notice stating it considers the authorisation request for the incorporation of Banco CTT duly instructed and the conditions it set out in the authorisation granted on 27 November 2013 duly complied with;
- 8 October: the Bank of Portugal confirms the conclusion of Banco CTT, S.A.'s special registration process as soon as the regulatory requirements are complied with;

- 18 November: approval of the contracting model between Banco CTT and CTT;
- 19 November: presentation of the Banco CTT Project to CTT investors, within the Capital Markets Day;
- 27 November: Banco CTT begins operations, 2 years after the letter of the Bank of Portugal on the conditions set out for granting the license.

For more than 9 months, the definition of the governance model, the implementation of the IT system (core banking system, which is currently being implemented by Misys / Deloitte, and respective components), the definition of policies, procedures, manuals and support aids were all determinant. Special emphasis was also given to training and preparing CTT's Retail Network structure, which will be the main location, in terms of face-to-face presence, of Banco CTT's offer distribution.

Banking Training

1	Banking training	2	Offer, processes & systems	3	Behavioural & commercial	4	Money laundering prevention
	<ul style="list-style-type: none">Training in banking to develop the technical and commercial skills required for providing high-standard banking services to clientsTopics covered include, among others:<ul style="list-style-type: none">Financial systemBank accounts & depositsSavings & investmentsPayment systemsCredit to individualsCommercial activity	<ul style="list-style-type: none">Provide an overview of Banco CTT's strategy, positioning, operating model and product portfolioInstil Banco CTT's value propositionTrain front-office processes, namely:<ul style="list-style-type: none">Account opening, deposits & withdrawals and product activation & managementBranch management & cash handlingPayments servicesDigital channels	<ul style="list-style-type: none">Improve employees' soft skills necessary to implement Banco CTT's strategyTrain desired behaviours in practical contexts related to a banking activityShape employees' interactions with clients to the requirements of a banking settingSupport understanding of the new organisational setting with the bank's launch and prepare employees to act as change agents	<ul style="list-style-type: none">Improve understanding on money laundering impact and importance of robust controlsDiscuss most common signs of suspicion and their applicability in CTT's daily operationTrain employees on Banco CTT's controls and on how to deal with likely day-to-day situations			



Instituto de Formação Bancária
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 **+40,000**
hours in banking training up to now

 **+500**
employees have concluded the initial banking training

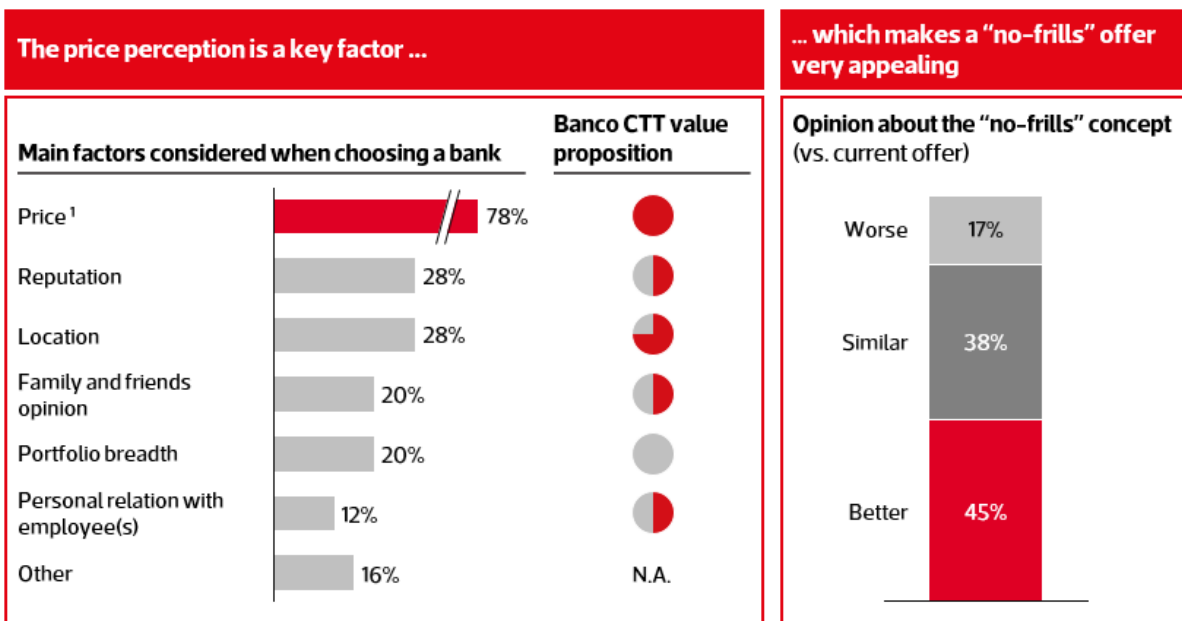
 **>€1.5m**
investment in training of Retail Network employees until the end of roll-out

Source: CTT.

Various market surveys were carried out in order to confirm the opportunity of launching banking operations in the Portuguese market. Visits to postal banks in Europe were also carried out, whereby detailed knowledge was gained of international postal banking models and their strategies in terms of offer and growth procedures.

The results of the market surveys showed a high level of acceptance of Banco CTT, as can be seen in the graphs below.

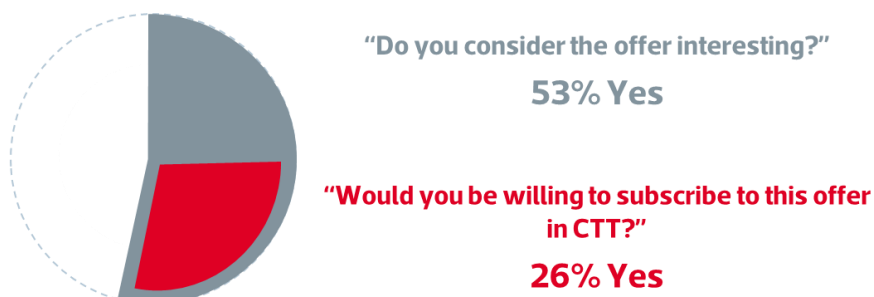
Results of the Market Surveys



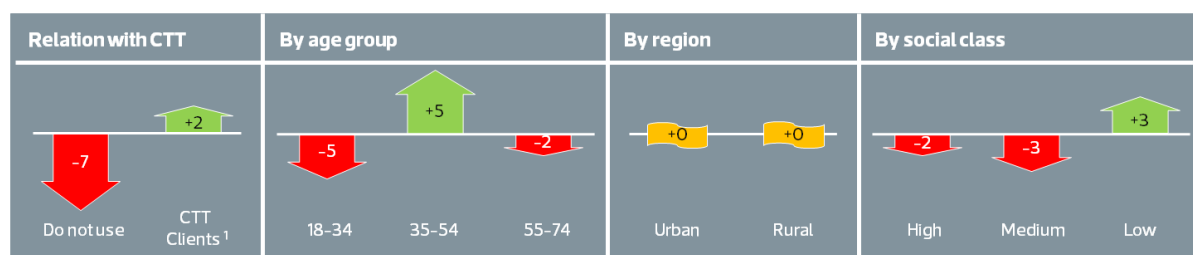
Source: Market study performed by CTT.

CTT costumers and the 35-54 year segment are the most interested in the Bank's value preposition.

Participants interested in subscribing to Banco CTT's offer



Delta vs. average Percentage points



¹ Clients that made at least one transaction in CTT post offices in the last six months (estimated clients ~3.7m in 2014).

Source: Market study performed by CTT (1,507 interviews representative of the Portuguese population conducted during May 2015).

After confirming its offer and positioning, some focus groups were held throughout the year based on potential clients from the target segment, initially to get their input and assessment prior to designing / structuring the offer and, later, to validate the value proposal for Banco CTT's target segment.

External consultants, with significant know-how and sector recognition, supported and were involved in the entire process.

The Head Branch opened on 27 November with a soft opening, in which the implementation of all the KYC – Know Your Customer procedures inherent to the opening of accounts, as well as deposits and transfers were undertaken in a controlled environment for CTT employees. This stage has allowed the “on the job” training of teams, the correction of errors and the preparation of the opening to the general public.

With values such as solidity, trust, transparency and proximity, Banco CTT arrives in the market as a simple bank that is close to citizens. The product portfolio will be composed of an offer of simple products that cover the main banking needs of the market, besides gradually integrating the financial services of CTT aimed at the residential customer (non-corporate) that are currently offered (life insurance, property & casualty insurance, individual credit, credit card, ...). The product mix will be enlarged throughout Banco CTT's rollout period, in order to provide its future customers with increasing added value.

After the soft opening period, in a controlled environment that allows testing of systems and procedures and that will last until the end of the 1st quarter of 2016, Banco CTT will be open to the general public, with a simple, diversified offer. Above all, it will be geographically close to its customers throughout the country, thereby enabling financial inclusion, one of the bank's strategic goals.

CTT thereby attains one of strategic goals set out at the time of the IPO in 2013 – the expansion of Financial Services through the launch of its own bank, in a process of distinctive positioning and with added value to its offer. The decision is in line with the natural development of the Financial Services business unit, which has grown significantly in recent years, not only by maximising revenues in its base portfolio, but also by launching new products and services, often in partnership with leading companies in their respective areas of business.

Image of Banco CTT Branches



3. ECONOMIC AND FINANCIAL REVIEW AND CTT SHARE PERFORMANCE

3.1. Economic and financial review

This section summarises the consolidated results achieved by CTT and the consolidated assets, liabilities and financial position of the company as at 31 December 2015. This section should be read in conjunction with the consolidated financial statements and the accompanying notes. The present analysis includes the consolidation of the activities of the parent company and its subsidiaries (as included in note 8 of the consolidated financial statements).

It should be noted that during the year of 2015:

- The company CTT Serviços, S.A. was created (in February) in the context of the Postal Bank's incorporation. In October, the Bank of Portugal authorised the setting-up of Banco CTT, S.A., which resulted in the transformation of CTT Serviços, S.A. in a bank and respective amendment of statutes. Banco CTT initiated its activity on 27 November operating at the respective head branch reserved to CTT employees and the opening of Banco CTT at CTT Retail Network is scheduled for the end of the first quarter of 2016. The share capital in December was €34m.
- Following the Memorandum of Understanding signed with Altice and the completion of the acquisition of PT Portugal, CTT received the agreed initial payment, which will be recognised over the period specified in the memorandum, i.e. 18 months until the end of 2016. In 2015 the company recognised revenues of €5.4m.
- An increase of €12m in Tourline's equity occurred in December and CTT is currently examining the best corporate alternative to finalise the restructuring plan which is being implemented in the company, namely to support the recurring capital needs of the company.
- CTT, S.A. acquired, on 17 December, the entire share capital of the company "Escrita Inteligente, S.A.", a digital area start-up, dedicated to the operation of the solution called "Recibos Online" (online receipts), for the amount of €0.4m.

In 2015, CTT achieved a consolidated net profit of €72.1m, -6.6% (-€5.1m) than that of the previous year, excluding important non-recurring income in 2014 net profit remained almost unchanged at the level of €72.5m of recurring results, referred in the 2014 results presentation. The 2015 results were strongly influenced by the implementation costs of the Banco CTT, mostly non-recurring.

The Banco CTT project impacted this result by -€8.8m. Excluding the Banco CTT project, the consolidated net profit of CTT would have been €80.9m, corresponding to a growth of €3.7m (+4.8%) vs. last year. This result corresponds to a consolidated net profit per share of €0.48, compared to €0.51 in 2014 (€0.483 considering the €72.5m comparable).

The year 2014 was a year very positively marked by the healthcare plan negotiation which significantly reduced the liabilities, generating a large non-recurring gain in the income statement. More specifically, the net profit of 2014 which included gains of €83.0m with the reformulation of the Regulation of the Social Works ("RSW") system (healthcare plan of CTT), partially off-set by the corresponding increase in the income tax (deferred tax effect) of €24.7m and the impairment loss of €16.6m related to the goodwill of Tourline.

The operating activity generated earnings before non-recurring items, interest, taxes, impairments, depreciation and amortisation (recurring EBITDA) of €144.0m, +6.6% (+€8.9m) above that obtained in the same period of the previous year, with an EBITDA margin of 19.8% compared to 18.8% in 2014. These results reflect an increase of 1.3% (+€9.4m) in the recurring revenues, which more than offset the growth of 0.1% (+€0.5m) in the recurring operating costs (excluding impairments, provisions,

depreciation/amortisation and non-recurring costs), as a result of the costs with Banco CTT, although the bank has not generated income for the moment.

Recurring EBITDA in 2015, excluding the recurring expenses incurred with Banco CTT and the expenses at CTT, S.A. associated with Banco CTT, totalled €149m, a like-for-like growth of 10.3% (+€13.9m). This growth in recurring EBITDA, despite the recurring costs already incurred with Banco CTT, demonstrates the ability of CTT to implement the bank without substantially affecting its capacity to generate results, as a consequence of optimisation measures of the main business namely through optimal and best use of delivery networks and the Retail Network.

In 2015, the non-recurring results affecting CTT results were -€9.8m. This value results mainly from costs associated with studies and advisory services for strategic projects, especially those related to the Banco CTT launch, as well as the continuation of actions on organisational matters, namely the compensation for the termination of the continuous working time, the compensations resulting from the new Social Works Regulation, the indemnities paid under mutually agreed employment contract terminations and the restructuring of the Express & Parcels segment, especially in the framework of human resources in Spain ("*ERE - Expediente de Regulación de Empleo*") and the continuation of the network optimisation measures.

As a result, reported earnings before interest and taxes reached €109.9m, €25.5m (-18.8%) below those recorded in the same period of the previous year, due to the above-mentioned non-recurring net gains obtained in 2014 (with a net impact of €23.9m).

The financial results amounted to -€5.3m, representing an improvement of +28.3% (+€2.1m) relative to the same period of the previous year, due to the €4.8m decrease in financial costs with employee benefits resulting from the strong reduction in liabilities with the reformulation of the Regulation of the Social Works ("*RSW*") system (healthcare plan of CTT) and the decrease of the discount rate from 4.0% to 2.5% on 31 December 2014 which compensated the decrease of 65.7% (-€2.8m) of interest income affected by the decline in the interest rates of cash investments.

Interest income reached €1.5m, with CTT maintaining a prudent strategy in regards to its liquidity, and interest expenses were €6.9m, the latter value resulting mainly from financial costs with the update of employee benefits, which represented 98.0% of the total.

Earnings before taxes and non-controlling interests (EBT) reached €104.6m, 18.3% lower than in 2014, due to the above-mentioned non-recurring net gains obtained in 2014.

In the year of 2015, the effective income tax rate was 31.11%, much lower than the 39.97% in 2014 due to the impairment loss of goodwill recorded in 2014, which is not accepted for tax purposes, and to the effect of the 2014 tax rate update on deferred taxes.

Consolidated income statement

Thousand Euros	2015	2014	Δ% 15/14	2015 Excluding Banco CTT project (like-for-like) *	2014	Δ% 15/14 "like-for- like"
Revenues	727,180	717,774	1.3	727,178	717,774	1.3
Sales and services rendered	705,169	703,284	0.3	705,169	703,284	0.3
Sales	23,807	22,675	5.0	23,807	22,675	5.0
Services rendered	681,361	680,609	0.1	681,361	680,609	0.1
Other operating income	22,011	14,491	51.9	22,009	14,491	51.9
Operating costs excluding impairments, provisions, depreciation/amortisation and non- recurring costs	583,205	582,674	0.1	578,157	582,674	-0.8
Cost of sales	16,316	16,998	-4.0	16,316	16,998	-4.0
External supplies and services	224,687	234,843	-4.3	221,973	234,843	-5.5
Staff costs	331,738	320,429	3.5	329,485	320,429	2.8
Other operating costs	10,463	10,404	0.6	10,381	10,404	-0.2
Earnings before depreciation/amortisation, impairments and provisions, non-recurring results, interest and taxes (recurring EBITDA)	143,975	135,100	6.6	149,021	135,100	10.3
Impairment of inventories and accounts receivable, net	(233)	(936)	-75.1	(233)	(936)	-75.1
Provisions, net	(240)	(1,070)	-77.6	(240)	(1,070)	-77.6
Impairment of non-depreciable assets	0	(10)	-100.0	0	(10)	-100.0
Depreciation/amortisation and impairment of investments, net	(23,740)	(21,562)	10.1	(23,570)	(21,562)	9.3
Earnings before non-recurring results, financial income and taxes (recurring EBIT)	119,762	111,522	7.4	124,979	111,522	12.1
Company restructuring	(1,562)	37,192	-104.2	(1,562)	37,192	-104.2
Costs associated to studies and advice services for strategic projects	(8,397)	(2,837)	196.0	(1,987)	(2,837)	-30.0
Other non-recurring income and costs	130	(10,460)	101.2	130	(10,460)	101.2
Earnings before interest and taxes	109,932	135,418	-18.8	121,559	135,418	-10.2
Financial results, net	(5,376)	(7,473)	28.1	(5,394)	(7,473)	27.8
Gains/losses in associated companies	54	54	0.0	54	54	0.0
Earnings before taxes (EBT)	104,610	127,999	-18.3	116,219	127,999	-9.2
Income tax for the period	(32,539)	(51,155)	-36.4	(35,300)	(51,155)	-31.0
Net profit before non-controlling interests	72,071	76,844	-6.2	80,919	76,844	5.3
Net profit attributable to non-controlling interests	5	(327)	101.5	5	(327)	-101.5
Net profit for the period attributable to equity holders	72,065	77,171	-6.6	80,913	77,171	4.8

Note: Revenues exclude non-recurring items.

* Excluding Banco CTT business unit revenues/costs and Banco CTT project revenues/costs booked in the Financial Services business unit.

3.1.1. Revenues

Revenues

Thousand Euros	2015	2014	Δ% 15/14	2015 Excluding Banco CTT project (like-for-like) *	2014	Δ% 15/14 "like-for-like"
Sales and services rendered	705,169	703,284	0.3	705,169	703,284	0.3
Sales	23,807	22,675	5.0	23,807	22,675	5.0
Services rendered	681,361	680,609	0.1	681,361	680,609	0.1
Other operating income	22,011	14,491	51.9	22,009	14,491	51.9
Revenues	727,180	717,774	1.3	727,178	717,774	1.3

Note: Revenues exclude non-recurring items.

* Excluding Banco CTT business unit revenues/costs and Banco CTT project revenues/costs booked in the Financial Services business unit.

The business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding Financial Services, but including the Retail Network, Business Solutions, corporate and support areas, CTTContacto (the merger of Postcontacto and Mailtec Processos into CTT Gest), Mailtec Comunicação and Escrita Inteligente, S.A.. It is to be noted the merger of Mailtec Consultoria into CTT, S.A.;
- Express & Parcels – includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop and CTT, S.A. Financial Services; and
- Banco CTT – Banco CTT, S.A..

2015 - Revenues by segment							
Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Revenues
Sales and services rendered	511,167	127,014	70,854	-	-	(3,867)	705,169
Sales	22,893	916	-	-	-	(1)	23,807
Services rendered	488,274	126,098	70,854	-	-	(3,865)	681,361
Other operating revenues	43,470	4,242	4,460	2	72,595	(102,759)	22,011
Allocation to CTT central structure	-	-	-	-	36,000	(36,000)	-
Revenues	554,637	131,256	75,315	2	108,595	(142,625)	727,180

Note: Revenues exclude non-recurring items.

2014 - Revenues by segment						
Thousand Euros	Mail	Express & Parcels	Financial Services	CTT Central Structure	Intragroup eliminations	Revenues
Sales and services rendered	510,087	126,921	71,227	-	(4,951)	703,284
Sales	21,606	1,073	-	-	(4)	22,675
Services rendered	488,480	125,848	71,227	-	(4,947)	680,609
Other operating revenues	36,092	2,091	2,682	87,235	(113,609)	14,491
Allocation to CTT central structure	-	-	-	26,063	(26,063)	-
Revenues	546,179	129,013	73,908	113,298	(144,623)	717,774

Note: Revenues exclude non-recurring items.

The Mail segment, which includes the core mail business revenues of CTT and represents the greatest weight in terms of revenues amounting to €554.6m, increased by 1.5% (+€8.5m) in 2015 in comparison to the previous year.

Sales and services rendered increased by 0.2% (+€1.1m), with emphasis on the increase of €1.0m (+15.3%) in sales of philatelic products. In 2015 in the Mail segment, the decrease in services

rendered in the subsidiaries (e.g. printing & finishing) that belong to this segment absorbed the growth in mail.

However, the addressed mail revenue increase of €4.6m (+1.0%) should be noted. This increase results from the combined effect of the year-on-year increase in the average change in prices of the Universal Service in 2015 (+4.1% on average) and from the changes in the discount policy (making it clearer and more effective). These variables compensate the 3.2% reduction in addressed mail volumes. To note the favourable performance of contractual mail and advertising mail (Direct Mail) and to the unfavourable performance of registered mail, specifically in the last quarter of 2015.

The increase of €7.4m in other operating revenues is mainly associated with the increase in the distribution network integration of CTT and CTT Expresso, particularly in EMS (Express Mail Service) delivery, with a positive impact of €2.8m on revenues. It also includes revenues from the MoU with Altice⁹ of €1.8m and revenues from the improvements made in the actual allocation (VAT deduction) with a positive impact of €3.6m in other operating revenues in the Mail segment.

The Express & Parcels segment with €131.3m of revenues showed an increase of 1.7% (+€2.2m) in comparison to the previous year, resulting mainly from the growth in the provision of services in Portugal and Mozambique. In Portugal revenues grew 3.1%, including the upfront commission from the MoU with Altice (€1.8m).

The Financial Services segment with €75.3m of revenues registered an increase of 1.9% (+€1.4m) relative to the same period of 2014. There was a reduction of €1.0m in services rendered in Payshop due to the decrease of customer mobile phone top-ups, which was partly offset by the growth in other financial products.

Commissions revenues from savings and insurance products revenues rose by 7.9% (+€2.4m), as a result of growth in the public debt treasury certificates revenues ("Certificados do Tesouro Poupança Mais") which grew by 9.2% (+€1.5m), and to the capitalisation insurance products revenues which increased by 96.4% (+€1.5m) due largely to maintenance commissions of the amounts achieved in the last years. Conversely, there was a reduction of 17.3% (–€2.0m) in public debt certificates revenues ("Certificados de Aforro"), result of the sharp reduction in interest rate set by the Government in January 2015.

It should be noted the higher growth in financial products revenues occurred in the first quarter of 2015 due to the strong adherence to the public debt certificates when the Government/IGCP informed the market of the interest rate reduction as of 1 February 2015. This effect led to a lower demand in the 2nd and 3rd quarters of 2015, albeit a gradual improvement in the demand for those products was noticed in the second half of the year and especially in the 4th quarter of 2015, when savings and treasury certificates subscriptions approached the usual levels observed in some months of 2014. In the remaining products the decrease continues to be observed in mobile phone top-ups, due to the increased penetration of 4 Play offer by telecom providers.

The decrease of €1.8m (–77.6%) in operating financial interest as a result of the decline in the remuneration rates of financial investments is also noteworthy. It was offset by the MoU with Altice revenues of €1.8m and by the improvements made in the actual allocation (VAT deduction) with a positive impact of €1.8m in other operating revenues in the Financial Services segment.

In CTT Central Structure there was a decline in the internal provision of IT systems (–€8.5m) and human resources services (–€4.4m), as a result of the optimisation and efficiency measures undertaken in these areas in 2014 with the new outsourcing contacts and the renegotiation of the healthcare plan.

⁹ MoU with Altice affected three segments (Mail, Express & Parcels and Financial Services).

3.1.2. Operating costs¹⁰

Thousand Euros	2015	2014	Δ% 15/14	2015 Excluding Banco CTT project (like-for-like)*	2014	Δ% 15/14 "like-for-like"
Cost of sales	16,316	16,998	-4.0	16,316	16,998	-4.0
External supplies and services	224,687	234,843	-4.3	221,973	234,843	-5.5
Staff costs	331,738	320,429	3.5	329,485	320,429	2.8
Other operating costs	10,463	10,404	0.6	10,381	10,404	-0.2
Operating costs	583,205	582,674	0.1	578,157	582,674	-0.8

Note: Excluding non-recurring items.

* Excluding Banco CTT business unit revenues/costs and Banco CTT project revenues/costs booked in the Financial Services business unit.

Recurring operating costs amounted to €583.2m, up 0.1% (+€0.5m) vs. the previous year, in particular:

- a) Recurring external supplies and services costs decreased by 4.3% (–€10.2m) compared to 2014.

Efficiency measures undertaken in CTT have allowed this reduction in costs, of which it is worth mentioning the (i) reduction of €14.7m in communication and IT outsourcing costs, due to a change in the services providers during the second half of 2014, for basic infrastructure services, helpdesk & desktop management services, as well the fixed voice and data telecommunications services and (ii) the increased synergies in the use of internal resources in CTT, namely the continuous insourcing of the processes of delivery / processing and transportation of Express & Parcels, allowing an increase of approximately €2.8m in internal transactions and consequently a reduction in external costs, especially the ongoing process of insourcing delivery, processing and transport services (integration of distribution networks).

Conversely, there are adverse deviations of (i) €1.3m due to the increase in the number of post offices which had to contract secure transport of valuables due to a legal obligation (set by Law 34/2013, of 16 May), (ii) €2.7m increase in maintenance of IT systems namely in Banco CTT and the hardware maintenance and repair of computer peripherals and (iii) €2.3m of costs with foreign operators.

The increase in costs with foreign operators was influenced by the appreciation of the SDR (Special Drawing Right) (+6.7% at the end of 2015 compared to 2014), which influenced all rates set in this currency. On the other hand, international priority mail started to be processed by the Prime line, which had a significant impact in 2015 when compared to 2014 (its payment only began in May 2014). This increase also resulted from the changes in mail flows (in terms of weight and destination countries) and from bilateral agreements that had a positive influence on costs and revenues generated in the year.

- b) Recurring staff costs reached €331.7m, increasing €11.3m (+3.5%) when compared to the previous year. This increase is explained primarily by (i) the variable remuneration accrual of €9.7m estimated as at December 2015 referring to amounts to be paid in 2016 that in 2014 were

¹⁰ Cost of sales + ES&S + Staff costs + other operating costs (excludes non-recurring items).

recorded as non-recurring, since it was the first year of its implementation; (ii) the 2% salary increase in CTT, S.A. and 1.25% in the subsidiaries (with cap and floor) in the region of €3.9m and (iii) €2.3m of staff costs in Banco CTT.

These unfavourable variances were compensated by a decline of €3.9m in health costs due to the renegotiation of the Social Works Regulation and to the contracting of a new management provider, with a reduction in the commission paid for the management of the Healthcare Plan.

The operating costs by segment are as follows:

2015 - Operating costs by segment							
Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Operating costs
External supplies and services	103,439	99,995	11,087	2,359	41,262	(33,454)	224,687
Staff costs	239,164	24,666	3,497	2,252	62,159	-	331,738
Other costs	73,610	2,573	18,515	78	5,175	(73,171)	26,780
Allocation to CTT central structure	35,718	-	282	-	-	(36,000)	-
Operating costs	451,931	127,233	33,381	4,689	108,595	(142,625)	583,205

Note: Excluding non-recurring items.

2014 - Operating costs by segment						
Thousand Euros	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Operating costs
External supplies and services	104,979	96,963	13,233	52,430	(32,763)	234,843
Staff costs	236,880	23,583	4,379	55,588	-	320,429
Other costs	86,776	2,427	18,716	5,280	(85,797)	27,402
Allocation to CTT central structure	25,867	-	196	-	(26,063)	-
Operating costs	454,502	122,972	36,525	113,298	(144,623)	582,674

Note: Excluding non-recurring items.

Mail recorded a significant amount of operating costs as it includes the functions of mail sorting, transport, delivery and the Retail Network, areas of major significance, particularly in terms of the number of workers. These operational activities are provided to the other segments - processing / transport and parcels delivery for the Express & Parcels and financial services rendered in the retail network - increasing synergies by the scalability of the unique assets, in both the distribution and retail networks. In 2015 the Mail segment incurred in €451.9m of recurring operating costs, a reduction of €2.6m (-0.6%) relative to the previous year, essentially in the internal provision of IT systems (outsourcing cost reduction) and human resources services (healthcare plan).

Express & Parcels recorded an increase of €4.3m (+3.5%) of its recurring operating costs, mainly due to the increase in costs with the transportation of goods in Spain (+€4.8m), along with the reduction of €1.0m in delivery costs, as part of the ongoing restructuring process. It is also to be noted the increase of staff costs in Portugal by €1.4m, essentially due to the accrual of variable remuneration of 2015 to be paid in 2016, and to the increase in the number of human resources for the operational area, responding to the growth in volumes (+4.8%), offset by the reduction of €0.7m in temporary work, as well as the reduction of €1.2m in courier staff work and a decrease of €0.5m in the sorting of banking network mail and parcels.

Financial Services reported a decrease of €3.1m (-8.6%) in recurring operating costs, due to the decrease of €1.4m in the commissions to Payshop agents and to the decrease of €1.8m in bonuses and incentives related to the sales of financial services in CTT post offices, showing the close relationship of the costs, mostly variables ones, to the revenues generated.

Banco CTT had € 4.7m of recurring expenses in 2015, namely in staff costs, IT systems costs, rentals and various consumables. Notwithstanding the fact that the Banco CTT segment does not have revenues from its business, the costs related to the necessary infrastructure for provision of services was considered recurring for its future continuity. At the start of 2015, it was not possible to separate between Banco CTT costs & investments, therefore a guidance was provided for the total spending of €30.0m.

The Central Structure shows a favourable variance of €4.7m (-4.2%), due to the contribution of the reduction in communication and IT outsourcing (-€14.7m) and the reduction in staff costs as a result of the healthcare plan renegotiation (-€3.9m), which offset the increase in IT systems maintenance (+€1.4m), computer specialised works (+€0.8m) and the recognition of variable short and long term remuneration costs of CTT, S.A..

3.1.3. Recurring EBITDA

Recurring EBITDA ¹¹ amounted to €144.0m, corresponding to an increase of €8.9m relative to the amount generated in 2014, as a result of revenue growth that exceeded the increase in operating costs.

Thousand Euros	2015	2014	Δ % 15/14	2015 Excluding Banco CTT project (like-for-like) *	2014	Δ % 15/14 "like-for-like"
Recurring revenues	727,180	717,774	1.3	727,178	717,774	1.3
Operating costs excluding impairments, provisions, depreciation and non-recurring costs	583,205	582,674	0.1	578,157	582,674	-0.8
Recurring EBITDA	143,975	135,100	6.6	149,021	135,100	10.3
Recurring EBITDA margin	19.8%	18.8%	1.0 p.p.	20.5%	18.8%	1.7 p.p.

* Excluding Banco CTT business unit revenues/costs and Banco CTT project revenues/costs booked in the Financial Services business unit.

Recurrent EBITDA grows in Mail and Financial Services as a result of the growth in revenues but mainly due to a significant growth of the EBITDA margin, which benefits from the scalability of the Retail Network and the Distribution Network (only in Mail). The Express & Parcels segment, despite similar effects obtained in Portugal by the distribution networks integration, was negatively impacted by the results obtained with operations in Spain whose recurring EBITDA deteriorated. Under the restructuring process in Spain and due to the results achieved and to the few synergies with the business in Portugal as a result of different business models, alternatives are being analysed at corporate level.

¹¹ Recurring EBITDA = Operating results + amortisation and depreciation + net change of provisions and impairment losses (does not include non-recurring revenues and expenses, as company restructuring, impairment of investment properties, provisions for onerous contracts and labour contingencies).

2015 - Recurring EBITDA by segment

Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT
Revenues	554,637	131,256	75,315	2
Operating costs	451,931	127,233	33,381	4,689
Recurring EBITDA	102,706	4,023	41,934	(4,688)
Recurring EBITDA margin	18.5%	3.1%	55.7%	n.a.

2014 - Recurring EBITDA by segment

Thousand Euros	Mail	Express & Parcels	Financial Services
Revenues	546,179	129,013	73,908
Operating costs	454,502	122,972	36,525
Recurring EBITDA	91,676	6,040	37,384
Recurring EBITDA margin	16.8%	4.7%	50.6%

3.1.4. Non-recurring results

In 2015, CTT recorded negative non-recurring results of €9.8m, as a result of:

- (i) External supplies and services:
 - €8.4m of costs associated with studies and advisory services for strategic projects, especially those related with the launch of Banco CTT (€6.4m), but also with the strategic plan for Information Systems, with regulation and with a management information improvement plan (which allows in part the improvements with the actual allocation).
- (ii) Staff costs:
 - €0.04m of staff costs including: €0.7m due to the termination of employment contracts by mutual agreement in the scope of the transformation programme; €1.7m due to the provision for restructuring in Tourline; €2.3m due to the compensation for the suspension agreements and the €4.8m corresponding employee benefits costs reductions; and €2.2m with the compensation for termination of continuous working hours resulting from the 2015 Company Agreement.
- (iii) Net impairments and provisions, with a net reversal of €0.4m, as follows:
 - €1.2m from the reversal of net impairments recorded in the scope of the restructuring of the Express & Parcels segment, which includes the optimisation of Tourline network.
 - €0.04m resulting from net provisions increase, related to labour contingencies reversal and to onerous contracts increase.
 - €0.8m impairment reversal of buildings and the stake in Tourline.
- (iv) Other costs:
 - €1.0m deemed uncollectible in the scope of the restructuring of the Express & Parcels segment.

2015 – Non-recurring results								
Thousand Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Other operating revenues	-	-	-	-	-	-	-	-
External supplies and services	-	140	3,703	2,707	1,847	-	-	8,397
Staff costs	2,811	2,131	58	-	(4,965)	-	-	35
Other costs	-	973	-	-	-	-	-	973
Non-recurring results that affect EBITDA	(2,811)	(3,244)	(3,761)	(2,707)	3,118	-	-	(9,405)
Depreciation/amortisation and impairment of investments, net	-	-	-	-	-	-	(167)	(167)
Impairment of inventories and accounts receivable, net	-	1,237	-	-	(59)	-	-	1,177
Impairment of non-depreciable assets	-	(623)	-	-	-	-	-	(623)
Provisions net	-	223	-	-	(185)	-	-	38
Non-recurring results that affect EBIT	(2,811)	(4,080)	(3,761)	(2,707)	3,362	-	167	(9,830)

2014 – Non-recurring results							
Thousand Euros	Mail	Express & Parcels	Financial Services	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Other operating revenues	-	-	1,000	-	-	-	1,000
External supplies and services	-	-	-	2,837	-	-	2,837
Staff costs	1,954	179	6	(64,561)	-	-	(62,423)
Other costs	-	44	-	-	-	-	44
Non-recurring results that affect EBITDA	(1,954)	(222)	994	61,724	-	-	60,542
Depreciation/amortisation and impairment of investments, net	-	-	-	-	-	(156)	(156)
Impairment of inventories and accounts receivable, net	-	3,456	-	1,486	-	-	4,942
Impairment of non-depreciable assets	-	18,922	-	-	-	-	18,922
Provisions net	911	3,292	-	8,736	-	-	12,939
Non-recurring results that affect EBIT	(2,865)	(25,892)	994	51,502	-	156	23,895

The non-recurring costs with the implementation of Banco CTT were recorded in part in CTT, mostly in Financial Services (€3.7m) and in part in Banco CTT (€2.7m). In Mail, the main non-recurring expense was due to the compensation for termination of continuous working hours that generated benefits in terms of productivity.

3.1.5. Financial results

In 2015, the consolidated financial results reached –€5.3m, representing an improvement of €2.1m in relation to 2014.

The interest income and financial revenues decreased by 65.7 % when compared to the previous year, directly influenced by the sharp decrease in interest rates offered by banks on term deposits, and by the fact that the company decided to maintain a conservative investment policy of its assets.

Thousand Euros	2015	2014	Δ% 15/14
Interest income	1,485	4,325	-65.7
Interest expenses	6,861	11,798	-41.8
Interest expenses (financial)	137	242	-43.4
Interest costs with employee benefits (accounting)	6,724	11,556	-41.8
Gains/losses in associated companies	54	54	0.0
Financial results	(5,322)	(7,419)	28.3

Interest expenses incurred reached €6.9m, which include costs associated with employee benefits of €6.7m and interest related to financial leasing and bank loans of €0.1m.

There was a decrease of €4.8m in the financial costs with employee benefits resulting from the impact of the strong reduction in employee benefits liabilities with the healthcare plan renegotiation and the reduction in the discount rate from 4.0% to 2.5% on 31 December 2014.

The gains in associated companies reached €0.05m in 2015, specially related with the gain in Multicert.

3.1.6. Net profit, profitability and Gross Added Value

In 2015, CTT achieved a consolidated net profit attributable to equity holders of €72.1m, 6.6% below that of last year, corresponding to consolidated earnings of €0.48 per share and a net margin of 9.9% (10.8% in 2014). Excluding non-recurring effects in both years, positive in 2014 and negative in 2015, the net profit would have increased by 12.5%.

The reported and recurring consolidated income statement for 2015 and 2014 is summarised below:

Thousand Euros	Reported		Recurring *		Δ% 15/14
	2015	2014	2015	2014	
Revenues	727,180	718,774	727,180	717,774	1.3
Operating costs	592,610	523,132	583,205	582,674	0.1
EBITDA	134,570	195,642	143,975	135,100	6.6
EBITDA margin	18.5%	27.2%	19.8%	18.8%	1.0 p.p.
EBIT	109,932	135,418	119,762	111,522	7.4
EBIT margin	15.1%	18.8%	16.5%	15.5%	1.0 p.p.
Earnings Before taxes	104,610	127,999	114,440	104,103	9.9
Income tax for the period	32,539	51,155	32,865	31,897	3.0
Losses (gains) attributable to non-controlling interest	5	(327)	5	(327)	101.5
Net profit for the period	72,065	77,171	81,570	72,534	12.5

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

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

Return on Equity (ROE) decreased by 0.6 p.p., from 29.4% in 2014 to 28.8% in 2015, as a result of the reduction in net profit by 6.6%.

The Return on Invested Capital (ROIC) of 21.3% and the Return on Capital Employed (ROCE) of 20.2% decreased by 4.9 p.p. and 3.8 p.p., respectively, in relation to 2014, primarily due to the 18.8% decrease in earnings before interest and taxes and the strong increase of investment (+94.8%).

The net profit of 2014 which included gains of €83.0m with the reformulation of the Regulation of the Social Works ("RSW") system (healthcare plan of CTT), partially off-set by the corresponding increase in the income tax (deferred tax effect) of €24.7m and the impairment loss of €16.6m related to the goodwill of Tourline.

Returns on Capital			
	2015	2014	$\Delta\%$ 15/14
Return on Equity (ROE) ⁽¹⁾	28.8%	29.4%	-0.6 p.p.
Return on Invested Capital (ROIC) ⁽²⁾	21.3%	26.2%	-4.9 p.p.
Return on Capital Employed (ROCE) ⁽³⁾	20.2%	24.0%	-3.8 p.p.

⁽¹⁾ Net profit/average Equity

Average Equity = (EQ year n + EQ year n-1)/2

⁽²⁾ Earnings before financial income and taxes/(Net assets-Cash)

⁽³⁾ Earnings before financial income and taxes (Net assets-ST Liabilities)

The gross value added amounted to €441.7m corresponding to a GVA/average number of employees of about of 35.5 thousand euros, 3.2% lower than that of the previous year, due to the reduction of net profit and income tax for the period. This indicator highlights the effort to optimise operations and maximise the productivity of resources.

Gross Added Value (GAV)			
	2015	2014	$\Delta\%$ 15/14
GAV (Delivery) - € thousand	441,719	456,228	-3.2
Average Staff	12,445	12,448	0.0
GAV (Delivery)/ Average Staff (euros)	35,494	36,651	-3.2

3.1.7. Capex

Capex reached €32.3m, 94.8% above that of the previous year (+€15.7m), mainly due to the investments in the context of the incorporation of Banco CTT (€11.7m), particularly in IT systems. In addition, investments have been made in: (i) acquisitions of freight vehicles (€3.0m), especially electric ones; (ii) reinforcement of productive infrastructures, which includes the acquisition of a sorting machine (€1.9m) for non-standard mail items and small B2C parcels to cope with the strong growth of e-commerce; (iii) various investments in renovation and maintenance of buildings and (iv) in information systems.

3.1.8. Financial position and Cash flow

Consolidated statement of financial position			
Thousand Euros	2015	2014	Δ % 15/14
Non-current assets	354,906	350,481	1.3
Current assets	764,566	830,516	-7.9
Total assets	1,119,472	1,180,997	-5.2
Equity	251,835	249,210	1.1
Total liabilities	867,637	931,787	-6.9
Non-current liabilities	292,668	314,394	-6.9
Current liabilities	574,970	617,393	-6.9
Total equity and liabilities	1,119,472	1,180,997	-5.2

Total assets recorded a decrease of €61.5m (-5.2%), reflecting:

- The increase in non-current assets (+€4.4m) with the increase of €14.2m in intangible fixed assets, the €3.9m decrease in deferred tax assets and the reduction of €3.5m in investment properties.
- The decrease in current assets (-€65.9m) resulting from the reduction in cash and cash equivalents at €60.9m (-9.2%), resulted from the reduction in net financial services payables due to the high amounts subscribed in December 2014 in Treasury Certificates "Poupança Mais" and to taxes payments.

Equity increased by €2.6m (+1.1%), resulting from the dividend distribution for the year 2014 (€69.8m), which occurred in May, and the net profit of the current period (€72.1m). In June occurred the purchase of own shares (200,177 shares) for the amount of €1.9m. It is also relevant to point out the amount of €1.6m related to the variable long-term compensation of the Executive Committee.

Liabilities reduced €64.1m (-6.9%) mainly by the:

- Decrease of financial services payables in the amount of €67.0m (-16.8%), reflecting the impact observed in December 2014 of the substantial amounts of public debt certificates subscriptions and taxes payments;
- Decrease of employee benefits liabilities €17.4m (-6.3%);
- Increase in other current liabilities of €9.2m (+11.2%), mainly resulting from a temporary situation of process adaptation by the new provider for the healthcare plan management services;
- Increase of current deferrals by €8.2m, reflecting the amount to be recognised in 2016 referring to the agreement with Altice (its recognition was spread over a period of 18 months corresponding to the "first refusal" period granted to Altice);
- Increase in currents debts by €5.2m, as a result of Tourline's cash pooling.

The employee benefits liabilities in 2015 amounted to €262.8m, a decrease of 5.7% vs. in December 2014. It stands out:

- The reduction of €9.6m in liabilities related to suspension contracts, resulting essentially from the negotiation of termination agreements with some workers in this situation and the payments occurred in 2015;

- The reduction in liabilities related to the benefit " Monthly life annuity" (–€1.9m) and to the benefit "pensions for accidents at work" (–€1.3 M) as a result of the update of the growth rate of pensions from 2.75% in 2014 to 1.50% in 2015.

Liabilities with post-retirement employee benefits

Thousand Euros	2015	2014	Δ% 15/14
Liabilities	262,832	278,668	-5.7
Healthcare	236,806	241,166	-1.8
Staff (suspension agreements)	8,234	17,810	-53.8
Other benefits	14,805	18,315	-19.2
Share plan	2,987	1,376	117.1

The net change in cash and cash equivalents amounted to –€60.9m, €180.6m below the previous year of 2014 but, excluding the change in net Financial Services payables (decrease of €138.6m), the variation was practically nil (+€0.11m), resulting from the:

- Increase of €9.8m in the amount of dividends and €5.5m in income taxes payments paid in 2015 versus the amount paid in 2014.
- Increase of €5.4 m (+ 0.8%) in the collections from customers;
- Reduction of €17.5m in payments to suppliers;
- Increase of €19.2m in payments to employees, impacted mainly by the variable remuneration pertaining to the 2014 financial year (€9.0m), the salary increase of 2% in CTT, SA and 1.25% in subsidiaries (€3.9m) and the staff cost in banco CTT (€2.3m);
- Increase of €20.8m in investment payments, primarily from acquisitions made at the end of 2014 and from 2015 strong investments (in Banco CTT and information systems);
- Reduction of €4.7m in interests income affected by the decline in the interest rates;
- Reduction of €4.4m in financial investments receivables, due to the sale in 2014 of the subsidiary EAD (€4.0m) and the acquisition in 2015 of "Escrita Inteligente" (€0.4m).

Cash flow

Thousand Euros	Reported			Adjusted FS flows *		
	2015	2014	Δ% 15/14	2015	2014	Δ% 15/14
Cash flow from operating activities	32,832	178,706	-81.6	93,860	101,086	-7.1
Cash flow from investment activities	(25,539)	5,348	-577.5	(25,539)	5,348	-577.5
Capex	(28,362)	(7,519)	-277.2	(28,362)	(7,519)	-277.2
Other	2,823	12,868	-78.1	2,823	12,868	-78.1
Operating free cash flow	7,294	184,055	-96.0	68,322	106,434	-35.8
Cash flow from financing activities	(68,230)	(63,669)	-7.2	(68,230)	(63,669)	-7.2
Dividends	(69,750)	(60,000)	-16.3	(69,750)	(60,000)	-16.3
Change in consolidation perimeter	17	(692)	102.5	17	(692)	102.5
Net change in cash and cash equivalents	(60,920)	119,694	-150.9	108	42,073	-99.7

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

3.1.9. Financing

Financing is focused on financial leasing operations related to operating facilities and the acquisition of basic equipment performed until 2013 and on current bank loans in Tourline and Corre to fund operating activities, emphasising the cash pooling system used by CTT.

The calculated net debt is negative, which means CTT has liquidity after financial debt and liabilities with employee benefits. Net cash (incl. Liabilities with employee benefits) stood at €82.6m in 2015, increasing €7.7m (+10.3 %) vs. 2014. The stability of the amount of net cash (excluding financial services creditors) is to be noted, despite the strong investments made in the project of Banco CTT and in the parent company, as well as the dividend paid. Another highlight is the reduction of liabilities for employee benefits.

Net debt			
Thousand Euros	2015	2014	Δ% 15/14
Financial debt	8,114	3,759	115.9
Bank loans and other loans	6,123	891	587.2
Financial leasings	1,990	2,869	-30.6
Net cash	278,999	278,891	0.0
Net financial debt	(270,885)	(275,132)	-1.5
Liabilities with employee benefits *	262,832	278,668	-5.7
Deferred tax assets related to employee benefits	(74,537)	(78,412)	-4.9
Net debt (incl. Liabilities with employee benefits)	(82,590)	(74,876)	10.3

* Includes Share plan recorded in equity.

Net cash			
Thousand Euros	2015	2014	Δ% 15/14
Net cash			
(+) Cash and cash equivalents	603,650	664,570	-9.2
(-) Net Financial Services payables	(324,651)	(385,679)	-15.8
Net cash	278,999	278,891	0.0

3.1.10. Financial ratios

As at 31 December 2015 the strong position of the Balance Sheet is preserved, as evidenced by the indicators below that confirm the strengthening of the financial soundness of CTT, with strong liquidity levels and high cash position.

Financial indicators

	2015	2014	$\Delta\%$ 15/14
Current liquidity ratio (1)	133.0%	134.5%	-1.5 p.p.
Solvency ratio (2)	29.0%	26.7%	2.3 p.p.
Adjusted solvency ratio (3)	46.4%	45.6%	0.7 p.p.
Net debt (€m)	(82,590)	(74,876)	10.3
Net debt/EBITDA(4)	-0.6 x	-0.6 x	0.0 x
Tangible fixed asset coverage (5)	237.0%	239.0%	-2.0 p.p.
Dividend/Net profit (6)	97.8%	90.4%	7.4 p.p.
Dividend/ Adjusted operating free cash flows (6)	103.2%	65.5%	37.7 p.p.

⁽¹⁾ Current assets/Current liabilities

⁽²⁾ Equity/Total liabilities

⁽³⁾ Equity/(Total liabilities - net Financial Services payables)

⁽⁴⁾ If negative indicates positive net cash situation

⁽⁵⁾ (Non-current liabilities+Equity)/Tangible fixed assets (includes investment properties)

⁽⁶⁾ €70.5m dividends in 2015 and €69.75m dividends in 2014.

3.2. CTT share price performance

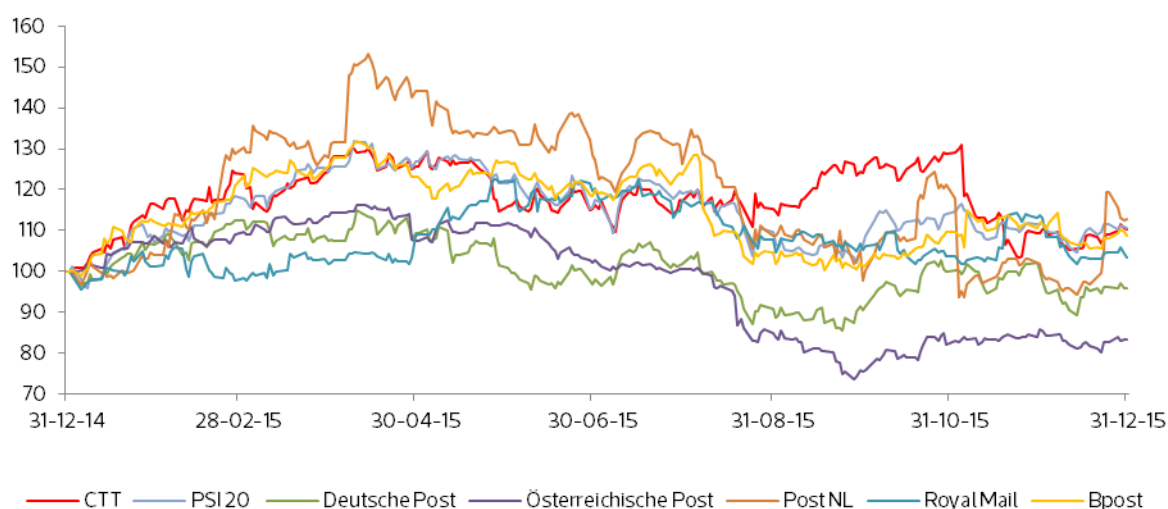
In 2015, the CTT share price appreciated by 10.4%. During the year the company paid a dividend of €0.465 per share. Hence, the total shareholder return or TSR (capital gain + dividend, calculated on the basis of the share price as at 31 December 2014) was 15.9%. The CTT shares were the best performing in terms of TSR among EU postal sector peers that were listed on 31 December 2014, followed by bpost with 14.7%. In this period, the PSI 20 appreciated by 14.9%.

In terms of share price appreciation only, the best performer of the EU postal sector in 2015 was PostNL. Its shares appreciated by 12.9%, followed by CTT shares, with a 10.4% price appreciation. On the same basis, the PSI 20 index appreciated by 10.7% in the year 2015.

CTT share pays a high dividend yield to its shareholders committing to medium and long-term growth without prejudicing the dividend. The launch of Banco CTT gives CTT a faster future growth potential with growing diversification of the portfolio of products and services based on the scalability of its unique assets, the Mail distribution network (basic network) and the Retail Network (post offices). This diversified growth is unique among the Company's peers.

CTT share price performance vs PSI 20 & sector

(Year 2015 – rebased at 100 as at 31 Dec 2014)



Throughout the year 2015, 135 million CTT shares were traded at the Euronext Lisbon Stock Exchange, corresponding to a daily average of 526,000 shares, which translates into an annualised ratio of 90% of the share capital. As at 31 December 2015 market close, the CTT share price was €8.854.

4. HUMAN RESOURCES

Culture and Values. Talent Management Plan. Recognition and Reward

Talent Management creates value for the organisation and for each person. CTT is integrating the values, giving them life, developing systems and policies to transform the organisation, developing skills and holding leadership responsible, as well as engaging the structure. It is also recognising and rewarding the contribution and performance of the individuals, the teams and the businesses.

During 2015, the experience of Culture and Values continued to deepen, with several initiatives for this purpose.

A **Talent Management Plan** was approved, which aims to:

- Guide employees towards the main business challenges and desired culture;
- Provide CTT with the best market practices in terms of Talent Management;
- Reinforce the Value Proposal for employees, positioning CTT as one of the best and most attractive companies to work for;
- Ensure business sustainability through the development of Talent, dissemination of Knowledge and Enthusiasm of the employees;
- Put the Customer at the centre of the organisation, strengthening the Innovation variable in CTT's Excellence formula;
- Place Talent Management on the strategic agenda and in the daily lives of CTT leaders.

The plan integrates the five axes of the **Talent Management Cycle**: **Attract** new employees; **Clarify** their responsibilities, expectations, opportunities and modus operandi in CTT; **Engage** employees with business, team and individual objectives and results; **Empower** employees for current challenges and prepare them for the future; Make employees **Grow** and thus make CTT Grow.

Actions were identified at various time horizons for each of these axes, with systematisation of priorities and the corresponding implementation plan. During 2014, the Organisational Framework and Functional Groups was completed, a salary benchmarking was conducted and the salary policy was defined with the organisation's position at various levels, the Employer Brand and the Trainee Programme were designed, and the latter began in the first half of 2015. Also, Profiles for Leaders and Key Duties were defined, and the new Performance Management system was conceived, designed and was implemented in a first full cycle in 2015.

The Performance Management system is aimed at the whole CTT structure, and seeks to align the employees with the strategy and business, consolidating a culture of meritocracy, recognition and reward of differentiated performances. Hence, in 2014, variable remuneration based on individual performance and contribution towards the results was reintroduced, while also taking into account CTT's global performance. In the first half of 2015, this variable remuneration was allocated to employees via a **participation in the profits**, in line with the variable remuneration policy set out for executive directors, in the total amount of nearly nine million euros. The individual allocation of this profit share was based on merit and differentiated according to functional groups, performance levels and number of unjustified absences. It encompassed the entire organisation.

It is possible that variable remuneration will be allocated in future financial years under this policy, depending, obviously, on the organisation, the business units and individuals' performance, according to detailed criteria defined in the framework of the referenced Performance Management system and subject to shareholder approval of profit sharing payments.

Current activity

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

As a result of the necessary adjustment to business developments and volumes, as at 31 December 2015, CTT headcount (permanent staff and employees on fixed-term contracts) consisted of 12,057 employees, 63 (-0.5%) less than in 2014. This reduction, when measured as a full time equivalent, was -61 (-0.5%).

CTT Headcount

	31.12.2015	31.12.2014	Δ 2015/2014	
Mail	9,651	9,717	-66	-0.7%
Mail & Business Solutions	6,974	7,042	-68	-1.0%
Retail Network	2,677	2,675	2	0.1%
Express & Parcels	1,074	1,205	-131	-10.9%
Financial Services	102	101	1	1.0%
Banco CTT	65	0	65	-
Other	1,165	1,097	68	6.2%
Total, of which:	12,057	12,120	-63	-0.5%
Permanent	11,365	11,527	-162	-1.4%
Fixed-term contracts	692	593	99	16.7%
Total in Portugal	11,600	11,550	50	0.4%

The number of employees includes 6,603 employees in the areas of operations and mail delivery (including 4,944 postmen / postwomen) and 2,677 employees in the Retail Network.

In 2015, 168 employees were hired (100 in Portugal and 68 abroad), while 18 employees on loan to the joint venture companies TI-POST and Postal Network and 3 on a public interest secondment returned, while 351 left the company. Of these, 86 employees retired, 272 terminated their contracts or were on unpaid leave and 16 deceased.

In addition, employees limited in their ability to perform their duties were re-assessed in order to achieve better placement and to invest in mobility among the various CTT companies and businesses, thereby promoting, insofar as possible, the insourcing of operational activities. In this regard, the integration process of the distribution networks will reflect a better and more efficient use of resources.

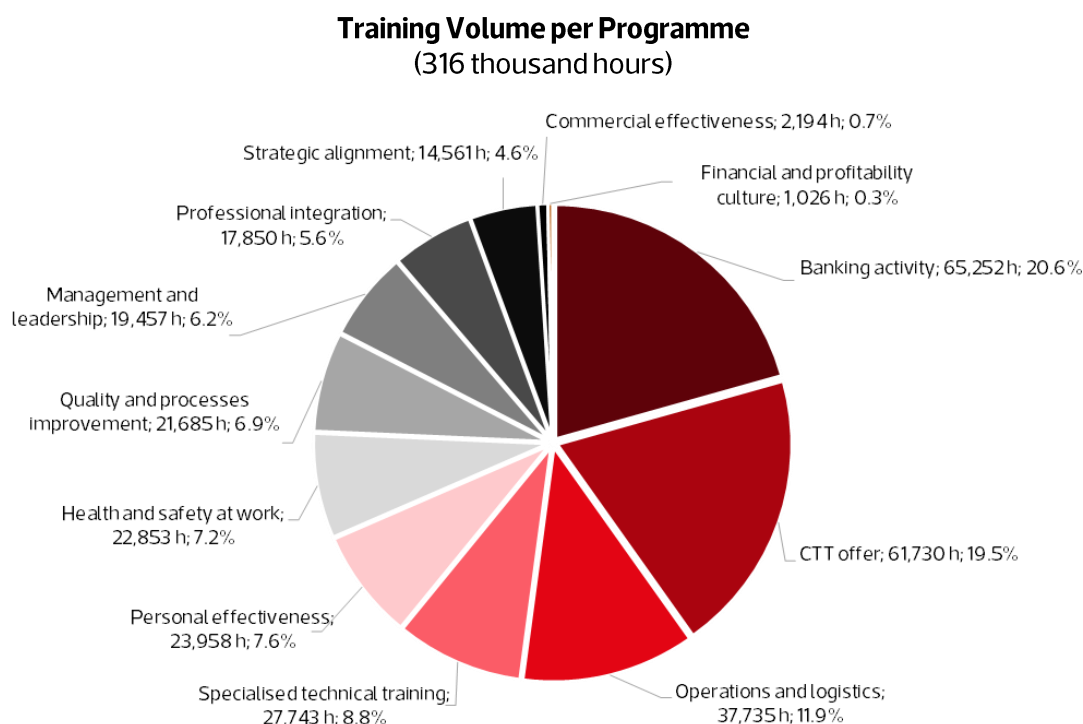
Development of human capital and resource optimisation

In the framework of the development of the business units and the enhancement of the human capital needed for the growth of CTT, the Company's staff was **rejuvenated** by recruiting new staff with added knowledge and skills.

To strengthen the CTT value proposition as an employer, the **CTT Employer Brand** was designed and the **Trainee Programme** was launched with a view to attract and retain young people of high-potential, promote their development within a structured overall programme, contribute to the rejuvenation of staff, foster a mobility culture, tailor a pipeline of leaders in the medium term and position CTT as an **“employer of first choice”**. During the 1st semester, the programme was structured and the 15 candidates were selected in several stages for the first programme that started in September of 2015 and will run for 18 months with rotation through three company departments.

The **annual performance assessment** process regarding the 2014 financial year was conducted during the 1st half of 2015. Simultaneously, a new performance management system was developed and implemented in all CTT companies, aiming at aligning the employees with the strategy and business development of the Company, as well as recognising the merit and the results achieved. It is based on the definition of targets and expected behaviours, which are a reference for the assessment at the end of the management cycle. In accordance with this new model, targets were defined and KPIs agreed for 2015 for the various functions and Company units, and all of those were communicated to the employees. Performance assessment for the 2015 financial year will take place in 2016 once the year’s results have been assessed.

There was a strong investment in **training** in 2015, the goal of which was the acquisition and reinforcement of skills geared toward (i) the satisfaction of set targets and a response to rising challenges, (ii) professional and personal enrichment, (iii) employee motivation, involvement and deeper commitment to the company, its culture and its values.



Among the strategically relevant programmes, those associated with the network optimisation, the Citizen’s Bureau Areas and Banco CTT are to be highlighted.

On 9 February 2015 and with effect from December 2014, a **new Company Agreement (CA)**, valid for the next two years, and a revised **Regulation of the Social Works (RSW)**, the internal healthcare

and social protection system of CTT, were signed with the workers' collective representation structures – Workers' Committee and Trade Unions.

This new CA strengthens a labour framework adapted to the specific nature of the Company's business, promoting greater flexibility and mobility, a good social climate and stable collective working relations, all of which are fundamental for CTT in order to face the current and future challenges. For that purpose, the new CA provides for greater alignment with general labour laws, the discontinuing of some specific allowances, the harmonisation of working hours across the Company and, for the first time in five years, a 2% increase in fixed salaries in CTT and 1.25% in the subsidiaries, with minimum and maximum limits.

The revised RSW of CTT maintains a high protection level, with better balance of the share of payments to be borne by the Company and the beneficiaries, while promoting the better use of benefits. Accordingly, the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments in routine medical visits, while the all-encompassing feature of the system was maintained and some social support measures were strengthened.

As of 1 January 2015, besides the above-mentioned revision of the RSW, CTT's Healthcare Plan, which was until then managed by PT-ACS, was transferred to Médis following a tender process addressed to four relevant entities. The transition to Médis ensures continuity of the healthcare system for employees in a similar manner as that of the previous supplier and will allow for a reduction of current costs with the Healthcare Plan management and medical services.

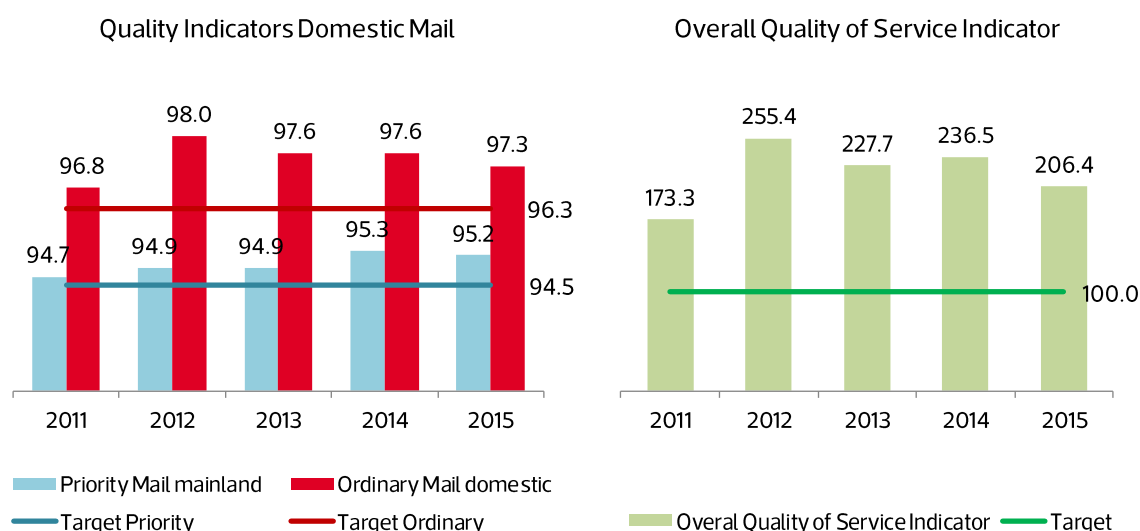
In December 2015, a new benefit which supplements the RSW was introduced. This benefit stipulates a 50% contribution to user charges in the National Healthcare System for employees wishing to join. Thereby, the universe of providers covered is expanded and there is a wider offer throughout the country.

5. QUALITY, INNOVATION AND SUSTAINABILITY IN CTT

5.1. Quality of Service

In 2015, CTT continued to achieve high quality of service levels, with the OQSI – Overall Quality of Service Indicator – registering 206.4 points, compared to a target of 100.

In international mail, the quality of service targets set out by the EU Postal Directive for the postal sector were exceeded in the Portuguese case.



In 2015, all agreed variables performed above the set targets:

Quality levels	Minimum	Target	Score
Priority Mail			
% Delivered on the following day (Mainland)	93.50	94.50	95.20
% Delivered within two days (Azores and Madeira)	84.00	87.00	90.50
% Delivered within ten days	99.75	99.85	99.91
Ordinary Mail			
% Delivered within three days	95.50	96.30	97.30
% Delivered within fifteen days	99.77	99.86	99.90
Newspapers and Periodicals			
% Delivered within three days	95.50	96.30	97.90
International Mail			
% Delivered within three days	85.00	88.00	89.50 ⁽¹⁾
% Delivered within five days	95.00	97.00	97.40 ⁽¹⁾
Parcels			
% Delivered within three days	90.50	92.00	92.80
Waiting time at post offices			
% Customers assisted within 10 minutes	75.00	85.00	92.60

(1) Weighted average of 4Q14 and 9M15.

Customer perception regarding CTT Quality of Service reflects the good performance achieved: 85.7% of the customers state that CTT overall quality of service is good or very good (source: customer satisfaction surveys).

In the context of the process of certification of customer counter service, two “Mystery Client” studies were conducted, where the main objective was to measure the quality of service perceived by the customers. In the first study, carried out from March to April, 622 post offices were assessed with the global outcome of 99.6% favourable feedback; in the second study, carried out from July to August, 621 post offices were assessed and the outcome was 99.7% favourable feedback.

In 2015, efforts continued in order to maintain management systems certified.

In the first half of 2015, a new Committed to Excellence recognition was attained under the European Excellence Model of EFQM (European Foundation for Quality Management), now covering the whole CTT operational network: Retail Network, postal delivery offices and production and logistics centres. This methodology has undoubtedly contributed to acknowledged operational improvements since the first application (1st project in 2006) and its increasingly comprehensive operational coverage. CTT was the first European postal operator to have achieved this recognition in this context.

The service certification process was maintained in all post offices and postal delivery offices and in 100 postal agencies, the latter under a project that will be extended in the year of 2016.

As regard to quality, CTT is developing various initiatives in order to be able to implement, in 2016, the new quality measurement criteria set out in the Postal Law and by the regulator. These initiatives will entail new measurement criteria and a quality measurement system by a qualified external entity. As previously mentioned, an external entity will be selected to measure the quality of service levels that, given the specificities of the business and of the quality measurement criteria, required a pre-qualified international tender.

Contact Centre

Telephone calls (62%) and electronic mail / emails (38%) to the Contact Centre were the communication methods most used by clients when contacting the Company, with a rise in the latter relative to the former.

In 2015, there were 1,160,143 answered telephone calls, which represents a decrease of 7% relative to 2014. This decrease reflects client preference for free communication methods (email and self-service tools).

As regards email, 721,012 contacts were received by the contact centre, which represents a year-on-year increase of 20% in this communication channel. Growth is associated with the client's need to obtain various forms of proof or various digitalised documents, namely for customs clearance of items, toll collection and ViaCTT activation.

CTT App

The CTT application (CTT App) for smartphones facilitates customer contact with CTT's offer of postal and other services. It allows users to locate the closest point of access, search and pay tolls through the vehicle's license plate and monitor the delivery of parcels, all in a simple and intuitive format. In 2015 accesses to the CTT App totalled 20.1 million, a monthly average of 1.7 million.

5.2. Innovation and development

CTT's mission and values set innovation as, respectively, a guarantee for the accomplishment of that mission – today and in the future – and as a focus on continuously exploring new ideas, processes and solutions that contribute to that same future.

Thus, in the context of I&D, the highlights of 2015 are:

Development of solutions, products and services

- Growth of the parcel business, by introducing innovative technological upgrades for parcel sorting and the creation of a knowledge management system to be used in breakdowns (which will mitigate external intervention). Worthy of note as regards e-commerce (referenced in section 2.3 Express & Parcels) and as a lever for this business is the conclusion of an Iberian market survey, the design and implementation of the Pick-Up & Drop-Off solution, the definition of a new CTT Espresso modular offer geared towards e-commerce, the availability of the "Click & Ship" service, the availability of the "Easy Send" solution for delivering customers of the website *olx.pt* and the forging of (national and international) partnerships, specifically the partnership with SingPost in December.
- Reinforcement of the Mail business, by designing solutions and/or pursuing developments that, in particular, seek to reinforce the offer and features of several products, such as the offer of ViaCTT services (by self-adherence and the ability to digitally upload documents for later physical delivery), of geographic solutions (web services to access various types of information, auto-completion of addresses and the Agency for Administrative Modernisation (AMA – *Agência para a Modernização Administrativa*) geoportal to assist in determining the postcode regarding the national identification card) and of advertising mail (a web solution for self-service campaigns). The company Escrita Inteligente was acquired and, with that, its online invoice business, which enables the electronic delivery of invoices in retail stores, became part of CTT's portfolio.
- Optimisation of the operational part of the Mail business, through the acquisition of automated postal equipment for sorting non-standard items (Restmail), the carrying out of various initiatives (studies / acquisition of specific equipment) to make the separation of volumes more efficient and uniform in all production and logistic centres (PLC) and to better equip postal delivery offices through the acquisition of Personal Data Terminals to support the delivery of Express & Parcels items and the introduction of mail locating features, if the customer so chooses. The acquisition of new electrical vehicles for urban delivery, thereby allowing the more efficient and socially responsible use of vehicles, thereby substantially reducing pollution levels.
- Expansion of the convenience of the CTT app and making a new option available on the CTT website to research postal agencies and their respective services.
- Availability through PayShop of: (i) a new contactless electronic ticket office for the Urban Transport of Braga (*Transportes Urbanos de Braga (TUB)*), which joins Lisbon, Porto and Funchal in offering this service; and (ii) a tax payment solution available in the entire network of agents.

Corporate initiatives

- Definition, approval and implementation of a new CTT I&DMS – Innovation & Development Management System – in relation to which various activities have already started, namely:

- Implementation of a web platform for Idea Management of CTT employees, which will become operational at the beginning of 2016.
- Creation and operation of an Observatory that accompanies activities of various start-up incubators in order to identify opportunities aligned with CTT's goals and strategies and that has already enabled the selection of some initiatives currently under analysis.
- Monitoring, together with various Company departments, the respective climate of innovation, in order to explore areas in which it may be advisable to complement CTT's existing offer and / or design innovative solutions.
- Holding CTT's Innovation Day (22 June), an event where essential I&DMS characteristics were shared and other postal innovation experiences reflected upon. This event is intended to take place regularly in order to enrich the climate of innovation in the Company.
- Signing of a protocol with INDEG/ISCTE in order to foster collaboration with this Institute under the Executive Masters in Management with the Specialisation in Innovation Management, whose first edition will take place from September 2015 to June 2016.
- Organisation of the PostEurop AESForum 2015, chaired by CTT and that took place in November, in the innovation centre of Deutsche Post DHL (Bonn, Germany), this year under the theme of innovation.
- Production of the new Postal 360 (monthly) newsletter for internal circulation with information on:
 - the latest technological advances in strictly postal technologies or other ICT which, by influencing the postal activity, may constitute opportunities for new solutions and business for CTT.
 - the main merger & acquisition events for postal / logistic / delivery companies, in the entire world, the monitoring of which is of interest to CTT.

5.3. Sustainability

Near to its close, this year was marked by the opening of Banco CTT. It was CTT's first year as a completely private company and it continued to provide an excellent public service and create value for the shareholders.

Company and Employees

At the beginning of the year, a new Company Agreement, valid for the next two years, and a revised Regulation of the Social Works, CTT's internal healthcare plan, were signed. The Regulation maintained a high level of protection in illness, mainly serious illness, and maintained benefits, despite increasing employee contributions for services used (via fees and higher co-payments). In this regard, it is important to note that both were achieved through negotiation between the company and the Employee Unions and Workers' Committee, which was conducted responsibly by both parties.

Also internally, the Code of Ethics was amended and a Code of Conduct for CTT and its Subsidiaries was created. CTT continued implementing its sustainability policy and the revision of the strategy of involvement with Interested Parties has started.

Training provided was 20% higher than the past year, with more than 316 thousand hours. A pioneer system for the assessment and recognition of eco-efficiency performance of drivers was put in place, including road safety, fuel consumption and relationships with clients. In this regard, there

were 905 work related accidents (none mortal), 5% less than in 2014. The level of absenteeism was at 6.04% (-0.6 p.p. relative to 2014).

As regards gender equality, CTT accepted the goal of the Portuguese Government to have at least having 30% of women on the Board of Directors by 2018. In this same area, CTT signed the protocol to join the Break Even project, in order to draft CTT's Equality Plan.

Society and the environment

Several social and environmental interventions were supported in the amount of 908 thousand euros (CAIS, *Associação Salvador*, Lisbon and Portugal Half Marathons, Sporting Event for the Disabled in Wheelchairs, the Portuguese Association against Leukaemia (*Associação Portuguesa contra a Leucemia*), the Women's Race, *Pirilampo Mágico*, *Pé N'A Terra*, *Comunidade Vida e Paz*, *Refúgio Aboim Ascensão*, Zoo and Green Day, among others). Eleven programmes to collect goods were promoted (Fight Against Poverty Project, *Banco do Bebê*, Food Bank, *Movimento Reutilizar and Helpo*), and over 15,000 solidarity packages were freely distributed to 92 private social solidarity institutions.

More than 140 CTT volunteers and their relatives contributed a total of 1,000 hours to 15 activities with reference partners: Portuguese Foundation for Cardiology (*Fundação Portuguesa de Cardiologia*), the Food Bank (*Banco Alimentar Contra a Fome*), Corporates for Social Inclusion (*EPIS - Empresários pela Inclusão Social*), the Nature and Forest Conservation Institute (*Instituto Conservação da Natureza e das Florestas*), Quercus and Biodiversity4All. Guest children and children of employees were accompanied to the Porto and Lisbon Christmas Parties. Under the partnership with EPIS, career-oriented sessions over three days were organised at CTT's premises for 9 EPIS youths and 10 CTT mentors continued to give regular support for the second year running to ten students facing academic challenges, with the back-up tutoring of 8 more trainee volunteers.

As regards climate change, CTT was the first company in the global postal sector to adhere to the Road to Paris 2015 programme, in preparation of the COP 21 (Conference of Parties – Conference on climate change), promoted by the United Nations. 45% of the light commercial fleet of CTT S.A. was renewed through the acquisition of 604 new vehicles. This was nonetheless insufficient to avoid a 6.0% increase in fuel consumption, mainly due to the insourcing of outsourced routes. Therefore, despite the slight decline in electricity consumption of 0.4%, CO₂ emissions grew 4.3%. In terms of carbon management, CTT was considered a sector benchmark in three of the criteria assessed under the EMMS programme, of the IPC and attained 2nd place in performance in its sector, on a global level, with its carbon rating in the Carbon Disclosure Project.

For the second year running, CTT got behind the "A tree for the forest" campaign in partnership with Quercus. This campaign aims to forest critical areas in the country with more fire-resistant trees. This project has enabled 6 thousand trees to be planted to date and was awarded the most important national environmental accolade in 2015 (Green Project Awards).

New proximity channels with citizens have been inaugurated, namely, the "CTT Sphere" page on Facebook, with one million followers. Through this page, the Portuguese were able to participate in the selection of the carbon compensation scheme for the transport and delivery of Green Mail, an example of participatory citizenship, which was the first ever in Portugal.

Given its focus on sustainable mobility, CTT was again part of European Mobility Week and "Bike to Work Day", with the participation of more than 200 CTT employees. In December, an internal car-pooling programme was carried out with over 400 shows of interest in car sharing. CTT's mobility programme was "Highly Commended" by the most prestigious international award in the sector, the World Mail Awards.

The Ecological portfolio showed its best performance ever, supported by the “Environmentally Trusted Brand” award, from SDR, with year-on-year volume growth of 8.0% in “Green Mail” and 51.3% in DM Eco. Nearly one third of 80.2 million addressed advertising mail delivered by CTT in 2015 was from the Eco line.

Customers and consumers

Quality attained 206.4 points, relative to the 100-point goal set with the Regulator and 85.7% of customers claimed to be satisfied or very satisfied with the services rendered by CTT. The weight of ecological purchases was the highest ever, 99.2% of the total.

In 2015, 115,944 customer inquiries and claims regarding marketed services and products were received, a 25% reduction compared to the previous year. During 2015 117.461 replies were processed for inquiries and claims. The domestic service represented 38% of the total while the international service accounted for 54% and financial services for 8%.

As mentioned above, two “Mystery Client” surveys were held in 2015 with the main goal of measuring the quality of service perceived by the customer. In the first survey, held in March and April, 622 post offices were assessed with an overall result of 99.6% favourable opinions; the second survey, held in July and August, covered 621 post offices and an overall result of 99.7% favourable opinions were obtained. Several variables were assessed, including the way the customer is served, the aspect of our employees, their knowledge on the products, the information available and the aspect of the area.

Additionally, in order to obtain in-depth knowledge and improve satisfaction with the services provided, CTT carries out on a regular basis several surveys and questionnaires to its customers of both the Individual Segment (customers going to CTT post offices) and the Business Segment (Contractual Customers).

Individual Customers

The survey conducted by IMR – Institute of Marketing Research in March 2015 on the individual customers’ expectations, those who go to the CTT post offices concludes that the most important factors for those customers are the proximity of the post offices, the swiftness of the service and the post office opening hours.

Business Customers

The analysis of this market segment reflects the results of the Customer Satisfaction Surveys addressed to our customers, broken down as Large Customers, Business Customers and CTT Expresso Customers.

- Large Customers (conducted by Pitagórica, in January 2015) obtained an Overall Satisfaction Average of 7.60 (scale of 1 to 10, where 1 – Not Satisfied at All and 10 – Very Satisfied).

The attributes with the highest Satisfaction levels were:

	Average
Expertise/professionalism of the Customer Manager	8.72
Availability of /ease of access to the Customer Manager	8.56
Commitment and problem solving / feedback	8.48

Base: 62 companies.

- Business Customers (conducted by Spirituc, in December 2015) obtained an Overall Satisfaction Average of 7.62 (scale of 1 to 10, where 1 – Not Satisfied at All and 10 – Very Satisfied).

The attributes with the highest Satisfaction levels were:

	Average
Availability of /ease of access to the Customer Manager	9.17
Expertise/professionalism of the Customer Manager	9.04
Commitment and problem solving / feedback	9.01

Base: 160 companies.

- CTT Espresso Customers (conducted by IMR, in December 2015) obtained an Overall Satisfaction Average of 4.04 (scale of 1 to 5, where 1 – Not Satisfied at All and 5 – Very Satisfied).

The attributes with the highest Satisfaction levels were:

	Average
Trust in and Credibility of the company	4.51
Geographical Coverage	4.51
Compliance with deadlines	4.25

Base: 402 companies.

Shareholders and investors

During the year, CTT spent 21.5 days in external meetings with investors, 11.5 of which in 11 conferences (organised by 9 different brokers in 6 different cities) and 10 days in 11 roadshows (organised by 8 different brokers in 12 different cities). The Chairman and CEO of the Company spent 6.5 days abroad on activities involving Investor Relations and the CFO spent 15.5 days on similar activities. Over the course of the year, the Company met with 370 investors.

On 19 November 2015, CTT held its inaugural Capital Markets Day with the aim of presenting its 3rd quarter results and an update on its strategy, focused mainly on Banco CTT. Close to 80 participants from 16 investors, 17 brokers and other entities within the capital markets took part in the event, which also included site visits to a CTT post office and the Lisbon sorting centre.

As at 31 December 2015, coverage of CTT's shares was provided by 15 research analysts (12 at the end of 2014) from 5 Portuguese brokers (Caixa BI, BPI, Haitong, Intermoney and Banco BIG), 5 from North America (JP Morgan, Morgan Stanley, Goldman Sachs, Jefferies and Royal Bank of Canada), 2 from Spain (BBVA and Fidentiis), 1 from Germany (MainFirst), 1 from the United Kingdom (Barclays) and 1 from South Africa (Investec). The coverage of Berenberg is currently suspended due to changes in their research team.

6. SUBSEQUENT EVENTS AND FUTURE PERSPECTIVES

Subsequent events

Opening of Banco CTT

The opening of Banco CTT to the general public will take place on 18 March 2016 in 52 CTT post offices, thereby ensuring the Bank's presence in every district in the country, including the islands. The Bank's activities in these post offices will be carried out under two distinct models: specified areas, in almost all of these first post offices and specified counters. This enables the clear identification / communication of the Bank's presence and fosters the launch of its banking activity. As a natural evolution of the Financial Services segment, the bank will become operative in the CTT post offices that show greatest potential for this business unit.

Postal service price update

CTT – Correios de Portugal, S.A. ("CTT") updated its prices effective 1 February 2016. This update will correspond to an annual average price variation of the basket of letter mail services, editorial mail and parcels of 1.3% (excluding the universal service offer to senders of bulk mail, which benefits from special prices). The new prices were set in compliance with the Price Setting Criteria for the Universal Postal Service established by the National Communications Authority (ANACOM), under article 14(3) of Law no. 17/2012, of 26 April, as per Decree-Law no. 160/2013, of 19 November.

Set within the company's 2016 tariff policy, the update corresponds to an average annual price variation of 1.1% and also reflects the update of prices for reserved services (registered mail used in legal or administrative proceedings) and bulk mail.

Under the 2016 price policy, CTT, as a universal service provider, will give access to the universal service network to other operators, as set out in article 38 of the Postal Law (Law no. 17/2012, of 26 April).

Adequacy of the Express & Parcels' corporate structure

As a result of the outcome analysis of the Tourline restructuring currently underway and the decision to integrate the Express & Parcels network in the mail distribution network, an analysis was undertaken to arrive at the best corporate structure to achieve the proposed strategic goals.

The strategy of operations integration at an Iberian level proved to be difficult to apply due to the different operational models and was replaced by the network integration in Portugal due to the clear synergies and economies of scale. In this context, the Board of Directors approved, on 15 March 2016, the acquisition of Tourline by CTT from CTT Expresso. This transaction will not have any impact in CTT's consolidated financial statements.

Future perspectives

The more favourable macroeconomic environment, as well as the Transformation Programme initiatives implemented between 2013 and 2015, allow CTT to face 2016 with strong expectations of implementing the defined strategy.

Expected GDP growth in Portugal will continue to be strongly influenced by increasing exports and by investment, along with an acceleration in private consumption, the main consumption driver for CTT's products and services, particularly in the Mail business. Within this context, the decline in the demand for mail will continue to be affected not only by the structural trend for electronic replacement, but also by macroeconomic factors. Notwithstanding, this decline will remain in line with the natural long-term trend and may vary depending on internal consumption and investment behaviour.

Growth in e-commerce will continue to be the main driver in growth of the parcels business for the B2C segment (business-to-consumer), while domestic economic activity fosters growth of the parcels market for the B2B (business-to-business), both in Portugal and Spain. Growing migration of Iberian retailers to online sales platforms and a change in consumer habits is expected and e-commerce arising from local retailers is expected to gain importance, as is the case in Northern Europe. In this regard, CTT is carrying out several initiatives in order to preserve the lead in the offer of logistics solutions in this market, including (i) a modular offer in the parcels business tailored to this segment with various levels of service, features and flexibility, (ii) the integration and current optimisation of delivery networks in Portugal and also Spain, thereby increasing competitiveness in the offer targeting this market, where capillarity and convenience are key factors and (iii) the development of a new technological platform that supports this type of flexible modular offer.

Regarding Financial Services, 2016 will be a year of consolidation of CTT's relevant positioning as a significant player in the placement of savings products, in addition to launching new products and services, specifically focused on Banco CTT's offer of banking services. CTT's Financial Services business will focus on corporate customers while Banco CTT will focus on retail customers, thereby covering the entire market with financial solutions leveraged on CTT's skills and unique assets. As regards the PayShop, initiatives will be carried out to maximise its competitive advantages in this market: (i) the vast portfolio of clients that encompasses almost all service providers, with a wider offer that also covers digital channels and (ii) the network of nearly 4,000 agents located throughout the country that introduce new services to its users.

Banco CTT expects to open to the general public on 18 March 2016, with the opening of 52 CTT post offices offering a simple portfolio leveraged on CTT's robust solidity and the trust it has earned from the public. The simple offer will be limited at first and will evolve as the Bank's activities progress, thereby enabling its prudent development, which will be heavily leveraged on CTT's experience in financial services and on partnerships with market operators. This will allow an important flux of fee income (with minimal capital requirements). Given that the offer will only be complete at the end of the year with the offer of mortgage loans, the main goal in this first year will be to rapidly gain clients with the opening of deposit accounts (current or savings), which will be an important source of income.

The Company aims to grow its revenues moderately and sustainably. This objective is based on the expectation that the growing businesses (Financial Services and Express & Parcels) will offset the expected decline in Mail revenues, as a result of a volume decline not fully mitigated by price increases.

Balance sheet optimisation measures will continue, such as the working capital optimisation and the optimisation / use of vacant buildings. CTT will continue to manage employee benefits, so as to monetise the associated tax assets.

7. PROPOSAL FOR THE APPROPRIATION OF RESULTS

Under the terms of article 23 of the Articles of Association of CTT - Correios de Portugal, S.A. ("CTT" or "Company"), the annual net profit, duly approved, is to be appropriated as follows:

- a) a minimum of 5% will be transferred to the legal reserve, until the required amount is reached;
- b) a percentage will be distributed to the shareholders as dividends and as decided by the General Meeting;
- c) the remaining amount will be appropriated as deliberated by the General Meeting in the interest of the Company.

Under the terms of article 295(1), of the Commercial Companies Code, a minimum of 5% is intended for the constitution of the legal reserve and, if necessary, its reintegration until this reserve reaches 20% of the share capital.

As the share capital is 75,000,000.00 Euros, 20% corresponds to 15,000,000.00 Euros; hence, the legal reserve as at 31 December 2015 exceeds the minimum amount required according to the Articles of Association and the Commercial Companies Code.

Under the terms of article 294(1), of the Commercial Companies Code, half of the distributable profit must be distributed to the shareholders, unless otherwise established in the Articles of Association or by a deliberation of a General Meeting called for this purpose, in which case 3/4 of shareholder votes are required.

No clause in the Articles of Association establishes any terms that might oppose the provisions included in the aforementioned code.

Distributable profit corresponds to the net profit for the year after constitution or reinforcement of the legal reserve and coverage of retained losses, if applicable. As at 31 December 2015, the legal reserve is fully constituted and retained earnings are positive.

For the financial year ended 31 December 2015, the net profit in the corporate accounts amounted to 72,065,283.00 Euros.

Given the accounting rules in force, the aforementioned net profit already includes an amount of 9,148,500.00 Euros regarding profit sharing with CTT employees and Executive Directors.

Under the terms of said article 23 of the Articles of Association of the Company, a variable remuneration may be added to the Executive Directors' fixed remuneration, which may consist of a percentage of the Company's consolidated profit. In such case, the overall percentage of that profit allocated to the variable remuneration may not exceed, every year, an amount corresponding to 5% of the consolidated profit for the financial year.

Accordingly and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes that:

- a) the net profit for the 2015 financial year, totalling 72,065,283.00 Euros as per the corporate financial statements, is appropriated as follows:

Dividends*	€ 70,500,000.00
To Retained Earnings	€ 1,565,283.00

* distribution of € 70,500,000.00 of dividends corresponds to € 0.47 per share.

b) the attribution of a maximum amount of 9,148,500.00 Euros (already considered in the corporate financial statements) to CTT employees and Executive Directors as profit sharing, under the terms laid down by the competent bodies.

8. DECLARATION OF CONFORMITY

For the purposes of article 245(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and the members of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") hereby declare that, to their best knowledge, the 2015 consolidated and corporate accounts, the legal certification of accounts and other financial statements i) were prepared in compliance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and of the companies included in the consolidation perimeter; ii) faithfully describe the business evolution, the performance and position of CTT and of the companies included in the consolidation perimeter; and iii) contain a description of the major risks faced by CTT in this activity.

Lisbon, 15 March 2016

O Conselho de Administração

Francisco José Queiroz de Barros de Lacerda
Chairman & CEO

António Sarmento Gomes Mota
Vice-Chairman of the Board of Directors and Chairman of the Audit Committee

Manuel Cabral de Abreu Castelo-Branco
Vice-Chairman of the Board of Directors and Member of the Executive Committee

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

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

Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo
Member of the Board of Directors and of the Executive Committee

António Manuel de Carvalho Ferreira Vitorino
Member of the Board of Directors

Nuno de Carvalho Fernandes Thomaz
Member of the Board of Directors and of the Audit Committee

Diogo José Paredes Leite de Campos
Member of the Board of Directors and of the Audit Committee

Rui Manuel de Oliveira Horta e Costa
Member of the Board of Directors

José Manuel Baptista Fino
Member of the Board of Directors

PART II – FINANCIAL STATEMENTS

Consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	NOTES	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Tangible fixed assets	5	209,940,886	212,466,058
Investment properties	7	19,783,095	23,329,763
Intangible assets	6	27,624,015	13,426,007
Goodwill	9	8,058,656	7,705,457
Investments in associated companies	10	255,695	227,418
Other investments	11	1,106,812	1,106,812
Other non-current assets	18	601,103	790,601
Deferred tax assets	41	87,535,941	91,428,940
Total non-current assets		354,906,203	350,481,056
Current assets			
Inventories	13	5,455,115	5,785,277
Accounts receivable	14	124,355,641	131,682,269
Deferrals	15	8,168,589	5,692,895
Other current assets	18	22,936,943	22,785,382
Cash and cash equivalents	17	603,649,717	664,569,744
Total current assets		764,566,005	830,515,567
Total assets		1,119,472,208	1,180,996,623
EQUITY AND LIABILITIES			
Equity			
Share capital	20	75,000,000	75,000,000
Own shares	21	(1,873,125)	-
Reserves	21	33,384,112	31,773,967
Retained earnings	21	91,727,994	84,374,563
Other changes in equity	21	(18,644,832)	(18,786,310)
Net profit attributable to equity holders of parent company		72,065,283	77,171,128
Non-controlling interests	24	175,322	(323,703)
Total equity		251,834,754	249,209,645
Liabilities			
Non-current liabilities			
Medium and long term debt	25	1,035,522	1,913,118
Employee benefits	26	241,306,773	255,541,102
Provisions	27	40,732,332	45,671,517
Deferrals	15	5,016,576	6,426,807
Deferred tax liabilities	41	4,576,598	4,841,684
Total non-current liabilities		292,667,801	314,394,228
Current liabilities			
Accounts payable	28	435,891,677	499,536,907
Employee benefits	26	18,538,572	21,750,445
Income taxes payable	29	7,922,942	6,173,214
Short term debt	25	7,078,155	1,846,070
Deferrals	15	13,745,430	5,502,183
Other current liabilities	30	91,792,877	82,583,931
Total current liabilities		574,969,653	617,392,750
Total liabilities		867,637,454	931,786,978
Total equity and liabilities		1,119,472,208	1,180,996,623

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE TWELVE MONTHS AND THREE MONTHS ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	NOTES	Twelve months ended		Three months ended	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Revenues		727,179,760	718,774,422	189,104,907	187,831,964
Sales and services rendered	4	705,168,863	703,283,590	178,208,284	187,381,784
Other operating income	33	22,010,897	15,490,832	10,896,623	450,180
Operating costs		(617,247,815)	(583,356,761)	(158,923,053)	(134,272,771)
Cost of sales	13	(16,316,346)	(16,998,498)	(4,501,124)	(5,700,598)
External supplies and services	34	(233,084,139)	(237,679,808)	(62,361,438)	(65,423,040)
Staff costs	36	(331,772,879)	(258,006,736)	(82,782,296)	(18,889,268)
Impairment of inventories and accounts receivable, net	37	(1,410,434)	(5,877,266)	(415,306)	(3,847,414)
Impairment of non-depreciable assets	9	623,123	(18,932,073)	623,123	(18,932,073)
Provisions, net	27	(277,313)	(14,009,576)	(285,526)	(12,340,897)
Depreciation/amortisation and impairment of investments, net	38	(23,573,001)	(21,405,600)	(6,887,234)	(5,344,782)
Other operating costs	39	(11,436,825)	(10,447,204)	(2,313,251)	(3,794,698)
Earnings before financial income and taxes		109,931,945	135,417,661	30,181,854	53,559,193
Financial results		(5,321,964)	(7,418,971)	(1,408,300)	(2,351,539)
Interest expenses	40	(6,861,401)	(11,797,721)	(1,710,418)	(2,888,259)
Interest income	40	1,485,163	4,325,187	276,121	786,250
Gains/losses in associated companies	10	54,274	53,562	25,997	(249,531)
Earnings before taxes		104,609,981	127,998,690	28,773,554	51,207,654
Income tax for the period	41	(32,539,346)	(51,155,054)	(7,345,753)	(26,925,379)
Net profit for the period		72,070,635	76,843,636	21,427,801	24,282,275
Net profit for the period attributable to:					
Equity holders of parent company		72,065,283	77,171,128	21,430,326	24,537,556
Non-controlling interests	24	5,352	(327,492)	(2,525)	(255,281)
Earnings per share of the parent company	23	0.48	0.51	0.14	0.16

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS AND THREE MONTHS ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	NOTES	Twelve months ended		Three months ended	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net profit for the period		72,070,635	76,843,636	21,427,801	24,282,275
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	21	444,637	-	109,622	-
Employee benefits (non re-classifiable adjustment to profit and loss)	26	114,181	(61,041,103)	3,290,351	(60,448,095)
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	41	27,297	17,706,037	(866,477)	17,529,914
Other changes in equity	21/24	(18,661)	(1,411,128)	(145,681)	191,949
Other comprehensive income for the period after taxes		567,454	(44,746,194)	2,387,815	(42,726,232)
Comprehensive income for the period		72,638,089	32,097,442	23,815,616	(18,443,957)
Attributable to non-controlling interests		499,025	(1,729,652)	(2,525)	(56,858)
Attributable to shareholders of CTT		72,139,064	33,827,094	23,818,141	(18,387,099)

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
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
Appropriation of net profit for the year of 2013	22/24	-	-	-	-	61,016,067	(61,016,067)	-	-
Dividends	21/24	-	-	-	-	(60,000,000)	-	(198,423)	(60,198,423)
Share plan		-	-	1,376,408	-	-	-	-	1,376,408
		-	-	1,376,408	-	1,016,067	(61,016,067)	(198,423)	(58,822,015)
Other movements	21/24	-	-	-	-	(8,968)	-	(6,482)	(15,450)
Participation sale	24	-	-	-	-	-	-	(1,395,678)	(1,395,678)
Actuarial gains/losses - Health Care, net from deferred taxes	21	-	-	-	(43,335,066)	-	-	-	(43,335,066)
Net profit for the period		-	-	-	-	-	77,171,128	(327,492)	76,843,635
Comprehensive income for the period		-	-	-	(43,335,066)	(8,968)	77,171,128	(1,729,652)	32,097,442
Balance on 31 December 2014		75,000,000	-	31,773,967	(18,786,310)	84,374,563	77,171,128	(323,703)	249,209,645
Balance on 1 January 2015		75,000,000	-	31,773,967	(18,786,310)	84,374,563	77,171,128	(323,703)	249,209,645
Appropriation of net profit for the year of 2014		-	-	-	-	77,171,128	(77,171,128)	-	-
Dividends	22/24	-	-	-	-	(69,750,000)	-	-	(69,750,000)
Acquisition of own shares	21	-	(1,873,125)	-	-	-	-	-	(1,873,125)
Share plan	21/24	-	-	1,610,685	-	-	-	-	1,610,685
		-	(1,873,125)	1,610,685	-	7,421,128	(77,171,128)	-	(70,012,440)
Other movements	21/24	-	-	-	-	(177,319)	-	158,658	(18,661)
Actuarial gains/losses - Health Care, net from deferred taxes	21	-	-	-	141,478	-	-	-	141,478
Changes to fair value reserves	21	-	-	(540)	-	-	-	-	(540)
Adjustments from the application of the equity method	21	-	-	-	-	109,622	-	335,015	444,637
Net profit for the period		-	-	-	-	-	72,065,283	5,352	72,070,635
Comprehensive income for the period		-	-	(540)	141,478	(67,697)	72,065,283	499,025	72,637,549
Balance on 31 December 2015		75,000,000	(1,873,125)	33,384,112	(18,644,832)	91,727,994	72,065,283	175,322	251,834,754

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED CASH FLOW STATEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euro

	NOTES	31.12.2015	31.12.2014
Operating activities			
Collections from customers		696,039,358	690,618,115
Payments to suppliers		(230,578,621)	(248,103,826)
Payments to employees		(328,407,436)	(309,218,520)
Cash flow generated by operations		137,053,302	133,295,769
Payments/receivables of income taxes		(26,881,091)	(21,370,682)
Other receivables/payments		(77,340,046)	66,781,084
Cash flow from operating activities (1)		32,832,164	178,706,171
Investing activities			
Receivables resulting from:			
Tangible fixed assets		515,316	1,434,725
Financial investments		24,870	4,046,849
Interest income		2,283,289	6,951,935
Dividends		-	434,128
Payments resulting from:			
Tangible fixed assets		(16,689,137)	(7,519,161)
Intangible assets		(11,254,311)	-
Financial investments		(418,622)	-
Cash flow from investing activities (2)		(25,538,595)	5,348,477
Financing activities			
Receivables resulting from:			
Loans obtained		9,031,873	6,174,600
Payments resulting from:			
Loans repaid		(3,800,884)	(7,758,020)
Interest expenses		(853,263)	(1,023,841)
Finance leases		(984,955)	(1,061,358)
Acquisition of own shares	21	(1,873,125)	-
Dividends	22	(69,750,000)	(60,000,000)
Cash flow from financing activities (3)		(68,230,355)	(63,668,619)
Net change in cash and cash equivalents (1+2+3)		(60,936,786)	120,386,029
Changes in the consolidation perimeter		16,758	(692,087)
Cash and equivalents at the beginning of the period		664,569,744	544,875,803
Cash and cash equivalents at the end of the period	17	603,649,717	664,569,744

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the 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” or “Company”), with head office at Avenida D. João II, no 13, 1999-001 in Lisbon, had its origin in the “Administração Geral dos Correios Telégrafos e Telefones” government department and its legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the communications area.

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

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

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

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

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

The shares of CTT are listed on Euronext Lisbon.

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

These consolidated financial statements were approved by the Board of Directors on 15 March, 2016.

1.2- Business

The main activity of CTT and its subsidiaries ("CTT Group" or "Group"): CTT - Expresso - Serviços Postais e Logística, S.A., Payshop (Portugal), S.A., CTT Contacto, S.A., Mailtec Comunicação, S.A., Corre - Correio Expresso de Moçambique, S.A., Banco CTT, S.A., Escrita Inteligente, S.A. and Tourline Express Mensajería, SLU and its subsidiaries, is to ensure the provision of universal postal services, to render postal services and financial services. During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law. The CTT Group also provides complementary services, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, electronic communication networks and services, in which the Group acts as a Mobile Virtual Network Operator ("MVNO"), and the provision of public interest or general interest services.

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

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

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

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

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

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

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

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 transference of funds electronically and physically, at national and international level, designated by postal money order service; and
- Electronic Mailbox Service, on a non-exclusive basis.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of the consolidated financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2015.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2015, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2015 and described in Note 2.2 through Note 2.28, there are additional

issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2015.

2.1.1 New standards or amendments adopted by the Group

The standards and amendments recently issued, already effective and adopted by the Group in the preparation of these consolidated financial statements, are as follows:

- **IFRIC 21 – Levies** – The IASB issued on 20 May 2013 this interpretation, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. This interpretation was endorsed by EU Commission Regulation no. 634/2014, 13 July (defining entry into force at the latest, as from the commencement date of its first financial year beginning, starting on or after 17 June 2014). IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering specific event, according to the legislation, occurs. IFRIC 21 had no material effect on the Group's financial statements.
- **Improvements to IFRS (2011-2013)** – The annual improvements of the cycle 2011-2013, issued by IASB on 12 December 2013, introduced amendments, with effective date on or after 1 July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation no. 1361/2014, of 18 December (defining entry into force at the latest, as from the commencement date of its first financial year starting on or after 1 January 2015). The Group expects no impact from the adoption of these amendments on its financial statements.
 - IFRS 2 – definition of vesting condition
The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.
 - IFRS 3 – Accounting for contingent consideration in a business combination
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely the classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.
 - IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets
The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.
 - IFRS 13 – Short-term receivables and payables
IASB amends the basis for conclusion in order to clarify that, by deleting AG79 from IAS 39, IASB did not intend to change the measurement requirements for short-term receivables and payables with no stated interest rate at invoice amounts. It is worth noting that IAS 8.8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial.

- IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortisation
In order to clarify the calculation of the accumulated depreciation or amortisation at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 clarify that: (i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross and the net carrying amounts.
- IAS 24 – Related Party Transactions – Key management personal services
In order to address the concerns about the identification of key management personnel (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

2.1.2 New standards, amendments and interpretations issued, but without effective application to years starting on 1 January 2015 or not early adopted

2.1.2.1 The Group decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions – The IASB issued this amendment on 21 November 2013, effective (with retrospective application) for annual periods beginning on or after 1 July 2014. These amendments were endorsed by EU Commission Regulation no. 29/2015, of 17 December 2014 (defining entry into force at the latest as from the commencement date of first financial year starting on or after 1 February 2015). The Amendment clarifies the guidance on attributing employee or third-party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using the plan's contribution formula or on a straight line basis. The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third-party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered. The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010–2012) – The annual improvements of cycle 2010–2012, issued by IASB on 12 December 2013, introduced amendments, with effective date on or after 1 July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015 of 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015). The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012–2014) – The annual improvements of cycle 2012–2014, issued by IASB on 25 September 2014, introduced amendments, with effective date on or after 1 January 2016, to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments were endorsed by EU Commission Regulation 2343/2015 of 15 December 2015. The Group expects no impact from the adoption of this amendment on its financial statements.

IAS 27: Equity Method in Separate Financial Statements – The IASB issued on 12 August 2014 amendments to IAS 27, with an effective date of application for periods beginning on or after 1 January 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures by the equity method in the separate financial statements. These amendments were endorsed by EU Commission Regulation 2441/2015 of 18 December 2015. As the individual accounts follow the Portuguese Accounting Standards (SNC) this amendment does not apply to the Group.

Other Amendments – The following amendments were also issued by IASB in 2014, and are applicable as from 1 January 2016,:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and endorsed by EU Commission Regulation 2113/2015 of 23 November)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and endorsed by EU Commission Regulation 2231/2015 of 2 December)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and endorsed by EU Commission Regulation 2173/2015 of 24 November)
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and endorsed by EU Commission Regulation 2406/2015 of 18 December).

The Group expects no impact from the adoption of these amendments on its financial statements.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group

IFRS 9 – Financial Instruments (issued in 2009 and revised in 2010, 2013 and 2014) – IFRS 9 (2009 and 2010) introduces new requirements for the classification and measurement of financial assets and financial liabilities. Under this new approach, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IASB published IFRS 9 (2013) addressing the new requirements for hedge accounting. It also published IFRS 9 (2014) that introduced limited amendments to the classification and measurement requirements of IFRS 9 (including enlarge the instruments measured at fair value with the changes present in other comprehensive income, from some investments in equity instruments to other investments such as bonds) and added new requirements to address the impairment of financial assets, under the expected loss model. The mandatory effective date of IFRS 9 is 1 January 2018 (with option for early application). The group has not carried out a full analysis of the application of the impact of this standard yet. Considering the reformulation in the treatment of financial instruments, namely with the launch of Banco CTT's operation, a material impact could occur in future financial statements of the Group.

IFRS 15 – Revenue from Contracts with Customers – The IASB, issued on 28 May 2014, IFRS 15 – Revenue from Contracts with Customers, effective (with possible early application) for annual periods beginning on or after 1 January 2017. This standard will revoke IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the construction of real estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue-Barter Transactions Involving Advertising Services. IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

- i) At a time when the control of the goods or services is transferred to the customer; or

ii) Over the period, to the extent that represents the performance of the entity.
The Group is still evaluating the impact from the adoption of this standard.

IFRS 16 – Leases – The IASB issued on 13 January 2016, IFRS 16– Leases, effective (with possible early application if IFRS 15 is applied at the same time) for annual periods beginning on or after 1 January 2019. This new standard replaces IAS 17 – Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. The Group has not carried out a full analysis of the application of the impact of this standard yet.

IFRS 14 – Regulatory Deferral Accounts – The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and have activity with regulated tariffs. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is not applicable to the Group.

Other Amendments – The IASB also issue:

- On 18/12/2014, and applicable to financial years beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception;
- On 19/1/2016, and applicable to financial years beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

The Group expects no impact from the adoption of these amendments on its financial statements.

2.2 Consolidation principles

Investments in companies in which the Group holds the control, in other words, when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated balance sheet and consolidated income statement in the caption Non-controlling interests. The gain and loss attributable to non-controlling interests are allocated to them.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as a profit and loss.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

Associated companies

Investments in associated companies are recorded in the consolidated balance sheet by the equity method (Note 10). An associated company is an entity over which the Group has significant influence, through participation in decisions concerning its financial and operating policies, but where the Group does not have control or joint control, which in general happens whenever the investment is between 20% and 50%.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the associated companies against Gain/losses in associated companies, and by other changes in equity in Other comprehensive income. Additionally, investments in associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the consolidated income statement.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of each associated company at the date of acquisition is recognised as goodwill related to the associated company and presented as part of the financial investment in the caption Investments in associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised in the consolidated income statement under Gains/ losses in associated companies, after confirmation of the fair value.

Whenever the losses in associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the Group incurs in any legal or constructive obligation of assuming all these losses on behalf of the associated company, in which case a provision is recorded.

The dividends received from associated companies are recorded as a decrease in the carrying value of Investments in associated companies.

With the exception of goodwill, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

Unrealised gains and losses on transactions with associated companies are eliminated in proportion to the Group's interest in the associated companies, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures

Investments in joint ventures are recorded in the consolidated balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against Gains/ losses in joint ventures, and by other changes in equity in Other comprehensive income.

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement.

Unrealised gains and losses on transactions with joint ventures are eliminated in proportion to the Group's interest in the entities, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

2.3 Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
- (iii) for which discrete financial information is available.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the Group's functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favourable and unfavourable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting date are recognised in the profit or loss for the year.

The exchange rates used in the translation of the financial statements expressed in foreign currency are the closing exchange rates for assets and liabilities and the average exchange rate for the year for income and expenses.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2015		2014	
	Close	Average	Close	Average
Mozambican Metical (MZM)	49.29000	43.53417	38.53000	40.66583
United States Dollar (USD)	1.08870	1.10963	1.21410	1.32884
Special Drawing Right (SDR)	1.27283	1.26147	1.19332	1.14454

Source: Bank of Portugal

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the assets and restoration of the location (Notes 2.20 and 27). Under the exception of IFRS 1 – First-time Adoption of the International Financial Reporting Standards, the revaluation of tangible assets made in accordance with the Portuguese legislation applying monetary indices, for the years up to 1 January 2009, was maintained, and the revalued amounts were referred to as “deemed cost” for IFRS purposes and were included under Retained earnings.

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other tangible fixed assets	5 – 10

Land is not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

On each reporting date, the Group assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible fixed assets are subject to impairment tests, where any surplus of the carrying value relative to the recoverable amount, should this exist, is recognised in the consolidated income statement. The recoverable amount corresponds to the highest amount between the fair value of an asset minus the costs of selling it and its value in use.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production, and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Other revenues and operating gains or Other operating costs and losses.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, minus amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Group, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included are expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

Intangible assets are amortised through the straight line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3
Industrial property	3 – 20
Software	3 – 10

The exceptions to the above are assets related to industrial property, which are amortised over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

The Group performs impairment reviews whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the consolidated income statement. The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Gains or losses arising from the divestment of tangible fixed assets, determined by the difference between the sales proceeds and the respective carrying value on the date of the divestment, are included in the consolidated income statement under the heading Other operating revenues or Other operating costs.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the Group to obtain rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of business.

Investment properties comprise mainly properties that the Group did not affect to the rendering of services by the Group and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment

properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates are between 10 and 50 years.

The Group ensures that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalised.

2.8 Impairment of tangible fixed assets and intangible assets, except goodwill

The Group carries out impairment assessments of its tangible and intangible assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case there is any indication of the existence of such evidence, the Group estimates the recoverable amount of the asset in order to measure the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future and estimated cash flows discounted from the assets during the estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the Consolidated income statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the Consolidated income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations. Under the exception provided by IFRS 1 – First-time Adoption of the International Financial Reporting Standards, the Group has applied the provisions of IFRS 3 only for the acquisitions made after 1 January 2009. The amounts of the goodwill corresponding to acquisitions before 1 January 2009 were kept at the net amounts presented on that date and, since this date, have been subject to impairment tests on an annual basis.

Goodwill is not amortised. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses are not reversible.

In the sale of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise Accounts receivable, Cash and cash equivalents, Other non-current assets and Other current assets in the consolidated balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in Loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial assets at fair value through profit and loss

This category includes: (i) financial assets recognised at fair value through profit and loss acquired mainly for the purpose of being traded in the short term and (ii) other financial assets designated upon initial recognition at fair value with changes recognised in profit and loss ("fair value option").

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with the

variation's counterpart of the fair value being presented in comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.11 Equity

Costs related to the issuance of new shares are recognised directly in the share capital as a deduction from the value of the cash inflow.

Costs related to an issue of equity which has not been completed are recognised as expenditure.

2.12 Financial liabilities

Debt

Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortised cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the consolidated income statement according to the accrual basis principle, with the due and unpaid amounts as at the reporting date being classified under the item of Accounts payable (Note 28).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, by the Group, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets

is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indicators that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

For the Loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, minus any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement in equity instruments are not reversed through the consolidated income statement.

2.15 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the method of assigning cost.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption Impairment of inventories and accounts receivable, net.

2.16 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its

present condition, (ii) the Group is committed to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus the sale costs. Whenever the fair value is less than the carrying value, the difference is recognised in the item Depreciation / amortisation and impairment of investments, net in the consolidated income statement.

Non-current assets held for sale are presented in a separate caption in the consolidated balance sheet.

Non-current assets held for sale are not depreciated or amortised.

Earnings from discontinued operations are presented on a specific line, in the consolidated income statement, after Income tax and before net profit for the year.

Whenever the Group is committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the Group still keeps a residual interest in the subsidiary.

2.17 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the Company, is recognised as a liability.

2.18 Employee benefits

The Group adopts the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, whose criteria are set out in IAS 19, namely using the Projected unit credit method (Note 26).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Post-employment benefits - healthcare

Workers who are integrated in "Caixa Geral de Aposentações" ("CGA") and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries' co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee amount was unified and the same fee amount is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The management of the healthcare plan is ensured by the IOS – Instituto das Obras Sociais (Institute of Social Works) and regulated by the CTT's Regulation of the Social Works, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis – Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

Other long-term benefits

The Group also assumed, relative to certain groups of workers, a series of constructive and contractual obligations, namely:

- **Suspension of contracts, redeployment, pre-retirement contracts, and release from employment**

The liability for the payment of salaries to employees in the above mentioned situations or equivalent, is fully recognised in the consolidated income statement at the time they move into these conditions.

- **Telephone subscription fee**

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (7,326 beneficiaries as at 31 December 2015 and 7,471 beneficiaries as at 31 December 2014), of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January, 2014, the cash payment was replaced by a benefit in kind.

- **Pensions for work accidents**

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

CTT Group also supports other liabilities arising from work accidents suffered by these workers.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma. Currently, because it is not considered as economically justifiable, no insurance policy has been taken out to meet these liabilities.

As at 31 December 2015 and 31 December 2014 there were 64 beneficiaries, receiving this type of pension.

- **Monthly life annuity**

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97 of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

As at 31 December 2015 there were 44 beneficiaries under these conditions (50 beneficiaries as at 31 December 2014), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Implementing Order of the Ministry of Finance and the Ministry of Labour and Social Security.

- **Support for termination of professional activity**

This benefit is granted to employees who retire with at least 5 years of seniority at the Company. Its amount depends on the seniority on the retirement date. As at 31 December 2012, the scheme in force determined a maximum amount of 1,847.16 Euros for 36 or more years of service. In 2012, the Board of Directors decided to discontinue the compensation awarded to the workers who have reached the end of their active life at the service of CTT. It has also ruled that, in situations of disconnection and retirement that may occur as a result of the requests for retirement submitted until 31 March 2013, the benefit referred to above would be maintained.

The main financial and demographic assumptions used in calculating these liabilities, namely the discount rate, mortality and disability tables, are the same as those used in the actuarial assessment of the CTT healthcare plan.

- **Defined contribution plan – Open Pension Fund or Retirement Savings Plan**

Following the new remuneration model of the Statutory Bodies defined by the Remuneration Committee (elected by the General Meeting of 24 March 2014 and composed of independent members), determined the allocation of a fixed monthly amount was determined for an Open Pension Fund or Retirement Savings Plan to executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognised in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.19 Share-based payments

The benefits granted to the executive members of the Board of Directors under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

2.20 Provisions and contingent liabilities

Provisions (Note 27) are recognised when, cumulatively: (i) the Company has a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 40).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Company and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those necessary entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the cost of retaining or relocating continuing staff, marketing and investment in new systems and distribution networks and are recognised on the same basis as if they appeared independently of a restructuring expenses in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as a restructuring part.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the effectiveness of the probability of pay based on the opinion of the Company's lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the Company discloses the events as contingent liabilities (Note 27). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period when that change in probability occurred.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognised in the financial statements of the period when the change will probably occur.

The Company does not recognise contingent assets and liabilities.

2.21 Revenue

The revenue relative to sales, services rendered, royalties, interest and dividends (from investments not accounted for by the equity method), arising from the Company's normal business activity is measured at the fair value of the consideration that has been or will be received, which is defined as the sums established freely between the contractual parties on an independent basis, where, in relation to sales and services rendered, their fair value reflects any discounts granted and does not include Value Added Tax.

The recognition of revenue requires that (i) it is probable that the economic benefits associated to the transaction will flow into the Company, (ii) the amount of the revenue may be measured reliably, (iii) the costs that have been or will be incurred with the transaction may also be measured reliably, and (iv) the stage of completion of the services rendered/transaction can be measured reliably, in the case of the services rendered being recognised based on the percentage of completion.

Revenue from the sale of merchandising products and from postal business is recognised when the risks and benefits of ownership of the products are transferred to the buyer, which usually occurs at the time of the transaction.

Revenue from postal services is recognised at the moment the customer requests the service, since CTT has no information that would allow a reliable estimate of the amount concerning deliveries not made by the financial reporting date, although it is understood that this issue is not materially relevant, as the date of the service request does not significantly differ from the date of delivery.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ICP-ANACOM.

Fees from collections made and from the sale of financial products are recognised on the date that the client is charged. Only the fee from collections charged by CTT is recognised as revenue, as CTT acts as an agent.

Revenue from PO Boxes is recognised over the term of the contracts.

Revenue from the recharging of prepaid mobile phone services is deferred and recognised in earnings, according to the traffic of the specific client, during the period when the service is rendered.

Revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and final amounts determined in agreement with those entities, which are not usually significant, are recognised in the consolidated income statement when the accounts become final.

Revenue from interest is recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the Group and their amount can be measured reliably.

CTT registers a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. CTT considers the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognised as operational cash flow.

2.22 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognised in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognised in the consolidated income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.23 Leases

The classification of leases is done according to the substance of the transaction and not the form of the contract. Leases are classified as financial whenever their terms imply the substantial transfer to the lessee of all the risks and rewards associated to the ownership of the asset. All other leases are classified as operating leases.

Tangible assets acquired through financial leasing contracts, as well as the corresponding liabilities payable to the lessor, are recorded in the balance sheet at the beginning of the lease at the lowest value between the fair value of the assets and the present value of the minimum lease payments. The discount rate used is the rate implicit in the lease. If this rate is not known, then the Group's financing rate for this type of investment is used. The policy for depreciation of these assets follows the rules applicable to tangible fixed assets owned by the Group. The interest included in the rents and in amortisation of fixed tangible assets is recognised in the consolidated income statement in the period to which they refer to.

For operating leases, the instalments that are owed are recognised as a cost in the consolidated income statement over the lease period (Note 35).

2.24 Borrowing costs

Financial charges related to loans are recognised in net profit, when incurred. However, interest expenses are capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

2.25 Taxes

Corporate income tax ("IRC")

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the Group companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues

which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for the purposes of accounts reporting and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 90% of the share capital and which are simultaneously resident in Portugal and taxed under IRC. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Value Added Tax ("VAT")

For purposes of VAT, the Parent Company follows the normal monthly regime, in accordance with the provisions of paragraph a) of no. 1 of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method.

2.26 Accruals basis

Revenues and costs are recorded according to the accruals basis, and therefore, are recognised as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in Other current assets or in Other current liabilities. Deferred revenues and costs paid in advance are recorded under the heading Deferrals, under liabilities and assets, respectively.

2.27 Judgements and estimates

In the preparation of the consolidated financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the consolidated financial statements arise in the following areas:

(i) Tangible fixed and intangible assets / estimated useful lives

Depreciation/amortisation is calculated on the acquisition cost using the straight line method, from the month when the asset is available for use. The depreciation/amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

(ii) Impairment of Goodwill

The Group tests the goodwill at least once a year, with the purpose of verifying if it is impaired, in accordance with the policy referred in Note 2.9. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

(iii) Impairment of accounts receivable

Impairment losses relative to bad debts are based on the Group's assessment of the probability of recovery of balances of accounts receivable. This assessment is made according to the period of time of default, the credit history of the customer and other debtors, and the deterioration of the credit situation of the main customers and other debtors. Should the customers' financial conditions deteriorate, the impairment losses might be higher than expected.

(iv) Deferred taxes

The recognition of deferred taxes assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force for the Group's companies, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

(v) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 26, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

(vi) Provisions

The Group exercises considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the Group expects that the lawsuits will lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

2.28 Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

2.29 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

In the year ended 31 December 2015 there were no accounting policy changes and no material errors were recognised relative to estimates made in preparing the financial statements of prior years.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

4. SEGMENT REPORTING

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

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

In February 2015, under the process to constitute the postal bank, the company CTT Serviços, S.A. was created, which became part of the Financial Services segment. In October, the company was transformed into Banco CTT, S.A., after the Bank of Portugal authorised the set-up, and initiated its activity on 27 November operating at the respective head branch of Banco CTT. Afterwards, Banco CTT became an independent segment, reflecting the accumulated activity since February of 2015.

The business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services, but including retail network and the business solutions, CTT Contacto (the merger of Postcontacto and Mailtec Processos into CTT Gest), Mailtec Comunicação and Escrita Inteligente, S.A.. It is noteworthy the merger of Mailtec Consultoria into CTT, S.A.;
- Express & Parcels – includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop and financial services of CTT, S.A.; and
- Banco CTT – Banco CTT, S.A..

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

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

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

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

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

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

However, as CTT, S.A. has assets in more than one segment it was necessary to split 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 (CTT Central Structure) 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 in the year of 2015 and 2014 are analysed as follows:

2015								
Euros	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	554,637,064	131,256,297	75,314,955	1,673	105,477,237	(139,507,467)	-	727,179,760
Sales and services rendered	511,166,685	127,014,261	70,854,457	-	-	(3,866,541)	-	705,168,863
Sales	22,892,730	915,975	-	-	-	(1,334)	-	23,807,371
Services rendered	488,273,956	126,098,286	70,854,457	-	-	(3,865,207)	-	681,361,492
Operating revenues external customers	26,373,250	4,242,035	4,380,458	1,673	16,626,648	(29,613,167)	-	22,010,897
Internal services rendered	17,097,129	-	80,040	-	55,968,284	(73,145,454)	-	-
Allocation to CTT central structure	-	-	-	-	32,882,305	(32,882,305)	-	-
Operating costs	451,648,885	130,477,384	37,117,452	7,396,698	105,477,237	(139,507,467)	-	592,610,190
External supplies and services	103,439,453	100,134,379	14,789,649	5,066,117	43,109,017	(33,454,476)	-	233,084,139
Staff costs	241,974,873	26,796,905	3,555,387	2,252,303	57,193,411	-	-	331,772,879
Other costs	19,503,763	3,546,100	598,685	78,279	4,051,577	(25,233)	-	27,753,171
Internal services rendered	54,105,814	-	17,916,408	-	1,123,231	(73,145,454)	-	-
Allocation to CTT central structure	32,624,981	-	257,323	-	-	(32,882,305)	-	-
EBITDA⁽¹⁾	102,988,179	778,913	38,197,503	(7,395,025)	-	-	-	134,569,570
Depreciation/amortisation and impairment of investments, net	(14,775,094)	(3,213,473)	(552,154)	(137,081)	(4,433,952)	-	(461,248)	(23,573,001)
Impairment of inventories and accounts receivable, net								(1,410,434)
Impairment of non-depreciable assets								623,123
Provisions net								(277,313)
Interest expenses								(6,861,401)
Interest income								1,485,163
Gains/losses in associated companies								54,274
Earnings before taxes								104,609,981
Income tax for the year								(32,539,346)
Net profit for the year								72,070,635
Non-controlling interests								5,352
Equity holders of parent company								72,065,283

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

2014							
Euros	Mail	Express & Parcels	Financial Services	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	546,178,734	129,012,707	74,908,453	51,573,467	(82,898,939)	-	718,774,422
Sales and services rendered	510,086,693	126,921,380	71,226,579	-	(4,951,062)	-	703,283,590
Sales	21,606,200	1,073,082	-	-	(4,494)	-	22,674,787
Services rendered	488,480,494	125,848,298	71,226,579	-	(4,946,568)	-	680,608,803
Operating revenues external customers	18,753,395	2,091,327	3,602,982	18,873,926	(27,830,798)	-	15,490,832
Internal services rendered	17,338,645	-	78,893	68,360,718	(85,778,256)	-	-
Allocation to CTT central structure	-	-	-	(35,661,176)	35,661,176	-	-
Operating costs	395,196,908	123,194,717	36,066,094	51,573,467	(82,898,939)	-	523,132,246
External supplies and services	104,979,473	96,962,567	13,233,439	55,267,717	(32,763,388)	-	237,679,808
Staff costs	238,834,195	23,761,516	4,384,799	(8,973,774)	-	-	258,006,736
Other costs	20,023,978	2,470,634	732,070	4,237,493	(18,472)	-	27,445,702
Internal services rendered	66,751,982	-	17,984,242	1,042,032	(85,778,256)	-	-
Allocation to CTT central structure	(35,392,720)	-	(268,456)	-	35,661,176	-	-
EBITDA⁽¹⁾	150,981,826	5,817,990	38,842,360	-	-	-	195,642,176
Depreciation/amortisation and impairment of investments, net	(15,062,055)	(2,345,754)	(582,109)	(2,805,063)	-	(610,618)	(21,405,600)
Impairment of inventories and accounts receivable, net							(5,877,266)
Impairment of non-depreciable assets							(18,932,073)
Provisions net							(14,009,576)
Interest expenses							(11,797,721)
Interest income							4,325,187
Gains/losses in associated companies							53,562
Earnings before taxes							127,998,690
Income tax for the year							(51,155,054)
Net profit for the year							76,843,636
Non-controlling interests							(327,492)
Equity holders of parent company							77,171,128

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

The revenues are detailed as follows:

Thousand Euros	2015	2014
Mail	554,637	546,179
Transactional mail	416,806	413,740
Editorial mail	15,738	15,028
Parcels (USO)	6,892	7,179
Advertising mail	31,712	31,071
Retail	19,505	18,614
Philately	8,155	7,344
Business Solutions	11,524	12,154
Other	44,305	41,049
Express & Parcels	131,256	129,013
Financial Services	75,315	74,908
Banco CTT	2	-
CTT Central Structure	105,477	51,573
Intragroup eliminations	(139,507)	(82,899)
	727,180	718,774

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2015						Total
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Structure	Non allocated assets	
Intangible assets	2,884,879	3,663,322	245,408	9,716,701	9,104,348	2,009,357	27,624,015
Tangible fixed assets	174,902,447	13,727,659	549,351	60,642	17,579,075	3,121,711	209,940,886
Investment properties						19,783,095	19,783,095
Goodwill	7,652,555		406,101				8,058,656
Deferred tax assets						87,535,941	87,535,941
Accounts receivable						124,355,641	124,355,641
Other assets						38,524,257	38,524,257
Cash and cash equivalents						603,649,717	603,649,717
	185,439,881	17,390,982	1,200,860	9,777,343	26,683,423	878,979,718	1,119,472,208

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

Debt by segment is detailed as follows:

Other information (Euros)	31.12.2015					Total
	Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	
Medium and long-term debt	724,845	310,677	-	-	-	1,035,522
Bank loans	-	95,241	-	-	-	95,241
Leasings	724,845	215,436	-	-	-	940,281
Short term-debt	462,968	6,615,187	-	-	-	7,078,155
Bank loans	-	6,028,197	-	-	-	6,028,197
Leasings	462,968	586,990	-	-	-	1,049,958
	1,187,813	6,925,864	-	-	-	8,113,677

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

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

Thousand Euros	2015	2014
Revenue - Portugal	624,709	624,685
Revenue - other countries	80,406	78,599
	<u>705,169</u>	<u>703,284</u>

5. TANGIBLE FIXED ASSETS

During the years ended 31 December 2015 and 31 December 2014, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

	2015								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Acquisitions	-	241,625	6,037,562	1,981	1,694,892	929,960	3,505,594	2,137,061	14,548,674
Disposals	(2,881)	(206,610)	(3,453,459)	-	(10,823)	-	-	-	(3,673,773)
Transfers and write-offs	477,748	7,295,485	(8,159,431)	647,245	(634,229)	(139,395)	(3,271,776)	(1,168,066)	(4,952,418)
Adjustments	-	-	(57,723)	4,016	(34,707)	(29,544)	-	(1,991)	(119,949)
Changes in the consolidation perimeter	-	-	3,569	-	-	-	-	-	3,569
Closing balance	37,306,577	337,982,013	138,002,341	3,273,327	54,961,400	23,252,352	1,971,616	1,398,408	598,148,034
Accumulated depreciation									
Opening balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Depreciation for the period	-	8,999,999	6,576,631	65,894	2,392,151	1,244,129	-	-	19,278,804
Disposals	(388)	(116,904)	(3,449,206)	-	(10,823)	-	-	-	(3,577,322)
Transfers and write-offs	-	2,004,296	(8,961,765)	548,540	(602,122)	(154,648)	-	-	(7,165,699)
Adjustments	-	(271)	(70,002)	60	(9,332)	(3,176)	-	-	(82,720)
Changes in the consolidation perimeter	-	-	1,927	-	-	-	-	-	1,927
Closing balance	3,888,322	192,743,987	118,629,681	3,154,422	50,187,217	19,306,750	-	-	387,910,379
Accumulated impairment									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	-	-	-	-	-	296,769	-	-	296,769
Net Tangible fixed assets	33,418,255	145,238,026	19,372,659	118,905	4,774,183	3,648,833	1,971,616	1,398,408	209,940,886

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

As at 31 December 2015, Land and natural resources and Buildings and other constructions include 4,756,534 Euros (4,982,117 Euros as at 31 December 2014), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

In the year ended 31 December 2015, the caption Changes in the consolidation perimeter relates to the balances of the company Escrita Inteligente, S.A. acquired in December 2015. On 31 December 2015, this caption relates to the balances of the company EAD that was sold in the first half of 2014.

In the year ended 31 December 2015, the Group reclassified to tangible fixed assets one property, which became a part of the Group's activity, of 4,517,053 Euros and respective accumulated depreciation of 2,047,352 Euros, as a result of the retail network's development model.

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

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

During the year ended 31 December 2015, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount of additions relates to acquisitions of motorcycles, tricycles and quadricycles in the amount of 1,096 thousand Euros, trucks worth approximately 1,644 thousand Euros, trailers in the amount of 286 thousand Euros, pallet trucks of 75.6 thousand Euros and the acquisition of scanners, monitors and scales of 222 thousand Euros by CTT, to the acquisition of the medium package sorting machine (RestMail) for 1,873 thousand Euros, upgrade to parcel sorting machines worth about 309 thousand Euros, acquisition of 800 PDA's worth about 485 thousand Euros and the purchase of pallet truck of 30,6 thousand Euro, in CTT Expresso. Payshop acquired 400 payment terminals in the amount of 74 thousand Euros and 350 scanners in the amount of 26 thousand Euros. Tourline implemented the upgrade of its servers in the amount of 40 thousand Euros. In Corre the additions relate to the acquisition of cars and motorcycles in the amount of 228 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase of computer equipment of medium and large size and various computer equipment in a total value of 1,061 thousand Euros and the acquisition of several administrative equipment in the amount of 369 thousand Euros, by CTT. In Tourline the acquisitions refer to several office equipment worth about 56.5 thousand Euros, computer equipment in a total value of 60.7 thousand Euros and acquisition/upgrade of servers in the amount of 67.6 thousand Euros.

Other tangible fixed assets:

The amount of acquisitions relates essentially to the purchase of marketing equipment (60 thousand Euros) and the acquisition of prevention and safety equipment (714 thousand Euros) by CTT.

Tangible fixed assets in progress:

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

The amounts recorded under write-offs, with particular emphasis in Basic equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciation recorded amounting to 19,278,804 Euros (17,815,704 Euros on 31 December 2014), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 38).

Contractual commitments related to Tangible fixed assets are as follows:

Safes and security doors	121,119
Safety equipment	438,117
Scales	43,542
	<u>602,778</u>

6. INTANGIBLE ASSETS

During the years ended 31 December 2015 and 31 December 2014, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

	2015					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	59,824,001
Acquisitions	84,441	5,386,048	342,437	-	11,911,640	17,724,566
Transfers and write-offs	(84,441)	4,448,727	-	-	(4,502,826)	(138,540)
Changes in the consolidation perimeter	-	-	2,167	-	40,201	42,368
Closing balance	<u>4,372,922</u>	<u>48,455,024</u>	<u>12,004,296</u>	<u>444,739</u>	<u>12,175,413</u>	<u>77,452,394</u>
Accumulated amortisation						
Opening balance	4,340,765	33,801,244	7,816,346	439,639	-	46,397,993
Amortisation for the period	12,060	3,471,192	344,597	5,100	-	3,832,949
Transfers and write-offs	(2,413)	(359,537)	-	-	-	(361,949)
Adjustments	-	-	(40,614)	-	-	(40,614)
Closing balance	<u>4,350,412</u>	<u>36,912,898</u>	<u>8,120,329</u>	<u>444,739</u>	<u>-</u>	<u>49,828,379</u>
Net intangible assets	<u>22,510</u>	<u>11,542,126</u>	<u>3,883,967</u>	<u>-</u>	<u>12,175,413</u>	<u>27,624,015</u>
	2014					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	55,749,238
Acquisitions	-	586,266	-	-	2,790,181	3,376,447
Transfers and write-offs	-	1,810,188	-	-	(735,847)	1,074,341
Adjustments	-	-	1,618	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	(377,643)
Closing balance	<u>4,372,922</u>	<u>38,620,250</u>	<u>11,659,692</u>	<u>444,739</u>	<u>4,726,397</u>	<u>59,824,001</u>
Accumulated amortisation						
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	42,699,930
Amortisation for the period	9,647	2,544,357	382,492	42,783	-	2,979,278
Transfers and write-offs	(19,681)	1,094,023	-	-	-	1,074,342
Adjustments	-	-	11,570	-	-	11,570
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	(367,127)
Closing balance	<u>4,340,765</u>	<u>33,801,244</u>	<u>7,816,346</u>	<u>439,639</u>	<u>-</u>	<u>46,397,993</u>
Net intangible assets	<u>32,157</u>	<u>4,819,006</u>	<u>3,843,346</u>	<u>5,100</u>	<u>4,726,397</u>	<u>13,426,007</u>

The caption Industrial property include the license of the trademark "Payshop International" of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore is not amortised.

The transfers occurred in the year ended 31 December 2015 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

During the year ended 31 December 2015, the most significant movements in Intangible assets were the following:

Computer software:

The amount of acquisitions relates essentially to the purchase of software "Information Automatization centralization" in the amount of 483 thousand Euros, the acquisition of "SAP HANA" for 371 thousand Euros, "SAP Financial Consolidation" in the amount of 90.5 thousand Euros, the software to servers UNIX of 889.5 thousand Euros, the software "Enterprise Application Integration" in the amount of 476 thousand Euros, software "SAP Hybris Billing" in the amount of 1,459 thousand Euros, software "Enterprise Content Management Solution" in the amount of 239.8 thousand Euros and software "Business Process Management" in the amount of 476 thousand Euros by CTT. In Banco CTT the acquisitions relate to software "Oracle" in the amount of 601 thousand Euros, software "Qlik View Enterprise" in the amount of 71.9 thousand Euros and "SAP Crystal Reports" in the amount of 47.9 thousand Euros.

Industrial property:

The acquisitions relates essentially to the purchase, by CTT, of licenses "Forefront TMG" in the amount of 17,494 Euros which has an indefinite useful life and the acquisition of licenses Biztalk for 298 thousand Euros.

The amounts of 306,256 Euros and 407,270 Euros were capitalised in computer software or in intangible assets in progress as at 31 December 2015 and 31 December 2014, respectively, related to the staff costs incurred in the development of these projects.

As at 31 December 2015 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	2015
CBS - Core Banking System	8,994,990
International (E-CIP)	452,485
Mail products evolution	198,163
NAVE evolution	346,336
Performance evaluation - Software	134,259
Payment platform	121,093
Financial consolidation - Software	105,120
Audit management - software	83,190
DOL - Treatment and generation of scales	79,906
Riposte migration	61,454
Extraterritorial virtual mailbox	58,808
	<u>10,635,804</u>

The amortisation for the year ended 31 December 2015, amounting to 3,832,949 Euros (2,979,278 Euros as at 31 December 2014) was recorded under Depreciation / amortisation and impairment of investments, net (Note 38).

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

Contractual commitments relative to Intangible assets are as follows:

CBS - Core Banking System	8,440,589
Card management system	187,664
Oracle Software	145,000
"Risk Center" Software	141,832
APP Mobile account	125,001
REG Pro	119,460
APP CTT 2.0	93,780
Web call center	50,000
	<u>9,303,326</u>

7. INVESTMENT PROPERTIES

As at 31 December 2015 and 31 December 2014, the Group has the following assets classified as investment properties:

	2015		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,716,058	45,722,963	53,439,021
Additions	14,500	43,500	58,000
Disposals	(173,376)	(854,186)	(1,027,562)
Transfers and write-offs	(477,748)	(4,017,057)	(4,494,805)
Closing balance	<u>7,079,434</u>	<u>40,895,220</u>	<u>47,974,654</u>
Accumulated depreciation			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	752,365	752,365
Disposals	(20,075)	(435,235)	(455,310)
Transfers and write-offs	-	(2,047,352)	(2,047,352)
Closing balance	<u>239,426</u>	<u>26,669,510</u>	<u>26,908,936</u>
Accumulated impairment			
Opening balance	-	1,450,025	1,450,025
Impairments for the period	-	(167,403)	(167,403)
	<u>-</u>	<u>1,282,622</u>	<u>1,282,622</u>
Net Investment properties	<u>6,840,008</u>	<u>12,943,087</u>	<u>19,783,095</u>

	2014		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(247,126)	(2,290,703)	(2,537,829)
Transfers/Adjustments	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Transfers/Adjustments	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairments for the period	-	(156,480)	(156,480)
	-	1,450,025	1,450,025
Net Investment properties	<u>7,456,557</u>	<u>15,873,206</u>	<u>23,329,763</u>

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

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2015 which were conducted by independent entities, amounts to 29,425,470 Euros (35,978,503 Euros as at 31 December 2014).

The movements associated with disposals relate to the sale of three properties, which occurred during the year 2014.

In the year ended 31 December 2015, the Group reclassified to tangible fixed assets one property which became a part of the Group's activity in the amount of 4,517,053 Euros and respective accumulated depreciation of 2,047,352 Euros, as a result of the retail network's development model.

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

Depreciation for the year, of 752,365 Euro (764,567 Euros on 31 December 2014) was recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals) (Note 38).

Impairment losses for the period amounting to 167,403 Euros (156,480 Euros on 31 December 2014) were recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals) (Note 38) and are explained by the market value reduction observed in same buildings.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 31 December 2015 and 31 December 2014, the parent company, CTT – Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Parent company:							
CTT – Correios de Portugal, S.A.	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto – Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	-	-	-	100	-	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 N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Contacto, S.A. ^(a) ("CTT Con")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	18	82	100
Mailtec Consultoria, S.A. ("Mailtec CON")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	10	90	100
Mailtec Processos, Lda. ("EQUIP")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908) - Barcelona	-	100	100	-	100	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50
Escrita Inteligente, S.A. ("RONL")	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	-	-	-
Banco CTT, S.A. ("BancoCTT")	Av. D. João II N.º 11 1999-001 Lisboa	100	-	100	-	-	-

^(a) Previously named CTT Gest, S.A.

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

In January 2015, a share capital increase occurred in Corre – Correio Expresso de Moçambique, S.A. in the amount of 670,030 Euros. This operation was accomplished through the incorporation of both shareholders' credits in Corre.

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

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

During December 2015, a share capital increase occurred in Tourline Express Mensajería, SLU. in the amount of 12,000,000 Euros.

On 28 December 2015, but with effect as of 1 January 2015, the merger of Mailtec Consultoria, S.A. into CTT was registered through the global transfer of the assets of Mailtec Consultoria, S.A..

During the first half of 2014 the participation in the subsidiary Tourline Express Mensajería, SLU, held by the parent company, was sold to its subsidiary CTT Expresso, S.A. as a result of the integration strategy of the Express & Parcels segment in Iberia, enabling the creation of value in Tourline. This transaction was done at net book value.

The sale of the 5% participation held by CTT Expresso, S.A. in Post Contacto Lda. to the parent company, CTT-Correios de Portugal, S.A. also took place in 2014. CTT now directly holds 100% of Post Contacto, Lda.. The sale was made at net book value.

None of these transactions had an impact on the consolidation perimeter.

Joint ventures

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

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestação de Serviços Informáticos, ACE ("Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisbon	49	-	49	49	-	49
NewPost, ACE (a)	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

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

Associated companies

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

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	R. da Sé, 114-4º. Maputo - Moçambique	-	35	35	-	35	35
Mafelosa, SL (b)	Castellon Espanha	-	25	25	-	25	25
Urpacsur, SL (b)	Málaga Espanha	-	30	30	-	30	30

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

(b) Company held by Tourline Mensajería, SLU, company with no commercial activity

Changes in the consolidation perimeter

During the year ended 31 December 2015, the consolidation perimeter changed as a result of the incorporation, on 6 February 2015, of CTT Serviços, S.A. with a share capital of 5,000,000 Euros, in the context of the incorporation process of Banco CTT.

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

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

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online".

Following the acquisition, the Group made an assessment of the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3 – Business Combinations, not having identified significant differences between the carrying amounts of assets and liabilities and their fair values.

The detail of the net assets of Escrita Inteligente and goodwill recorded related with this transaction as at 31 December 2015 is as follows:

	Book value
Assets acquired	63,469
Liabilities acquired	2,764
Net assets acquired	60,705
Goodwill (Note 9)	357,917
Acquisition value	418,622

The contribution of Escrita Inteligente to the Group's income statement ended 31 December 2015, was negative by 360 Euros, corresponding to the period from 17 December to 31 December 2015.

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

9. GOODWILL

As at 31 December 2015 and 31 December 2014, the Goodwill was made up as follows:

	Year of acquisition	2015	2014
Mailtec Holding SGPS, S.A. (51%)	2004	-	582,970
Mailtec Consultoria, S.A.	2004	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Holding SGPS, S.A. (49%)	2005	-	6,641,901
Escrita Inteligente, S.A.	2015	357,917	-
		<u>8,058,656</u>	<u>7,705,457</u>

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

During the years ended 31 December 2015 and 31 December 2014, the movements in Goodwill were as follows:

	2015	2014
Opening balance	7,705,457	25,083,869
Acquisitions	357,917	-
Transfers / adjustments	(4,718)	-
Disposals	-	(786,164)
Impairment	-	(16,592,248)
Closing balance	8,058,656	7,705,457

In the year ended 31 December 2015, the acquisitions relate to the company Escrita Inteligente, S.A., with a corresponding Goodwill of 357,917 Euros.

The adjustments are related to the merger of Mailtec Consultoria, S.A. into CTT, and the corresponding Goodwill.

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

During the year ended 31 December 2014, due to the deterioration in the business conditions in Spain, namely because Tourline lost two of its major franchisees in 2014 and the difficulty of operational integration of the businesses in Spain and in Portugal, Tourline's results in 2014 were far below what was estimated by the management. Therefore, the Group has revised the estimates of the evolution of Tourline's business, while leave a common management of both companies, which were incorporated into future cash flows used in the impairment test performed in 2014 and an impairment loss of 16,592,248 Euros was recorded related to the Goodwill of Tourline.

Goodwill impairment assessment

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

During the year ended 31 December 2015, in order to determine the recoverable amount of its investments, CTT Group performed impairment tests as at 31 December 2015 and 31 December 2014 based on the following assumptions:

Company	Activity	2015			
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetuity rate growth
Tourline Express Mensajeria, SLU	CEP and Logistics	Equity Value/DCF	5 years	10.00%	0.50%
Mailtec Comunicação, SA	Documental services	Equity Value/DCF	5 years	9.02%	0.50%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	9.85%	0.50%

Company	Activity	2014			
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetuity rate growth
Tourline Express Mensajeria, SLU	CEP and Logistics	Equity Value/DCF	5 years	9.86%	0.50%
Mailtec Group	Documental services	Equity Value/DCF	5 years	10.80%	0.50%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	10.30%	0.50%

The decrease in the discount rate (WACC) for the year ended 31 December 2015 was a result of the decrease in yields' spreads of the Portuguese government bonds in relation to the free-risk bonds of the Eurozone.

The cash flow projections were based on the historical performance and the medium and long-term business plans, approved by the Board of Directors. As a consequence of this impairment analysis, the Group concluded that as at 31 December 2015 there were no impairment losses. As far as Tourline is concerned the impairment test performed as at 31 December 2015 confirms the impairment registered as at 31 December 2014, therefore, no additional impacts were considered.

As at 31 December 2015 and 31 December 2014, the impairment losses registered are as follows:

Company	Year of acquisition	2015				
		Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Payshop Moçambique, S.A. (a)	2008	235,946	-	235,946	-	-
		<u>20,907,931</u>	<u>-</u>	<u>20,907,931</u>	<u>-</u>	<u>-</u>

Company	Year of acquisition	2014				
		Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	16,592,248	4,079,737	-	-
EAD - Empresa de Arquivo de Documentação, S.A.	2006	1,082,015	-	295,851	(786,164)	-
Payshop Moçambique, S.A. (a)	2008	235,946	-	235,946	-	-
		<u>21,989,946</u>	<u>16,592,248</u>	<u>4,611,534</u>	<u>(786,164)</u>	<u>-</u>

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

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) perpetuity growth rate and (ii) discount rates.

The results of the sensitivity analyses for PayShop and Mailtec Comunicação do not determine that there are indicators of impairment, according to the following tables:

Maitec Comunicação			(thousand Euros)			
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment *		WACC				
		7.0%	8.0%	9.0%	10.0%	11.0%
g	0.00%	19,394	15,774	12,959	10,707	8,866
	0.25%	20,224	16,385	13,424	11,070	9,154
	0.50%	21,117	17,037	13,915	11,451	9,457
	0.75%	22,082	17,733	14,437	11,854	9,774
	1.00%	23,127	18,479	14,991	12,278	10,108

* impairment if negative

Payshop		(thousand Euros)				
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment *		WACC				
		7.9%	8.9%	9.9%	10.9%	11.9%
g	0.00%	77,071	68,358	61,415	55,752	51,045
	0.25%	79,242	70,029	62,735	56,817	51,920
	0.50%	81,562	71,799	64,125	57,933	52,833
	0.75%	84,044	73,679	65,591	59,105	53,788
	1.00%	86,708	75,678	67,140	60,336	54,786

* impairment if negative

10. INVESTMENTS IN ASSOCIATED COMPANIES

As at 31 December 2015 and 31 December 2014, the investments in associated companies were as follows:

	2015	2014
Multicert, S.A.	255,214	226,937
Urpacsur, SL	481	481
	<u>255,695</u>	<u>227,418</u>

Investments in associated companies

For the years ended 31 December 2015 and 31 December 2014, the investments in associated companies had the following movements:

		2015								
		Head office	Assets	Liabilities	Equity	Net profit	% held	Investments	Provisions	Proportion of net profit
Associated companies:										
Multicert - Serviços de Certificação Electrónica, S.A. (a)	Lisbon	2,767,973	1,491,901	1,162,488	113,584	20%	255,214	-	-	28,277
Payshop Moçambique, S.A. (b)	Maputo - Mozambique	n.d.	n.d.	n.d.	n.d.	35%	-	189,775	-	n.d.
Mafelosa, SL (c) (d)	Castellon - Spain	n.d.	n.d.	n.d.	n.d.	25%	-	-	-	n.d.
Urpacsur (c) (d)	Spain	n.d.	n.d.	n.d.	n.d.	30%	481	-	-	n.d.
							255,695	189,775	-	28,277
		2014								
		Head office	Assets	Liabilities	Equity	Net profit	% held	Investments	Provisions	Proportion of net profit
Associated companies:										
Multicert - Serviços de Certificação Electrónica, S.A. (a)	Lisbon	3,300,404	2,165,716	3,122,809	(37,161)	20%	226,937	-	-	(7,432)
Payshop Moçambique, S.A. (b)	Maputo - Mozambique	n.d.	n.d.	n.d.	n.d.	35%	-	215,772	-	n.d.
Mafelosa, SL (c) (d)	Castellon - Spain	n.d.	n.d.	n.d.	n.d.	25%	-	-	-	n.d.
Urpacsur (c) (d)	Spain	n.d.	n.d.	n.d.	n.d.	30%	481	-	-	n.d.
							227,418	215,772	-	(7,432)

- (a) Data reported as at December 2014
- (b) Company held by Payshop Portugal which is in liquidation process
- (c) Company held by Tourline Express Mensajería
- (d) Companies without activity

The amount of 28,277 Euros relates to the proportion of 2014 income that had not been recognised in that year regarding Multicert, S.A.. No additional movements occurred in this participation since the company does not more have updated financial information.

The amount of (7,432) Euros, as at 31 December 2014, relates to the proportion of income for the period ended 30 September 2014 of Multicert, S.A.. The amount of (240,167) Euros concerning the proportion of 2013 income, which had not been recognised in that year, also recognised.

11. OTHER INVESTMENTS

The other investments include non-listed capital instruments whose fair value cannot be reliably measured. The amounts of these instruments recognised at cost as at 31 December 2015 and 31 December 2014 were as follows:

Company	Head office	2015	2014
IPC - International Post Corporation	Brussels - Belgium	6,157	6,157
Eurogiro Network	Copenhagen - Denmark	124,435	124,435
CEPT	Copenhagen - Denmark	237	237
Tagus Park	Lisbon - Portugal	975,982	975,982
		<u>1,106,812</u>	<u>1,106,812</u>

During the year, no impairment loss was recognised in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. The Group did not measure the instruments through discounted cash flows since these could not be reliably determined.

At the reporting date, the Group does not intend to sell any of these investments.

12. FINANCIAL RISK MANAGEMENT

The Group's activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Group in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the Group's financial performance.

Financial risk management integrates the Risk Management System of the Company reporting directly to the Executive Committee. The departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Group and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the Group is exposed to. The Group is developing an integrated risk management system.

The financial risks of particular importance include credit risk, market risk, interest and exchange rate risk as well as liquidity risk.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the Group. In the Group, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the Group's net income. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation ("Regulamento de Concessão de Crédito a Clientes" (RCCC)) and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of CTT's Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the Group and monthly monitoring by the Credit Committee with the purpose of limiting the credit granted to customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted, and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client.

The movement of impairment losses of accounts receivable is disclosed in Notes 19 and 37. As at 31 December 2015, the Group believes that impairment losses in accounts receivable are adequately estimated and recorded in the consolidated financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made by the Group. With the purpose of reducing that risk, the Group's policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The Group's credit risk quality, as at 31 December 2015, related to these types of assets (Cash and cash equivalents as stated in Note 17, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating ⁽¹⁾	2015
A1	6,113
A2	120,006,242
A3	43,463
B1	236,789,344
B2	128,799,819
Ba1	37,126,081
Ba2	1,295
Baa1 ⁽³⁾	31,088,972
Baa2	30,128
Ba3 ⁽²⁾	20,498,794
Caa2	1,155,814
Others ⁽⁴⁾	672,829
	<u>576,218,894</u>

- (1) Rating assigned by Moody's.
(2) Conversion of BB- rating by Standard & Poor's.
(3) Conversion of BBB+ rating by Fitch.
(4) Others with no rating.

As at 31 December 2015 and 31 December 2014, the caption Cash and cash equivalents included cash term deposits investments of 508,153,791 Euros and 498,232,900 Euros, respectively (Note 17).

The following table include the maximum exposure to credit risk associated with financial assets held by the Group. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated balance sheet:

	2015	2014
Other non-current assets	601,103	790,601
Accounts receivable	124,355,641	131,682,269
Other current assets	12,590,310	16,272,945
Cash and cash equivalents	576,218,894	627,995,792
	<u>713,765,948</u>	<u>776,741,607</u>

Interest rate risk

Interest rate risk is essentially related to the interest obtained from the application of surplus liquidity. Gains arising from financial operations are important, therefore changes in interest rates have a direct impact on the Group's Interest income.

In order to leverage the period/rate relationship on one hand and the risk/yield relationship on the other hand, the Group monitors the market trends on a regular and systematic basis.

The investment of surplus liquidity, on 31 December 2015 and 31 December 2014, generated interest income of 1,483,388 Euros and 4,225,231 Euros, respectively (Note 40). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2015 and 2014, amounting to 516,707 Euros and 2,305,688 Euros, respectively (Note 33).

The Group generally negotiates its deposits at fixed rates, while loans are negotiated at variable rates. Due to the reduced amount of its loans, the Group believes that the difference between the financial assets fixed rate and the floating rate of the financial liabilities does not represent a significant potential impact on the consolidated income statement.

If the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2015, the effect in the interest would have been 742 thousand Euros (31 December 2014: 3,818 thousand Euros).

Foreign currency exchange rate risk

Exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities. As at 31 December 2015 and 31 December 2014, the net exposure (assets minus liabilities) of the Group amounted to 988,959 SDR (1,258,777 Euros at the exchange rate €/SDR 1.27283), and 895,251 SDR (1,068,321 Euros at the exchange rate €/SDR 1.19332), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2015 and 31 December 2014, assuming an increase / decrease in the exchange rate € / SDR of 10%, the profit and losses would have been higher by 125,878 Euros and lower by 106,832 Euros, respectively.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash in hand, the Group believes that it has the capacity to meet its obligations.

The main contractual obligations of the Group are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following table details the expected contractual obligations and financial commitments as at 31 December 2015 and 31 December 2014 and does not reconcile with the consolidated balance sheet:

	2015			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	7,088,293	1,037,265	-	8,125,558
Accounts payable	426,809,193	-	-	426,809,193
Other current liabilities	30,650,178	-	-	30,650,178
Non-financial liabilities				
Operating leases (Note 35)	10,434,899	16,618,420	-	27,053,319
Non-contingent financial commitments (1)	9,906,104	-	-	9,906,104
	<u>484,888,668</u>	<u>17,655,685</u>	<u>-</u>	<u>502,544,353</u>
	2014			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	1,866,056	1,926,723	-	3,792,779
Accounts payable	491,269,984	-	-	491,269,984
Other current liabilities	18,037,952	-	-	18,037,952
Non-financial liabilities				
Operating leases (Note 35)	9,345,242	14,456,925	-	23,802,167
Non-contingent financial commitments (1)	494,954	-	-	494,954
	<u>521,014,188</u>	<u>16,383,648</u>	<u>-</u>	<u>537,397,836</u>

(1) The non-contingent financial commitments are essentially related to contracts signed with fixed costs suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Capital risk

The Group manages its capital to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored on the basis of the adjusted solvency ratio, calculated as: Equity / Liabilities.

During the years ended 31 December 2015 and 2014, the Group's strategy was to maintain the solvency ratio higher than 35%. The solvency ratio at 31 December 2015 and 31 December 2014 was as follows:

	2015	2014
Equity	251,834,754	249,209,645
Liabilities	867,637,454	931,786,978
Amounts of third parties	324,650,604	385,678,898
Adjusted solvency ratio ⁽¹⁾	46.4%	45.6%

(1) Equity / (Liabilities – amounts of third parties in Cash and cash equivalents)

13. INVENTORIES

As at 31 December 2015 and 31 December 2014, the Group's Inventories are detailed as follows:

	2015			2014		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	4,618,877	1,397,098	3,221,779	5,240,512	1,527,827	3,712,685
Raw, subsidiary and consumable materials	2,670,454	565,513	2,104,941	2,716,730	676,836	2,039,894
Advances on purchases	128,395	-	128,395	32,698	-	32,698
	7,417,726	1,962,611	5,455,115	7,989,940	2,204,663	5,785,277

Cost of sales

During the years ended 31 December 2015 and 31 December 2014, the details of Cost of sales were as follows:

	2015		
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	5,240,512	2,716,730	7,957,242
Purchases	13,256,802	3,206,079	16,462,881
Offers	(128,047)	(22,249)	(150,296)
Adjustments	(358,796)	(305,354)	(664,150)
Closing balance	(4,618,877)	(2,670,454)	(7,289,331)
Cost of sales	13,391,594	2,924,752	16,316,346

	2014			
	Merchandise	Raw, subsidiary and consumable materials	Change in consolidation perimeter	Total
Opening balance	5,018,085	3,410,775	(30,453)	8,398,407
Purchases	13,868,917	3,528,006	-	17,396,923
Offers	(39,334)	(24,807)	-	(64,141)
Adjustments	(265,997)	(509,452)	-	(775,449)
Closing balance	(5,240,512)	(2,716,730)	-	(7,957,242)
Cost of sales	13,341,159	3,687,792	(30,453)	16,998,498

Impairment

During the years ended 31 December 2015 and 31 December 2014, the movements in Accumulated impairment losses (Note 19) were as follows:

		2015				
		Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise		1,527,827	36,874	(129,402)	(38,201)	1,397,098
Raw, subsidiary and consumable materials		676,836	35,091	(146,414)	-	565,513
		<u>2,204,663</u>	<u>71,965</u>	<u>(275,816)</u>	<u>(38,201)</u>	<u>1,962,611</u>
		2014				
		Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise		1,812,893	43,671	(323,990)	(4,747)	1,527,827
Raw, subsidiary and consumable materials		685,925	4,863	(13,952)	-	676,836
		<u>2,498,818</u>	<u>48,534</u>	<u>(337,942)</u>	<u>(4,747)</u>	<u>2,204,663</u>

For the years ended 31 December 2015 and 31 December 2014, impairment losses of inventories were recorded net of reversals amounting to (203,851) Euros and (289,408) Euros, respectively, in the caption Impairment of inventories and accounts receivable, net (Note 37).

14. ACCOUNTS RECEIVABLE

As at 31 December 2015 and 31 December 2014 the heading Accounts receivable showed the following composition:

	2015	2014
Customers	124,355,641	131,682,077
Associated companies	-	192
	<u>124,355,641</u>	<u>131,682,269</u>

Customers

As at 31 December 2015 and 31 December 2014, the ageing of customers receivables is detailed as follows:

		2015			2014		
		Gross amount	Accumulated impairment	Carrying amount	Gross amount	Accumulated impairment	Carrying amount
Current							
Non-overdue		68,617,967	-	68,617,967	63,040,222	151,682	62,888,540
Overdue⁽¹⁾:							
0-30 days		10,721,851	-	10,721,851	17,089,136	105,192	16,983,944
30-90 days		11,622,753	-	11,622,753	10,948,465	211,018	10,737,447
90-180 days		5,308,371	-	5,308,371	5,512,173	395,193	5,116,980
180-360 days		11,320,671	875,685	10,444,986	13,167,307	2,831,679	10,335,628
> 360 days		48,501,197	30,861,483	17,639,714	52,423,561	26,804,022	25,619,539
		<u>156,092,809</u>	<u>31,737,168</u>	<u>124,355,641</u>	<u>162,180,863</u>	<u>30,498,785</u>	<u>131,682,077</u>

- (1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The gross amount of accounts receivable's balance overdue over 360 days was as follows:

	2015	2014
National accounts receivable	396,387	2,673,966
Foreign operators	17,243,327	22,945,573
Total	17,639,714	25,619,539
Foreign operators – payable Note 28)	(16,456,906)	(21,714,470)

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of 22 months for the presentation of the accounts and, therefore, the foreign operators balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. The credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 28).

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables decreased from 1.0% in 2014 to 0.8% on 31 December 2015.

	2015	2014
Advance deposits	647,495	894,069
Bank guarantees	43,663	83,753
Total	691,159	977,822

Customer's impairment

During the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 19) was as follows:

2015						
	Opening balance	Increases	Reversals	Utilisations	Change in consolidation perimeter	Closing balance
Customers	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
2014						
	Opening balance	Increases	Reversals	Utilisations	Change in consolidation perimeter	Closing balance
Customers	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785
	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785

For the years ended 31 December 2015 and 31 December 2014, impairment losses of accounts receivable were recorded (net of reversals) amounting to 2,599,910 Euros and 6,700,175 Euros, respectively in the caption Impairment of inventories and accounts receivable, net (Note 37).

15. DEFERRALS

As at 31 December 2015 and 31 December 2014, the Deferrals included in current assets and current and non-current liabilities showed the following composition:

	2015	2014
Assets deferrals		
Current		
Rents payable	1,293,761	1,313,235
Meal allowances	1,701,736	1,698,085
Company Agreement - Supplementary agreement compensation	1,457,575	-
Other	3,715,517	2,681,575
	<u>8,168,589</u>	<u>5,692,895</u>
Liabilities deferrals		
Non-current		
Deferred capital gains	3,677,282	6,076,311
Deferred commissions	1,000,000	-
Tangible fixed assets	339,294	350,496
	<u>5,016,576</u>	<u>6,426,807</u>
Current		
Deferred capital gains	2,399,029	2,399,029
Phone-ix top ups	206,329	258,669
Deferred commissions	400,000	1,800,000
Altice agreement	9,583,333	-
Tangible fixed assets	11,201	11,201
Other	1,145,538	1,033,284
	<u>13,745,430</u>	<u>5,502,183</u>
	<u>18,762,006</u>	<u>11,928,989</u>

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

During the years ended 31 December 2015 and 31 December 2014, the amount of 1,511,128 Euros, was recognised under Other operating income in the consolidated income statement, in both years, related to the above mentioned gains.

In 2014 CTT signed an agreement with Cetelem, according to which CTT received an amount of 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, for the non-refundable fees will be recognised over the period of the contract. As at 31 December 2015 an amount of 1,400,000 Euros related to this contract was deferred.

Following the Memorandum of understanding signed with Altice and the acquisition of PT Portugal being completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the consolidated income statement over the exclusive period for the negotiation of the partnerships. In the year ended 31 December 2015, the amount of 5,416,667 Euros, was recognised under Other operating income in the consolidated income statement, related to this contract.

16. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2015 and 31 December 2014, the Group did not have non-current assets classified as held for sale, nor were there operations classified as discontinued operations.

17. CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts, and is detailed as follows:

	2015	2014
Cash	27,430,823	36,573,952
Sight deposits	67,920,196	129,762,892
Sight deposits in Banco of Portugal	15,847	-
Financial assets available for sale	129,060	-
Term deposits	508,153,791	498,232,900
Cash and cash equivalents (Consolidated balance sheet)	603,649,717	664,569,744
Bank overdrafts	-	-
Cash and cash equivalents (Consolidated cash flow statement)	603,649,717	664,569,744

18. OTHER NON-CURRENT AND CURRENT ASSETS

As at 31 December 2015 and 31 December 2014, the headings Other non-current assets and Other current assets had the following composition:

	2015	2014
Non-current		
Advances to staff	466,086	512,079
Other receivables from staff	1,558,326	1,699,523
INESC loan	347,021	371,891
Labour compensation fund	49,527	-
Other non-current assets	191,853	-
Impairment	(2,011,710)	(1,792,892)
	601,103	790,601
Current		
Advances to suppliers	31,205	101,457
Advances to staff	2,736,705	2,776,653
INESC loan	49,740	49,740
Postal financial services	6,372,504	12,352,806
State and other public entities	2,523,671	290,714
Debtors by accrued revenues	4,784,068	2,703,244
Amounts collected on CTT behalf	1,211,810	2,791,459
Guarantees	232,289	360,977
CGA reimbursements	11,598	302,004
Advances to lawyers	143,603	162,686
Debtors by asset disposals	124,734	137,054
Other current assets	13,195,073	10,268,251
Impairment	(8,480,056)	(9,511,662)
	22,936,943	22,785,382

The amounts recorded in the caption Postal financial services refer to receivables from the amortisation of saving products and the marketing of insurance.

Debtors by accrued revenues

As at 31 December 2015 and 31 December 2014, the debtors by accrued revenues refer to accrued interest, not invoiced amounts, philatelic products, philatelic agents and other amounts.

Impairment

For the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 19) was as follows:

		2015				
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other accounts receivable	10,882,923	539,816	(1,500,571)	(9,530)	182,366	10,095,004
INESC loan	421,631	-	(24,870)	-	-	396,761
	<u>11,304,554</u>	<u>539,816</u>	<u>(1,525,441)</u>	<u>(9,530)</u>	<u>182,366</u>	<u>10,491,765</u>

		2014				
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other accounts receivable	10,394,977	1,539,178	(1,046,957)	(4,275)	-	10,882,923
INESC loan	1,447,353	-	(1,025,722)	-	-	421,631
	<u>11,842,330</u>	<u>1,539,178</u>	<u>(2,072,679)</u>	<u>(4,275)</u>	<u>-</u>	<u>11,304,554</u>

For the years ended 31 December 2015 and 31 December 2014, impairment losses (increases net of reversals) of Other current and non-current assets amounted to (985,625) Euros and (533,502) Euros, respectively, and were booked under the heading Impairment of inventories and accounts receivable, net (Note 37).

19. ACCUMULATED IMPAIRMENT LOSSES

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in the impairment losses:

		2015				
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,421,001	51,835	-	-	-	1,472,836
INESC loan	371,891	-	(24,870)	-	-	347,021
	<u>1,792,892</u>	<u>51,835</u>	<u>(24,870)</u>	<u>-</u>	<u>-</u>	<u>1,819,857</u>
Customers and Other current assets (Notes 14 and 18)						
Customers	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
Other accounts receivable	9,461,922	487,981	(1,500,571)	(9,530)	182,366	8,622,168
INESC loan	49,740	-	-	-	-	49,740
	<u>40,010,447</u>	<u>5,113,851</u>	<u>(3,526,531)</u>	<u>(1,371,056)</u>	<u>182,366</u>	<u>40,409,077</u>
Inventories (Note 13)						
Merchandise	1,527,827	36,874	(129,402)	(38,201)	-	1,397,098
Raw, subsidiary and consumable	676,836	35,091	(146,414)	-	-	565,513
	<u>2,204,663</u>	<u>71,965</u>	<u>(275,816)</u>	<u>(38,201)</u>	<u>-</u>	<u>1,962,611</u>
	<u>44,008,002</u>	<u>5,237,651</u>	<u>(3,827,217)</u>	<u>(1,409,257)</u>	<u>182,366</u>	<u>44,191,545</u>

	2014					Closing balance
	Opening balance	Increases	Reversals	Utilisations	consolidation perimeter	
Other non-current assets (Note 18)						
Other accounts receivable	1,296,044	124,957	-	-	-	1,421,001
INESC loan	1,397,613	-	(1,025,722)	-	-	371,891
	<u>2,693,657</u>	<u>124,957</u>	<u>(1,025,722)</u>	<u>-</u>	<u>-</u>	<u>1,792,892</u>
Customers and Other current assets (Notes 14 and 18)						
Customers	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785
Other accounts receivable	9,098,933	1,414,221	(1,046,957)	(4,275)	-	9,461,922
INESC loan	49,740	-	-	-	-	49,740
	<u>33,510,658</u>	<u>8,989,580</u>	<u>(1,922,141)</u>	<u>(501,275)</u>	<u>(66,375)</u>	<u>40,010,447</u>
Inventories (Note 13)						
Merchandise	1,812,893	43,671	(323,990)	(4,747)	-	1,527,827
Raw, subsidiary and consumable	685,925	4,863	(13,952)	-	-	676,836
	<u>2,498,818</u>	<u>48,534</u>	<u>(337,942)</u>	<u>(4,747)</u>	<u>-</u>	<u>2,204,663</u>
	<u>38,703,133</u>	<u>9,163,071</u>	<u>(3,285,805)</u>	<u>(506,022)</u>	<u>(66,375)</u>	<u>44,008,002</u>

Impairment losses regarding tangible fixed assets, investment properties and goodwill are detailed respectively in Notes 5, 7 and 9.

20. EQUITY

As at 31 December 2015, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2015 and 31 December 2014 the Company's shareholders with greater than or equal to 2% shareholdings are as follows:

Shareholder	2015		
	No. of shares	%	Nominal value
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%
Manuel Carlos de Mello Champalimaud	33,785	0.023%	16,893
Gestmin SGPS, S.A. ⁽²⁾	7,766,215	5.177%	3,883,108
Manuel Carlos de Mello Champalimaud	Total	7,800,000	5.200%
Artemis Fund Managers Limited ⁽³⁾	7,433,817	4.956%	3,716,909
Artemis Investment Management LLP	276,892	0.185%	138,446
Artemis Investment Management LLP	Total	7,710,709	5.140%
Allianz Global Investors Europe GmbH (AGIE)⁽⁴⁾	Total	7,552,637	5.035%
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE ⁽⁵⁾	226,096	0.151%	113,048
BNP PARIBAS A FUND European Multi-Asset Income ⁽⁵⁾	241,969	0.161%	120,985
BNP PARIBAS B PENSION BALANCED ⁽⁵⁾	675,151	0.450%	337,576
BNP PARIBAS B PENSION GROWTH ⁽⁵⁾	89,950	0.060%	44,975
BNP PARIBAS B PENSION STABILITY ⁽⁵⁾	42,617	0.028%	21,309
BNP PARIBAS L1 MULTI-ASSET INCOME ⁽⁵⁾	287,384	0.192%	143,692
BNP PARIBAS SMALLCAP EUROLAND ⁽⁵⁾	1,569,016	1.046%	784,508
Merck BNP Paribas European Small Cap ⁽⁵⁾	97,607	0.065%	48,804
METROPOLITAN-RENTASTRO GROWTH ⁽⁵⁾	159,111	0.106%	79,556
PARVEST EQUITY EUROPE SMALL CAP ⁽⁵⁾	3,863,880	2.576%	1,931,940
PARWORLD TRACK EUROPE SMALL CAP ⁽⁵⁾	5,004	0.003%	2,502
Stichting Bewaar ANWB – Eur Small Cap ⁽⁵⁾	149,732	0.100%	74,866
Stichting Pensioenfonds Openbare Bibliotheken ⁽⁵⁾	130,657	0.087%	65,329
BNP Paribas Investment Partners, Limited Company⁽⁵⁾	Total	7,538,174	5.025%
Kames Capital plc ⁽⁶⁾	2,045,003	1.363%	1,022,502
Kames Capital Management Limited ⁽⁶⁾	3,096,134	2.064%	1,548,067
Aegon NV⁽⁶⁾	Total	5,141,137	3.427%
Norges Bank	Total	3,143,496	2.096%
F&C Asset Management plc ⁽⁷⁾	3,124,801	2.083%	1,562,401
Bank of Montreal⁽⁷⁾	3,124,801	2.083%	1,562,401
Henderson Global Investors Limited ⁽⁸⁾	3,037,609	2.025%	1,518,805
Henderson Group plc⁽⁸⁾	3,037,609	2.025%	1,518,805
CTT, S.A. (own shares)⁽⁹⁾	Total	200,177	0.133%
Other shareholders	Total	94,743,607	63.162%
Total	150,000,000	100.000%	75,000,000

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

(2) Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champalimaud.

(3) Company held by Artemis Investment Management LLP.

(4) Previously named Allianz Global Investors Europe GmbH.

(5) The qualifying holding of BNP Paribas Investment Partners represents 5.025% of CTT share capital and 4.773% of the voting rights (see CTT press release of 18-12-2015). Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB – Eur Small Cap; Stichting Pensioenfonds Openbare Bibliotheken.

(6) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames

- Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
- (7) This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
- (8) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a disclosure of 8 January 2016, Henderson Group plc ceased to hold a qualified holding in CTT.
- (9) The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Portuguese Companies Code.

Shareholder	2014		
	No. of shares	%	Nominal value
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%
Kames Capital plc ⁽²⁾	2,045,003	1.363%	1,022,502
Kames Capital Management Limited ⁽²⁾	3,096,134	2.064%	1,548,067
Aegon NV⁽³⁾	Total	5,141,137	3.427%
Allianz Global Investors Europe GmbH (AGIE)⁽⁴⁾	Total	4,695,774	3.131%
UBS AG ⁽⁵⁾	3,705,257	2.470%	1,852,629
UBS Fund Management (Switzerland) AG ⁽⁵⁾	55,397	0.037%	27,699
UBS Fund Services (Luxembourg) AG ⁽⁵⁾	57,770	0.039%	28,885
UBS Global Asset Management (UK) Limited ⁽⁵⁾	8,330	0.006%	4,165
UBS Global Asset Management (Australia) Ltd ⁽⁵⁾	3,715	0.002%	1,858
UBS Group AG⁽⁶⁾	Total	3,830,469	2.554%
Morgan Stanley & Co. International plc ⁽⁷⁾	3,553,396	2.369%	1,776,698
Morgan Stanley⁽⁷⁾	Total	3,553,396	2.369%
Pioneer Funds – European Equity Target Income ⁽⁸⁾	613,645	0.409%	306,823
Pioneer Funds – Global Equity Target Income ⁽⁹⁾	170,047	0.113%	85,024
Pioneer Funds – ABS Return European Equities ⁽⁹⁾	95,475	0.064%	47,738
Pioneer Funds – European Potential ⁽⁹⁾	825,082	0.550%	412,541
Pioneer Funds – European Equity Value ⁽⁹⁾	764,953	0.510%	382,477
Pioneer Funds – European Equity Market Plus ⁽⁹⁾	15,876	0.011%	7,938
Pioneer Funds – European Research ⁽⁹⁾	643,204	0.429%	321,602
UniCredit S.p.A.	Total	3,128,282	2.086%
Artemis Fund Managers Limited ⁽¹⁰⁾	3,104,624	2.070%	1,552,312
Artemis Investment Management LLP	Total	3,104,624	2.070%
FMRC-FMR CO., INC. ⁽¹¹⁾	716,444	0.478%	358,222
FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC. ⁽¹⁰⁾	2,379,854	1.587%	1,189,927
FMRLLC	Total	3,096,298	2.064%
DSAMPartners LLP ⁽¹²⁾	3,096,079	2.064%	1,548,040
DSAM Cayman Ltd.	Total	3,096,079	2.064%
Goldman Sachs International ⁽¹³⁾			
Goldman Sachs Asset Management, L.P. ⁽¹³⁾			
Goldman Sachs Asset Management International ⁽¹³⁾			
The Goldman Sachs Group, Inc.⁽¹³⁾	Total	3,019,750	2.013%
Other shareholders	Total	107,326,538	71.551%
Total		150,000,000	100.000%
			75,000,000

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

- (2) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.
- (3) This qualified shareholding is imputable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
- (4) By virtue of the merger of Allianz Global Investors Luxembourg, S.A. (AGIL) into Allianz Global Investors Europe (AGIE), the qualified shareholding mentioned above became imputable to AGIE.
- (5) Subsidiary of the UBS Group AG.
- (6) As a result of the acquisition of UBS AG by UBS Group AG the shares of UBS AG were transferred to UBS Group AG. The UBS AG subsidiaries also became controlled by UBS Group AG.
- (7) The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.
- (8) Fund managed by Pioneer Investments Kapitalgesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.
- (9) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.
- (10) Company held by Artemis Investment Management LLP.
- (11) Company owned by FMR LLC.
- (12) The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.
- (13) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

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

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

Own shares

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

As at 31 December 2015, the company held 200,177 own shares, acquired in June 2015, which represented 0.133% of the Company's share capital.

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

In the year ended 31 December 2015, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9.357
Disposals	-	-	-
Balance at 31 December 2015	200,177	1,873,125	-

Reserves

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

	2015	2014
Legal reserves	18,072,559	18,072,559
Own shares reserve (CTT, S.A.)	1,873,125	-
Other reserves	13,438,428	13,701,407
	<u>33,384,112</u>	<u>31,773,967</u>

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 31 December 2015, this caption includes the amount of 1,873,125 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

As at 31 December 2015 and 31 December 2014 it also records the amount recognised in both years related to the Share Plan that constitutes the long-term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee in the amount of 2,987,092 Euros.

Retained earnings

During the years ended 31 December 2015 and 31 December 2014, the following movements were made in the heading Retained earnings:

	2015	2014
Opening balance	84,374,563	83,367,465
Application of the net profit of the prior year	77,171,128	61,016,067
Distribution of dividends (Note 22)	(69,750,000)	(60,000,000)
Adjustments from the application of the equity method	109,622	-
Other movements	(177,319)	(8,969)
Closing balance	<u>91,727,994</u>	<u>84,374,563</u>

Other changes in equity

The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 26).

Thus, for the years ended 31 December 2015 and 31 December 2014, the movements occurred in this heading were as follows:

	2015	2014
Opening balance	(18,786,310)	24,548,756
Actuarial gains/losses - Healthcare	114,181	(61,041,103)
Tax effect - Healthcare	27,297	17,706,037
Closing balance	<u>(18,644,832)</u>	<u>(18,786,310)</u>

22. DIVIDENDS

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

At the General Meeting of Shareholders held on 5 May 2014, the shareholders approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at 31.12.2013) relative to the financial year ended 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

23. EARNINGS PER SHARE

During the years ended 31 December 2015 and 31 December 2014, the earnings per share were calculated as follows:

	2015	2014
Net profit for the year	72,065,283	77,171,128
Average number of ordinary shares	149,883,331	150,000,000
Earnings per share:		
Basic	0.48	0.51
Diluted	0.48	0.51

The average number of shares is detailed as follows:

	2015	2014
Shares issued at the beginning of the period	150,000,000	150,000,000
Own shares effect	116,669	-
Average number of shares during the period	149,883,331	150,000,000

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the Group. As at 31 December 2015, the number of own shares held by the Group is 200,177 and its average number for the year ended 31 December 2015 is 116,669, reflecting the fact that the acquisition of own shares occurred in June 2015.

There are no dilutive factors of earnings per share.

24. NON-CONTROLLING INTERESTS

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in non-controlling interests:

	2015	2014
Opening balance	(323,703)	1,604,372
Net profit for the year attributable to non-controlling interests	5,352	(327,492)
Distribution of dividends	-	(198,423)
Disposals	-	(1,395,678)
Other movements	493,673	(6,482)
Closing balance	<u>175,322</u>	<u>(323,703)</u>

As at 31 December 2015 and 31 December 2014, non-controlling interests related to the following companies:

	2015	2014
Correio Expresso de Moçambique, S.A.	<u>175,322</u>	<u>(323,703)</u>
	<u>175,322</u>	<u>(323,703)</u>

25. DEBT

As at 31 December 2015 and 31 December 2014, debt is detailed as follows:

	2015	2014
Non-current liabilities		
Bank loans	95,241	-
Leasing	<u>940,281</u>	<u>1,913,118</u>
	<u>1,035,522</u>	<u>1,913,118</u>
Current liabilities		
Bank loans	6,028,197	824,650
Leasing	1,049,958	955,484
Other loans	-	65,936
	<u>7,078,155</u>	<u>1,846,070</u>
	<u>8,113,677</u>	<u>3,759,188</u>

At 31 December 2015, the interest rates applied to finance leases were between 0.60% and 0.83% (31 December 2014: between 0.62% and 0.91%) and the interest rates applied to other loans were between 0.06% and 2.10% (31 December 2014: 0.56% and 3.84%).

Bank loans and other loans

As at 31 December 2015 and 31 December 2014, the details of the bank loans were as follows:

Financing entity	2015			2014		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans:						
Banco Sabadell (Spain)	400,000	-	-	400,000	-	-
BBVA (Spain)	500,000	-	-	500,000	-	-
Millennium BCP (Spain)	9,750,000	5,991,565	-	5,000,000	818,911	-
BIM - (Mozambique)	218,270	-	-	218,270	5,739	-
BIM - (Mozambique)	131,873	36,632	95,241			
Other loans:						
Millennium BCP	5,000,000	-	-	5,000,000	-	-
Millennium BCP	250,000	-	-	250,000	-	-
Millennium BCP	150,000	-	-	150,000	-	-
BIM - (Mozambique)	77,861	-	-	77,861	65,936	-
Millennium BCP (Mozambique)	25,954	-	-	25,954	-	-
	<u>16,503,958</u>	<u>6,028,197</u>	<u>95,241</u>	<u>11,622,085</u>	<u>890,586</u>	<u>-</u>

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

Leasings

As at 31 December 2015 and 31 December 2014, the Group has the following assets under finance leases:

	2015			2014			
	Gross amount	Depreciation/accumulated impairment losses	Carrying amount	Gross amount	Depreciation/accumulated impairment losses	Change in consolidation perimeter	Carrying amount
Land	9,425,895	815,990	8,609,905	9,651,895	815,990	(226,000)	8,609,905
Buildings and other constructions	4,963,685	1,397,118	3,566,567	5,641,685	1,296,022	(678,000)	3,667,663
Basic equipment	-	-	-	856,109	-	(856,109)	-
Transport equipment	19,371	18,854	517	87,790	18,854	(68,419)	517
	<u>14,408,951</u>	<u>2,231,962</u>	<u>12,176,989</u>	<u>16,237,479</u>	<u>2,130,866</u>	<u>(1,828,528)</u>	<u>12,278,085</u>

The key contracts are the following:

CTT, S.A. is the lessee, under a leasing contract signed with IMOLEASING – Sociedade de Locação Financeira Imobiliária, S.A., of a property in the municipality of Maia (Porto) where the Mail Sorting Centre is located. The type of lease contract determines its classification as a lease, namely the fact there is an option to buy it for a residual value of approximately 6% of the contract value considered significantly lower than the estimated market value at the end of the contract. There are no contingent rents payable nor any restrictions.

The subsidiary CTT Expresso is the lessee of a property located in Perafita (Matosinhos) where is located the Operating Centre of the Northern Region, which includes an option to buy the asset at the end of the contract for a residual value considered significantly lower than the estimated market value at the end of the contract.

The monthly rents are calculated based on the initial contract value, and it is possible to exercise the call option by paying a residual value.

There are no other restrictions in the contracts that have been signed.

As at 31 December 2015 and 31 December 2014, the Group's liabilities with financial lease contracts presented the following plan of due dates:

	2015			2014		
	Capital	Interest	Total	Capital	Interest	Total
Due within 1 year	1,049,958	10,139	1,060,097	955,484	19,986	975,470
Due between 1 to 5 years	940,281	1,742	942,023	1,913,118	13,605	1,926,723
Over 5 years	-	-	-	-	-	-
	940,281	1,742	942,023	1,913,118	13,605	1,926,723
Total	1,990,239	11,881	2,002,120	2,868,602	33,591	2,902,192

For the years ended 31 December 2015 and 31 December 2014, the values paid in relation to leasing interest amounted to 18,201 Euros and 34,441 Euros, respectively.

26. EMPLOYEE BENEFITS

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

During the years ended 31 December 2015 and 31 December 2014, these liabilities presented the following movement:

	2015				
	Liabilities			Equity	Total
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	
Opening balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954
Movement of the period	(4,360,000)	(13,086,203)	(17,446,203)	1,610,685	(15,835,518)
Closing balance	236,806,000	23,039,345	259,845,345	2,987,092	262,832,437

	2014				
	Liabilities			Equity	Total
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	
Opening balance	263,371,000	35,172,054	298,543,054	-	298,543,054
Movement of the period	(22,205,000)	953,493	(21,251,507)	1,376,407	(19,875,100)
Closing balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954

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

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

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

	2015	2014
Equity (Other reserves)	2,987,092	1,376,407
Non-current liabilities	241,306,773	255,541,102
Current liabilities	18,538,572	21,750,445
	262,832,437	278,667,954

As at 31 December 2015 and 31 December 2014, the costs related to employee benefits recognised in the consolidated income statement and the amount recognised directly in Other changes in equity were as follows:

	2015	2014
Costs for the period		
Healthcare	9,942,000	(68,905,327)
Other long-term employee benefits	(7,075,980)	7,602,753
Other long-term benefits statutory bodies	1,610,685	1,376,407
	<u>4,476,705</u>	<u>(59,926,168)</u>
Other changes in equity		
Healthcare	114,181	(61,041,103)
	<u>114,181</u>	<u>(61,041,103)</u>

Healthcare

As mentioned in Note 2.18, CTT is responsible for financing the healthcare plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2015.

The main assumptions followed in the actuarial study were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries expected growth rate	2.25%	2.75%
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Health costs growth rate		
- Inflation rate	1.50%	2.00%
- Growth due to ageing	2.00%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability table	Swiss RE	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 balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The maintenance of the discount rate of 2.50% is 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 is determined according to the salary policy defined by the Group.

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

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the 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 healthcare plan has been as follows:

	2015	2014	2013	2012	2011
Liabilities at the end of the period	<u>236,806,000</u>	<u>241,166,000</u>	<u>263,371,000</u>	<u>252,803,000</u>	<u>272,102,000</u>

For the years ended 31 December 2015 and 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	2015	2014
Opening balance	241,166,000	263,371,000
Service cost of the year	4,042,000	3,825,000
Interest cost of the year	5,900,000	10,268,000
Plan amendment	-	(82,998,327)
Pensioners contributions	5,113,703	3,607,690
(Payment of benefits)	(18,654,596)	(16,894,342)
(Other costs)	(646,926)	(1,054,123)
Actuarial (gains)/losses	(114,181)	61,041,103
Closing balance	<u>236,806,000</u>	<u>241,166,000</u>

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

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

During the years ended 31 December 2015 and 31 December 2014, the total costs were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 36)	3,395,074	(80,227,450)
Other costs	646,926	1,054,123
Interest expenses (Note 40)	5,900,000	10,268,000
	<u>9,942,000</u>	<u>(68,905,327)</u>

As at 31 December 2015, the actuarial (gains)/losses in the amount of (114,181) Euros (61,041,103 Euros as at 31 December 2014) were recognised in equity under Other changes in equity, net of deferred taxes of 27,297 Euros (17,706,037 Euros as at 31 December 2014).

The best estimate the Group has at this date for costs related to the healthcare plan, which it expects to recognise in the next annual period is 9,770 thousand Euros.

The sensitivity analysis performed for the healthcare plan leads to the following conclusions:

- i. If there was an increase of 1 per cent in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 292,432 thousand Euros, increasing by approximately 23.5%.
- ii. If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.7%, amounting to 255,040 thousand Euros.
- iii. The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of health care plan liability of about 5.5% amounting to a total of 249,883 thousand Euros.

Other long-term employee benefits

As mentioned in Note 2.18, 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.

As at 31 December 2015, the Company requested an actuarial study from an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of these liabilities were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries growth rate (Suspension of contracts)	2.25%	2.75%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability rate	Swiss RE	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 2.25% were considered for 2015 and following years. For the benefits Monthly life annuity and Pensions for work accidents the pensions growth rate was 1.50% since under an analysis performed to these benefits' historical data it was concluded that updates were normally associated with the upgrades of the Portuguese Harmonised Index of Consumer Prices (HICP). Regarding the remaining benefits, Telephone

subscription fee and Support for termination of professional activity, no growth rate was considered since these benefits are not updated.

For the years ended 31 December 2015 and 31 December 2014, the movement of liabilities with other long-term employee benefits was as follows:

	2015	2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,810,243	19,743,891
Interest cost of the period	379,359	696,465
Liabilities relative to new beneficiaries	-	393,318
Curtailment	(4,782,194)	-
(Payment of benefits)	(5,187,776)	(5,738,282)
Actuarial (gains)/losses	14,599	2,714,852
Closing balance	8,234,231	17,810,243
Telephone subscription fee		
Opening balance	4,832,775	4,800,195
Interest cost of the period	114,854	178,544
(Payment of benefits)	(216,939)	(303,781)
Actuarial (gains)/losses	(212,420)	157,817
Closing balance	4,518,270	4,832,775
Pension for work accidents		
Opening balance	8,161,400	7,004,370
Interest cost of the period	198,665	271,647
(Payment of benefits)	(472,298)	(437,324)
Actuarial (gains)/losses	(1,024,176)	1,322,707
Closing balance	6,863,591	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the period	130,698	139,714
(Payment of benefits)	(97,925)	(112,271)
Actuarial (gains)/losses	(1,891,915)	1,710,168
Closing balance	3,423,253	5,282,395
Support for cessation of professional activity		
Opening balance	38,734	78,814
Interest cost of the period	484	1,576
(Payment of benefits)	(35,284)	(57,602)
Actuarial (gains)/losses	(3,934)	15,946
Closing balance	-	38,734
Total closing balances	23,039,345	36,125,547

During the years ended 31 December 2015 and 31 December 2014, the total costs for the year were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 36)		
Suspension of contracts, redeployment and release of employment	(4,767,595)	3,108,170
Telephone subscription fee	(212,420)	157,817
Pension for work accidents	(1,024,176)	1,322,707
Monthly life annuity	(1,891,915)	1,710,168
Support for cessation of professional activity	(3,934)	15,946
subtotal	(7,900,040)	6,314,808
Interest expenses (Note 40)	824,060	1,287,945
	(7,075,980)	7,602,753

Following the renegotiation of the conditions related to workers in situations of Suspension of contracts, redeployment and release of employment, CTT recorded a liability reduction in the amount of 4,782,194 Euros.

As a result of the pensions growth rate's change applied to the benefits Monthly life annuity and Pensions for work accidents the related liability decreased significantly, which is reflected in results in Staff costs.

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

As at 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit related to the Telephone subscription fee. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

The best estimate that the Group has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 529,495 Euros.

The sensitivity analysis performed on 31 December 2015 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4.1%, increasing to 23,984 thousand Euros.

Other long-term benefits for the Statutory Bodies

CTT approved, with effect as from 31 December 2014, the Remuneration Regulation for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company shares (Note 2.19). The number of shares allocated to members of the CTT's Executive Committee is based on the performance evaluation results during the period of the term of office, until 31 December 2016, which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

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

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

Therefore, as at 31 December 2015 CTT recorded a cost of 1,610,685 Euro corresponding to the period from 1 January 2015 to 31 December 2015, booked against Other reserves.

27. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the years ended 31 December 2015 and 31 December 2014, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which showed the following movement:

	2015					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	
Non-current provisions						
Litigations	9,907,427	1,942,805	(2,556,840)	(1,603,861)	1,413,169	9,102,700
Onerous contracts	16,854,955	1,291,580	(670,798)	(3,117,634)	-	14,358,103
Other provisions	18,693,363	1,212,339	(941,773)	(515,527)	(1,413,169)	17,035,233
Investments in associated companies	215,772	-	-	-	(25,997)	189,775
	<u>45,671,517</u>	<u>4,446,724</u>	<u>(4,169,411)</u>	<u>(5,237,022)</u>	<u>(25,997)</u>	<u>40,685,811</u>
Restructuring	-	1,880,000	(167,398)	(1,666,081)	-	46,521
	<u>45,671,517</u>	<u>6,326,724</u>	<u>(4,336,809)</u>	<u>(6,903,103)</u>	<u>(25,997)</u>	<u>40,732,332</u>

	2014					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	
Non-current provisions						
Litigations	10,868,975	4,848,272	(4,019,596)	(3,216,034)	1,425,810	9,907,427
Onerous contracts	12,643,714	6,728,727	-	(2,517,486)	-	16,854,955
Other provisions	14,775,306	6,452,173	-	(690,354)	(1,843,762)	18,693,363
Investments in associated companies	213,840	-	-	-	1,932	215,772
	<u>38,501,835</u>	<u>18,029,172</u>	<u>(4,019,596)</u>	<u>(6,423,874)</u>	<u>(416,020)</u>	<u>45,671,517</u>

Litigations

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

Onerous Contracts

During the year ended 31 December 2015, the provision to cover the estimate of the net present value of the net expenditure associated with onerous contracts was increased by 1,291,580 Euros. The remaining value was obtained from the update of the assumptions used in 2014, namely the discount rate.

As at 31 December 2015 the amount provided for contracts is 14,358,103 Euros (16,854,955 Euros as at 31 December 2014).

Other provisions

As at 31 December 2015 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences required by workers, was increased by 231,067 Euros, amounting to 15,142,991 Euros (16,374,091 Euros as at 31 December 2014).

As at 31 December 2015, in addition to the previously mentioned situations, this heading also includes:

- the amount of 204,480 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 981,272 Euros, which arises from the assessment made by the management regarding the possibility of tax contingencies.

Investments in associated companies

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

Restructuring

During the year ended 31 December 2015, a provision for restructuring was recognised in the accounts of the subsidiary Tourline Express Mensajería, SLU, for 1,880,000 Euros, following the human resources optimisation and restructuring process, timely disclosed by the parent company. The ongoing process is aimed at increasing the operational efficiency of Tourline by reducing its staff costs, as well as improving and simplifying processes in the context of the restructuring plan currently being implemented. This provision was recorded under the line Staff costs in the consolidated income statement. As at 31 December 2015, it amounts to 46,521 Euros.

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (277,313) Euros and (14,009,576) Euros as at 31 December 2015 and 2014, respectively.

Guarantees provided

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

Description	2015	2014
Courts	200,087	325,684
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE-Sociedade Imobiliária, Lda	2,944,833	2,944,833
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Lisboagás, S.A.	190,000	190,000
Autarquias	183,677	154,677
Sofinsa	-	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	-	77,969
Alfândega do Porto	-	74,820
Secretaria Geral do Ministério da Administração Interna	-	44,547
ACT Autoridade Condições Trabalho	59,395	67,638
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Record Rent a Car (Cataluña, Levante)	40,000	40,000
SetGás, S.A.	30,000	30,000
ANA - Aeroportos de Portugal	34,000	34,000
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Natur Import (nave Barbera)	-	18,096
Portugal Telecom, S.A.	16,657	16,657
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180
Petrogal, S.A.	-	10,774
Águas do Porto, E.M	10,720	10,720
Alquiler Nave Tarragona	-	7,155
TNT Express Worldwide	6,010	6,010
SMAS Torres Vedras	2,808	4,001
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	-	3,400
Inmobiliaria Ederkin	7,800	7,800
Promodois	6,273	-
Águas de Coimbra	870	-
Direção Geral do Tesouro e Finanças	16,867	-
Instituto Infra-Estruturas Rodoviárias	-	3,725
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira , SA	12,681	12,681
REN Serviços, S.A.	9,818	9,818
EMEL, S.A.	19,384	19,384
IFADAP	1,746	1,746
Casa Pia de Lisboa, I.P.	-	1,863
Martinez Estevez	-	3,000
Gexploma	-	3,000
Consejeria Salud	6,433	6,433
Universidad Sevilla	4,237	4,237
Fonavi, Nave Hospitalet	40,477	40,477
Other entities	7,694	7,694
	<u>14,336,996</u>	<u>14,758,985</u>

Guarantees for Contracts

According to the terms of some lease contracts of the buildings occupied by the Group's services, the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided.

These guarantees have already been issued and amount to 12,599,031 Euros.

Commitments

As at 31 December 2015 and 31 December 2014, the Group subscribed promissory notes amounting to approximately 60.9 thousand Euros and 73.8 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the subsidiary Tourline and regarding the subsidiary Corre in the amount of 131,873 Euros, which are still active as at 31 December 2015.

As at 31 December 2015, the Group assumed commitments regarding the sponsoring of "Taça da Liga" (League Football Cup) in the amount of 1.5 million Euros.

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

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

28. ACCOUNTS PAYABLE

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

	2015	2014
Advances from customers	3,043,051	2,996,416
CNP money orders	218,478,956	200,879,441
Suppliers	67,989,193	64,572,970
Invoices pending confirmation	9,834,805	12,958,575
Fixed assets suppliers	6,717,094	8,063,263
Invoices pending confirmation (fixed assets)	5,311,267	1,997,480
Values collected on behalf of third parties	5,881,304	5,645,991
Postal financial services	112,544,152	197,152,263
Customers deposits	52,422	-
Other accounts payable	6,039,433	5,270,507
	<u>435,891,677</u>	<u>499,536,907</u>

CNP money orders

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

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders. The high amount in this caption as at 31 December 2014 is largely explained by the significant volume of subscription of savings/treasury certificates occurred in December 2014.

Suppliers, fixed assets suppliers

As at 31 December 2015 and 31 December 2014, the ageing of the balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

	2015	2014
Suppliers		
Non-overdue	22,897,539	14,865,726
0-30 days	6,425,563	8,694,897
30-90 days	12,499,262	8,659,132
90-180 days	1,423,112	2,551,882
180-360 days	8,255,781	7,657,452
> 360 days ⁽¹⁾	16,487,936	22,143,881
	<u>67,989,193</u>	<u>64,572,970</u>

- (1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

	2015	2014
Fixed assets suppliers		
Non-overdue	6,325,283	7,367,690
0-30 days	241,226	400,198
30-90 days	42,735	29,847
90-180 days	-	43,697
180-360 days	-	59,389
> 360 days	107,850	162,443
	<u>6,717,094</u>	<u>8,063,263</u>

The increase in the caption Fixed assets suppliers is directly related to the investment in basic equipment (with particular emphasis on the acquisition of vehicles) and office equipment.

The current amount of accounts payable overdue over 360 days is as follows:

	2015	2014
National accounts payable	31,030	429,411
Foreign operators	16,456,906	21,714,470
Total	<u>16,487,936</u>	<u>22,143,881</u>
Foreign operators - receivables (Note 14)	<u>(17,243,327)</u>	<u>(22,945,573)</u>

The balances between Foreign Operators are cleared by netting accounts. These amounts are related to the accounts receivable balances related to these entities (Note 14).

29. INCOME TAXES PAYABLE

As at 31 December 2015 and 31 December 2014 the heading Income taxes payable showed the following composition:

	2015	2014
Current liabilities		
Corporate income tax	7,922,942	6,173,214
	<u>7,922,942</u>	<u>6,173,214</u>

30. OTHER CURRENT LIABILITIES

As at 31 December 2015 and 31 December 2014, the heading Other current liabilities showed the following composition:

	2015	2014
Current		
Estimated holiday pay, holiday subsidy and other remunerations	49,152,091	50,315,835
Estimated supplies and external services	30,650,178	18,037,952
State and other public entities		
Value Added Tax	1,405,729	3,740,619
Personal income tax withholdings	3,367,641	3,543,152
Social Security contributions	5,139,856	5,124,264
Caixa Geral de Aposentações	776,789	860,878
Local Authority taxes	515,275	521,000
Other taxes	577	20
Other	784,739	440,211
	<u>91,792,877</u>	<u>82,583,931</u>

The increase observed in the heading Estimated supplies and external services results essentially from the increase in accrued costs following a transitory process adaptation situation by the new supplier of the Healthcare Plan management.

31. FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2015 and 31 December 2014, the categories of financial assets and liabilities were as follows:

	2015				
	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Other investments	-	1,106,812	-	-	1,106,812
Other non-current assets	601,103	-	-	-	601,103
Accounts receivable	124,355,641	-	-	-	124,355,641
Other current assets	12,590,310	-	-	10,346,634	22,936,944
Cash and cash equivalents	603,649,717	-	-	-	603,649,717
Total Financial Assets	741,196,771	1,106,812	-	10,346,634	752,650,216
Liabilities					
Medium and long term debt	-	-	1,035,522	-	1,035,522
Accounts payable	-	-	426,756,771	9,134,906	435,891,677
Short term debt	-	-	7,078,155	-	7,078,155
Cash and cash equivalents	-	-	31,434,918	60,357,959	91,792,877
Total Financial Liabilities	-	-	466,305,366	69,492,865	535,798,231

	2014				
	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Other investments	-	1,106,812	-	-	1,106,812
Other non-current assets	790,601	-	-	-	790,601
Accounts receivable	133,290,415	-	-	-	133,290,415
Other current assets	16,953,369	-	-	5,832,013	22,785,382
Cash and cash equivalents	664,580,080	-	-	-	664,580,080
Total Financial Assets	815,614,466	1,106,812	-	5,832,013	822,553,290
Liabilities					
Medium and long term debt	-	-	1,913,118	-	1,913,118
Accounts payable	-	-	491,269,983	8,266,923	499,536,907
Short term debt	-	-	1,846,070	-	1,846,070
Cash and cash equivalents	-	-	18,478,162	64,105,769	82,583,931
Total Financial Liabilities	-	-	513,507,333	72,372,692	585,880,026

The Group believes that the fair value of its financial assets and liabilities is similar to its book value.

32. SUBSIDIES OBTAINED

As at 31 December 2015 and 31 December 2014, the information regarding European Union subsidies or grants (Note 2.21) was as follows:

Subsidy	2015					2014				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value to be received	Accumulated income	Value to be used
FEDER	9,815,622	9,662,306	153,316	9,465,126	350,496	9,815,622	9,662,306	153,316	9,453,925	361,697
IEFP	100,774	100,774	-	100,774	-	94,486	79,132	15,354	82,390	12,096
	<u>9,916,396</u>	<u>9,763,080</u>	<u>153,316</u>	<u>9,565,900</u>	<u>350,496</u>	<u>9,910,108</u>	<u>9,741,438</u>	<u>168,670</u>	<u>9,536,315</u>	<u>373,792</u>

The amounts received as investment subsidy – FEDER – are recognised in the consolidated income statement, under the heading Other operating income, as the corresponding assets are amortised.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. ("Institute of Employment and Professional Training") ("IEFP"), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 15) and transferred to the consolidated income statement to the caption Other operating income, to the extent that the expenses were recognised.

33. OTHER OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, the composition of the heading Other operating income was as follows:

	2015	2014
Supplementary revenues	3,214,885	4,348,820
Altice agreement	5,416,667	-
Prompt-payment discounts obtained	85,154	114,757
Gains in inventories	16,657	39,519
Favourable exchange rate differences of assets and liabilities different from financing	1,999,259	1,990,205
Income from financial investments	485,472	684,122
Income from non-financial investments	1,751,030	2,121,308
Interest income and expenses - financial services	516,707	2,305,688
VAT adjustments	6,409,103	-
Other	2,115,962	3,886,415
	<u>22,010,897</u>	<u>15,490,832</u>

The interest related to the Financial Services segment is recognised under this caption (Note 2.21).

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

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

34. EXTERNAL SUPPLIES AND SERVICES

For the years ended 31 December 2015 and 31 December 2014, the composition of the heading External supplies and services was as follows:

	2015	2014
Transportation of goods	63,427,926	63,934,867
Specialised services	61,074,007	65,771,170
Rents	35,141,392	34,637,236
Energy and fuel	15,073,806	15,508,445
Remuneration to postal operators	18,051,278	17,242,525
Other services	13,568,885	12,980,182
Communication	2,691,023	4,058,295
Agencing	5,321,179	4,940,226
Subcontracts	4,178,927	4,750,345
Cleaning, hygiene and comfort	3,966,115	3,778,809
Remuneration to Postal Agencies	4,498,737	4,496,988
Insurance	3,498,473	3,128,038
Materials	1,840,512	1,656,662
Litigation and notary	275,234	307,177
Staff transportation	222,216	270,949
Royalties	254,430	217,896
	<u>233,084,139</u>	<u>237,679,808</u>

- (i) Transportation of goods refers to costs with the transportation of mail in several ways (sea, air, surface);
- (ii) Specialised services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

- (iii) Rents mainly refer to costs with leased facilities from third parties and the operating lease of vehicles;
- (iv) Energy and fuel refers mainly to diesel for vehicles used in the operating process;
- (v) Remuneration to postal operators refer to costs with peer postal operators.

35. OPERATING LEASES

As at 31 December 2015 and 31 December 2014, the Group maintained medium and long-term liabilities in operating lease contracts of vehicles, with penalty clauses in the case of cancellation.

The total amount of the future payments relative to operating leases is as follows:

	2015	2014
Due within 1 year	10,434,899	9,345,242
Due between 1 to 5 years	16,618,420	14,456,925
Over 5 years	-	-
	<u>27,053,319</u>	<u>23,802,167</u>

During the years ended 31 December 2015 and 31 December 2014, the costs incurred with operating lease contracts amount to 7,488,749 Euros and to 6,927,430 Euros, respectively, and are recognised under the caption Rents in the heading Supplies and external services of the consolidated income statement.

The operating leases relate to leasing agreements of short duration, in which the lessor transfers the temporary use of the asset to a third party upon payment of an income or rental.

Lease payments are made monthly by equal amounts during the period of the lease agreement and the recognition of the rent is considered as an expense which will also be performed on a linear basis (straight-line basis).

There is no recognition of any leased asset, because the lease is a rental in substance and there is no evidence that the lessee will obtain future economic benefits from the asset beyond the contract period.

The transfer of the legal ownership of the assets to the lessee at the end of the contract is not expected.

36. STAFF COSTS

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading Staff Costs was as follows:

	2015	2014
Statutory bodies remuneration (Note 42)	4,136,712	3,768,528
Staff remuneration	259,355,100	256,671,440
Employee benefits	(2,686,050)	(72,385,347)
Indemnities	5,891,115	2,423,911
Social Security charges	56,482,830	55,373,290
Occupational accident and health insurance	2,253,074	1,851,651
Social welfare costs	6,297,590	10,233,119
Other staff costs	42,509	70,144
	<u>331,772,879</u>	<u>258,006,736</u>

Remuneration of the statutory bodies

As at 31 December 2015 and 31 December 2014, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

	2015				
	Board of Directors	Audit Committee / Statutory Auditor	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,446,796	273,886	37,440	5,461	2,763,583
Annual variable remuneration	1,373,129	-	-	-	1,373,129
	<u>3,819,925</u>	<u>273,886</u>	<u>37,440</u>	<u>5,461</u>	<u>4,136,712</u>
Long-term remuneration					
Defined contribution plan RSP	207,458	-	-	-	207,458
Long-term variable remuneration - Share Plan	1,610,685	-	-	-	1,610,685
	<u>1,818,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,818,143</u>
	<u>5,638,068</u>	<u>273,886</u>	<u>37,440</u>	<u>5,461</u>	<u>5,954,855</u>

	2014				
	Board of Directors	Audit Committee / Statutory Auditor	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,028,033	284,459	28,808	-	2,341,300
Annual variable remuneration	1,427,228	-	-	-	1,427,228
	<u>3,455,261</u>	<u>284,459</u>	<u>28,808</u>	<u>-</u>	<u>3,768,528</u>
Long-term remuneration					
Defined contribution plan RSP	144,517	-	-	-	144,517
Long-term variable remuneration - Share Plan	1,376,407	-	-	-	1,376,407
	<u>1,520,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,520,924</u>
	<u>4,976,185</u>	<u>284,459</u>	<u>28,808</u>	<u>-</u>	<u>5,289,452</u>

Bearing in mind the new reality of CTT as an entity of private capital and admitted to trading on a regulated market, the Remuneration Committee (elected by the General Meeting on 24 March 2014 and composed of independent members) defined the new remuneration model for the statutory bodies which followed a benchmark study performed by a specialised firm and is already considered under the caption Statutory bodies' remuneration.

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office in Company shares, and the amount of 1,610,685 Euros corresponds to the expense to be recognised in the period between 1 January 2015 and 31 December 2015 and was determined by an actuarial study performed by an independent entity. The annual variable remuneration will be determined and paid on an annual basis and was also defined by an actuarial study performed by an independent entity.

Staff remuneration

The variation in this heading is mainly a result of the update of the fixed salaries of 2% following the new Company Agreement became effective on 1 January 2015.

Employee benefits

The amount registered in the caption Employee benefits in the year ended 31 December 2015 mainly reflects the liability reduction related to workers in a situation of Suspension of contract, redeployment and release of employment as well as the liability reduction related to the benefits Pension for work accidents and Monthly life annuity due to the update of the pensions' growth rate.

Indemnities

In the year ended 31 December 2015 this caption includes the amount of 2,988,045 Euros related to compensations paid for termination of employment contracts by mutual agreement.

It also includes the amount of 1,712,602 Euros related to the provision for restructuring recorded in Tourline following the human resources optimisation in the context of the restructuring plan currently being implemented in the Company.

Social welfare cost

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

As at 31 December 2015 and 31 December 2014, the heading Staff costs includes the amounts of 807,237 Euros and 828,060 Euros, respectively, related to expenses with workers' representative bodies.

For the years ended 31 December 2015 and 31 December 2014, the average number of staff of the Group was 12,445 and 12,448 employees, respectively.

37. IMPAIRMENT OF INVENTORIES AND ACCOUNTS RECEIVABLE

For the years ended 31 December 2015 and 31 December 2014, the detail of Impairment of inventories and accounts receivable, net was as follows:

	2015	2014
Impairment losses		
Customers (Note 14)	4,625,870	7,575,359
Other accounts receivable (Note 18)	539,816	1,539,178
Inventories (Note 13)	71,965	48,534
	<u>5,237,651</u>	<u>9,163,071</u>
Reversals of impairment losses		
Customers (Note 14)	2,025,960	875,184
Other accounts receivable (Note 18)	1,500,571	1,046,957
INESC loan (Note 18)	24,870	1,025,722
Inventories (Note 13)	275,816	337,942
	<u>3,827,217</u>	<u>3,285,805</u>
Net movement of the period	<u>1,410,434</u>	<u>5,877,266</u>

38. DEPRECIATION/ AMORTISATION (LOSSES/REVERSALS)

For the years ended 31 December 2015 and 31 December 2014, the detail of Depreciation/ amortisation and impairment losses, net was as follows:

	2015	2014
Tangible fixed assets		
Depreciation (Note 5)	19,278,804	17,815,704
Impairment losses (Note 5)	(123,714)	2,530
Intangible assets		
Amortisation (Note 6)	3,832,949	2,979,278
Investment properties		
Depreciation (Note 7)	752,365	764,567
Impairment losses (Note 7)	(167,403)	(156,480)
	<u>23,573,001</u>	<u>21,405,600</u>

39. OTHER OPERATING COSTS

For the years ended 31 December 2015 and 31 December 2014, the breakdown of the heading Other operating costs was as follows:

	2015	2014
Taxes	1,894,532	1,627,497
Bad debts	1,090,569	569,304
Losses in inventories	510,693	397,190
Costs and losses from non-financial investments	368,018	390,193
Concession rent	-	11,287
Unfavourable exchange rate differences of assets and liabilities different from financing	2,029,152	1,934,484
Donations	908,366	1,038,825
Banking services	1,181,262	1,110,280
Interest on arrears	88,201	14,651
Subscriptions	804,791	763,775
Deposits Guarantee Fund/Resolution Unified Fund	51,000	-
Other costs	<u>2,510,241</u>	<u>2,589,718</u>
	<u>11,436,825</u>	<u>10,447,204</u>

40. INTEREST EXPENSES AND INTEREST INCOME

For the years ended 31 December 2015 and 31 December 2014, the heading Interest Expenses had the following detail:

	2015	2014
Interest expenses		
Bank loans	77,473	153,478
Other interest	26,823	66,218
Interest costs from employee benefits	6,746,892	11,555,946
Other interest costs	<u>10,212</u>	<u>22,079</u>
	<u>6,861,401</u>	<u>11,797,721</u>

During the years ended 31 December 2015 and 31 December 2014, the heading Interest income was detailed as follows:

	2015	2014
Interest income		
Deposits in credit institutions	1,483,388	4,225,231
Other supplementary income	1,775	99,956
	<u>1,485,163</u>	<u>4,325,187</u>

41. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 up to 35,000,000 Euros and 7% of the taxable profit above 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary Corre is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

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

Reconciliation of the income tax rate

For the years ended 31 December 2015 and 31 December 2014, the reconciliation between the nominal rate and the effective income tax rate is as follows:

	2015	2014
Earnings before taxes	104,609,981	127,998,690
Nominal tax rate	21.0%	23.0%
	21,968,096	29,439,699
Tax Benefits	(198,588)	(270,373)
Accounting capital gains	17,549	(51,057)
Tax capital gains	(394,293)	(338,751)
Equity method	5,938	56,948
Provisions not considered in the calculation of deferred taxes	19,167	13,633
Impairment losses and reversals	(133,566)	4,319,294
Other situations, net	959,041	5,920,739
Adjustments related with - autonomous taxation	1,628,892	582,101
Adjustments related with - Municipal Surcharge	1,496,378	1,242,098
Adjustments related with - State Surcharge	5,162,504	3,951,454
Impact of the change in income tax rate (deferred tax)	(574,330)	4,616,986
Tax losses with no deferred tax assets recognised	2,648,348	2,418,712
Excess estimated income tax	(65,790)	(746,429)
Income taxes for the period	32,539,346	51,155,054
Effective tax rate	31.11%	39.97%
Income taxes for the period		
Current tax	28,469,567	24,823,529
Deferred tax	4,135,569	27,077,954
Excess estimated income tax	(65,790)	(746,429)
	32,539,346	51,155,054

In the year ended 31 December 2014 the heading Excess estimated income tax includes the amount of 487,839 Euros related to the tax credit allocated under the SIFIDE programme of 2006 and 2008 of the subsidiary CTT Espresso.

Deferred taxes

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

	2015	2014
Deferred tax assets		
Employee benefits - healthcare	67,158,181	67,864,112
Employee benefits - other long-term benefits	6,531,878	10,160,424
Deferred accounting capital gains	1,723,242	2,384,961
Impairment losses and provisions	8,997,558	10,134,884
Tax losses carried forward	342,161	-
Impairment losses in tangible fixed assets	405,373	497,238
Share Plan	847,140	387,321
Land and buildings	1,392,924	-
Other	137,484	-
	87,535,941	91,428,940

	2015	2014
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	3,562,520	3,793,815
Suspended capital gains	971,679	994,953
Other	42,399	52,916
	<u>4,576,598</u>	<u>4,841,684</u>

As at 31 December 2015, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 4,428,230 Euros and 265,086 Euros, respectively.

During the years ended 31 December 2015 and 31 December 2014, the movements which occurred under the deferred tax headings were as follows:

	2015	2014
Deferred tax assets		
Opening balances	91,428,940	103,645,256
Effect on net profit		
Employee benefits - healthcare	(733,228)	(28,063,112)
Employee benefits - other long-term benefits	(3,628,545)	(273,016)
Deferred accounting gains	(661,719)	(844,727)
Impairment losses and provisions	(1,142,594)	1,482,942
Impairment losses in tangible fixed assets	(91,864)	44,378
Derecognition of inventories	-	(77,821)
Value deducted from debts	-	(18,692)
Tax losses carried forward	24,628	(2,432,701)
Share plan	459,819	387,321
Land and buildings	1,392,924	-
Other	460,283	(124,155)
Effect on net profit		
Employee benefits - healthcare	27,297	17,706,037
Change in consolidation perimeter		
Other	-	(2,770)
Closing balance	<u>87,535,941</u>	<u>91,428,940</u>
	2015	2014
Deferred tax liabilities		
Opening balances	4,841,684	5,481,878
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(231,295)	(495,037)
Suspended capital gains	(23,274)	(87,502)
Other	(10,517)	(57,655)
Closing balance	<u>4,576,598</u>	<u>4,841,684</u>

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Corre. Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, except the tax losses related to 2012, 2013 and 2014, which may be carried forward in the next 18 years. The tax losses of Corre relate to the year of 2013 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.6 million Euros.

SIFIDE

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

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

In relation to the expenses incurred with R&D during 2014 of 736,033 Euros, the Group had the possibility of benefiting from a tax deduction in income tax estimated at 514,753 Euros. According to the notification dated 18 January 2016 of the Certification Commission a tax credit of 268,898 Euros was attributed to CTT.

Regarding the year ended 31 December 2015, the expenses incurred with R&D of 3,358,151 Euros, the Group will have the possibility of benefiting from a tax deduction in income tax estimated at 2,556,380 Euros.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, the Group's income tax returns from 2012 (remain open and inclusive) may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2015.

42. RELATED PARTIES

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

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

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

During the years ended 31 December 2015 and 31 December 2014, the following transactions took place and the following balances existed with related parties:

2015					
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	69,750,000	-
Other shareholders of Group companies	-	-	-	-	-
Associated companies	11,579	21,592	18,841	-	109,211
Jointly controlled	136,855	14,574	524,252	-	187,938
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	3,819,925
Board of the General Meeting	-	-	-	-	5,461
Audit Committee	-	-	-	-	273,886
Remuneration Board	-	-	-	-	37,440
	<u>148,434</u>	<u>36,166</u>	<u>543,093</u>	<u>69,750,000</u>	<u>4,433,860</u>
2014					
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	60,000,000	-
Other shareholders of Group companies	-	-	-	-	-
Associated companies	2,901	226	18,048	-	84,300
Jointly controlled	51,389	945	250,988	-	177,272
Members of the	-	-	-	-	-
Board of Directors	-	-	-	-	3,455,261
Board of the General Meeting	-	-	-	-	-
Audit Committee	-	-	-	-	284,459
Remuneration Board	-	-	-	-	28,808
	<u>54,291</u>	<u>1,171</u>	<u>269,036</u>	<u>60,000,000</u>	<u>4,030,100</u>

The transactions and balances between subsidiaries are eliminated in the consolidation process and are not disclosed in this note. For details of the transactions eliminated in the consolidation process, see equivalent note in the notes to corporate financial statements.

43. FEES AND SERVICES OF THE EXTERNAL AUDITORS

The information concerning the fees and services provided by the Group's external auditors is detailed in items 46 and 47 of the Corporate governance report.

44. OTHER INFORMATION

Postal Bank

The year 2015 allows the monitoring and update the results of several market studies carried out by CTT and also allowed several visits to postal banks in Europe, having developed an in-depth knowledge of international postal banking models and strategies in terms of offer and growth processes.

Simultaneously, and throughout the year 2015, the market and the behaviour of the main indicators was continuously monitored and the Bank's strategy was being updated in line with the requirements and surrounding context, leading to a gradual adjustment of the economic and financial model.

The project and its strategic framework were reiterated and presented to investors/shareholders of CTT in the Capital Markets Day, held on 19 November, where it was possible to detail the value offer, positioning and some of the indicators.

Banco CTT is a banking project that is positioned in the mass market/retail with strong gains in solid balance sheet, in simplicity and proximity, leveraging the existing resources structure.

After the submission of the process which supported the Special Registry with the Bank of Portugal, in early July, and following the interactions with the regulator, it was possible to safeguard all the requirements set by the Bank of Portugal, and in October 2015 Banco CTT was authorized to complete its special registration process, and start the implementation of the applicable regulatory requirements, particularly regarding anti-money laundering and terrorist financing policies.

Banco CTT initiated its activity on 27 November, by opening the head agency in a soft opening, which allowed systems, processes and banking practices to be tested in a controlled environment before opening to the general public, scheduled for the first quarter of 2016.

Memorandum of Understanding with Altice Portugal, S.A.

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

Upon the acquisition of PT Portugal by Altice, CTT has already received, in June 2015, the initial payment, established by contract.

During the second semester, several interactions have been developed regarding the definition of the specific business partnerships which should generate value for both companies, in particular the joint optimisation of the retail networks, taking advantage of the scale and capillarity of the CTT Retail Network, and the development of joint ventures in the area of e-commerce, physical-digital convergence as well as the value creation within the Financial Services of CTT and Banco CTT. However, due to MEO's priorities following the acquisition, no specific partnership has yet been materialised.

Escrita Inteligente, S.A.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online". The solution in question allows electronic invoicing, permitting retailers and other entities, to eliminate the traditional paper printing through a digital version with equal legal value, and consumers to have a platform to gather their expenses (useful for personal income tax purposes).

45. SUBSEQUENT EVENTS

Postal services prices update

CTT – Correios de Portugal, S.A. updated the prices with effect from 1 February 2016 onwards. These updated prices correspond to an average increase of 1.3% of the basket of letter mail, editorial mail and parcels services (which does not cover the universal service offer to bulk mailers who benefit from the special price scheme).

The new prices were defined in accordance with the Criteria for the Formulation of the Universal Service Prices laid down by ICP-Autoridade Nacional de Comunicações, the regulator of the communications sector (ANACOM) under article 14(3) of Law no. 17/2012, of 26 April, amended by Decree-Law no. 160/2013, of 19 November.

In accordance with the pricing policy of the company for 2016, the current update corresponds to an average annual price variation of 1.1%, which also takes into account the updated prices of reserved services (summons and postal notifications) and of the bulk mail.

Following the pricing policy for the year 2016, CTT, as the universal service provider, will provide an offer for the access to the universal service network by other operators, pursuant to article 38 of the Postal Law (Law No. 17/2012 of 26 April).

Banco CTT – General public opening

The opening of Banco CTT to the general public will occur on 18 March 2016, through the opening of Banco CTT branches in 52 CTT post offices, ensuring the bank's presence in all the country's districts including the islands of Madeira and the Azores. Being a natural evolution of the Financial Services segment, the opening of the bank will be initiated in CTT's post offices that have the greatest potential in this business area.

The activity of Banco CTT in these post offices will be developed according to two distinct models: dedicated spaces in almost all the post offices concerned, and dedicated counters, allowing for a clear identification and communication of the presence and enhancing the start of the banking activity.

Adequacy of the Express & Parcels business unit corporate structure

Following the analysis of Tourline's ongoing restructuring process results and of the decision to integrate the Express & Parcels network in the mail network, the most suitable corporate structure to meet the proposed strategic goals was analysed.

The integration strategy of the operations in Iberia has proven to be difficult to apply due to the different operational models and was therefore rejected in favour of the network integration in Portugal given the evident synergies and economies of scale observed. In this sense, on 15 March 2016 the Board of Directors approved the acquisition, by CTT, of the participation in Tourline from CTT Expresso. This transaction will have no impact in the consolidated financial statements of CTT.

Corporate accounts

CTT-CORREIOS DE PORTUGAL, S.A.

CORPORATE BALANCE SHEET AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	NOTES	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Tangible fixed assets	7	193,843,668	196,761,737
Investment property	8	19,783,095	23,329,763
Goodwill	9	8,058,656	7,705,457
Intangible assets	10	12,960,678	8,934,087
Investment in subsidiaries and associated companies	11	57,363,394	35,876,915
Investment in other companies	12	1,106,812	1,106,812
Accounts receivable from Group companies	6	6,750,000	9,103,098
Other accounts receivable	15	586,741	790,601
Deferred tax assets	38	86,330,601	90,547,447
Total non-current assets		386,783,645	374,155,917
Current assets			
Inventories	14	4,671,709	5,002,908
Accounts receivable	15	97,684,021	96,513,372
Portuguese State and other public entities	28	2,502,186	-
Accounts receivable from Group companies	6	3,291,221	733,318
Other accounts receivable	15	19,360,051	20,049,456
Deferrals	16	7,002,270	4,670,967
Cash and cash equivalents	4	559,542,719	649,688,918
Total current assets		694,054,177	776,658,939
Total assets		1,080,837,822	1,150,814,856
EQUITY AND LIABILITIES			
Equity			
Share capital	19	75,000,000	75,000,000
Own shares	20	(1,873,125)	-
Legal reserves	20	19,945,684	18,072,559
Other reserves	20	13,438,968	13,701,407
Retained earnings	20	72,869,417	62,752,243
Adjustments in investments	20	18,858,577	21,622,320
Other changes in equity	20	(18,393,737)	(18,526,395)
Net income for the year		72,065,283	77,171,128
Total equity		251,911,067	249,793,262
Liabilities			
Non-current liabilities			
Provisions	23	36,725,302	41,715,256
Medium and long term debt	25	724,845	1,187,975
Employee benefits	26	241,306,773	255,527,808
Deferrals	16	4,677,282	6,076,311
Deferred tax liabilities	38	4,633,600	4,890,550
Total non-current liabilities		288,067,802	309,397,900
Current liabilities			
Accounts payable	27	64,887,846	66,845,568
Portuguese State and other public entities	28	17,001,342	18,247,579
Accounts payable to Group companies	6	1,613,945	295,103
Short term debt	25	462,968	460,098
Employee benefits	26	18,499,767	21,594,809
Other accounts payable	27	427,854,060	478,688,808
Deferrals	16	10,539,025	5,491,729
Total current liabilities		540,858,953	591,623,694
Total liabilities		828,926,755	901,021,594
Total equity and liabilities		1,080,837,822	1,150,814,856

The attached notes are an integral part of these financial statements

CTT - CORREIOS DE PORTUGAL, S.A.

CORPORATE INCOME STATEMENT FOR THE PERIODS ENDED ON 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	Notes	Twelve months ended		Three months ended	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Sales and services rendered	30	550,979,418	544,860,686	138,165,711	145,343,425
Grants	29	8,119	62,745	-	21,242
Gains/losses from subsidiaries and associated companies	11	(4,058,785)	(18,672,591)	(462,036)	(23,035,916)
Own work capitalised		306,257	407,280	115,303	121,709
Cost of sales	14	(13,874,596)	(14,655,528)	(3,802,546)	(5,034,507)
Supplies and external services	32	(153,012,109)	(161,177,888)	(39,730,090)	(45,460,327)
Staff costs	33	(297,335,567)	(226,759,946)	(76,616,236)	(11,124,897)
Impairment of inventories, net	14, 18	268,616	332,471	347,441	487,418
Impairment of accounts receivable, net	15, 18	248,629	46,382	(52,039)	(1,218,982)
Provisions, net	23	246,722	(9,668,919)	(60,022)	(8,765,841)
Other operating revenues	31	51,298,403	47,278,332	18,906,806	9,345,349
Other operating costs	35	(8,328,937)	(8,399,468)	(1,572,777)	(2,494,094)
Earnings before interest, taxes, depreciation and amortisation		126,746,170	153,653,556	35,239,515	58,184,579
Depreciation and amortisation, net	34	(19,732,394)	(18,395,130)	(5,698,056)	(4,603,666)
Impairment of depreciable/ amortisable assets, net	7	291,117	153,950	(133,321)	93,360
Operating income (earnings before interest and taxes)		107,304,893	135,412,376	29,408,138	53,674,273
Interest and similar income received	36	283,466	519,287	69,904	116,447
Interest and similar expenses	36	(6,774,705)	(11,629,302)	(1,693,146)	(2,849,454)
Income before taxes		100,813,654	124,302,361	27,784,896	50,941,266
Income tax	38	(28,748,371)	(47,131,233)	(6,354,569)	(26,403,710)
Net income for the year		72,065,283	77,171,128	21,430,327	24,537,556
Earnings per share	22	0.48	0.51	0.14	0.16

The attached notes are an integral part of these financial statements

CTT-CORREIOS DE PORTUGAL S.A.

CORPORATE STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED ON 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	Notes	Share capital	Own shares	Legal reserves	Other reserves	Retained earnings	Adjustments in investments	Other changes in equity	Net income for the year	Total equity
Balance on 1 January 2014		75,000,000	-	18,072,559	12,325,000	57,823,615	25,543,850	24,810,903	61,016,067	274,591,993
CHANGES DURING THE PERIOD										
Actuarial gains/losses - health care	20	-	-	-	-	-	-	(43,335,066)	-	(43,335,066)
Other changes in equity	20	-	-	-	1,376,407	3,912,561	(3,921,530)	(2,232)	-	1,365,207
NET INCOME FOR THE PERIOD		-	-	-	1,376,407	3,912,561	(3,921,530)	(43,337,298)	-	(41,969,859)
COMPREHENSIVE INCOME									77,171,128	77,171,128
									77,171,128	35,201,269
TRANSACTIONS WITH STAKEHOLDERS IN THE YEAR										
Appropriation of net income for the year of 2013	20	-	-	-	-	61,016,067	-	-	(61,016,067)	-
Distribution of dividends	21	-	-	-	-	(60,000,000)	-	-	-	(60,000,000)
Balance on 31 December 2014		75,000,000	-	18,072,559	13,701,407	62,752,243	21,622,320	(18,526,395)	77,171,128	249,793,262
CHANGES DURING THE PERIOD										
Actuarial gains/losses - health care	20	-	-	-	-	-	-	141,478	-	141,478
Other changes in equity	20	-	-	-	1,610,685	2,696,046	(2,763,743)	(8,820)	-	1,534,168
NET INCOME FOR THE PERIOD		-	-	-	1,610,685	2,696,046	(2,763,743)	132,658	-	1,675,646
COMPREHENSIVE INCOME									72,065,283	72,065,283
									72,065,283	73,740,929
TRANSACTIONS WITH STAKEHOLDERS IN THE YEAR										
Acquisition of own shares	20	-	(1,873,125)	1,873,125	(1,873,125)	-	-	-	-	(1,873,125)
Appropriation of net income for the year of 2014	20	-	-	-	-	77,171,128	-	-	(77,171,128)	-
Distribution of dividends	20, 21	-	(1,873,125)	1,873,125	(1,873,125)	(69,750,000)	-	-	-	(69,750,000)
Balance on 31 December 2015		75,000,000	(1,873,125)	19,945,684	13,438,968	72,869,417	18,858,577	(18,393,737)	72,065,283	251,911,067

The attached notes are an integral part of these financial statements

CTT-CORREIOS DE PORTUGAL, S.A.
CASH FLOW STATEMENT FOR THE PERIODS ENDED ON 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euros

	Notes	2015	2014
<u>OPERATING ACTIVITIES:</u>			
Collection from customers		563,510,468	552,932,792
Payments to suppliers		(158,179,087)	(167,588,299)
Payments to staff		(297,169,839)	(279,279,756)
Cash flow generated by operations		108,161,542	106,064,737
Payment of income tax		(22,257,569)	(15,303,753)
Payment of other taxes		(14,698,754)	(7,010,065)
Other receivables/payments		(53,133,970)	83,353,459
Cash flow from operating activities (1)		18,071,248	167,104,378
<u>INVESTING ACTIVITIES:</u>			
Receivables remeting from:			
Tangible fixed assets		515,316	1,434,725
Financial investments		24,870	22,293,518
Loans granted		-	9,905,569
Interest and related income		2,168,561	6,704,914
Dividends	11	7,500,373	15,392,297
		10,209,119	55,731,024
Payments remeting from:			
Tangible fixed assets		(10,814,488)	(5,717,843)
Intangible assets		(1,574,138)	(210,199)
Financial investments	11	(34,418,622)	(23,153,803)
Loans granted		-	(11,205,569)
		(46,807,249)	(40,287,414)
Cash flow from investment activities (2)		(36,598,129)	15,443,610
<u>FINANCING ACTIVITIES:</u>			
Receivables remeting from:			
Loans obtained		-	-
		-	-
Payments remeting from:			
Loans repaid		-	-
Finance leases - repayment of principal		(460,260)	(456,115)
Interest and related expenses		(583,121)	(922,195)
Acquisition of own shares		(1,873,125)	-
Dividends	20	(69,750,000)	(60,000,000)
		(72,666,506)	(61,378,310)
Cash flow from financing activities (3)		(72,666,506)	(61,378,310)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(91,193,387)	121,169,677
Cash and cash equivalents at the beginning of the year	4	649,688,918	528,519,241
Merger		1,047,189	-
Cash and cash equivalents at the end of the year	4	559,542,719	649,688,918

The attached notes are an integral part of these statements

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the corporate financial statements
(Amounts expressed in Euros)

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1 INTRODUCTION

1.1. CTT – Correios de Portugal, S.A.

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

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

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

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

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

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

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the currency mainly used by the Company.

1.2. Activity

The main activity of CTT is to establish, manage and operate the Universal Postal Service infrastructure in Portugal, and to render financial services. In addition, the corporate object of CTT also includes any activities that are complementary to these services, as well as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are

related with the normal operations of the public postal network, namely, the provision of information services, electronic communication networks and services, in which CTT acts as a Mobile Virtual Network Operator ("MVNO"), and the provision of public interest or general interest services.

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

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

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

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

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

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

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

The concession contract signed between the Portuguese State and CTT on 1 September 2000, subsequently amended 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 transference of funds electronically and physically, at national and international level, called postal money order service on an exclusive basis; and
- Electronic Mailbox Service, on a non-exclusive basis.

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

Once the concession ends, in the event that a renewal is not renewed to CTT, the Company 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, considering the legal and regulatory framework in force, CTT considers that there are no grounds for the introduction of any relevant change to the accounting policies of the Company.

2 ACCOUNTING STANDARDS USED TO PREPARE THE FINANCIAL STATEMENTS

The present financial statements were drawn up on a going concern basis from the Company's ledgers and accounting records kept in conformity with the standards of the Sistema de Normalização Contabilística ("SNC"), regulated by the following legal diplomas:

- Decree-Law no. 158/2009, of 13 July, as rectified by Declaration of Rectification no. 67-B/2009, of 11 September, and as amended by Law no. 20/2010, of 23 August;
- Implementing Order no. 986/2009, of 7 September (Financial Statement Models);
- Notice no. 15652/2009, of 7 September (Conceptual Structure);
- Notice no. 15655/2009, of 7 September (Accounting and Financial Reporting Standards);
- Notice no. 15654/2009, of 7 September (Interpretative Standards); and
- Implementing Order no. 1011/2009, of 9 September (Code of Accounts).

For all aspects related to recognition, measurement and disclosure were used the Accounting and Financial Reporting Standards ("NCRF") which are an integral part of the SNC. The financial statements were prepared using the financial statement models established in article 1 of Implementing Order no. 986/2009, of 7 September, namely the balance sheet, income statement, statement of changes in equity, cash flow statement and notes.

The SNC standards were used to prepare the financial statements for the first time in 2010, and became the reference basis for subsequent periods.

Pursuant to the Annex to Decree-Law no. 158/2009, the Company supplementary applies the International Accounting Standards ("IAS") adopted under Regulation (EC) no. 1606/2002 of the European Parliament and Council, the International Accounting and Financial Reporting Standards ("IAS/IFRS") and their respective interpretations ("SIC/IFRIC") of the IASB, in order to address any gaps or omissions relative to aspects of some transactions or particular situations that are not covered by the SNC.

During the years of 2015 and 2014, to which the present financial statements refer, there was no derogation of any provisions of the SNC which might have produced materially relevant effects and place in question the true and appropriate image of the information that was disclosed.

3 SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted by the Company in the preparation of these financial statements are described below and were applied consistently.

3.1 Tangible fixed assets

Tangible fixed assets (Note 7) are initially recorded at acquisition or production cost. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly imputable to the purchase, and (iii) the estimated costs of dismantlement, removal of the assets and restoration of the location (Notes 3.13 and 23). After their initial recognition, tangible fixed assets are measured at cost minus any accumulated depreciation and accumulated impairment losses, when applicable. Under the exception of NCRF3 – First-time Adoption of the Accounting Financial Reporting Standards, the reassessment of the tangible assets made, according with Portuguese legislation applying monetary indices, in the years prior to 1 January 2009, were kept, for the purposes of the NCRF, and the revalued amounts were referred to as “deemed cost”.

The depreciation of tangible assets, minus their residual estimated value, are calculated in accordance with the straight line method, as of the month when they are available for use, during the useful life of the assets, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other tangible fixed assets	5 – 10

Land is not subject to depreciation.

Depreciation terminates when the assets are re-classified as available for sale.

On each reporting date, the Company assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible fixed assets are subject to impairment tests, where any reserve of the carrying value relative to the recoverable amount, should this exist, is recognised in income statement. The recoverable amount corresponds to the highest amount between the fair value of an asset minus the costs of selling it and its value in use.

Tangible fixed assets in progress correspond to tangible assets that are still under construction/production, and are recorded at acquisition or production cost. These assets are depreciated as of the month when they are in condition to be used for their intended purpose.

Costs related to maintenance and repair of current nature are recorded as costs for the period when these are incurred. Major repairs which lead to increased benefits or increased in expected useful life are recorded as tangible assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

Gains or losses arising from the divestment of tangible fixed assets, determined by the difference between the sales proceeds and the respective carrying value on the date of the divestment, are stated in income statement in the heading Other operating revenues or Other operating costs.

3.2 Investment properties

Investment properties are properties (land or buildings) held by the Company to obtain rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the Company did not affected to the rendering of services by the company and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, the tangible fixed assets are measured at cost minus any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates are between 10 and 50 years.

The Company ensures the annual assessment of assets qualified as investment properties, in order to determine any impairment and perform the required fair value disclosure.

Costs incurred in relation to investment property, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period to which they refer. Improvements which are expected to generate additional future economic benefits are capitalized.

3.3 Concentration of corporate activities and Goodwill

Investments in subsidiaries, joint ventures and associates are recorded at acquisition cost and subsequently measured by the equity method (Note 3.6).

At the date of acquisition of a subsidiary, jointly controlled entity or associate any excess of the acquisition cost compared with the identifiable fair value of the assets, liabilities and contingent liabilities of each acquired entity is considered goodwill (Note 9), in accordance with NCRF 14 – Business Combinations. Under the exception provided by NCRF 3 – First-time Adoption of the Accounting Financial Reporting Standards, the Company applied the provisions of NCRF 14 only to acquisitions occurred after 1 January 2009. The goodwill values corresponding to acquisitions before 1 January 2009 were kept, at the net amounts presented on that date.

Goodwill is not amortised, and its recoverable amount is assessed annually or whenever there is indication of an eventual loss of value. Impairment losses are recognised in the costs for the period. The recoverable amount is determined based on the value in use of the assets, and is calculated by using assessment methods based on cash flow discounting, considering market conditions, the time value and business risks. Impairment losses are not reversible.

In cases where the acquisition cost is less than the fair value of the acquired assets and liabilities, the difference is recorded as a financial gain in the income statement for the period when the acquisition takes place.

Whenever the cost of acquisition is less than the fair value of assets and liabilities acquired, the difference is recorded as financial gain in the income statement in the period in which the acquisition occurs after confirmation of the estimated fair value.

In the sale of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

3.4 Intangible assets

Intangible assets (Note 10) are initially recorded at acquisition cost. After their initial recognition, intangible assets are measured at cost minus any accumulated amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Company, and which can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognised through profit or loss when incurred.

The cost of internally generated intangible assets comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended.

Intangible assets are amortised through the straight line method, as of the month when they are available for use, during their expected useful life, which is situated in a period varying between 3 and 20 years:

	Years of useful life
Development projects	3
Industrial property	3 – 20
Software	3 – 10

The exceptions to the above are assets relative to industrial property which are amortised over the period of time during which their exclusive use takes place, and intangible assets with undefined useful life, which are not amortised, but, rather, are subject to impairment tests on an annual basis or whenever there is indication that they might be impaired.

The Company performs impairment testing whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, being the difference, if any, recognised in the income statement. The recoverable amount is determined as the higher of its net selling price and value in use, which is calculated based on the present value of estimated future cash flows that are expected to be derived from continuing use of the asset and its disposal at the end of its useful life.

Gains or losses arising from the divestment of intangible assets are determined by the difference between the sales value and their carrying value on the date of the divestment, and are stated in the income statement as Other operating revenues or Other operating costs.

3.5 Foreign currency transactions and balances

Transactions in foreign currency (a currency different from the Company's functional currency) are recorded at the exchange rates in force on the transaction date. Monetary assets and liabilities in foreign currency for which there is no agreement on the determination of the exchange rate are converted to Euros at the exchange rates in effect at the reporting date. Non-monetary assets and liabilities recorded at historical cost, denominated in foreign currencies, are converted at the exchange rate of the transaction date.

Favourable and unfavourable currency conversion differences arising from differences between the exchange rates in force on the transaction dates and those in force on the collection, payment or reporting date are recorded as Other operating revenues or Other operating costs in the income statement for the period (Notes 31, 35, and 37). When a gain or a loss on a non-monetary item is recognised directly in equity, any exchange difference included in that gain or loss is recognised directly in equity. When a gain or a loss on a non-monetary item is recognised in the income statement, any exchange difference included in that gain or loss is recognised in the income statement.

Positive currency conversion differences regarding financing activities are recorded in the income statement as Interest and similar income and negative differences as Interest and similar expenses (Notes 36 and 37).

The exchange rates used in the translation of the financial statements expressed in foreign currency are for the balance sheet, the closing exchange rates and, in the case of the income statement, the average exchange rate of the period.

The following exchange rates were used in the conversion of the balances and financial statements in foreign currency (X foreign currency for 1 Euro):

	2015		2014	
	Close	Average	Close	Average
Mozambican Metical (MZM)	49.29000	43.53417	38.53000	40.66583
United States Dollar (USD)	1.08870	1.10963	1.21410	1.32884
Special Drawing Right (SDR)	1.27283	1.26147	1.19332	1.14454

Source: Bank of Portugal

3.6 Investments in subsidiaries, associates and other companies

Investments in which the Company holds control, usually represented by more than half the voting rights (subsidiary companies), in which it exercises a significant influence, usually where the investment represents between 20% and 50% of the voting rights (associated companies), or those it controls jointly with other entities, are recorded on the corporate statement of financial position in Investment in subsidiaries and associates companies, at acquisition cost and are measured subsequently by the equity method (Note 11).

Control is presumed to exist when the Company holds more than half of the voting rights or when it has the power to manage the financial and operating policies of an enterprise or an economic activity to obtain benefits from it, even if it has less than 50%.

The existence of significant influence is usually evidenced in one or more of the following ways:

- Representation on the Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the Company and the investee;
- Interchange of the management team;
- Provision of essential technical information.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently, adjusted by the value corresponding to the investment in the income statement of the subsidiary, joint ventures or associated companies, against Gains/losses from subsidiaries and associated companies, and through other changes in equity against Adjustments to financial assets in investments. Additionally, the investments may also be adjusted through the recognition of impairment losses. Whenever there are indicators that the assets may be impaired, assessments are carried out and the existing impaired losses are recorded as costs in the income statement.

The net income of subsidiaries, which have been acquired or disposed of during the period, are included in the income statement, from the date the Company holds control, significant influence or joint control until the date in which the company loses control, significant influence or joint control.

Whenever losses in associated or subsidiary companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation of assuming all those losses in the name of the associated or subsidiary company, in which case a provision is recorded (Note 23).

Dividends received from subsidiary and associated companies are recorded as a decrease in value of the Investment in subsidiaries and associates companies.

When the impairment losses recognised in prior years no longer exist are subject to reversal, with the exception of those related to goodwill.

The unrealised gains and losses on transactions with subsidiaries, jointly controlled entities and associates are eliminated in proportion to the Company's interest in subsidiary, jointly controlled entity or associate, against the investment in the subsidiary, jointly controlled entity or associate entity. Unrealised losses are eliminated similarly but only to the extent that the loss does not show that the transferred asset is impaired.

Financial investments are recorded in Investment in subsidiaries and associates companies at acquisition cost (Note 12). Whenever there are indicators that assets may be impaired, an assessment is carried out to these investments, and if there is an impairment loss, this is recorded as Impairment of others assets, net. Dividends received from companies thus classified are recorded in the income statement for the period when their distribution is decided and announced.

3.7 Impairment of tangible and intangible assets, except goodwill

The Company carries out impairment tests to its tangible and intangible fixed assets, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case there is any indication of the existence of such evidence, the Company estimates the recoverable amount of the asset, in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received, to sell the asset, in a transaction between market participants at the measurement date. The value in use arises from the future and estimated cash flows discounted from the assets during the estimated useful life. The discount rate used in the updating of the discounted cash flows reflects the current market assessments of time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the income statement.

The reversal of impairment losses recognised in prior years is recorded whenever there is evidence that the recognised impairment losses no longer exist or have decreased, being recognised in the income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years, and is recognised as revenues in the income statement.

3.8 Financial instruments

A financial instrument is an agreement which leads to a financial asset at an entity or a financial liability or equity instrument at another entity.

Financial assets, liabilities and equity instruments are recognised in the corporate statement of financial position when the Company becomes a party in the corresponding contractual provisions. A financial asset is any asset, whether money or a contractual right to receive money. A financial instrument is classified as a financial liability when there is a contractual obligation by the issuer to settle a principal amount and/or interest, by delivering cash or another financial asset, regardless of their legal form.

The Company's financial assets are basically its Customers and Other accounts receivable, Cash, and Cash equivalents. The financial liabilities are fundamentally its Debt and Suppliers and Other accounts payable. The financial assets and liabilities are measured on the reporting date at cost or amortized cost minus any impairment loss, or at fair value with the amendments to the fair value being recognised in the income statement. The Company measures the financial instruments at cost or amortized cost less impairment losses when they met the following conditions:

- The obligation is on demand or has a defined maturity date;
- The returns for the obligation holder are (i) of a fixed amount, (ii) of a fixed interest rate over the instrument's life, or of a variable rate that is indexed to a typical market for financing transactions (e.g.: Euribor), or includes a spread over the same index; and
- The obligation contains no contractual clause that would result in a face value loss and accrued interest loss for the holder (excluding the typical cases of credit risk).

At each financial reporting date an assessment is made as to whether there is objective evidence of impairment, namely of which an adverse effect may result on estimated future cash flows of the financial asset or group of financial assets, and whether it may be reliably measured at any time.

If there is objective evidence of impairment for the financial assets, the relating recoverable amount of the financial asset is determined, and the impairment loss is recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after their initial recognition.

An equity instrument is defined as any agreement which provides evidence of an interest in the Company's assets after subtraction of all the liabilities. Equity instruments are basically Company shares, supplementary and additional capital payments, whenever they comply with the concept of an equity instrument.

Accounts receivable

The balances of customers and other debtors constitute the accounts receivable derived from services rendered by the Company during normal business activity (Note 15). When it is expected that their collection will occur within one year or less, they are classified as current assets. Otherwise, they are classified as non-current assets.

Accounts receivable that are classified as current assets have no implicit interest and are stated at their respective nominal value, net of any impairment losses. Impairment losses identified are charged in income statement and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

Accounts receivable classified as non-current assets are measured at their respective amortised cost, determined in accordance with the effective interest rate method.

When there is evidence that they are impaired, the corresponding loss is recorded in income statement.

Their de-recognition only occurs when the contractual rights expire.

Financial assets at fair value through profit and loss

This category includes: (i) financial assets recognised at fair value through profit and loss acquired mainly for the purpose of being traded in the short term and (ii) other financial assets designated upon initial recognition at fair value with changes recognised in profit and loss ("fair value option").

Cash and cash equivalents

The amounts included under the heading of cash and cash equivalents correspond to cash, sight deposits, time deposits and other cash investments which are repayable on demand with insignificant risk of change of value. These assets are measured at the amortised cost. Usually, their amortised cost does not differ from the nominal value.

For the purposes of the cash flow statement, the heading Cash and cash equivalents does not include the bank overdrafts reported in the corporate statement of financial position under Debt (Note 4).

Debt

Debt (Note 25) is recorded at cost or at amortized cost. They are expressed in current or non-current liabilities, depending on whether their maturity is less or more than a year, respectively. Their de-recognition only occurs when the obligations arising from contracts terminate, namely when their full payment, cancellation or expiry has taken place.

Financial charges are calculated according to the effective interest rate and stated through net income statement according to the accrual basis principle, and the due and unpaid amounts as at the reporting date are classified under Other accounts payable (Note 27).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable

The balances of suppliers and other accounts payable (Note 27) are liabilities relative to the acquisition of goods or services by the Company during normal business activity. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Accounts payable classified as current liabilities are recorded at cost, which normally does not differ from their nominal value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are measured at their respective amortised cost, determined in accordance with the effective interest rate method.

Their de-recognition only occurs when the obligations arising from agreements terminate, namely when their full payment, cancellation or expiry has taken place.

Equity instruments

An equity instrument is only recognised when it is issued and underwritten. If an equity instrument is issued and underwritten, and if the funds are not provided, the amount receivable is stated as a deduction from equity.

Should the Company acquire its own equity instruments, these instruments are recognised as a deduction from equity.

Costs related to the issue of new shares are recognised directly in the share capital as a deduction from the cash inflow.

The costs related to an issue of equity which fails to be realised are recognised as expenditure in the income statement.

3.9 Inventories

Goods and raw materials, subsidiary materials and consumables (Note 14) are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the method of valuing warehouse outputs.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

The acquisition cost includes the invoice price, transport and insurance costs.

Whenever cost exceeds net realisable value, the difference is recorded in the operating cost under the caption Impairment of inventories (losses/reversals).

The inventory system used in the Company's perpetual inventory system.

3.10 Non-current assets available for sale and discontinued operations

Non-current assets, namely tangible fixed assets and equity holdings, are classified as available for sale (Note 17) if the corresponding value can be achieved through its sale and not its continuous use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is

available for immediate sale in its present condition, (ii) the Company has made a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as available for sale, are measured at the lowest value between the carrying value before this classification and fair value minus the expected sale costs. Whenever the fair value is less than the carrying value, the difference is recognised in Impairment of depreciable/amortisable assets, net or in Impairment of non-depreciable assets, net.

Non-current assets available for sale are presented on a specific line of the balance sheet.

Non-current assets are not, under any circumstances, subject to depreciation or amortisation.

If an asset no longer meets the requirements to be classified as held for sale, this classification must cease and its value must be stated as the lowest of: (i) the carrying value before the classification as available for sale, adjusted by any depreciation or amortisation that would be made if it had not been classified as such; and, (ii) the recoverable amount at the date of the later decision not to sell. Any adjustment is recognised through the income statement.

A discontinued operation is a component of the Company that has been sold or classified for sale, and (i) represents an important separate business line or operational geographic area, or (ii) is part of a single coordinated plan to sell an important separate business line or operational geographic area.

The earnings of discontinued operations are presented in a specific line, in the income statement, after the net income for the period.

3.11 Earnings per share

Earnings per share (Note 22) are calculated by dividing the profit attributable to the shareholders by the weighted number of ordinary shares in circulation during the period.

However if a change in the number of shares that does not imply the input or output of Company funds, the calculation of earnings per share will take into consideration the number of shares existing today.

3.12 Distribution of dividends

The distribution of dividends, when approved at the Annual General Meeting of the Company, and until the shareholders are paid, is recognised as a liability (Note 21).

3.13 Provisions and contingent liabilities

Provisions (Note 23) are recognised when, cumulatively: (i) the Company has a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest and similar expenses (Note 36).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiary or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in subsidiaries and associate companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Company and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those necessary entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the cost of retaining or relocating continuing staff, marketing and investment in new systems and distribution networks and are recognised on the same basis as if they appeared independently of a restructuring expenses in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as a restructuring part.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the effectiveness of the probability of pay based on the opinion of the Company's lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the Company discloses the events as contingent liabilities (Note 23). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporate economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period when that probability change occurred.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognised in the financial statements of the period when the change will probably occur.

The Company does not recognise contingent assets and liabilities.

3.14 Leases

Leases are classified as financial or operating according to the substance of the transaction and not the form of the contract. Leases are classified as financial whenever their terms imply the substantial transfer, to the lessee, of all the risks and advantages associated to the ownership of the asset (Note 25). All other leases are classified as operating (Note 24).

Tangible assets acquired through financial leasing contracts, as well as the corresponding liabilities payable to the lessor, are recorded in the balance sheet at the beginning of the lease at the lowest value between the fair value of the assets and the present value of the minimum lease payments against the Debt caption. The discount rate to be used should be the rate implicit in the lease. If this rate is not known, then the Company's funding rate for this type of investment should be used. The policy of depreciation of these assets follows the rules applicable to tangible fixed assets owned by the Company. The interest included in the rents and depreciation of fixed tangible assets are recognised in the income statement for the period to which they refer.

For operating leases, the instalments that are owed are recognised as a cost in the income statement, during the lease period (Note 32).

3.15 Employee benefits

The Company adopts the accounting policy for the recognition of its liability for the payment of post-retirement healthcare and other benefits, whose criteria are set out in NCRF 28 – Employee Benefits, namely using the projected unit credit method (Note 26).

In order to obtain an estimation of the value of the liabilities (present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an

independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

The discount rate used is based on market rates associated to Company's high rating bonds, denominated in the currency in which benefits will be paid and a similar ending date of maturity plan's bonds.

The actuarial gains and losses resulting (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and (ii) changes in actuarial assumptions, are recognised in reserves, in accordance with the alternative method allowed by IAS 19 – Employee's Benefits, adopted by the original text Regulation (EC) of Commission no. 1126/2008, 3 November.

The Company recognise as an expense, in the financial statements, a net total value that includes (i) current service cost, (ii) interest cost and (iii) expected income from fund's assets.

Post-employment benefits – healthcare

Workers who are integrated in “Caixa Geral de Aposentações” (“CGA”) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the Social Work Regulation while they remain bound to the Company by an individual employment contract, having no right to a pension, pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries' co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee amount was unified and the same fee amount is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The management of the healthcare plan is ensured by the IOS – Instituto das Obras Sociais (Institute of Social Works) and regulated by the CTT's Regulation of the Social Works, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis – Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

Other long term benefits

CTT also assumed a series of constructive obligations to certain groups of workers (Note 26), namely:

- **Suspension of contracts, redeployment, pre-retirement contracts, and release from employment**

The liability for the payment of salaries to employees in the above mentioned situations or equivalent, is fully recognised at the time they move into these conditions.

- **Telephone subscription charges**

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (7,326 beneficiaries as at 31 December 2015, and 7,471 beneficiaries as at 31 December 2014), of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January, 2014, the cash payment was replaced by a benefit in kind.

- **Pensions for work accidents**

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

The Company also supports other liabilities arising from work accidents suffered by these workers.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma. Currently, because it is not considered as economically justifiable, no insurance policy has been taken out to meet these liabilities. As at 31 December 2015 and 31 December 2014 there were 64 beneficiaries, receiving this type of pension.

- **Monthly life annuity**

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97 of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT. As at 31 December 2015 there were 44 beneficiaries under these conditions (50 beneficiaries as at 31 December 2014), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Implementing Order of the Ministry of Finance and the Ministry on Labour and Social Security.

- **Support for termination of professional activity**

This benefit is granted to employees who retire with at least 5 years of seniority at the Company. Its amount depends on the seniority on the retirement date. As at 31 December 2012, the scheme in force determined a maximum amount of 1,847.16 Euros for 36 or more years of service. In 2012, the Board of Directors decided to discontinue the compensation awarded to the workers who have reached the end of their active life at the service of CTT. It has also ruled that, in situations of disconnection and retirement that may occur as a result of the requests for retirement submitted until 31 March 2013, the benefit referred to above would be maintained (Note 26).

Liabilities concerning Other long-term benefits towards employees are determined annually based on actuarial valuations prepared by an independent entity, in accordance with the actuarial methods

and assumptions deemed appropriate and reasonable, and their stipulated values are recorded under the heading liabilities Employee benefits. The main financial and demographic assumptions used in calculating these liabilities, namely the discount rate, mortality and disability tables, are the same as those used in the actuarial assessment of the CTT healthcare plan.

- **Defined contribution plan – Open Pension Fund or Retirement Savings Plan**

Following the new remuneration model of the Statutory Bodies defined by the Remuneration Committee (elected by the General Meeting of 24 March 2014 and composed of independent members), the allocation of a fixed monthly amount was determined for an Open Pension Fund or Retirement Savings Plan to executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan under NCRF 28 – Employee benefits. The accounting for defined contribution plans is straightforward because the reporting obligation for each period is determined by the amounts to be contributed for that period.

Consequently, no further actuarial assumptions to measure the obligation or the expense are needed and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except when they are not settled completely within twelve months after the end of the period in which the employees render the respective service.

3.16 Share-based payments

The benefits granted to the executive members of the Board of Directors under the long term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from the beneficiaries, their value is measured by reference to the fair value of equity instruments in accordance with their share price at the grant date.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

3.17 Revenue

The revenue relative to sales, services rendered, royalties, interests and dividends (from investments not stated by the equity method), arising from the Company's normal business activity is measured at the fair value of the consideration that has been or will be received, which is defined as the sums established freely between the contractual parties on an independent basis, where, in relation to sales and services rendered, their fair value reflects any discounts granted and does not include Value Added Tax (Notes 30, 31, and 36).

The recognition of revenue requires that (i) it is probable that the economic benefits associated to the transaction will flow into the Company, (ii) the amount of the revenue may be measured reliably, (iii) the costs that have been or will be incurred with the transaction may also be measured reliably, and (iv) the stage of completion of the services rendered/transaction can be measured reliably, in the case of the services rendered being recognised based on the percentage completion.

Revenue from the sale of merchandising products and from postal business is recognised when the risks and benefits of ownership of the products are transferred to the buyer, which usually occurs at the time of the transaction.

The revenue from rendering postal services is recognised at the moment the customer requests the service, since CTT has no information that would allow a reliable estimate of the amount concerning the deliveries not made on the date of the balance sheet, although it is understood that this issue is not materially relevant, as the date of the service request does not significantly differ from the date of delivery.

The prices of the services rendered in the scope of the concession of the Universal Postal Service have been subject to regulation under a price agreement signed between CTT and ICP-ANACOM.

Fees from collections made and from the selling of financial products are recognised on the date that the client is charged. Only the fee from collections charged by CTT is recognised as revenue, as CTT acts as an agent.

Revenue for Post Office Boxes is recognised over the period of the respective contracts.

Revenue from the recharging of prepaid mobile phone services is deferred and recognised in earnings, according to the traffic of the specific client, during the period when the service is rendered.

Revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and definitive amounts determined in agreement with those entities, which are not usually significant, are recognised in the income statement when the accounts become definitive.

Revenue concerning royalties is recognised under to the accrual method, according to the substance of the respective contracts, provided it is probable that economic benefits will flow to the Company and their costs may be measured reliably.

Revenue from interest is recognised using the effective interest rate method, provided that it is probable that economic benefits will flow into the Company and their amount can be measured reliably.

CTT registers a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. CTT considers the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognised as operational cash flows.

Revenue from dividends, from investments not stated by the equity method, is recognised when the Company's right to receive the payment is determined, which usually occurs through deliberation of the shareholders company.

3.18 Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the Company will comply with the conditions required for their assignment (Note 29).

Subsidies associated with the acquisition or production of tangible fixed assets or intangible assets are initially recognised in equity (Note 20), and are later recognised in the Income statement on a systematic basis as revenues of the period (Note 31), in a consistent and proportional way to the depreciation of the assets for which they were acquired. If the subsidies relate to non-depreciable assets with undefined useful life, the amounts will be kept in equity, except if they are necessary to offset any impairment loss.

Operating subsidies, namely those for the employees training, are recognised in the Income statement as income, for the periods necessary to balance them with the expenses incurred (Note 31), to the extent that these subsidies are not refundable.

3.19 Borrowings costs

Financial charges related to loans are recognised in net income, in which they are incurred (Note 36). Except interest, which is capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) in order to reach its intended use.

3.20 Taxes

Corporate income tax ("IRC")

Corporate income tax (Note 38) corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items stated directly under equity. In these cases, current and deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period, calculated in accordance with the tax laws in force on the reporting date. Taxable income differs from accounting income, since it excludes various costs and income which will only be deductible or taxable in other financial years, as well as costs and revenue that will never be deductible or taxable.

Deferred taxes refer to the temporary differences between the amounts of assets and liabilities for the purposes of accounts reporting and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and Portuguese tax legislation) which are issued, formally or substantially, on the reporting date.

The Company is covered by the Special Taxation Group Regime for groups of companies which includes all the companies that CTT holds, directly or indirectly, at least 90% of their share capital and are simultaneously resident in Portugal and subject to IRC, hence the estimated income tax and withholdings enforced by third parties are recorded in the balance sheet as accounts payable and receivable by CTT.

Value Added Tax ("VAT")

For purposes of VAT, CTT follows the monthly normal regime, in accordance with the provisions of paragraph a) of no. 1 of article 40 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method

3.21 Accrual basis

Revenues and costs are recorded in accordance with the accrual basis, hence they are recognised as they generated or incurred, regardless of when they are received or paid.

Revenues and costs recognised in the Income statement which have not yet been invoiced or whose acquisition invoice has not yet been received are recorded against Accrued income or Accruals stated under the balance sheet headings Other accounts receivable and Other accounts payable, respectively (Notes 15 and 27). Deferred revenues and costs paid in advance are recorded against the Deferrals headings of the liabilities and assets, respectively (Note 16).

3.22 Judgements and estimates

In the preparation of the financial statements pursuant to the NCRF, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge as at the date of preparation of the financial statements and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Alterations to estimates which occur after the date of the financial statements will be corrected in a prospective manner. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements occur in the following areas:

(i) Tangible fixed and intangible assets / estimated useful lives (Note 3.1/Note 3.4/Note 7/Note 10)

Depreciation and amortisation are calculated on the acquisition cost using the straight line method, as of the month when the asset is available for use. The depreciation and amortisation rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

(ii) Impairment of Goodwill (Note 9)

The Company tests the goodwill, at least once a year, for the purpose of verifying if it is impaired, in accordance with the accounting policy referred to in Note 3.3. The recoverable amounts of the cash generating units are determined based on the calculation of values in use involving the same

judgments, residing substantially in the analysis of the Management based on past experience, as well as future expectations of evolution of the corresponding activity. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

(iii) Impairment of accounts receivable (Note 5)

Impairment losses relative to bad debt are based on the Company's assessment of the probability of recovery of the balances of customers and other accounts receivable. This assessment is made according to the period of time of default, the credit history of the customer and other debtors, and the deterioration of the credit situation of the main customers and other debtors. Should the customers' financial conditions deteriorate, the impairment losses might be higher than that expected.

(iv) Deferred taxes (Note 38)

The recognition of deferred taxes assumes the existence of future net income and taxable amount. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

(v) Employee benefits (Note 3.15/Note 26)

The determination of the liabilities related to the payment of post-employment benefits and other long term benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 26, will have impact the carrying amount of employee benefits. CTT has a policy of periodically reviewing the major actuarial assumptions, in case its impact is relevant for the financial statements.

(vi) Provisions (Note 3.13/ Note 23)

The Company exercises considerable judgement in the measurement and recognition of provisions. Judgement is required in order to appraise the probability of litigation having a successful outcome. Provisions are constituted when the Company expects that the lawsuits underway will lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to alterations as new information becomes available. Reviews to the estimates of these losses might affect future results.

3.23 Environmental matters

The Company is legally bound to prevent, reduce or repair environmental damages arising from its activities, and can incur in expenditures to assure full compliance with its obligations (Note 40).

However, the Company's activity is essentially non-industrial in nature, and the incorporation of material inputs in its process of rendering services is relatively reduced, therefore its direct ecological footprint is limited.

Based on an empirical comparative analysis, the environmental impact of the Company's activity is much smaller than its contribution to the generation of value to the national economic and social fabric.

In terms of environmental policy, CTT's priority is to cover and master all the aspects of legal compliance, and has taken on commitments to continuously improve its environmental performance, in particular regarding:

- (i) Pollution prevention;
- (ii) Compliance with the legislation;
- (iii) Communication and disclosure to all the stakeholders of the Company's environmental policy;
- (iv) Training and awareness raising of the employees;
- (v) Analyses of environmental impact arising from the Company's activity;
- (vi) Definition of environmental standards for suppliers and partners.

This subject is developed in greater depth in the 2015 "Sustainability Report".

3.24 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

3.25 Subsequent events

Events which have occurred after the reporting date but before the date of approval of the financial statements by the Company's management body and, provided that they offer additional information on conditions which existed as at the reporting date, are reflected in the financial statements of the period. Events that occurred after the reporting date which are indicative of conditions that emerged after the reporting date (non-adjusting events) are disclosed in the notes to the financial statements, if considered of material relevance (Note 43).

4 CASH FLOW

The cash flow statement discloses the cash receipts and cash payments from operating, financing and investing activities.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax. Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

On 31 December 2015 and 31 December 2014, cash and cash equivalents includes cash, bank deposits repayable on demand and cash investments on the monetary market, net bank overdrafts and other equivalent short term financing, and is detailed as follows:

	2015	2014
Cash	27,375,713	36,536,610
Sight deposits	61,926,006	119,105,308
Term deposits	470,241,000	494,047,000
Cash and cash equivalents (Balance sheet)	559,542,719	649,688,918
Cash and cash equivalents (Cash flow statement)	559,542,719	649,688,918

5 CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

During the year ended 31 December 2015 no changes to accounting policies occurred nor material errors were recognised relative to estimates made in the preparation of the financial statements of previous periods.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Alterations to estimates which occur after the date of the financial statements will be corrected in a prospective manner. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

6 RELATED PARTIES

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

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

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

SUBSIDIARY COMPANIES:

As at 31 December 2015 and 31 December 2014, the Company held investments in the following subsidiary companies:

Subsidiary	Head office	Percentage of Ownership	
		2015	2014
Post Contacto – Correio Publicitário, Lda.	Lisbon	–	100%
CTT – Expresso, S.A.	S. Julião do Tojal	100%	100%
CTT – Contacto, S.A. ^(a)	Lisbon	100%	100%
Payshop Portugal, S.A.	Lisbon	100%	100%
Mailtec Holding, SGPS, S.A.	Amadora	–	100%
Mailtec Comunicação, S.A.	Amadora	100%	–
Banco CTT, SA	Lisboa	100%	–
Escrita Inteligente, SA	Lisboa	100%	–
CORRE – Correio Expresso de Moçambique, S.A.	Maputo	50%	50%

(a) Previously named CTT Gest, S.A.

In January 2015, a share capital increase occurred in Corre – Correio Expresso de Moçambique, S.A. in the amount of 670,030 Euros. This operation was accomplished through the incorporation of both shareholders' credits in Corre.

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

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

On 28 December 2015, but with effect as of 1 January 2015, the merger of Mailtec Consultoria, S.A. into CTT through the global transfer of the assets of Mailtec Consultoria, S.A. was registered.

On 6 February 2015, as part of the process to incorporate the postal bank, the company CTT Serviços, S.A. was created. On 24 August 2015, the corporate name was changed to Banco CTT, S.A., as well as its main activity in order to accommodate the banking activity.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online".

Following the acquisition, the Company made an assessment of the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3 – Business Combinations, not having identified significant differences between the carrying amounts of assets and liabilities and their fair values.

The detail of the net assets of Escrita Inteligente and goodwill recorded related with this transaction as at 31 December 2015 is as follows:

	Book value
Assets acquired	63,469
Liabilities acquired	2,764
Net assets acquired	60,705
Goodwill (Note 9)	357,917
Acquisition value	418,622

During the first quarter of 2014, the investment in EAD was sold. Resulting from this sale a gain in the amount of 256,383 Euros was recorded under Gains/losses from subsidiaries and associated companies in the Corporate income statement.

During the first half of 2014 the participation in the subsidiary Tourline Express Mensajería, SLU was sold to CTT Expresso, S.A. as a result of the integration strategy of the Express & Parcels segment in Iberia, enabling the creation of value in Tourline. This transaction was done at net book value.

The acquisition by CTT of the 5 % participation held by CTT Expresso, S.A. in Post Contacto, Lda. also took place in 2014. Consequently, CTT now directly holds 100 % of Post Contacto, Lda.. The sale was made at the net book value.

ASSOCIATED COMPANIES:

As at 31 December 2015 and 31 December 2014, the Company held the following investments in associated companies:

Associated company	Head office	Percentage of Ownership	
		2015	2014
Multicert - Serviços de Certificação Electrónica, S.A.	Lisbon	20%	20%
Mailtec Comunicação, S.A.	Amadora	-	17.695%
Mailtec Consultoria, S.A.	Amadora	-	10%

JOINT VENTURES:

As at 31 December 2015 and 31 December 2014, the Company held the following interests in joint ventures:

	Head office	Percentage of Ownership	
		2015	2014
TI-Post Prestação de Serviços Informáticos, ACE	Lisbon	49%	49%
NewPost, ACE (b)	Lisbon	49%	49%
PTP & F, ACE	Amadora	51%*	51%*

(b) Previously named Postal Network – Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, A.C.E.

* Indirect investment

OTHER COMPANIES OF THE CTT GROUP:

As at 31 December 2015 and 31 December 2014, through indirect investments, the Company held the following interests in other companies of the Group:

	Head office	Percentage of Ownership	
		2015	2014
Payshop Moçambique, SARL	Mozambique	35%	35%
Mailtec Processos, Lda.	Amadora	-	100%*
Tourline Express Mensajería, SLU	Barcelona	100%*	100%*
Mafelosa, SL ^(a)	Spain	25%	25%
Urpacsur, SL ^(a)	Spain	30%	30%

(a) Companies currently with no commercial activity

* Indirectly, CTT fully owns this entity.

The Company Payshop Moçambique, SARL is in a liquidation process.

During the years ended 31 December 2015 and 31 December 2014, the following transactions took place and the following balances existed with related parties:

2015								
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders								
Dividends	-	-	-	-	-	-	-	69,750,000
CTT Group companies								
Subsidiaries	7,509,804	10,041,220	2,965,125	1,613,945	30,769,481	12,380,647	283,466	-
Associated companies	11,579		21,592		18,841	55	-	-
Joint Ventures	136,855				15,575	1,317	-	-
Other related parties	2,690,121		(1,542)		1,297,272	3,780	-	-
Members of the								
Board of Directors	-	-	-	-	-	2,087,398	-	-
General Meeting	-	-	-	-	-	5,461	-	-
Audit Committee	-	-	-	-	-	200,786	-	-
Remuneration Board	-	-	-	-	-	37,440	-	-
	<u>10,348,359</u>	<u>10,041,220</u>	<u>2,985,175</u>	<u>1,613,945</u>	<u>32,101,169</u>	<u>14,716,884</u>	<u>283,466</u>	<u>69,750,000</u>
2014								
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders								
Dividends	-	-	-	-	-	-	-	60,000,000
CTT Group companies								
Subsidiaries	3.804.609	9.658.701	2.993.472	253.806	26.993.335	8.370.542		-
Associated companies	81.593	177.716	552.682		992.027	3.539.538	-	-
Joint Ventures	50.926		945		246.450	4.646	-	-
Other related parties	1.499.388		200.426	41.297	1.370.781	1.197.660	492.402	-
Members of the								
Board of Directors	-	-	-	-	-	2.003.280	-	-
General Meeting	-	-	-	-	-	-	-	-
Audit Committee	-	-	-	-	-	173.303	-	-
Remuneration Board	-	-	-	-	-	28.808	-	-
	<u>5.436.516</u>	<u>9.836.417</u>	<u>3.747.525</u>	<u>295.103</u>	<u>29.602.593</u>	<u>15.317.775</u>	<u>492.402</u>	<u>60.000.000</u>

The costs with the members of the Board of Directors, Audit Committee and Remuneration Board correspond to all the staff for the stated period.

As at 31 December 2015 and 31 December 2014, the nature and detail, by company of the CTT Group, of the main debit and credit balances was as follows:

	2015					
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Banco CTT, S.A.	189,572	-	189,572	-	1,596,131	1,596,131
CTT Expresso, S.A.	5,920,444	9,634,255 ¹	15,554,699	1,789,877	-	1,789,877
Payshop Portugal, S.A.	114,755	199,578	314,333	455,610	-	455,610
CTT Contacto, S.A.	516,407	177,560	693,968	441,484	-	441,484
Malltec Comunicação S.A.	115,422	-	115,422	278,155	17,814	295,969
CORRE – Correio Expresso Moçambique, S.A.	653,203	29,827	683,031	-	-	-
Associated companies						
Multicert – Serviços de Certificação Electrónica, S.A.	11,579	-	11,579	21,592	-	21,592
Joint Ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	-	-	-
NewPost, ACE	135,077	-	135,077	-	-	-
Other related parties						
Tourline Express Mensajería, S.A.	2,689,929	-	2,689,929	(1,542)	-	(1,542)
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
	10,348,359	10,041,220	20,389,579	2,985,175	1,613,945	4,599,120

¹ These amounts include the values related to loan contracts from CTT to the respective subsidiaries.

	2014					
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Post Contacto - Correio Publicitário, Lda.	583,596	-	583,596	191,257	179,546	370,803
CTT Expresso, S.A.	2,465,042	9,427,262	11,892,305	2,244,398	-	2,244,398
Payshop Portugal, S.A.	185,000	50,513	235,513	451,356	-	451,356
CTT Gestão de Serviços e Equipamentos Postais, S.A.	61,332	-	61,332	106,460	41,028	147,488
Mailtec SGPS, S.A.	-	-	-	-	33,233	33,233
CORRE - Correio Expresso Moçambique, S.A.	509,638	180,925	690,564	-	-	-
Associated companies						
Mailtec Consultoria, S.A.	910	103,631	104,541	148,636	-	148,636
Mailtec Comunicação, S.A.	77,782	74,084	151,867	403,820	-	403,820
Multicert - Serviços de Certificação Electrónica, S.A.	2,901	-	2,901	226	-	226
Joint Ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	945	-	945
Postal Network - Prestação de Serviços de Gestão	49,148	-	49,148	-	-	-
Other related parties						
Tourline Express Mensajeria, S.A.	1,485,714	-	1,485,714	78,297	-	78,297
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
Mailtec Processos, Lda.	13,482	-	13,482	122,130	41,297	163,427
	<u>5,436,516</u>	<u>9,836,417</u>	<u>15,272,933</u>	<u>3,747,525</u>	<u>295,103</u>	<u>4,042,629</u>

¹ These amounts include the values related to loan contracts from CTT to the respective subsidiaries.

During the years ended 31 December 2015 and 31 December 2014, the nature and detail, by company of the CTT Group, of the main transactions was as follows:

	2015							
	Fixed assets acquired	Services to be invoiced	Fixed assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Interest Income
Subsidiaries								
Banco CTT, S.A.	-	-	-	166	196,572	-	-	-
CTT Expresso, S.A.	-	129,038	442,228	292,683	21,797,649	3,440,390	20,827	283,466
Payshop Portugal, S.A.	-	-	-	47,503	1,125,963	4,319,262	213	-
CTT Contacto, S.A.	-	108,824	-	4,139	5,348,220	2,567,969	-	-
Mailtec Comunicação S.A.	-	1,107,119	-	644,184	1,127,168	2,031,987	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	185,234	-	-	-
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	18,841	-	-	55	-
Joint Ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	15,575	1,317	-	-
NewPost, ACE	-	-	-	-	-	-	-	-
Other related parties								
Tourline Express Mensajeria, S.A.	84,441	9,869	-	15,207	1,282,065	3,780	-	-
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
	<u>84,441</u>	<u>1,354,850</u>	<u>442,228</u>	<u>1,022,724</u>	<u>31,078,446</u>	<u>12,364,705</u>	<u>21,095</u>	<u>283,466</u>

	2014							
	Fixed assets acquired	Services to be invoiced	Fixed assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Interest Income
Subsidiaries								
Post Contacto - Correio Publicitário, Lda.	-	137,913	-	5,562	5,266,469	336,643	-	-
CTT Expresso, S.A.	-	37,513	272,773	206,555	19,226,880	2,514,818	14,557	-
Payshop Portugal, S.A.	-	-	-	81,400	1,551,025	4,089,073	-	-
CTT Gestão de Serviços e Equipamentos Postais, S.A.	-	-	-	-	546,130	1,415,451	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	109,314	-	-	-
Associated companies								
Mailtec Consultoria, S.A.	28,003	38,024	-	-	4,378	1,421,645	-	-
Mailtec Comunicação, S.A.	-	1,027,629	-	199,983	769,617	2,033,592	-	-
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	18,048	-	84,300	-	-
Joint Ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	21,306	4,646	-	-
Postal Network - Prestação de Serviços de Gestão	-	-	-	-	225,145	-	-	-
Other related parties								
Tourline Express Mensajeria, S.A.	79,105	744	-	-	1,193,545	66,757	-	492,402
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
Mailtec Processos, Lda.	-	-	-	-	177,236	1,130,903	-	-
	<u>107,108</u>	<u>1,241,823</u>	<u>272,773</u>	<u>511,548</u>	<u>29,091,045</u>	<u>13,097,828</u>	<u>14,557</u>	<u>492,402</u>

7 TANGIBLE FIXED ASSETS

During the years ended 31 December 2015 and 31 December 2014, the movements in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

	2015							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers
Tangible fixed assets								
Opening balance	35,014,836	315,616,144	113,261,739	1,645,511	46,543,817	20,574,950	1,737,799	264,291
Acquisitions	-	-	3,685,875	1,981	1,436,934	892,426	3,505,594	1,358,018
Disposals	(2,881)	(206,610)	(2,133,753)	-	(10,823)	-	-	-
Transfers and write-offs	477,748	7,288,834	(8,237,710)	831,755	(52,712)	(7,862)	(3,271,776)	(222,750)
Adjustments	-	-	(57,723)	-	(34,205)	(30,046)	-	(1,151)
Mergers	-	35,215	833,509	-	429,307	43,375	-	-
Closing balance	35,489,704	322,733,584	107,351,938	2,479,248	48,312,318	21,472,844	1,971,616	1,398,407
Accumulated depreciation								
Opening balance	3,888,711	174,091,789	99,782,739	1,593,991	41,734,094	16,385,542	-	-
Depreciation for the period	-	8,420,076	4,180,955	53,402	2,079,555	1,195,715	-	-
Disposals	(388)	(116,904)	(2,133,753)	-	(10,823)	-	-	-
Transfers and write-offs	-	2,047,352	(8,128,892)	721,745	(35,991)	-	-	-
Mergers	-	35,215	832,322	-	410,013	42,757	-	-
Closing balance	3,888,322	184,477,527	94,533,371	2,369,138	44,176,849	17,624,014	-	-
Accumulated impairment								
Opening balance	-	-	-	-	-	420,483	-	-
Impairment for the period	-	-	-	-	-	-	-	-
Other variations	-	-	-	-	-	(123,714)	-	-
Closing balance	-	-	-	-	-	296,769	-	-
Net tangible fixed assets	31,601,381	138,256,056	12,818,567	110,110	4,135,469	3,552,061	1,971,616	1,398,407
	2014							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers
Tangible fixed assets								
Opening balance	35,740,806	319,723,303	117,680,370	2,117,321	73,659,820	22,428,688	54,193	754,041
Acquisitions	-	-	3,829,070	7,200	2,300,930	728,093	3,062,319	222,750
Disposals	-	-	(7,417)	-	(34,175)	(974)	-	-
Transfers and write-offs	-	1,360,821	(8,243,933)	(479,010)	(29,383,860)	(2,524,335)	(1,378,713)	(712,500)
Other variations	(725,970)	(5,467,980)	3,650	-	1,103	(56,523)	-	-
Closing balance	35,014,836	315,616,144	113,261,739	1,645,511	46,543,817	20,574,950	1,737,799	264,291
Accumulated depreciation								
Opening balance	3,899,830	168,523,276	105,152,324	2,043,608	69,707,937	16,932,252	-	-
Depreciation for the period	-	8,307,542	3,713,671	29,393	2,177,395	1,105,819	-	-
Disposals	-	-	(7,417)	-	(33,976)	(974)	-	-
Transfers and write-offs	-	-	(9,075,797)	(479,010)	(30,117,261)	(1,651,072)	-	-
Other variations	(11,119)	(2,739,030)	(41)	-	-	(483)	-	-
Closing balance	3,888,711	174,091,789	99,782,739	1,593,991	41,734,094	16,385,542	-	-
Accumulated impairment								
Opening balance	-	-	-	-	-	-	-	-
Impairment for the period	-	-	-	-	-	2,530	-	-
Other variations	-	-	-	-	-	417,953	-	-
Closing balance	-	-	-	-	-	420,483	-	-
Net tangible fixed assets	31,126,125	141,524,356	13,479,000	51,520	4,809,723	3,768,925	1,737,799	264,291

The balances of Land and Buildings and other constructions include 4,756,534 Euros (4,982,117 Euros as at 31 December 2014) related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the year ended 31 December 2015, CTT reclassified to tangible fixed assets one property, which became a part of the Company's activity in the amount of 4,517,053 Euros and respective accumulated depreciations of 2,047,352 Euros, as a result of the retail network's development model.

In the year ended 31 December 2014, CTT reclassified to investment properties nine properties that were no longer contributing to the Company's operating activities, of 6,627,890 Euros and respective accumulated depreciations of 2,950,936 Euros. One property, which became a part of the Company's activity was also reclassified to tangible fixed assets in the amount of 439,417 Euros and respective accumulated depreciations of 223,473 Euros.

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1), at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported on CTT's accounting records and the Statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), responsible entity for the Information System of

Public Buildings (“Sistema de Informação de Imóveis do Estado” – SIIE) believes that CTT’s assets do not include any public or private domain assets of the Portuguese State.

During the year ended 31 December 2015, the most significant movements in Tangible fixed assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount regarding acquisitions mostly relates to the purchases of motorcycles, tricycles and quadricycles in the amount of 1,096 thousand Euros, trucks worth approximately 1,644 thousand Euro, trailers in the amount of 286 thousand Euros, pallet truck of 75,6 thousand Euros and the acquisition of scanners, monitors and scales of 222 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase computer equipment of medium and large and several computer equipment in a total value of 1,061 thousand Euros and the acquisition of administrative equipment in the amount of 369 thousand Euros.

Other tangible fixed assets:

The acquisitions essentially regards to the purchase of marketing equipment (60 thousand Euros) and prevention and safety equipment (714 thousand Euros).

Tangible fixed assets in progress:

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

In the year ended 31 December 2015, the amounts recorded under write-offs, with particular emphasis in Basic equipment and Office equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciations recorded during the year of 15,929,702 Euro (15,333,819 Euros in 2014), is booked under the heading Depreciation and amortisation, net of the Corporate statement income (Note 34).

Contractual commitments relative to Tangible fixed assets are detailed in Note 23.

8 INVESTMENT PROPERTIES

As at 31 December 2015 and 31 December 2014, the Company has the following assets classified as investment properties:

	2015		
	Land and natural resources	Buildings and other constructions	Total
Investment property			
Opening balance	7,716,058	45,722,963	53,439,021
Adições	14,500	43,500	58,000
Disposals	(173,376)	(854,186)	(1,027,562)
Transfers and write-offs	(477,748)	(4,017,057)	(4,494,805)
Closing balance	7,079,434	40,895,220	47,974,654
Accumulated depreciation			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	752,365	752,365
Disposals	(20,075)	(435,235)	(455,310)
Transfers and write-offs		(2,047,352)	(2,047,352)
Closing balance	239,426	26,669,510	26,908,937
Accumulated impairment			
Opening balance	-	1,450,025	1,450,025
Impairment for the period	-	(167,403)	(167,403)
Closing balance	-	1,282,622	1,282,622
Net investment property	6,840,008	12,943,087	19,783,095
	2014		
	Land and natural resources	Buildings and other constructions	Total
Investment property			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(247,126)	(2,290,703)	(2,537,829)
Other variations	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Other variations	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairment for the period	-	(156,480)	(156,480)
Closing balance	-	1,450,025	1,450,025
Net investment property	7,456,557	15,873,206	23,329,763

These assets are not allocated to the operating activities of the Company, nor have a specific future use.

The market value of these fixed assets, which are classified as investment property, in accordance with the valuations recorded as at the end of the fiscal year 2015 which were conducted by independent entities, amounts to 29,425,470 Euros (35,978,503 Euros as at 31 December 2014).

During the year ended 31 December 2015, CTT reclassified to tangible fixed assets one property, which became a part of the Company's activity in the amount of 4,517,053 Euros and respective accumulated depreciations of 2,047,352 Euros, as a result of the retail network's development model.

In the year ended 31 December 2014, the Company reclassified to investment properties nine properties that are no longer contributing to the Company's operating activities of 6,627,890 Euros and respective accumulated depreciations of 2,950,936 Euros. One property, which became a part of the Company's activity was reclassified to tangible fixed assets for 439,417 Euros and respective accumulated depreciations of 223,473 Euros.

For the years ended 31 December 2015 and 31 December 2014, the amounts of 752,365 Euros and 764,567 Euros, respectively, were recorded in Depreciation and amortisation, net related to depreciations (Note 34).

The impairment losses of the year in the amount of 167,403 Euros (156,480 Euros as at 31 December 2014) were accounted in heading Impairment of depreciable/amortisable assets, net (Note 34) and are explained by the market value reduction observed in same buildings.

9 GOODWILL

As at 31 December 2015 and 31 December 2014, the composition of Goodwill was as follows:

Company	Year of acquisition	2015	2014
Subsidiary companies			
Mailtec Consultoria, S.A. (51%)	2004	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Mailtec Holding, SGPS, S.A. (51%)	2004	-	582,970
Mailtec Holding, SGPS, S.A. (49%)	2005	-	6,641,901
Payshop Portugal, S.A.	2004	406,101	406,101
Escrita Inteligente, S.A.	2015	357,917	-
		<u>8,058,656</u>	<u>7,705,457</u>

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

During the years ended 31 December 2015 and 31 December 2014, the movements in Goodwill were as follows:

	2015	2014
Opening balance of the period	7,705,457	25,083,869
Acquisitions	357,917	-
Transfers/Adjustments	(4,718)	-
Disposals	-	(17,378,412)
Closing balance of the period	<u>8,058,656</u>	<u>7,705,457</u>

In the year ended 31 December 2015, the acquisitions concern the company Escrita Inteligente, S.A., with a corresponding Goodwill of 357,917 Euros.

The adjustments are related to the merger of Mailtec Consultoria, S.A. into CTT and the corresponding Goodwill.

The sale of the participations, during the year ended 31 December 2014, relates to the sale of the participations in the companies EAD and Tourline, which correspondent Goodwill of 786,164 Euros and 16,592,248 Euros, respectively, was eliminated.

Impairment

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

In order to determine the recoverable amount of its investments, CTT performed, with effect at 31 December 2015, impairment tests based on the following set of assumptions:

Company	Activity	2015			
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Mailtec Comunicação, SA	Documental services	Equity Value/DCF	5 years	9.02%	0.5%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	9.85%	0.5%

Company	Activity	2014			
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Mailtec Group	Documental services	Equity Value/DCF	5 years	10.80%	0.5%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	10.30%	0.5%

The decrease in the discount rate (WACC) for the year ended 31 December 2015 was a result of the decrease in yields' spreads of the Portuguese government bonds in relation to the free-risk bonds of the Eurozone.

The cash flow projections were based on the historical performance and on the medium and long term business plans, approved by the Board of Directors, and were prolonged in perpetuity. As a consequence of this impairment analysis, the Company concluded that as at 31 December 2015 and 31 December 2014 there were no impairment losses. Therefore, on 31 December 2015, the impairment losses regarding Goodwill (Note 18) were as follows:

Company	Year of acquisition	Initial value of goodwill	Impairment losses for the period	2015			Carrying value	2014
				Accumulated impairment losses	Adjustments	Acquisitions		Carrying value
Mailtec Consultoria, S.A. (51%)	2004	4,718	-	-	(4,718)	-	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	-	-	-	-	7,294,638	69,767
Mailtec Holding, SGPS, S.A. (51%)	2004	-	-	-	-	-	-	582,970
Mailtec Holding, SGPS, S.A. (49%)	2005	-	-	-	-	-	-	6,641,901
Payshop Portugal, S.A.	2004	406,101	-	-	-	-	406,101	406,101
Escrita Inteligente, S.A.	2015	-	-	-	-	357,917	357,917	-
		7,705,457	-	-	(4,718)	357,917	8,058,656	7,705,457

The impairment losses are recorded in the Corporate income statement under the heading Impairment of depreciable/amortisable investments (losses/reversals).

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key variables: (i) growth perpetuity rate and (ii) discount rate.

The results of the sensitivity analyses for Payshop and the Mailtec Comunicação do not determine that there are indicators of impairment, according to the following tables:

Maitec Comunicação		(thousand Euros)				
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment *		WACC				
		7.0%	8.0%	9.0%	10.0%	11.0%
g	0.00%	19,394	15,774	12,959	10,707	8,866
	0.25%	20,224	16,385	13,424	11,070	9,154
	0.50%	21,117	17,037	13,915	11,451	9,457
	0.75%	22,082	17,733	14,437	11,854	9,774
	1.00%	23,127	18,479	14,991	12,278	10,108

* impairment if negative

Payshop		(thousand Euros)				
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment *		WACC				
		7.9%	8.9%	9.9%	10.9%	11.9%
g	0.00%	77,071	68,358	61,415	55,752	51,045
	0.25%	79,242	70,029	62,735	56,817	51,920
	0.50%	81,562	71,799	64,125	57,933	52,833
	0.75%	84,044	73,679	65,591	59,105	53,788
	1.00%	86,708	75,678	67,140	60,336	54,786

* impairment if negative

10 INTANGIBLE ASSETS

During the years ended 31 December 2015 and 31 December 2014, the movement occurred in the main categories of Intangible assets, as well as in the respective accumulated amortisation and accumulated impairment losses, were as follows:

	2015				
	Development projects	Computer software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	28,465,655	3,223,072	4,710,797	40,116,850
Acquisitions	84,441	4,654,861	326,469	1,775,205	6,840,977
Transfers and write-offs	(84,441)	4,783,837	-	(4,476,645)	222,750
Merger	-	814,821	16,833	-	831,654
Closing balance	3,717,326	38,719,174	3,566,374	2,009,357	48,012,230
Accumulated amortisation					
Opening balance	3,685,169	24,541,759	2,955,835	-	31,182,763
Amortisation for the period	12,060	3,001,272	36,994	-	3,050,326
Transfers and write-offs	(2,413)	2,413	-	-	-
Merger	-	801,631	16,833	-	818,464
Closing balance	3,694,816	28,347,074	3,009,662	-	35,051,553
Net intangible assets	<u>22,510</u>	<u>10,372,099</u>	<u>556,712</u>	<u>2,009,357</u>	<u>12,960,678</u>
	2014				
	Development projects	Computer software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,907,578	26,596,077	3,223,072	2,408,588	36,135,315
Acquisitions	-	230,973	-	2,616,864	2,847,837
Transfers and write-offs	(190,252)	1,638,605	-	(314,655)	1,133,698
Closing balance	3,717,326	28,465,655	3,223,072	4,710,797	40,116,850
Accumulated amortisation					
Opening balance	3,695,203	21,140,403	2,916,714	-	27,752,320
Amortisation for the period	9,647	2,247,976	39,121	-	2,296,744
Transfers and write-offs	(19,681)	1,153,380	-	-	1,133,699
Closing balance	3,685,169	24,541,759	2,955,835	-	31,182,763
Net intangible assets	<u>32,157</u>	<u>3,923,896</u>	<u>267,237</u>	<u>4,710,797</u>	<u>8,934,087</u>

The transfers occurred during the year ended 31 December 2015 from Intangible assets in progress to Computer Software refer to IT projects, which were completed during the year.

During the year ended 31 December 2015, the most significant movements in Intangible assets were the following:

Computer software:

The acquisitions relates essentially to the purchase of software "Information Automation centralization" in the amount of 483 thousand Euros, the acquisition of "SAP HANA" of 371 thousand Euros, the acquisition of software "SAP Financial Consolidation" in the amount of 90.5 thousand Euros, software to servers UNIX of 889.5 thousand Euros, software "Enterprise Application Integration" in the amount of 476 thousand Euros, software "SAP Hybris Billing" in the amount of 1,459 thousand Euros, software "Enterprise Content Management" in the amount of 239.8 thousand Euros and software "Business Process Management" in the amount of 476 thousand Euros.

The amounts of 306,256 Euros and 407,270 Euros, capitalized in computer software or in intangible assets in progress, as at 31 December 2015 and 31 December 2014, respectively, related to the staff costs incurred in the development of these projects.

Industrial property:

The amount of acquisitions regards essentially to the purchase of licenses "Forefront TMG" amount of 17.5 thousand Euros which has an indefinite useful life and of licenses "Biztalk" for 298 thousand Euros.

As at 31 December 2015 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	2015
International (E-CIP)	452,485
Evolution NAVE	346,336
Mail products evolution	198,163
Performance evaluation - Software	134,259
Payment platform	121,093
Financial consolidation - software	105,120
Audit management - software	83,190
DOL - Treatment and generation of scales	79,906
Riposte migration	61,454
Extraterritorial virtual mailbox	58,808
	<u>1,640,814</u>

The amortisation for the year, amounting to 3,050,326 Euros (2,296,744 Euros in 2014) was recorded under Depreciation / amortisation and impairment of investments, net (Note 34).

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

Contractual commitments relative to Intangible assets are detailed in Note 23.

11 INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES

During the years ended 31 December 2015 and 31 December 2014, the movements occurred in Investment in subsidiaries and associates companies were as follows:

	2015		
	Subsidiary companies	Associated companies	Total
Gross carrying value			
Opening balance	34,939,183	937,732	35,876,915
Equity method - proportion of net income	(4,087,062)	28,277	(4,058,785)
Distribution of dividends	(7,917,720)	-	(7,917,720)
Other	34,173,779	(710,795)	33,462,984
Closing balance	<u>57,108,180</u>	<u>255,214</u>	<u>57,363,394</u>

	2014		
	Subsidiary companies	Associated companies	Total
Gross carrying value			
Opening balance	44,434,518	1,465,577	45,900,095
Equity method – proportion of net income	(18,650,689)	(278,286)	(18,928,975)
Provisions	306,162	-	306,162
Distribution of dividends	(15,142,737)	(249,559)	(15,392,296)
Other	23,991,928	-	23,991,928
Closing balance	34,939,183	937,732	35,876,915

As at 31 December 2015 and 31 December 2014, the detail by company of Investment in subsidiaries and associates companies was as follows:

Corporate name	2015				2014			
	% held	Investment	Provision for investments	Proportion of net income	% held	Investment	Provision for investments	Proportion of net income
Subsidiaries:								
CORRE - Correio Expresso Moçambique, S.A.	50	143,827	-	5,352	50	-	306,162	(316,433)
EAD - Empresa de Arquivo de Documentação, S.A. (b)	-	-	-	-	-	-	-	46,710
Post Contacto - Correio Publicitário, Lda. (c)	-	-	-	-	100	1,739,985	-	1,179,545
CTT Expresso, S.A.	100	13,738,828	-	(6,752,166)	100	20,490,994	-	(23,260,120)
CTT Contacto, S.A.	100	3,177,049	-	2,167,192	100	1,233,561	-	873,561
Mailtec Holding, SGPS, S.A.	-	-	-	-	100	4,106,949	-	133,363
Payshop Portugal, S.A.	100	7,706,469	-	5,890,097	100	7,367,694	-	5,566,929
Mailtec Comunicação, S.A.	100	4,202,889	-	523,510	-	-	-	-
Escrita Inteligente, S.A.	100	60,344	-	(362)	-	-	-	-
Banco CTT, S.A.	100	28,078,775	-	(5,920,685)	-	-	-	-
Tourline Express Mensajeria, S.A. (b)	-	-	-	-	-	-	-	(2,874,244)
		57,108,180	-	(4,087,062)		34,939,183	306,162	(18,650,689)
Associated companies:								
Mailtec Consultoria S.A.	10	-	-	-	10	59,708	-	30,337
Mailtec Comunicação, S.A.	-	-	-	-	17.695	651,086	-	(61,023)
Multicert - Serviços de Certificação Electrónica, S.A. (a)	20	255,214	-	28,277	20	226,937	-	(247,599)
		255,214	-	28,277		937,732	-	(278,286)
Joint Ventures								
Ti-Post Prestação Serviços Informáticos, ACE	49	-	-	-	49	-	-	-
NewPost, ACE	49	-	-	-	49	-	-	-
		57,363,394	-	(4,058,785)		35,876,915	306,162	(18,928,975)

- (a) The amount of 2015 regards to the part of the 2014 amount which have not been reflected in that year. The amount of 2014 reflects the effect of the Equity method of 2013, and the September 2014 results.
- (b) The proportion in the results of Tourline and EAD, in 2014, corresponds to the results of these companies until the moment of the sale and consequent loss of control by CTT.
- (c) In the case of Post Contacto, were considered, in the proportion of the results, the 5% acquired in June 2014.

The corporate changes which occurred during the year ended 31 December 2015 are mentioned in note 6 – Related parties.

The main disclosure regarding the above mentioned companies was as follows:

Company	2015				
	Assets	Liabilities	Sales and services rendered	Net income	Equity
Subsidiaries:					
CORRE - Correio Expresso Moçambique, S.A.	2,154,331	1,801,239	2,131,472	10,705	353,092
CTT Expresso, S.A.	48,851,852	35,113,025	76,633,372	(6,752,166)	13,738,828
CTT Contacto, S.A.	5,056,112	1,879,064	12,849,294	2,167,192	3,177,048
Payshop Portugal, S.A.	10,220,247	2,513,777	14,301,198	5,890,097	7,706,470
Mailtec Comunicação, S.A.	6,845,863	2,642,975	10,609,442	523,510	4,202,889
Escrita Inteligente, S.A.	63,469	3,125	4,994	(10,639)	60,344
Banco CTT, S.A.	31,190,010	3,111,235	-	(5,920,685)	28,078,775
Associated companies:					
Multicert - Serviços de Certificação Electrónica, S.A. (a)	2,767,973	1,491,901	3,836,139	113,584	1,162,488
(a) Values of December 2014					
Joint Ventures					
Ti-Post Prestação Serviços Informáticos, ACE	N.A.	N.A.	-	-	-
NewPost, ACE (b)	644,541	644,541	535,245	-	-
(b) Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE					

Company	2014				
	Assets	Liabilities	Sales and services rendered	Net income	Equity
Subsidiaries:					
CORRE - Correio Expresso Moçambique, S.A.	2,462,441	3,040,112	1,699,851	(632,867)	(577,671)
Post Contacto - Correio Publicitário, Lda.	2,987,558	1,247,574	11,425,205	1,206,683	1,739,984
CTT Expresso, S.A.	48,249,330	27,758,336	76,726,551	(23,260,120)	20,490,994
CTT Gestão de Serviços e Equipamentos Postais, S.A.	1,548,746	315,185	1,730,207	873,561	1,233,561
Mailtec Holding, SGPS, S.A.	4,126,080	19,131	270,000	133,363	4,106,949
Payshop Portugal, S.A.	9,395,798	2,028,104	15,544,280	5,566,929	7,367,694
Associated companies:					
Mailtec Consultoria, S.A.	1,333,598	736,561	3,127,738	303,367	597,037
Mailtec Comunicação, S.A.	6,864,797	3,185,418	11,349,579	(344,862)	3,679,379
Multicert - Serviços de Certificação Electrónica, S.A. (a)	3,300,404	2,165,716	3,122,809	(37,161)	1,134,687
(a) Values of September 2014					
Joint Ventures					
Ti-Post Prestação Serviços Informáticos, ACE (b)	281,036	281,036	1,231,306	-	-
Postal Network - Prestação de Serviços de Gestão	104,728	104,728	(210,265)	-	-
(b) Values of September 2014					

Equity method

For the years ended 31 December 2015 and 31 December 2014, the net income in subsidiary, associated and joint ventures companies arising from the application of the equity method, and stated under Gains/losses from subsidiaries, associated companies and joint ventures of the Corporate income statement were recognised against the following items on the balance sheet:

	2015	2014
Investment in subsidiaries and associated companies		
CORRE - Correio Expresso Moçambique, S.A.	5,352	(10,271)
EAD - Empresa de Arquivo de Documentação, S.A.	-	46,710
Post Contacto - Correio Publicitário, Lda.	-	1,179,545
CTT Expresso, S.A.	(6,752,166)	(23,260,120)
CTT Contacto, S.A.	2,167,192	873,561
Payshop Portugal, S.A.	5,890,097	5,566,929
Tourline Express Mensajeria, S.A.	-	(2,874,244)
Mailtec Holding, SGPS, S.A.	-	133,363
Mailtec Comunicação, S.A.	523,510	(61,023)
Mailtec Consultoria, S.A.	-	30,337
Escrita Inteligente, S.A.	(362)	-
Banco CTT, S.A.	(5,920,685)	-
Multicert, Serviços de Certificação Electrónica, S.A.	28,277	(247,599)
	<u>(4,058,785)</u>	<u>(18,622,813)</u>
Provisions - Investment in subsidiaries and associated companies		
CORRE - Correio Expresso Moçambique, S.A.	-	(306,162)
	-	<u>(306,162)</u>

During the year ended 31 December 2014, the investments in EAD and Tourline were sold. The sale of Tourline was done at net book value. With the sale of EAD a gain in the amount of 256,383 Euros was recorded under Gains/losses from subsidiaries and associated companies in the Corporate income statement.

The amount of 28,277 Euros concerns the proportion of 2014 income that had not been recognised in that year. No additional movements occurred in the Multicert's participation since the company does not have more updated financial information.

The amount of (247,599) Euros concerns the proportion of 2013 income that had not been recognised in that year as well as the proportion of 2014 September's results.

12 INVESTMENT IN OTHER COMPANIES

For the years ended 31 December 2015 and 31 December 2014 the Investment in others companies balances are detailed as follows:

Company	Head office	2015	2014
IPC - International Post Corporation	Brussels - Belgium	6,157	6,157
Eurogiro Network	Copenhagen - Denmark	124,435	124,435
CEPT	Copenhagen - Denmark	237	237
Tagus Park	Lisbon - Portugal	975,982	975,982
		<u>1,106,812</u>	<u>1,106,812</u>

13 FINANCIAL RISK MANAGEMENT

The Company's activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Company in a material and unexpected form. Risk management

focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the Company's financial performance.

The categories of financial assets and liabilities as at 31 December 2015 and 31 December 2014 are detailed as follows:

FINANCIAL ASSETS	2015	2014
Accounts receivable	127,672,034	127,189,845
Cash and cash equivalents	559,542,719	649,688,918
	<u>687,214,753</u>	<u>776,878,763</u>
FINANCIAL LIABILITIES		
Account payable	64,887,846	66,845,568
Other accounts payable	430,655,818	480,631,984
	<u>495,543,664</u>	<u>547,477,552</u>

Financial risk management integrates the Risk Management System of the Company reporting directly to the Executive Committee. CTT's departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Company and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the Company is exposed to.

The financial risks of particular importance include credit risk, market risks, namely the interest risk, the foreign currency exchange rate risk and liquidity risk.

Credit risk

Credit risk is essentially related to the risk that a third party fails on its contractual obligations, resulting in financial losses to the Company. At the Company, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activity.

The deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the Company's net income. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation ("Regulamento de Concessão de Crédito a Clientes" (RCCC)) and comprised the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of CTT's Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the customer's capacity to comply with all its obligations on time and the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in accounts receivable is monitored on a regular basis by each business of the Company and monthly monitoring by the Credit Committee with the purpose of limiting the credit granted to customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted, and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client.

The movement of impairment losses of accounts receivable is disclosed in Note 15. As at 31 December 2015, the Company believes that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made by the Company. With the purpose of reducing that risk, the Company uses a methodology of risk assessment of the counterparty in its treasury operations, providing a support tool in setting plafonds for financial entity, allowing the credit risk to be mitigated by diversifying their investments.

The Company's credit risk quality, as at 31 December 2015, related to these types of assets (Cash and cash equivalents as stated in Note 4, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating ⁽¹⁾	2015
A1	4,336
A2	120,006,242
B1	205,995,730
B2	117,775,652
Ba1	36,811,501
Baa1 ⁽³⁾	30,312,113
Ba3 ⁽²⁾	19,990,344
Caa2	1,155,051
Others ⁽⁴⁾	116,037
	<u>532,167,006</u>

(5) Rating assigned by Moody's.

(6) Conversion of BB- rating by Standard & Poor's.

(7) Conversion of BBB+ rating by Fitch.

(8) Others with no rating.

Interest rate risk

Interest rate risk is essentially associated to the interest received from the investment of reserve liquidity and to the determination, through the impact on the discount rate, of the estimated liabilities related to employee benefits.

Gains arising from financial operations are important, hence alterations in interest rates have a direct impact on the Company's interest income.

In order to reduce the impact of interest rate risk, the Company monitors market trends on a regular and systematic basis, with a view to leveraging the period/rate relationship on the one hand and the risk/yield relationship on the other hand. The Treasury applications follow criteria of diversification of financial risks, both in terms of timing and institutions, and are reviewed and updated regularly.

In 2014, results from financial investments were adversely affected by the steep decline in rates in the money markets, in particular the Euribor rate, which limited the remuneration offered by the banking sector.

The cash surplus applications benefit from an interest income of, approximately, 1,912,543 Euros during the year of 2015 and 6,287,495 Euros in 2014 (Note 31).

If the interest rates had been lower by 0.25 b.p. during the year ended 31 December 2015, the interest received would be lower by 885 thousand Euros.

According to the actuarial study performed as at 31 December 2015, with a reduction of 0.5 per cent in the discount rate and keeping all other variables constant, the liabilities with employee benefits – healthcare would increase by approximately 18.2 million Euros (Note 26).

Foreign currency exchange rate risk

Exchange rate risks are related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with reference to previously defined objectives based on the evolution of the international business activities.

As at 31 December 2015 and 31 December 2014, the net exposure (assets minus liabilities) of the Company ascended, respectively, to 72,075 DTS (91,739 Euros at the exchange rate €/SDR 1.27283) and 7,715 DTS (9,206 Euros at the exchange rate €/SDR 1.19332).

Based in the sensitivity analysis for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2015 and 31 December 2014, assuming an increase / decrease in the exchange rate €/SDR of 10%, the impact on the results would be 9,174 Euros and 921 Euros, respectively.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financing operation do not match the Company's financing needs, such as operating and financing outflows for operating and financing activities and investments and shareholders remuneration. Based on the cash flow generated by operations and the available cash, the Company believes that it has the capacity to meet its obligations.

The main contractual obligations of the Company are related to the financing received (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following table details the expected contractual obligations and financial commitments of the Company as at 31 December 2015 and 31 December 2014:

2015	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial Liabilities				
Debt (Note 25)	462,968	724,845	-	1,187,813
Interest expenses (Note 25)	4,031	1,449	-	5,480
Accounts payable and Other accounts payable	494,355,851	-	-	494,355,851
Non-financial liabilities				
Operating leases (Note 24)	8,963,676	14,144,316	-	23,107,992
Non-contingent financial commitments (1)	696,558	-	-	696,558
Total contractual obligations	504,483,084	14,870,610	-	519,353,694

(1) As mentioned in Note 23, the non-contingent financial commitments are essentially related to contracts concluded with suppliers of tangible fixed assets.

2014	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial Liabilities				
Debt (Note 25)	460,098	1,187,975	-	1,648,073
Interest expenses (Note 25)	8,740	8,094	-	16,833
Accounts payable and Other accounts payable	545,829,479	-	-	545,829,479
Non-financial liabilities				
Operating leases (Note 24)	7,657,607	11,864,514	-	19,522,121
Non-contingent financial commitments (1)	430,553	-	-	430,553
Total contractual obligations	554,386,476	13,060,583	-	567,447,059

(1) As mentioned in Note 23, the non-contingent financial commitments are essentially related to contracts concluded with suppliers of tangible fixed assets.

14 INVENTORIES

As at 31 December 2015 and 31 December 2014, the Company's Inventories are detailed as follows:

	2015			2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Merchandise	4,080,012	1,367,422	2,712,591	4,678,616	1,489,626	3,188,990
Raw, subsidiary and consumable materials	2,340,692	509,968	1,830,724	2,437,601	656,380	1,781,221
Advances on purchases	128,394	-	128,394	32,698	-	32,698
	6,549,098	1,877,390	4,671,709	7,148,915	2,146,006	5,002,908

Cost of sales

During the years ended 31 December 2015 and 31 December 2014, the detail of Cost of sales was as follows:

	2015		
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,678,616	2,437,601	7,116,217
Purchases	12,351,740	1,447,096	13,798,836
Inventory offers	(128,047)	(22,249)	(150,296)
Inventory adjustments	(217,275)	(252,182)	(469,457)
Closing balance	(4,080,012)	(2,340,692)	(6,420,704)
Cost of sales	12,605,022	1,269,574	13,874,596

	2014		
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,425,452	3,095,723	7,521,175
Purchases	12,898,984	2,116,031	15,015,015
Inventory offers	(39,334)	(24,807)	(64,141)
Inventory adjustments	(177,394)	(522,910)	(700,304)
Closing balance	(4,678,616)	(2,437,601)	(7,116,217)
Cost of sales	12,429,092	2,226,436	14,655,528

Impairment in inventories

For the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 18) was as follows:

	2015			
	Closing balance	Increases	Reversals	Closing balance
Merchandise	1,489,626	-	(122,204)	1,367,422
Raw, subsidiary and consumable materials	656,380	-	(146,412)	509,968
	2,146,006	-	(268,616)	1,877,390

	2014			
	Closing balance	Increases	Reversals	Closing balance
Merchandise	1,808,145	-	(318,519)	1,489,626
Raw, subsidiary and consumable materials	670,332	-	(13,952)	656,380
	2,478,477	-	(332,471)	2,146,006

For the years ended 31 December 2015 and 31 December 2014, impairment losses of inventories were recorded (net increases of reversals) amounting to (268,616) Euros and (332,471) Euros, respectively.

15 ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE

As at 31 December 2015 and 31 December 2014, the headings Accounts receivable and Other accounts receivable showed the following composition:

	2015			2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Accounts receivable						
Current						
Third parties	57,951,733	4,390,348	53,561,385	59,476,827	4,791,624	54,685,203
Group companies (Note 6)	10,273,998	-	10,273,998	5,356,106	-	5,356,106
Postal operators	34,080,277	231,639	33,848,638	36,680,866	208,803	36,472,063
	102,306,008	4,621,987	97,684,021	101,513,799	5,000,427	96,513,372
Other accounts receivable						
Current						
Third parties	26,459,691	7,099,640	19,360,051	27,289,174	7,239,718	20,049,456
Group companies (Note 6)	-	-	-	-	-	-
Non-current	2,406,598	1,819,857	586,741	2,583,493	1,792,892	790,601
	28,866,289	8,919,497	19,946,792	29,872,667	9,032,610	20,840,057
	131,172,297	13,541,484	117,630,813	131,386,466	14,033,037	117,353,429

Accounts receivable

As at 31 December 2015 and 31 December 2014, the ageing of the gross amounts of Accounts receivable is detailed as follows:

	2015				2014			
	Third parties	Postal operators	Group companies	Total	Third parties	Postal operators	Group companies	Total
Accounts receivable								
Non-overdue	42,491,008	3,726,564	4,059,975	50,277,547	39,135,695	2,543,508	2,867,770	44,546,972
Overdue ¹⁾ :								
0-30 days	5,329,177	-	3,019,209	8,348,386	10,959,199	-	821,806	11,781,005
30-90 days	3,661,257	4,232,279	287,148	8,180,683	2,984,042	3,171,525	305,945	6,461,512
90-180 days	1,346,472	1,937,569	470,708	3,754,749	1,225,327	1,210,750	445,684	2,881,761
180-360 days	969,827	8,146,862	998,291	10,114,980	931,021	7,634,175	601,869	9,167,064
> 360 days	4,153,992	16,037,004	1,438,667	21,629,663	4,241,543	22,120,910	313,033	26,675,485
	<u>57,951,733</u>	<u>34,080,277</u>	<u>10,273,998</u>	<u>102,306,008</u>	<u>59,476,827</u>	<u>36,680,866</u>	<u>5,356,106</u>	<u>101,513,799</u>

- (2) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The gross amount of accounts receivable's balance overdue over 360 days was as follows:

	2015	2014
National accounts receivable	5,592,659	4,554,575
Foreign operators	16,037,004	22,120,910
Total	21,629,663	26,675,485
Foreign operators - payable (Note 27)	(16,026,493)	(21,335,993)

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of 22 months for the presentation of the accounts and, therefore, the foreign operators balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. Therefore, the credit risk is mitigated by the accounts payable balances related to these entities (Note 27).

The balance of national customers includes receivables of public entities, other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables is 1.0% for the year ended 31 December 2015.

	2015	2014
Advance deposits	647,495	894,069
Bank guarantees	43,663	83,753
Total	691,159	977,822

Other accounts receivable

As at 31 December 2015 and 31 December 2014, the carrying values in Other accounts receivable showed the following detail:

	2015			2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-current						
Advances to staff	466,086	-	466,086	512,079	-	512,079
Other amounts receivable from staff	1,558,326	1,472,836	85,490	1,699,523	1,421,001	278,522
INESC financing loan	347,021	347,021	-	371,891	371,891	-
Labour compensation fund	35,165	-	35,165	-	-	-
	<u>2,406,598</u>	<u>1,819,857</u>	<u>586,741</u>	<u>2,583,493</u>	<u>1,792,892</u>	<u>790,601</u>
Current						
Advances to staff	2,735,621	989,529	1,746,092	2,788,353	879,331	1,909,022
Postal financial services	6,372,503	313,438	6,059,065	12,352,806	680,427	11,672,379
Accrued income	4,251,090	-	4,251,090	1,735,296	-	1,735,296
Other current assets						
Philatelic agents	45,486	-	45,486	50,029	-	50,029
Sundry invoicing CT	3,903,498	637,186	3,266,312	1,737,849	525,439	1,212,410
Caixa Geral de Aposentações - Social Work	11,598	-	11,598	302,004	-	302,004
INESC financing loan	49,740	49,740	-	49,740	49,740	-
Office for media	494,216	-	494,216	206,077	-	206,077
Debtors - escrow accounts	169,646	136,342	33,304	184,163	170,557	13,606
Sundry debtors	4,682,104	4,682,102	2	4,918,697	4,918,637	60
Other	3,744,189	291,303	3,452,886	2,964,160	15,587	2,948,573
	<u>26,459,691</u>	<u>7,099,640</u>	<u>19,360,051</u>	<u>27,289,174</u>	<u>7,239,718</u>	<u>20,049,456</u>

The amounts recorded in the heading Postal financial services refer to amounts receivable from redemption of savings products and the marketing of insurance.

Accounts receivable and other accounts receivable impairments

For the years ended 31 December 2015 and 31 December 2014, the movement occurred in Accumulated impairment losses (Note 18) was as follows:

	2015				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	5,000,427	164,956	(300,472)	(242,923)	4,621,988
Other accounts receivable	9,032,609	379,305	(492,418)	-	8,919,496
	<u>14,033,036</u>	<u>544,261</u>	<u>(792,890)</u>	<u>(242,923)</u>	<u>13,541,484</u>

	2014				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	3,777,378	1,607,492	(24,145)	(360,298)	5,000,427
Other accounts receivable	10,662,338	410,908	(2,040,637)	-	9,032,609
	<u>14,439,716</u>	<u>2,018,400</u>	<u>(2,064,782)</u>	<u>(360,298)</u>	<u>14,033,036</u>

For the years ended 31 December 2015 and 31 December 2014, increases of impairment losses (net of reversals) were recorded in debts receivable for the amount of (248,629) Euro and (46,382) Euros, respectively.

16 DEFERRALS

As at 31 December 2015 and 31 December 2014, the headings Deferrals of the current assets and current and non-current liabilities had the following composition:

	2015	2014
Deferred assets		
Current		
Rents payable	1,025,319	1,044,942
Meal allowances	1,701,736	1,698,085
Company Agreement - Supplementary agreement compensation	1,457,575	-
Other	2,817,640	1,927,940
	<u>7,002,270</u>	<u>4,670,967</u>
Deferred liabilities		
Non-current		
Deferred capital gains	3,677,282	6,076,311
Deferred commissions	1,000,000	-
	<u>4,677,282</u>	<u>6,076,311</u>
Current		
Deferred capital gains	2,399,029	2,399,029
Prepaid Phone-ix	206,329	258,669
Deferred commissions	400,000	1,800,000
Altice agreement	6,388,889	-
Other	1,144,778	1,034,031
	<u>10,539,025</u>	<u>5,491,729</u>
	<u>15,216,307</u>	<u>11,568,040</u>

In prior years the Company sold certain property, which it subsequently leased. The gain on that sale was deferred and is being recognised over the period of the lease contracts.

During the years ended 31 December 2015 and 31 December 2014, the amount of 1,511,128 Euros was recognised under Other operating income in the Company's income statement, for both years, related to the above mentioned capital gains.

In 2014 CTT signed an agreement with Cetelem, according to which CTT received 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, regarding non-refundable fees, will be recognised over the period of the contract. As at 31 December 2015 1.4 million Euros related to this contract was deferred.

Following the Memorandum of understanding signed with Altice and the acquisition of PT Portugal being completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the Corporate income statement over the exclusive period for the negotiation of the partnerships. In the year ended 31 December 2015, the amount of 3,611,111 Euros, was recognised under Other operating revenues in the Corporate income statement, related to this contract.

17 NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

As at 31 December 2015 and 31 December 2014, the Company did not have any non-current assets classified as available for sale.

18 ACCUMULATED IMPAIRMENT LOSSES

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in the impairment losses:

	2015				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Goodwill (Note 9)	-	-	-	-	-
Tangible fixed assets (Note 7)	420,483	-	(123,714)	-	296,769
Investment properties (Note 8)	1,450,025	246,789	(414,192)	-	1,282,622
Inventories (Note 14)	2,146,006	-	(268,616)	-	1,877,390
Accounts receivable and other accounts receivable (Note 15)	14,033,037	544,261	(792,890)	(242,924)	13,541,484
	<u>18,049,551</u>	<u>791,050</u>	<u>(1,599,412)</u>	<u>(242,924)</u>	<u>16,998,265</u>

	2014				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Goodwill (Note 9)	4,375,588	-	-	(4,375,588)	-
Tangible fixed assets (Note 7)	-	41,815	(39,284)	-	420,483
Investment properties (Note 8)	1,606,505	331,877	(488,357)	-	1,450,025
Inventories (Note 14)	2,478,477	-	(332,471)	-	2,146,006
Accounts receivable and other accounts receivable (Note 15)	14,439,716	2,018,400	(2,064,782)	(360,297)	14,033,037
	<u>22,900,286</u>	<u>2,392,092</u>	<u>(2,924,894)</u>	<u>(4,735,885)</u>	<u>18,049,551</u>

The use of Goodwill impairment, occurred during the year ended 31 December 2014, is explained by the sale of the financial participation of CTT in Tourline, for which accumulated impairment losses of 4,375,588 Euros had been recognised in prior years.

19 EQUITY

Share capital

As at 31 December 2014, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euro each. The share capital is fully underwritten and paid-up.

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

Shareholder		2015		
		No. of shares	%	Nominal value
Standard Life Investments Limited ⁽¹⁾		9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽¹⁾		97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%	5,003,827
Manuel Carlos de Mello Champalimaud		33,785	0.023%	16,893
Gestmin SGPS, S.A. ⁽²⁾		7,766,215	5.177%	3,883,108
Manuel Carlos de Mello Champalimaud	Total	7,800,000	5.200%	3,900,000
Artemis Fund Managers Limited ⁽³⁾		7,433,817	4.956%	3,716,909
Artemis Investment Management LLP		276,892	0.185%	138,446
Artemis Investment Management LLP	Total	7,710,709	5.140%	3,855,355
Allianz Global Investors Europe GmbH (AGIE)⁽⁴⁾	Total	7,552,637	5.035%	3,776,319
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE ⁽⁵⁾		226,096	0.151%	113,048
BNP PARIBAS A FUND European Multi-Asset Income ⁽⁵⁾		241,969	0.161%	120,985
BNP PARIBAS B PENSION BALANCED ⁽⁵⁾		675,151	0.450%	337,576
BNP PARIBAS B PENSION GROWTH ⁽⁵⁾		89,950	0.060%	44,975
BNP PARIBAS B PENSION STABILITY ⁽⁵⁾		42,617	0.028%	21,309
BNP PARIBAS L1MULTI-ASSET INCOME ⁽⁵⁾		287,384	0.192%	143,692
BNP PARIBAS SMALLCAP EUROLAND ⁽⁵⁾		1,569,016	1.046%	784,508
Merck BNP Paribas European Small Cap ⁽⁵⁾		97,607	0.065%	48,804
METROPOLITAN-RENTASTRO GROWTH ⁽⁵⁾		159,111	0.106%	79,556
PARVEST EQUITY EUROPE SMALL CAP ⁽⁵⁾		3,863,880	2.576%	1,931,940
PARWORLD TRACK EUROPE SMALL CAP ⁽⁵⁾		5,004	0.003%	2,502
Stichting Bewaar ANWB – Eur Small Cap ⁽⁵⁾		149,732	0.100%	74,866
Stichting Pensioenfonds Openbare Bibliotheken ⁽⁵⁾		130,657	0.087%	65,329
BNP Paribas Investment Partners, Limited Company⁽⁵⁾	Total	7,538,174	5.025%	3,769,087
Kames Capital plc ⁽⁶⁾		2,045,003	1.363%	1,022,502
Kames Capital Management Limited ⁽⁶⁾		3,096,134	2.064%	1,548,067
Aegon NV⁽⁶⁾	Total	5,141,137	3.427%	2,570,569
Norges Bank	Total	3,143,496	2.096%	1,571,748
F&C Asset Management plc ⁽⁷⁾		3,124,801	2.083%	1,562,401
Bank of Montreal⁽⁷⁾		3,124,801	2.083%	1,562,401
Henderson Global Investors Limited ⁽⁸⁾		3,037,609	2.025%	1,518,805
Henderson Group plc⁽⁸⁾		3,037,609	2.025%	1,518,805
CTT, S.A. (own shares)⁽⁹⁾	Total	200,177	0.133%	100,089
Other shareholders	Total	94,743,607	63.162%	47,371,804
Total		150,000,000	100.000%	75,000,000

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

(2) Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champalimaud.

(3) Company held by Artemis Investment Management LLP.

(4) Previously named Allianz Global Investors Europe GmbH.

(5) The qualifying holding of BNP Paribas Investment Partners represents 5.025% of CTT share capital and 4.773% of the voting rights (see CTT press release of 18-12-2015). Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB – Eur Small Cap; Stichting Pensioenfonds Openbare Bibliotheken.

(6) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames

- Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
- (7) This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
- (8) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a disclosure of 8 January 2016, Henderson Group plc ceased to hold a qualified holding in CTT.
- (9) The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Portuguese Companies Code.

Shareholder	2014		
	No. of shares	%	Nominal value
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%
Kames Capital plc ⁽²⁾	2,045,003	1.363%	1,022,502
Kames Capital Management Limited ⁽²⁾	3,096,134	2.064%	1,548,067
Aegon NV⁽³⁾	Total	5,141,137	3.427%
Allianz Global Investors Europe GmbH (AGIE)⁽⁴⁾	Total	4,695,774	3.131%
UBS AG ⁽⁵⁾	3,705,257	2.470%	1,852,629
UBS Fund Management (Switzerland) AG ⁽⁵⁾	55,397	0.037%	27,699
UBS Fund Services (Luxembourg) AG ⁽⁵⁾	57,770	0.039%	28,885
UBS Global Asset Management (UK) Limited ⁽⁵⁾	8,330	0.006%	4,165
UBS Global Asset Management (Australia) Ltd ⁽⁵⁾	3,715	0.002%	1,858
UBS Group AG⁽⁶⁾	Total	3,830,469	2.554%
Morgan Stanley & Co. International plc ⁽⁷⁾	3,553,396	2.369%	1,776,698
Morgan Stanley⁽⁷⁾	Total	3,553,396	2.369%
Pioneer Funds – European Equity Target Income ⁽⁸⁾	613,645	0.409%	306,823
Pioneer Funds – Global Equity Target Income ⁽⁹⁾	170,047	0.113%	85,024
Pioneer Funds – ABS Return European Equities ⁽⁹⁾	95,475	0.064%	47,738
Pioneer Funds – European Potential ⁽⁹⁾	825,082	0.550%	412,541
Pioneer Funds – European Equity Value ⁽⁹⁾	764,953	0.510%	382,477
Pioneer Funds – European Equity Market Plus ⁽⁹⁾	15,876	0.011%	7,938
Pioneer Funds – European Research ⁽⁹⁾	643,204	0.429%	321,602
UniCredit S.p.A.	Total	3,128,282	2.086%
Artemis Fund Managers Limited ⁽¹⁰⁾	3,104,624	2.070%	1,552,312
Artemis Investment Management LLP	Total	3,104,624	2.070%
FMRC-FMR CO., INC. ⁽¹¹⁾	716,444	0.478%	358,222
FMRUK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC. ⁽¹⁰⁾	2,379,854	1.587%	1,189,927
FMR LLC	Total	3,096,298	2.064%
DSAMPartners LLP ⁽¹²⁾	3,096,079	2.064%	1,548,040
DSAM Cayman Ltd.	Total	3,096,079	2.064%
Goldman Sachs International ⁽¹³⁾			
Goldman Sachs Asset Management, L.P. ⁽¹³⁾			
Goldman Sachs Asset Management International ⁽¹³⁾			
The Goldman Sachs Group, Inc.⁽¹³⁾	Total	3,019,750	2.013%
Other shareholders	Total	107,326,538	71.551%
Total		150,000,000	100.000%
			75,000,000

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

- (2) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.
- (3) This qualified shareholding is imputable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
- (4) By virtue of the merger of Allianz Global Investors Luxembourg, S.A. (AGIL) into Allianz Global Investors Europe (AGIE), the qualified shareholding mentioned above became imputable to AGIE.
- (5) Subsidiary of the UBS Group AG.
- (6) As a result of the acquisition of UBS AG by UBS Group AG the shares of UBS AG were transferred to UBS Group AG. The UBS AG subsidiaries also became controlled by UBS Group AG.
- (7) The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.
- (8) Fund managed by Pioneer Investments Kapitalgesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.
- (9) Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.
- (10) Company held by Artemis Investment Management LLP.
- (11) Company owned by FMR LLC.
- (12) The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.
- (13) The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

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

20 RESERVES AND OTHER EQUITY ITEMS

Own shares

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

As at 31 December 2015, the company held 200,177 own shares, acquired in June 2015, which represented 0.133% of the Company's share capital.

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

In the year ended 31 December 2015, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9.357
Disposals	-	-	-
Balance at 31 December 2015	200,177	1,873,125	-

Legal reserves

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

As at 31 December 2015, this caption also includes the amount of 1,873,125 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

As at 31 December 2015 and 31 December 2014, the heading Legal reserves was detailed as follows:

	2015	2014
Opening balance	18,072,559	18,072,559
Own shares	1,873,125	-
Closing balance	19,945,684	18,072,559

The legal reserve is now fully incorporated, corresponding to over 20% of the share capital.

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.

As at 31 December 2015 it also records the amount recognised in both years related to the Share Plan, that constitutes the long term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remunerations Board in the amount of 2,987,092 Euros.

As at 31 December 2015 and 31 December 2014, the movements of the heading Other reserves were as follows:

	2015	2014
Opening balance	13,701,407	12,325,000
Share Plan (Note 26)	1,610,685	1,376,407
Own shares	(1,873,125)	-
Closing balance	13,438,968	13,701,407

Retained earnings

For the years ended 31 December 2015 and 31 December 2014, the following movements were made in the heading Retained earnings:

	2015	2014
Opening balance	62,752,243	57,823,615
Application of the net profit of the previous period	77,171,128	61,016,067
Distribution of dividends (Note 22)	(69,750,000)	(60,000,000)
Net profit not attributed by subsidiaries and associated companies	2,698,427	3,921,530
Other	(2,381)	(8,969)
Closing balance	<u>72,869,417</u>	<u>62,752,243</u>

Adjustments in investments

This heading reflects the adjustments arising from the application of the equity method on equity terms other than the net income for the year. Its distribution only occurs when the subsidiary is sold.

Other changes in equity

The company recognises in this heading the subsidies related with the acquisition or production of non-current assets (subsidies to fixed assets), which were fully received and are non-refundable. These subsidies are subsequently allocated on a systematic basis as revenues of the period during the useful lives of the assets with which they are related, having been recognised revenues of 11,201 Euros in the year ended 31 December 2015 and 31 December 2014 (Note 31). The balance of this heading corresponds to the part of these subsidies that have not yet been allocated to revenues of the period.

Actuarial gains/losses associated with healthcare benefits, as well as the corresponding deferred income tax, are recognised in this heading.

Thus, for the years ended 31 December 2015 and 31 December 2014 the movements occurred in this heading were as follows:

	2015	2014
Opening balance	(18,526,395)	24,810,903
Allocation of subsidies to the financial year	(11,201)	(11,201)
Deferred income taxes related to the subsidies	2,381	8,969
Actuarial gains/losses - Health Care (Note 26)	114,181	(61,041,103)
Deferred income taxes actuarial gains/losses - Health Care (Note 38)	27,297	17,706,037
Closing balance	<u>(18,393,737)</u>	<u>(18,526,395)</u>

21 DIVIDENDS

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

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

22 EARNINGS PER SHARE

During the years ended 31 December 2015 and 31 December 2014, the earnings per share were calculated as follows:

	2015	2014
Net income for the year	72,065,283	77,171,128
Average number of ordinary shares	149,883,331	150,000,000
Earnings per share	0.48	0.51

The average number of shares is detailed as follows:

	2015
Shares issued in the beginning of the period	150,000,000
Own shares effect	116,669
Average number of shares during the period	149,883,331

As at 31 December 2015, the number of own shares held by the Company is 200,177, and its average number for the year ended 31 December 2015 is 116,669, reflecting the fact that the acquisition of own shares occurred in June 2015.

23 PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

During the years ended 31 December 2015 and 31 December 2014, the Provisions constituted by the Company showed the following movements:

		2015				
		Opening balance	Increases	Reversals	Uses	Closing balance
Non-current provisions						
Litigations		9,351,816	1,672,045	(2,523,272)	(1,600,929)	8,312,828
Other risks and charges		32,057,278	2,165,304	(1,560,798)	(2,836,141)	28,412,474
Investments in subsidiary companies		306,162	-	-	(306,162)	-
		<u>41,715,256</u>	<u>3,837,349</u>	<u>(4,084,070)</u>	<u>(4,743,232)</u>	<u>36,725,302</u>
		2014				
		Opening balance	Increases	Reversals	Uses	Closing balance
Non-current provisions						
Litigations		10,672,139	4,259,580	(3,905,765)	(3,099,948)	9,351,816
Other risks and charges		27,243,144	9,315,104	-	(2,657,208)	32,057,278
subtotal		<u>37,915,283</u>	<u>13,574,684</u>	<u>(3,905,765)</u>	<u>(5,757,156)</u>	<u>41,409,094</u>
Investments in subsidiary companies		-	306,162	-	-	306,162
		<u>37,915,283</u>	<u>13,880,846</u>	<u>(3,905,765)</u>	<u>(5,757,156)</u>	<u>41,715,256</u>

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

The provision for investments in subsidiary companies corresponds to the assumption by the Company of legal or constructive obligations regarding the subsidiary CORRE - Correio Expresso Moçambique, S.A..

The recognition of this provision is recorded against Expenses and losses in subsidiaries and associates. For this reason, the Provisions (increases / decreases) in the Corporate income statement of year ended 31 December 2014, relates only to the movements made in the provisions for Litigations and Other risks and charges.

The provisions for Other risks and charges includes mainly Labour contingencies, Onerous contracts and several other situations:

- Labour Contingencies

In the year ended 31 December 2015 and 31 December 2014, the provision to cover any contingencies related to employment litigation actions not included in the current court proceedings, and are related to differences in the basis of calculating holidays, holiday pay and Christmas bonus required by workers, amounts 12,991,795 Euros (14,404,906 Euros as at 31 December 2014).

- Onerous Contracts

In the year ended 31 December 2015, the provision to cover the estimated of the net present value of the expenditure associated with onerous contracts was increased by 1,184,082 Euros. This value was obtained from the update of the assumptions used in 2014, namely the discount rate.

As at 31 December 2015 the amount provided for contracts is 13,899,390 Euro (15,943,847 Euros in 31 December 2014).

- Other Provisions

As at 31 December 2015, in addition to the previously mentioned situations, the provision for Other risks and charges also included:

- the amount of 204,480 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 981,272 Euro which arises from the assessment made by the management regarding the possibility of tax contingencies.

The net amount between increases and reversals of provisions was recorded in the Corporate income statement under the headings Provisions, net was 246,722 Euros and (9,668,919) Euros in 2014).

Guarantees provided

As at 31 December 2015 and 31 December 2014, the Company had undertaken commitments relative to guarantees provided to third parties of 13,729,244 Euros and 113,776,878 Euros, respectively.

The details of these guarantees were as follows:

Description	2015	2014
Bank guarantees in favour of courts	172,867	170,723
Bank guarantees requested by companies in favour of third parties:		
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE-Sociedade Imobiliária, Lda	2,944,833	2,944,833
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Câmaras Municipais	183,677	154,677
Autoridade para as Condições de Trabalho(ACT)	59,395	67,638
Ana Aeroportos de Portugal, E.P.	34,000	34,000
Alfândega do Freixo	-	74,820
Secretaria Geral do Ministério da Administração Intern	-	16,000
Direção Geral do Tesouro e Finanças	16,867	-
SPMS - Serviços Partilhados Ministério da Saúde	30,180	30,180
Portugal Telecom, S.A.	16,657	16,657
Instituto Gestão Financeira Segurança Social	12,681	12,681
Promodois - Investimentos Imobiliários	6,273	-
Estradas de Portugal, E.P.	5,000	5,000
Águas de Coimbra	870	-
Instituto de Infra Estruturas Rodoviárias	-	3,725
IFADAP	1,746	1,746
	<u>13,729,244</u>	<u>13,776,878</u>

Guarantees for Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, from the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand were provided.

These guarantees have already been issued and amount to 12.6 million Euros.

Contingent liabilities

As at 31 December 2015, the Company does not have contingent liabilities.

Commitments

For the years ended 31 December 2015 and 31 December 2014, during the normal course of its activity, the Company assumed purchase commitments as follows:

Description	2015	2014
Purchase commitments to:		
Suppliers of intangible assets	93,780	-
Suppliers of tangible fixed assets	<u>602,778</u>	<u>430,553</u>
	<u>696,558</u>	<u>430,553</u>

The tangible fixed assets commitments relate to the acquisition of security equipment in the amount of 438.1 thousand Euros, acquisition of safes and security doors in the amount of 121.1 thousand Euros and acquisition of scales amounting 4.5 thousand Euros.

Regarding the intangible assets, the commitments regards the new version of CTT's app in the amount of 93.8 thousand Euros.

The Company assumed financial commitments (comfort letters) before Banco Bilbao Vizcaya Argentaria, S.A and regarding the subsidiary Tourline, SLU of 1,170,769 Euros, which are still active as at 31 December 2015.

As at 31 December 2015 the Company assumed commitments regarding the sponsoring of “Taça da Liga” (League Football Cup) in the amount of 1.5 million Euros.

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

24 OPERATING LEASES

As at 31 December 2015 and 31 December 2014, the Company maintained medium and long term liabilities in operating lease contracts of vehicles, with penalty clause in the case of cancellation. The total amount of the future payments of these operating leases is as follows:

	2015	2014
Due within 1 year	8,963,676	7,657,607
Due between 1 to 5 years	14,144,316	11,864,514
	<u>23,107,992</u>	<u>19,522,121</u>

During the years ended 31 December 2015 and 31 December 2014, the costs incurred with operating lease contracts of vehicles were 6,628,875 Euros and 6,258,419 Euros, respectively, and were recognised under Rents in the heading External supplies and services of the company income statement (Note 32).

The operating leases relates to leasing agreement of short duration, in which the lessor transfers the temporary use of the asset to a third party upon payment of an income or rental.

Lease payments are made monthly by equal amounts during the period of the lease agreement and the recognition of the rent is considered as an expense which will also be performed on a linear basis (straight-line basis).

There is no recognition of any leased asset, because the lease is a rental in substance and there is no evidence that demonstrate the lessee will obtain future economic benefits from the asset beyond the contract period.

The transfer of the legal ownership of the assets to the lessee at the end of the contract is not expected.

25 DEBT

As at 31 December 2015 and 31 December 2014, the heading Financing received was detailed as follows:

	2015	2014
Non-current liabilities		
Leasings	724,845	1,187,975
	<u>724,845</u>	<u>1,187,975</u>
Current liabilities		
Leasings	462,968	460,098
	<u>462,968</u>	<u>460,098</u>
	<u>1,187,813</u>	<u>1,648,073</u>

Leasings

As at 31 December 2015 and 31 December 2014, the Company's liabilities with leasing contracts presented the following plan of due dates:

	2015			2014		
	Principal	Interest	Total	Principal	Interest	Total
Due within 1 year	462,968	4,031	466,999	460,098	8,740	468,838
Due between 1 to 5 years	724,845	1,449	726,294	1,187,975	8,094	1,196,069
Total	1,187,813	5,480	1,193,293	1,648,073	16,833	1,664,906

As at 31 December 2015 and 31 December 2014, the Company has the following assets held under finance lease contracts:

	2015			2014		
	Gross Amount	Depreciation/accumulated impairment losses	Carrying value	Gross Amount	Depreciation/accumulated impairment losses	Carrying value
Land and natural resources	7,798,567	815,990	6,982,577	7,798,567	815,990	6,982,577
Buildings and other constructions	81,701	30,162	51,539	81,701	26,706	54,995
	7,880,268	846,152	7,034,116	7,880,268	842,696	7,037,572

The company is the lessee under a leasing contract signed with IMOLEASING – Sociedade de locação financeira imobiliária, S.A., regarding a property in the municipality of Maia (Porto) where the Sorting Centre is located. The type of the lease contracts determines their classification as a financial lease.

There are neither contingent rents payable nor the imposition of any restrictions. There is an option to buy for a residual value of approximately 6% of the contract's value.

26 EMPLOYEE BENEFITS

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

During the years ended 31 December 2015 and 31 December 2014, these liabilities presented the following movement:

	2015				
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	241,166,000	35,956,617	277,122,617	1,376,407	278,499,024
Movement of the period	(4,360,000)	(12,956,078)	(17,316,078)	1,610,685	(15,705,393)
Closing balance	236,806,000	23,000,540	259,806,540	2,987,092	262,793,632

	2014				
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	263,371,000	34,861,626	298,232,626	-	298,232,626
Movement of the period	(22,205,000)	1,094,991	(21,110,009)	1,376,407	(19,733,602)
Closing balance	241,166,000	35,956,617	277,122,617	1,376,407	278,499,024

The heading Other long-term benefits liabilities essentially refer to the Suspension of contracts, redeployment and release of employment programme.

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

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

	2015	2014
Equity (Other reserves)	2,987,092	1,376,407
Non-current liabilities	241,306,773	255,527,808
Current liabilities	18,499,767	21,594,809
	<u>262,793,632</u>	<u>278,499,024</u>

The costs related to employee benefits recognised in the corporate income statement and the amount recognised directly in Other changes in equity were as follows:

	2015	2014
Costs for the period		
Healthcare	9,942,000	(68,905,327)
Other long-term employee benefits	(7,104,436)	7,591,332
Other long-term benefits statutory bodies	1,610,685	1,376,407
	<u>4,448,249</u>	<u>(59,937,589)</u>
Other changes in equity		
Healthcare	114,181	(61,041,103)
	<u>114,181</u>	<u>(61,041,103)</u>

Healthcare

As mentioned in Note 3.15, CTT is responsible for financing the healthcare plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2015.

The main assumptions followed in the actuarial study were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries expected growth rate	2.25%	2.75%
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Health costs growth rate		
Inflation rate	1.50%	2.00%
Growth due to ageing	2.00%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Invalidity table	Swiss RE	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 financial position and with a duration equivalent to that of the liabilities with healthcare.

The maintenance of the discount rate of 2.50% is motivated by the analysis performed by the Company 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 is determined according to the salary policy defined by the Company.

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

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the 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 healthcare plan has been as follows:

	2015	2014	2013	2012	2011
Liabilities at the end of the period	<u>236,806,000</u>	<u>241,166,000</u>	<u>263,371,000</u>	<u>252,803,000</u>	<u>272,102,000</u>

For the years ended 31 December 2015 and 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	2015	2014
Opening balance	241,166,000	263,371,000
Service costs of the period	4,042,000	3,825,000
Interest costs of the period	5,900,000	10,268,000
Plan amendment	-	(82,998,327)
Pensioners contributions	5,113,703	3,607,690
Payment of benefits	(18,654,596)	(16,894,342)
Other costs	(646,926)	(1,054,123)
Actuarial (gains)/losses	(114,181)	61,041,103
Closing balance	<u>236,806,000</u>	<u>241,166,000</u>

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

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

For the years ended 31 December 2015 and 31 December 2014, the total costs related to healthcare were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 33)	3,395,074	(80,227,450)
Other operating costs	646,926	1,054,123
Interest expenses (Note 36)	5,900,000	10,268,000
Total costs for the period	9,942,000	(68,905,327)

The best estimate that Company has at this date for costs related to the healthcare plan, which it expects to recognise in the next year is 9,770 thousand Euro.

As at 31 December 2015, the actuarial (gains)/losses amounting to (114,181) Euros (61,041,103 Euros as at 31 December 2014) were recognised in equity under Other Changes in Equity, net of deferred taxes of 27,297 Euros (17,706,037 Euros as at 31 December 2014).

The sensitivity analysis performed for the healthcare plan, in the year ended 31 December 2015, leads to the following conclusions:

- iv. If there was an increase of 1 per cent in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 292,432 thousand Euros, increasing by approximately 23.5%.
- v. If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.7%, amounting to 255,040 thousand Euros.
- vi. The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of health care plan liability of about 5.5% amounting to a total of 249,883 thousand Euros.

Other long-term benefits

As mentioned in Note 3.15, in certain situations, the Company has liabilities with the payment of salaries in situation of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is conducted by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable.

As at 31 December 2015, the Company requested an actuarial study from an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of these liabilities were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries growth rate (Suspension of contracts)	2.25%	2.75%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability rate	Swiss RE	Swiss RE

For the determination of the Company's liabilities to employees in situations of Suspension of contracts, redeployment and release of employment, salary growth rates of 2.25% were considered for 2015 and following years. For the benefits Monthly life annuity and Pensions for work accidents the pensions growth rate was 1.50% since under an analysis performed to these benefits' historical data it was concluded that updates were normally associated with the upgrades of the Portuguese Harmonised Index of Consumer Prices (HICP). Regarding the remaining benefits, Telephone subscription fee and Support for termination of professional activity no growth rate was considered.

For the years ended 31 December 2015 and 31 December 2014, the movement of liabilities with other long-term employee benefits was as follows:

	2015	2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,641,312	19,433,462
Interest cost of the year	374,291	687,152
Liabilities relative to new beneficiaries	-	393,318
Curtailment	(4,782,194)	-
(Payment of benefits)	(5,029,195)	(5,585,363)
Actuarial (gains)/losses	(8,788)	2,712,744
Closing balance	8,195,426	17,641,312
Telephone subscription fee		
Opening balance	4,832,775	4,800,195
Interest cost of the year	114,854	178,544
Curtailment	-	-
(Payment of benefits)	(216,939)	(303,781)
Actuarial (gains)/losses	(212,420)	157,817
Closing balance	4,518,270	4,832,775
Pension for work accidents		
Opening balance	8,161,400	7,004,370
Interest cost of the year	198,665	271,647
(Payment of benefits)	(472,298)	(437,324)
Actuarial (gains)/losses	(1,024,176)	1,322,707
Closing balance	6,863,591	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the year	130,698	139,714
(Payment of benefits)	(97,925)	(112,271)
Actuarial (gains)/losses	(1,891,915)	1,710,168
Closing balance	3,423,253	5,282,395
Support for termination of professional activity		
Opening balance	38,735	78,815
Interest cost of the year	484	1,576
(Payment of benefits)	(35,285)	(57,602)
Actuarial (gains)/losses	(3,934)	15,946
Closing balance	-	38,735
Total closing balance	23,000,540	35,956,617

Following the renegotiation of the conditions related to workers in situations of Suspension of contracts, redeployment and release of employment, CTT recorded a liability reduction in the amount of 4,782,194 Euros.

As a result of the pensions growth rate's change applied to the benefits Monthly life annuity and Pensions for work accidents the related liability decreased significantly, which is reflected in results in the caption Staff costs.

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

As at 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit related to the Telephone subscription fee. Thus, from 1 January, 2014, the cash payment was replaced by a benefit in kind.

During the years ended 31 December 2015 and 31 December 2014, the composition of the costs related to other long-term benefits, recognised under the heading Staff costs and Interest and similar expenses, was as follows:

	2015	2014
Staff costs/employee benefits (Note 33)		
Suspension of contracts, redeployment and release of employment	(4,790,982)	3,106,062
Telephone subscription fee	(212,420)	157,817
Pension for work accidents	(1,024,176)	1,322,707
Monthly life annuity	(1,891,915)	1,710,168
Support for termination of professional activity	(3,934)	15,946
subtotal	<u>(7,923,428)</u>	<u>6,312,700</u>
Interest expenses (Note 36)	818,992	1,278,632
Total costs for the year	<u>(7,104,436)</u>	<u>7,591,332</u>

The best estimate that the Company has at this date for costs with other long-term benefits, which it expects to recognise in the next annual period is 529,495 Euros.

The sensitivity analysis performed on 31 December 2015 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4.1%, increasing to 23,943 thousand Euros.

Other long-term benefits for the statutory bodies

CTT approved, with effect as from 31 December 2014, the Remuneration Regulations for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company shares (Note 3.16). The number of shares allocated to members of the Executive Board of CTT is based on the performance evaluation results during the period of the term of office, until 31 December 2016, which consists in the comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

The evaluation period of CTT TSR performance compared to peers is 1 January 2014 to 31 December 2016. The long-term variable remuneration is paid on 31 January 2017, by allocating shares of the Company subject to a positive TSR of the shares of the Company at the end of the evaluation period,

according to a maximum number of shares defined in the regulation and corrected by maximum limits for each member of the Executive Committee.

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

Therefore, as at 31 December 2015 CTT recorded a cost of 1,610,685 Euro corresponding to the period from 1 January 2015 to 31 December 2015, booked against Other reserves.

27 ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2014 and 31 December 2013, the heading Accounts payable and Other accounts payable showed the following composition:

Accounts payable

As at 31 December 2015 and 31 December 2014, the aging of the Accounts payable balance was as follows:

	2015				2014			
	Group companies	Third parties	Postal operators	Total	Group companies	Third parties	Postal operators	Total
Accounts payable, current account:								
Non-overdue	1,401,483	9,791,689	5,542,514	16,735,686	2,244,955	5,006,201	3,213,302	10,464,458
0-30 days	4,779	4,777,364	-	4,782,144	1,949	6,983,769	-	6,985,718
30-90 days	-	5,248,751	6,508,123	11,756,875	-	4,171,490	3,926,838	8,098,329
90-180 days	-	313,425	850,645	1,164,070	52	16,888	2,149,887	2,166,827
180-360 days	-	108,113	7,695,154	7,803,267	-	-	7,295,339	7,295,339
> 360 days ⁽¹⁾	-	-	16,026,493	16,026,493	-	13,140	21,335,993	21,349,133
	<u>1,406,263</u>	<u>20,239,343</u>	<u>36,622,929</u>	<u>58,268,535</u>	<u>2,246,956</u>	<u>16,191,489</u>	<u>37,921,359</u>	<u>56,359,804</u>
Accounts payable, invoices pending confirmation	46,878	6,572,433	-	6,619,311	-	10,485,764	-	10,485,764
	<u>1,453,141</u>	<u>26,811,776</u>	<u>36,622,929</u>	<u>64,887,846</u>	<u>2,246,956</u>	<u>26,677,253</u>	<u>37,921,359</u>	<u>66,845,568</u>

- (1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The current amount of accounts payable overdue over 360 days is as follows:

	2015	2014
National accounts payable	-	13,140
Foreign operators	16,026,493	21,335,993
Total	16,026,493	21,349,133
Foreign operators - receivables (Note 15)	(16,037,004)	(22,120,910)

The balances between Postal Operators are cleared by netting accounts. These amounts are related to the accounts receivable balances related to these entities (Note 15).

Other accounts payable

As at 31 December 2015 and 31 December 2014, the details of Other accounts payable were as follows:

	2015	2014
Current		
Advances from customers	3,027,486	2,980,402
Fixed assets suppliers		
Group companies	-	107,108
Third parties	10,166,448	7,233,244
Accruals		
Remunerations payable	39,055,397	40,623,915
Social contributions	6,558,617	6,553,315
Other	26,166,117	13,905,534
Centro Nacional de Pensões (CNP)	218,478,956	200,879,441
Other creditors		
Taxes	17,451,196	15,534,153
Money orders	17,967,883	17,326,284
Postal savings certificates	69,797,336	154,941,101
Cash-on-delivery services	5,934,466	8,110,817
Group companies	1,557,321	1,393,236
Other	11,692,839	9,100,258
	<u>427,854,060</u>	<u>478,688,808</u>

The increase in the heading Accruals - Other mainly regards the increase of the accrued costs following a transitory process adaptation situation by the new supplier of the Healthcare Plan management.

The increase in the caption Fixed assets suppliers is directly related to the investment in basic equipment, with particular emphasis in the acquisition of vehicles and office equipment.

The heading "Centro Nacional de Pensões" (CNP) refers to values received from the National Pensions Centre, whose payment date to the corresponding pensioners must occur in the month after the closing of the year.

The high amount in the caption Postal savings certificates as at 31 December 2014 is largely explained by the significant volume of subscription of savings/treasury certificates occurred in December 2014.

28 TAXES PAYABLE

As at 31 December 2015 and 31 December 2014, the heading Taxes Payable presented the following composition:

	2015	2014
Current assets		
Value added tax	2,502,186	-
	<u>2,502,186</u>	<u>-</u>
Current liabilities		
Corporate income tax	7,923,944	6,171,287
Personal income tax withholding	3,074,365	3,196,872
Value added tax	-	2,801,638
Social Security contributions	4,710,392	4,695,884
Caixa Geral de Aposentações	776,789	860,878
Local Authority taxes	515,275	521,000
Other taxes	577	20
	<u>17,001,342</u>	<u>18,247,579</u>

The current liabilities relative to corporate income tax was calculated as follows:

	2015	2014
Estimated income tax (Note 38)	24,882,795	19,846,209
Estimated Group companies' income tax	3,568,585	4,974,953
Payments on account	(19,332,653)	(16,127,982)
Withholding taxes	(1,194,783)	(2,521,893)
	<u>7,923,944</u>	<u>6,171,287</u>

29 SUBSIDIES OBTAINED

As at 31 December 2015, the information regarding community subsidies (Note 3.17) was as follows:

Subsidy	2015						
	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used	Deferred tax adjustment	Net value to be used
FEDER	9,815,622	9,662,306	153,316	9,465,126	350,496	99,401	251,095
IEFP	70,864	70,864	-	70,864	-	-	-
	<u>9,886,486</u>	<u>9,733,170</u>	<u>153,316</u>	<u>9,535,991</u>	<u>350,496</u>	<u>99,401</u>	<u>251,095</u>

The amounts received from investment subsidies – FEDER – initially recognised in equity (Note 20), were transferred to the Corporate income statement, under the heading Other operating revenues, as the subsidised assets were amortised (Note 31).

The financial contribution of the Institute of Employment and Professional Training ("Instituto do Emprego e da Formação Profissional, I.P." – "IEFP"), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 16) and transferred to the Corporate income statement in the Operational Grants heading, to the extent that the expenses were recognised. During the years ended 31 December 2015 and 31 December 2014, the amounts of 8,119 Euros and 62,745 Euros, respectively, were recognised in the caption Operational Grants of the Corporate income statement.

30 SALES AND SERVICES RENDERED

For the years ended 31 December 2015 and 31 December 2014, the significant categories of the Company's revenue were as follows:

	2015	2014
Sales	22,892,730	21,606,200
Mail services rendered	461,183,181	456,798,816
Postal financial services	54,725,404	54,235,474
Electronic vehicle identification devices	6,054,633	5,381,947
Telecommunication services	1,283,540	2,217,736
Other services	4,839,931	4,620,514
	<u>550,979,418</u>	<u>544,860,686</u>

Other services fundamentally concern:

	2015	2014
Photocopies Certification	253,102	250,954
Reg. Aut. Madeira transport allowance	565,383	442,753
Others Philately	230,555	342,801
Costums presentation tax	784,426	704,685
Corfax	229,965	311,302
Non-addressed mail	262,800	248,119
Portugal Telecom services	165,762	202,171
Digital mailroom	330,015	285,418
Other services	2,017,925	1,832,310
	<u>4,839,931</u>	<u>4,620,514</u>

31 OTHER OPERATING REVENUES

During the years ended 31 December 2015 and 31 December 2014, the composition of Other operating revenues was as follows:

	2015	2014
Amortisation of fixed assets subsidies (Notes 20 and 29)	11,201	11,201
Supplementary revenues	39,031,801	33,066,143
Prompt-payment discounts obtained	47,120	34,322
Gains in inventories	9,220	25,636
Sale of tangible fixed assets	1,728,185	2,110,446
Favourable exchange rate differences of assets and liabilities different from financing	1,654,988	1,756,540
Revenue from non-financial investments	325,155	412,838
VAT adjustments	6,409,103	77,136
Interest from deposits in credit institutions	1,912,543	6,287,495
Other interest and similar income	1,775	99,956
Other	167,311	3,396,618
	<u>51,298,403</u>	<u>47,278,332</u>

According to clarification 26 of the Commission of Accounting Standards of May/2012, Interest and similar income that do not directly derive from the entity's funding shall affect the operating profit (before financing costs and taxes).

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

The caption Supplementary revenues fundamentally concerns:

	2015	2014
Royalties	500,000	500,000
Services rendered to subsidiary companies	30,656,478	27,787,754
Rental of spaces in urban buildings	2,706,780	2,833,657
Altice agreement	3,611,111	-
Other	1,557,432	1,944,733
	<u>39,031,801</u>	<u>33,066,143</u>

Following the Memorandum of understanding signed with Altice and being the acquisition of PT Portugal completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the Corporate income statement over the exclusive period for the negotiation of the partnerships.

32 EXTERNAL SUPPLIES AND SERVICES

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading External supplies and services was as follows:

		2015	2014
Specialised services			
IT services	(i)	9,375,013	22,762,277
Group company services		8,630,861	10,211,503
Maintenance and repair	(ii)	13,534,616	13,119,959
Publicity and Advertising		3,665,144	2,726,283
Surveillance and security		2,292,751	2,263,119
Consulting		7,883,390	6,045,478
Other specialised services		6,968,121	6,491,784
Materials		1,735,039	1,549,879
Energy	(iii)	12,641,773	12,864,043
Travel and hotels		860,853	671,132
Staff transportation		219,697	231,761
Transportation of goods	(iv)	11,732,952	11,872,433
Sundry services			
Rents			
Vehicle operational lease (Note 24)		6,628,875	6,258,419
Other rental charge	(v)	21,523,538	20,856,793
Communication		1,619,372	2,758,211
Other services		43,700,115	40,494,814
		<u>153,012,109</u>	<u>161,177,888</u>

- (i) IT services refer in particular to the outsourcing contracts for rendering the mentioned services;
- (ii) Maintenance and repair concern to the maintenance of IT equipment;
- (iii) Energy refer fundamentally to diesel for goods vehicles used in the operating process;
- (iv) Transportation of goods refer to costs with the transportation of mail in several ways (sea, air, surface);
- (v) Other rental charge mainly refer to costs with facilities leased from third-parties.

The breakdown of Other services is as follows:

	2015	2014
Litigation and notary	230,863	264,960
Uniforms	931,462	1,663,813
Insurance	2,198,994	2,182,369
Remuneration to postal agencies	4,519,705	4,496,988
Cleaning, hygiene and comfort	3,617,475	3,432,430
Services for Group companies	4,469,501	3,713,348
Delivery subcontracting	5,504,638	4,940,226
Postal operators	17,012,078	16,482,219
Other	5,215,399	3,318,460
	<u>43,700,115</u>	<u>40,494,814</u>

33 STAFF COSTS

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading Staff Costs was as follows:

	2015	2014
Statutory bodies' remuneration (Note 6)	3,708,714	3,672,830
Staff remuneration	234,037,367	232,616,906
Employee benefits (Note 26)		
Healthcare	3,395,073	(80,227,450)
Other benefits	(7,923,428)	6,312,700
Defined contribution plan RSP	188,500	144,517
Long-term variable remuneration - Share Plan	1,610,685	1,376,407
Indemnities	4,030,742	2,147,960
Social Security charges	50,259,929	49,203,496
Occupational accidents and health insurance	1,958,618	1,492,249
Social welfare costs	6,069,367	10,020,331
	<u>297,335,567</u>	<u>226,759,945</u>

Remuneration of the Board of Directors

During the years ended 31 December 2015 and 31 December 2014, the fixed and variable remunerations attributed to the members of the Board of Directors of the Company were as follows:

	2015	2014
Board of Directors		
Fixed remuneration	2,087,398	2,003,280
Annual variable remuneration	1,373,129	1,427,228
Defined contribution plan RSP	188,500	144,517
Long term variable remuneration - Share Plan	1,610,685	1,376,407
	<u>5,259,712</u>	<u>4,951,432</u>

As a result of the company's privatisation process the Board Members are no longer subject to the remuneration limitations established for public managers. Bearing in mind the new reality of CTT as an entity of private capital and admitted to trading on a regulated market, the Remuneration Committee (elected by the General Meeting on 24 March 2014 and composed of independent members) defined the new remuneration model for the statutory bodies which followed a benchmark study performed by a specialised firm and is already considered under the caption Statutory bodies' remuneration.

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office in company shares, and the amount of 1,610,685 Euros corresponds to the expense to be recognised in the period between 1 January 2015 and 31 December 2015 and was determined by an actuarial study performed by an independent entity. The annual variable remuneration will be determined and paid on an annual basis and was also defined by an actuarial study performed by an independent entity.

Staff remuneration

The variation in this heading is mainly a result of the update of the fixed salaries of 2% following the new Company Agreement that became effective on 1 January 2015.

Employee benefits

The variation in the caption Employee benefits reflects mainly the liability reduction related to workers in a situation of Suspension of contracts, redeployment and release of employment recorded in the year ended 31 December 2015 as well as the liability reduction related to the benefits Pension for work accidents and Monthly life annuity due to the update of the salaries' growth rate.

Indemnities

In the year ended 31 December 2015 this caption includes the amount of 2,805,544 Euros related to compensations paid for termination of employment contracts by mutual agreement.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the company with the active workers, as well as expenses related to Health and Safety at work. The decrease in this caption results from changes that took place in CTT's Healthcare Plan following the revised Regulation of the Social Works (RSW), according to which the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments. As at 31 December 2015 and 31 December 2014, this heading include the amounts of 3,204,441 Euros and 5,770,804 Euros, respectively, regarding the health costs active workers.

During the years ended 31 December 2015 and 31 December 2014 the heading Staff costs includes the amounts of 807,237 Euros and 828,060 Euros, respectively, related to expenses with workers' representative bodies.

During the years ended 31 December 2015 and 31 December 2014, the average number of staff of the Company was, respectively, 10,908 and 10,904 employees.

34 DEPRECIATION, AMORTISATION AND IMPAIRMENT

During the years ended 31 December 2015 and 31 December 2014, the detail of Depreciation and amortisation, net was as follows:

	2015	2014
Tangible fixed assets (Note 7)	15,929,702	15,333,819
Investment properties (Note 8)	752,365	764,567
Intangible assets (Note 10)	3,050,326	2,296,744
	<u>19,732,394</u>	<u>18,395,130</u>

Regarding the detail of Impairment of depreciable/amortisable assets, net during the years ended 31 December 2015 and 31 December 2014, it was as follows:

	2015	2014
Tangible fixed assets (Note 7)	(123,714)	2,530
Investment properties (Note 8)	(167,403)	(156,480)
	<u>(291,117)</u>	<u>(153,950)</u>

35 OTHER OPERATIONS COSTS

During the years ended 31 December 2015 and 31 December 2014, the breakdown of Other operating costs was as follows:

	2015	2014
Taxes and fees	1,682,678	1,451,763
Bad debts	11,025	416,881
Write-offs of tangible fixed assets	23,391	20,497
Losses in inventories	463,217	365,836
Concession rent	-	11,287
Unfavourable exchange rate differences of assets and liabilities different from financing	1,711,387	1,843,815
Donations	908,366	1,038,686
Subscriptions	754,109	709,824
Alienations	320,597	369,696
Indemnities	346,599	467,421
Banking services	953,814	829,103
Interest on arrears	67,698	14,651
Other costs	1,086,056	860,007
	<u>8,328,937</u>	<u>8,399,468</u>

36 INTEREST EXPENSES AND INTEREST INCOME

During the years ended 31 December 2015 and 31 December 2014, the heading Interest income was detailed as follows:

	2015	2014
Interest income		
Loans to Group companies	283,466	519,287
	<u>283,466</u>	<u>519,287</u>

During the years ended 31 December 2014 and 31 December 2013, the caption Interest expenses was detailed as follows:

	2015	2014
Interest expenses		
Bank overdrafts	5,749	14,595
Financial leases	8,084	14,491
Other interest	19,285	53,584
Interest expenses from employee benefits (Note 26)	6,718,992	11,546,632
Other interest expenses	22,594	-
	<u>6,774,705</u>	<u>11,629,302</u>

37 EXCHANGE RATE EFFECTS

During the years ended 31 December 2015 and 31 December 2014, the Company recognised the following exchange rate differences:

	2015	2014
Favourable exchange rate		
Operating activity		
Other income (Note 31)	1,654,988	1,756,540
	<u>1,654,988</u>	<u>1,756,540</u>
Unfavourable exchange rate		
Operating activity		
Other costs (Note 35)	1,711,387	1,843,815
	<u>1,711,387</u>	<u>1,843,815</u>

38 INCOME TAX FOR THE PERIOD

The company is subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and 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.

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

Reconciliation of the income tax rate

During the years ended 31 December 2015 and 31 December 2014, the reconciliation between the amount arising from the application of the nominal income tax rate to earnings before taxes and the cost of income tax was as follows:

	2015	2014
Earnings before taxes	<u>100,813,654</u>	<u>124,302,361</u>
Nominal income tax rate	21.0%	23.0%
Expected tax income	<u>21,170,867</u>	<u>28,589,543</u>
Permanent differences		
Tax benefits	(190,773)	(225,536)
Accounting capital gains	21,899	(51,010)
Tax capital gains	(396,402)	(291,684)
Equity method	879,222	4,294,696
Provisions not considered in the calculation of deferred taxes	19,167	13,633
Impairment losses and reversals	(23,754)	(33,123)
Other situations, net	(339,381)	354,219
Autonomous taxation	1,571,866	543,060
Municipal Surcharge	1,189,739	961,817
State Surcharge	4,657,116	3,593,478
Extraordinary investment tax credit	-	-
Impact of the change in income tax rate (deferred tax)	(574,330)	4,303,929
Excess estimated and refunded income tax	(121,616)	(131,507)
Other effects, net	884,751	5,209,718
Income taxes for the period	<u>28,748,371</u>	<u>47,131,233</u>
Effective income tax rate	28.52%	37.92%
Income taxes for the period		
Current tax	24,882,794	19,846,209
Deferred tax	3,987,193	27,416,531
Excess estimated income tax	(121,616)	(131,507)
	<u>28,748,371</u>	<u>47,131,233</u>

Deferred taxes

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

	2015	2014
Deferred tax assets		
Employee benefits - healthcare	67,158,181	67,864,112
Employee benefits - other long-term benefits	6,522,953	10,118,192
Deferred accounting capital gains	1,723,242	2,384,961
Impairment losses and provisions	8,280,788	9,295,624
Impairment losses in tangible fixed assets	405,373	497,237
Stock purchase plan	847,140	387,321
Land and buildings	1,392,924	-
	<u>86,330,601</u>	<u>90,547,447</u>
	2015	2014
Deferred tax liabilities		
Revaluation reserves	3,562,520	3,793,815
Suspended capital gains	971,679	994,953
Fixed assets subsidies	99,401	101,782
	<u>4,633,600</u>	<u>4,890,550</u>

During the years ended 31 December 2015 and 31 December 2014, the movement occurred under the deferred tax headings was as follows:

	2015	2014
Deferred tax assets		
Opening balance	90,547,447	100,849,449
Movements of the period - effect on net profit		
Employee benefits - healthcare	(733,228)	(28,063,112)
Employee benefits - other long-term benefits	(3,595,239)	(234,885)
Impairment losses and provisions	(1,014,836)	799,499
Impairment losses in tangible fixed assets	(91,864)	44,378
Deferred accounting capital gains	(661,719)	(844,727)
Adjustments new GAAP - derecognition of inventories	-	(77,821)
Adjustments new GAAP - value deducted from staff debts	-	(18,692)
Stock purchase plan	459,819	387,321
Land and buildings	1,392,924	-
Movements of the period - effect on equity		
Employee benefits - healthcare	27,297	17,706,037
Closing balance	<u>86,330,601</u>	<u>90,547,447</u>
	2015	2014
Deferred tax liabilities		
Opening balance	4,890,550	5,482,058
Movements of the period		
Revaluation reserves	(231,295)	(495,037)
Suspended capital gains	(23,274)	(87,502)
Fixed assets subsidies	(2,381)	(8,969)
Closing balance	<u>4,633,600</u>	<u>4,890,550</u>

As at 31 December 2015, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 4,417,224 Euros and 256,950 Euros, respectively.

The sensitivity analysis performed allow to the conclusion that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the year of about 2.6 million Euro.

SIFIDE

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

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

Regarding the expenses incurred with R&D during 2014, of 736,033 Euros, the Company had the possibility of benefiting from a tax deduction in income tax estimated at 514,753 Euros. According to the notification dated 18 January 2016 of the Certification Commission it was attributed to CTT a tax credit of 268,898 Euros.

For the year ended 31 December 2015, the expenses incurred with R&D, of 1,437,765 Euros, the Company would have the possibility of benefiting from a tax deduction in income tax estimated at 996,844 Euros.

Other information

Pursuant to the legislation in force, income tax returns are subject to review and correction by the tax administration for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or objections are underway, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Company's income tax returns from 2012 (remain open and inclusive) may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authority of these income tax returns will not have a significant effect on the financial statements.

39 FEES AND SERVICES OF THE AUDITORS

The information concerning the fees and services provided by the Company's external auditors is detailed in items 46 and 47 of the corporate governance report.

40 INFORMATION ON ENVIRONMENTAL MATTERS

The environment is one of the relevant topic identified in the course of materiality and CTT's stakeholder mapping and integrate a Sustainability strategy of the Company, in a perspective of risks and opportunities management. This approach and the related commitments assumed are expressed in statements and in CTT's management standards, as showed in the Environment Policy, Policy of Energy, Carbon and Climate Change Management, Responsible Purchasing

Policies and Code of Conduct (intern) or *Business&Biodiversity, Caring for Climate* from United Nations and COP 21 Principals (external).

CTT actively interferes in a wide range of environmental descriptors such as the energy efficiency, carbon and climate change management, certified environmental management systems, sustainable mobility and alternative fleets, biodiversity, waste management, responsible purchases or sustainable marketing, having been recognised with awards, both national and international. The campaigns carried out and achievements are deeply developed in the "Sustainability Report of CTT".

In order to ensure the coverage of environmental liabilities arising from the Decree-Law no. 147/2008 of 29 July (Law of Environmental Responsibility), as amended by Decree-Law no. 245/2009 of 22 September, by Decree-Law no. 29A/2011 of 1 March and Decree-Law no. 60/2012 of 14 March, which establish the legal regime of liability for environmental damage, CTT took out an insurance to cover civil liability in the amount of 1,000,000 Euros per sinister and ensured period.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

41 PROVISION OF INSURANCE MEDIATION SERVICE

In accordance to the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the Company discloses the relevant information regarding the activity of insurance mediation according to article 4 of the above mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue

The insurance agent recognises revenue in accordance with the rules in force, i.e. when the mediator closes accounts with the Insurance companies. The issuance and repayment insurance are recorded on each Post Office accounting document and allocated to the respective account, according to the respective nature.

b) Indication of total revenue received disaggregated by nature

By nature	2015	2014
In cash	3,542,063	2,042,531
In kind		
	3,542,063	2,042,531

By type	2015	2014
Commissions	3,542,063	2,042,531
Fees		
Other remuneration		
	3,542,063	2,042,531

c) Indication of total revenues relating to insurance contracts intermediated by itself disaggregated Branch Life and Non-Life

By entity	2015	
	Branch Life	Branch Non-Life
Insurance companies	3,296,455	245,608
Other mediators		
Customers (other)		
	3,296,455	245,608

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal greater than 25% of total remuneration earned by the portfolio

By entity	2015	2014
Insurance companies		
FIDELIDADE	90.05%	80.53%
Other mediators		
Customers (other)		

e) Values of customers' accounts, at the beginning and end of the year, as well as the volume handled in the year applicable to insurance intermediaries that handle funds related to insurance contracts

Accounts 'Customers'	2015	2014
Open balance	-	-
Closing balance	-	-
Volume handled		
Debt	289,194,305	513,739,965
Credit	87,855,030	204,059,254

f) Accounts receivable and payable broken down by source

By entity	Accounts receivable		Accounts payable	
	2015	2014	2015	2014
Policyholders, insureds or beneficiaries				
Insurance companies	334,004	8,062,535	51,355	47,009
Reinsurance undertakings				
Other mediators				
Customers (other)				
	334,004	8,062,535	51,355	47,009

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Accounts receivable		Accounts payable	
	2015	2014	2015	2014
Funds received in order to be transferred to insurance companies for payment of insurance premiums	87,855,030	204,059,254	84,479,529	195,042,406
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums				
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	285,915,932	501,015,634	289,194,305	513,739,965
Remuneration in respect of insurance premiums already collected and to be collected				
Other mediators				
Total	373,770,961	705,074,888	373,673,834	708,782,371

Note: The remaining paragraphs of the standard do not apply.

42 OTHER INFORMATION

Postal Bank

The year 2015 allows the monitoring and update the results of several market studies carried out by CTT and also allowed several visits to postal banks in Europe, having developed an in-depth knowledge of international postal banking models and strategies in terms of offer and growth processes.

Simultaneously, and throughout the year 2015, the market and the behaviour of the main indicators was continuously monitored and the Bank's strategy was being updated in line with the requirements and surrounding context, leading to a gradual adjustment of the economic and financial model.

The project and its strategic framework were reiterated and presented to investors/shareholders of CTT in the Capital Markets Day, held on 19 November, where it was possible to detail the value offer, positioning and some of the indicators.

Banco CTT is a banking project that is positioned in the mass market/retail with strong gains in solid balance sheet, in simplicity and proximity, leveraging the existing resources structure.

After the submission of the process which supported the Special Registry with the Bank of Portugal, in early July, and following the interactions with the regulator, it was possible to safeguard all the requirements set by the Bank of Portugal, and in October 2015 Banco CTT was authorized to complete its special registration process, and start the implementation of the applicable regulatory requirements, particularly regarding anti-money laundering and terrorist financing policies.

Banco CTT initiated its activity on 27 November, by opening the head agency in a soft opening, which allowed systems, processes and banking practices to be tested in a controlled environment before opening to the general public, scheduled for the first quarter of 2016.

Memorandum of understanding with Altice Portugal, S.A.

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

Upon the acquisition of PT Portugal by Altice, CTT has already received, in June 2015, the initial payment, established by contract.

During the second semester, several interactions have been developed regarding the definition of the specific business partnerships which should generate value for both companies, in particular the joint optimisation of the retail networks, taking advantage of the scale and capillarity of the CTT Retail Network, and the development of joint ventures in the area of e-commerce, physical-digital convergence as well as the value creation within the Financial Services of CTT and Banco CTT. However, due to MEO's priorities following the acquisition, no specific partnership has yet been materialised.

Escrita Inteligente, S.A.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online". The solution in question allows electronic invoicing, permitting retailers and other entities, to eliminate the traditional paper printing through a digital version with equal legal value, and consumers to have a platform to gather their expenses (useful for personal income tax purposes).

43 SUBSEQUENT EVENTS

Postal services prices update

CTT – Correios de Portugal, S.A. updated the prices with effect from 1 February 2016 onwards. These updated prices correspond to an average increase of 1.3% of the basket of letter mail, editorial mail and parcels services (which does not cover the universal service offer to bulk mailers who benefit from the special price scheme).

The new prices were defined in accordance with the Criteria for the Formulation of the Universal Service Prices laid down by ICP-Autoridade Nacional de Comunicações, the regulator of the communications sector (ANACOM) under article 14(3) of Law no. 17/2012, of 26 April, amended by Decree-Law no. 160/2013, of 19 November.

In accordance with the pricing policy of the company for 2016, the current update corresponds to an average annual price variation of 1.1%, which also takes into account the updated prices of reserved services (summons and postal notifications) and of the bulk mail.

Following the pricing policy for the year 2016, CTT, as the universal service provider, will provide an offer for the access to the universal service network by other operators, pursuant to article 38 of the Postal Law (Law No. 17/2012 of 26 April).

Banco CTT – General public opening

The opening of Banco CTT to the general public will occur on 18 March 2016, through the opening of Banco CTT branches in 52 CTT post offices, ensuring the bank's presence in all the country's districts including the islands of Madeira and the Azores. Being a natural evolution of the Financial Services segment, the opening of the bank will be initiated in CTT's post offices that have the greatest potential in this business area.

The activity of Banco CTT in these post offices will be developed according to two distinct models: dedicated spaces in almost all the post offices concerned, and dedicated counters, allowing for a clear identification and communication of the presence and enhancing the start of the banking activity.

Adequacy of the Express & Parcels business unit corporate structure

Following the analysis of Tourline's ongoing restructuring process results and of the decision to integrate the Express & Parcels network in the mail network, the most suitable corporate structure to meet the proposed strategic goals was analysed.

The integration strategy of the operations in Iberia has proven to be difficult to apply due to the different operational models and was therefore rejected in favour of the network integration in Portugal given the evident synergies and economies of scale observed. In this sense, on 15 March 2016 the Board of Directors approved the acquisition, by CTT, of the participation in Tourline from CTT Expresso.

The financial statements for the year ended 31 December 2015 were approved by the Board of Directors of the Company and authorised for issue on 15 March 2016. However, they are still subject to the approval of the General Meeting of Shareholders under the terms of the commercial legislation in force in Portugal.

PART III – AUDIT REPORT AND REPORT OF THE SUPERVISORY BODY

AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version)

In case of doubt or misinterpretation the Portuguese version will prevail)

INTRODUCTION

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Management report and in the accompanying consolidated financial statements of **CTT – Correios de Portugal, S.A.**, which comprise the consolidated statement of financial position as at 31 December 2015 (showing total assets of 1,119,472,208 Euros and shareholders' equity of CTT of 251,834,754 Euros, including non-controlling interests of 175,322 Euros and a net profit for the year attributable to equity holders of CTT of 72,065,283 Euros), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the corresponding notes.

RESPONSIBILITIES

- 2 The Board of Directors is responsible for:
 - a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") that present fairly the consolidated financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;
 - b) the historical financial information that is prepared in accordance with IFRS is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.
- 3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

SCOPE

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (‘Ordem dos Revisores Oficiais de Contas’), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
- **verification that the financial statements of the companies included in the consolidation have been properly audited and in those significant cases in which they were not, verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;**
 - **verification of the consolidation procedures and of the application of the equity method;**
 - **evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;**
 - **assessment of the applicability of the going concern principle;**
 - **assessment of the appropriateness of the overall presentation of the consolidated financial statements; and**
 - **assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.**
- 5 Our audit also included the verification that the consolidated financial information included in the Management report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code (“Código das Sociedades Comerciais ”).
- 6 We believe that our audit provides a reasonable basis for our opinion.

OPINION

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **CTT – Correios de Portugal, S.A.**, as at 31 December 2015, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

REPORT ON OTHER LEGAL REQUIREMENTS

- 8 It is also our opinion that the consolidated financial information included in the Management report is consistent with the consolidated financial statements and that the Corporate Governance Report includes the information required by article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 15 March 2016

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Maria Cristina Santos Ferreira (ROC n.º 1010)

AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version

In case of doubt or misinterpretation the Portuguese version will prevail)

INTRODUCTION

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Management report and in the accompanying financial statements of **CTT – Correios de Portugal, S.A.**, which comprise the balance sheet as at 31 December 2015 (showing total assets of 1,080,837,822 Euros and shareholders' equity of 251,911,067 Euros, including a net profit of 72,065,283 Euros), the income statement, the statement of changes in equity and the statement of cash flows for the year then ended and the corresponding notes.

RESPONSIBILITIES

- 2 The Board of Directors is responsible for:
 - a) the preparation of the financial statements in accordance with generally accepted accounting principles in Portugal, that present fairly the financial position of the entity, the results of its operations, the changes in equity and the cash flows;
 - b) the historical financial information that is prepared in accordance with generally accepted accounting principles in Portugal is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of the company, its financial position or results.
- 3 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

SCOPE

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (‘Ordem dos Revisores Oficiais de Contas’), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly, our audit included:
- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the appropriateness of the overall presentation of the financial statements; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the financial information included in the Management report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code (“Código das Sociedades Comerciais”).
- 6 We believe that our audit provides a reasonable basis for our opinion.

OPINION

- 7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **CTT – Correios de Portugal, S.A.**, as at 31 December 2015, the results of its operations, the changes in equity and the cash flows for the year then ended, in accordance with generally accepted accounting principles in Portugal, and the information contained therein is complete, true, current, clear, objective and lawful.

REPORT ON OTHER LEGAL REQUIREMENTS

- 8 It is also our opinion that the financial information included in the Management report is consistent with the financial statements and that the Corporate Governance Report includes the information required by article 245.º-A of the Portuguese Securities Market Code (‘CVM’).

Lisbon, 15 March 2016

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Maria Cristina Santos Ferreira (ROC n.º 1010)

AUDIT COMMITTEE

Report and Opinion on the 2015 Annual Report of Corporate and Consolidated Accounts

1. Introduction

In compliance with the provisions of Article 423-F, paragraph g) of the Commercial Companies Code, the Audit Committee ("AUC" or "Committee") of CTT–Correios de Portugal, S.A. ("CTT" or "Company") is hereby submitting its report on the supervisory activities and giving its opinion on the CTT 2015 Annual Report of Corporate and Consolidated Accounts as well as on the Proposal for the Application of Results for the financial year ended on 31 December 2015, both submitted by the Board of Directors.

2. Company Supervision

Within the framework of its duties as supervisory body of the business activity of CTT, the AUC has monitored CTT and its subsidiaries' main business management and evolution aspects during the 2015 financial year, particularly by:

- Monitoring compliance with the law, the regulations and the articles of association;
- Verifying that the accounting policies and the valuation criteria adopted lead to a correct assessment of the assets and results of CTT;
- Supervising the quality and integrity of the information in the Financial Statements.
- Supervising the efficiency of the management systems and risk management, internal and audit control

The AUC's supervisory activity was carried out namely through i) the participation of its members in the Board of Directors meetings, ii) the contacts with the Executive Committee, especially by attending the meetings of approval of accounts and reading the corresponding minutes, iii) the analysis of the operating and financial information provided, and also iv) other contacts deemed necessary and timely with Directors, especially the Chief Financial Officer, and other senior officers of the Company, particularly the Directors of Accounting & Treasury, Management Planning & Control and Audit & Quality.

The AUC met with the Statutory Auditor, who also acts as an External Auditor, to discuss the terms of their relationship and to monitor the issues raised during the work carried out throughout the 2015 financial year, as well as to analyse and assess their results.

With regard to the Statutory Auditor / External Auditor, the AUC: i) proposed to the CTT General Meeting of Shareholders held on 5 May 2015 the designation of KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A as Statutory Auditor of CTT for the three-year term of office of 2015/2017; ii) also carried out its duties, namely by analysing its activity, namely by reviewing its reports and monitoring its work of auditing and review of accounts and assessing its recommendations, and iii) appraised its independence and exemption.

Within this framework and with regard to the provision of additional services, the AUC analysed, appraised and gave its prior approval to the provision of services other than audit services or audit-related services rendered by the Statutory Auditor / External Auditor, which had a weight of 39% in the total amount of services contracted from it in this financial year. The 30% threshold was exceeded mainly due to: i) the quality and efficiency of the specific services provided by the Statutory Auditor / External Auditor, largely maximised by its knowledge of the subjects and to its experience and know-how of the history and the activity of the Company; ii) these advantages were particularly relevant as far as the accounting and tax procedures review for the creation of Banco CTT, given the tight timeline for the creation of this institution, fully held by CTT. On the other hand, the provision of such services was accompanied by adequately safeguarding the independence of the Statutory Auditor / External Auditor.

During the 2015 financial year, AUC paid particular attention the review of its Regulation as well as the regulation on the Provision of Services by the Statutory Auditor / External Auditor, which had amendments approved at the end of 2015, effective as of 1 January 2016 to make sure that these regulations were in accordance with the provisions of Law n.º 140/2015 of 7 September and Law n.º 148/2015 of 9 September regarding the new statutes of the Order of Statutory Auditors and the Legal Regime for Audit Supervision, respectively. At the end of the financial year of 2015, a proposal was also submitted to the Board of Directors to amend the Regulation for Appraisal and Control of Transactions with Related Parties and Prevention of Situations of Conflict of Interest, so that it might reflect a set of adjustments made to strengthen the respective implementation procedures in this field and clarify some of the respective concepts given the shareholder and company structure in force.

This Committee monitored the compliance with the Risk Management Policy and obtained from the respective department all the information needed, having checked the adequacy of the action taken to comply with the policies set by the Board of Directors.

The AUC also closely followed up the work of the Audit & Quality Department on internal audit and compliance issues by monitoring its annual activity plan for 2015, the conclusions of the reports on the work carried out, as well as the actions implemented by the Company as a result of the recommendations issued. The Committee monitored with special attention the preparation of the report on the prevention of money laundering and terrorism financing for the Bank of Portugal. The Committee gave a favourable opinion on the annual activity plan for 2016 and tried to ensure that the necessary resources for its continuation were available.

With reference to the period ended on 31 December 2015, AUC met with the Audit Committee of Banco CTT to analyse the topics with greater impact on the financial statements of CTT. It received and appraised the report and opinion on the Management Report and the Financial Statements of Banco CTT

With regard to accounting policies, the Audit Committee monitored the preparation of quarterly, half-yearly and annual financial information disclosed in accordance with legal provisions, focusing on the implementation of the accounting principles and standards in force, the definition of accounting policies, the elaboration of estimates, assessments and relevant disclosures.

The AUC gave its opinion on transactions between CTT and related parties that required the prior opinion of the Committee due to their relevance, and that were submitted to it by the Executive Committee.

The Audit Committee was not notified of any irregularities, communicated in any manner by shareholders, employees or other, as per CTT's internal whistleblowing regulations.

The AUC also ensured that the report on the 2015 Corporate Governance Report includes the data mentioned in article 245-A of the Portuguese Securities Code and in CMVM Regulation no. 4/2013, applicable to CTT.

In the course of its action, the AUC did not face any constraint or limitation worth noting.

3. Declaration of Conformity

Under the provisions of article 245, paragraph 1 of the Portuguese Securities Code, the members of the Audit Committee of CTT identified hereafter, in the framework of the duties they were assigned with, state that, to the best of their knowledge and based on the information they were provided with within the Audit Committee's scope, the information in the Management Report, the annual corporate and consolidated Statements of Accounts, the legal certification of corporate and consolidated accounts, and other Financial Statements required by law or regulation regarding the financial year ended on 31 December 2015:

- i. were prepared in accordance with the applicable accounting standards, giving a true and fair view of assets and liabilities, the financial situation and the results of CTT and the companies included in its consolidation perimeter; and
- ii. faithfully describes the business evolution, the performance and position of CTT and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties they are faced with.

4. Opinion on the 2015 Annual Report of Corporate and Consolidated Accounts

The AUC has reviewed the Management Report and the Corporate and Consolidated Financial Statements for the financial year ended on 31 December 2015, including the Balance Sheet, the Income Statements by nature, the Statement of Comprehensive Income (within the Consolidated Financial Statements), the Statement of Changes in Equity and the Cash Flow Statement, as well as its annex, all of which deserve its approval.

The Corporate Financial Statements were made in accordance with the accounting principles generally accepted in Portugal (specifically SNC) and the Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The AUC appraised the terms of the Legal Certification of Accounts and of the Audit Reports on the Corporate and Consolidated Financial Statements approved by the Board of Directors and issued on 15 March 2016 by KPMG & Associados–Sociedade de Revisores Oficiais de Contas, S.A., which express their favourable opinion on said Financial Statements, with no limitations or qualifications.

Given this mentioned data and the action carried out, as well as in compliance with the provisions of article 420, paragraphs 5 and 6 of the Commercial Companies Code, applicable

by reference to the provisions of article 423-F, paragraph 2 of same Code, the Audit Committee's opinion is that:

- The CTT Management Report and the Corporate and Consolidated Financial Statements regarding the financial year ended on 31 December 2015, as well as the Proposal for the Appropriation of Results in the Management Report are in accordance with the applicable accounting and legal rules and the Articles of Association;
- The Corporate Governance Report of the financial year ended on 31 December 2015 includes the data mentioned in article 245-A of the Portuguese Securities Code.

Accordingly, the Audit Committee recommends that the General Meeting of CTT approves the CTT Annual Report with the corporate and consolidated accounts, as well as the Proposal for the Appropriation of Results for the financial year ended on 31 December 2015.

Lisbon, 15 March 2016

The Audit Committee of CTT – Correios de Portugal, S.A.

António Sarmento Gomes Mota (Chairman)

Diogo José Paredes Leite de Campos (Member)

Nuno de Carvalho Fernandes Thomaz (Member)

PART IV – CORPORATE GOVERNANCE REPORT

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INTRODUCTION

The year of 2015 was a hallmark year for CTT as far as corporate governance is concerned. On the one hand, the Company witnessed the consolidation of its position in the market as a recently privatised Company, with a free float of 100% of its capital placed among institutional and private Shareholders. On the other hand, the procedures inherent to its recent status as issuer of shares traded in the regulated market ("Issuer") have stabilised.

In this regard, the Company has not only fully executed the governance model and practices adopted in previous financial years, it has fine-tuned some of the relevant instruments in this financial year, namely given the developments that took place in 2015.

Namely, CTT has enhanced those governance practices in the context of the creation of Banco CTT (under its special registration with the Bank of Portugal and the launch of operations, on 8 October and 27 November 2015, respectively). Special note is made to CTT's and its Subsidiaries' Code of Conduct, wherein their respective Mission, Vision and Values are reiterated and best conduct practices are adopted in line with the benchmark of the financial sector.

The Regulation for the Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest was also improved, in order to fine-tune the concepts and procedures set out therein.

In turn, due to regulatory developments concerning audits and statutory audits, CTT made amendments to the Regulations of the Audit Committee and the Regulation for the Provision of Services by the Statutory Auditor.

In this regard, in 2015 CTT continues to comply with a significant part of recommendations contained in the Corporate Governance Code of the Securities and Exchange Commission ("CMVM"), in the version published in July 2013 ("CMVM Recommendations" or "CMVM Code").

In this report, the Company carries out an assessment of its compliance with the CMVM Recommendations (comply or explain included in Part II), by reference to the report's model provided in Regulation no. 4/2013 of CMVM (corresponding especially to Part I).

PART I – INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND GOVERNANCE OF THE COMPANY

A. SHAREHOLDER STRUCTURE

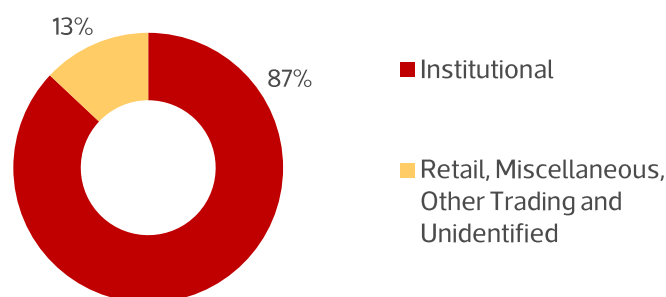
I. CAPITAL STRUCTURE

1. Capital structure

CTT's share capital is €75,000,000, fully subscribed and paid-up, and represented by 150,000,000 ordinary shares (with no different categories) registered, book entry, with a nominal value of €0.50 each, admitted to trading on the regulated market Euronext Lisbon.

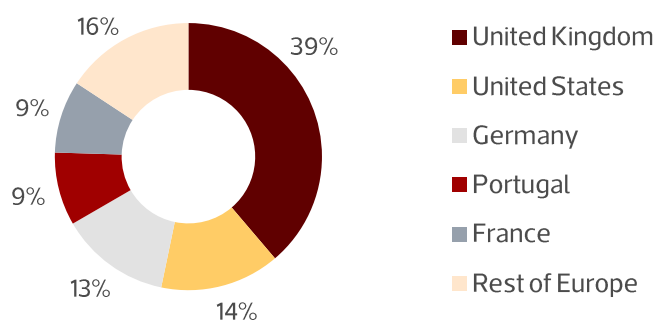
At the end of 2015, CTT conducted a study to profile its share capital structure. This study identified 181 institutional shareholders with a stake of approximately 87% of the Company's share capital.

CAPITAL STRUCTURE BY INVESTOR PROFILE



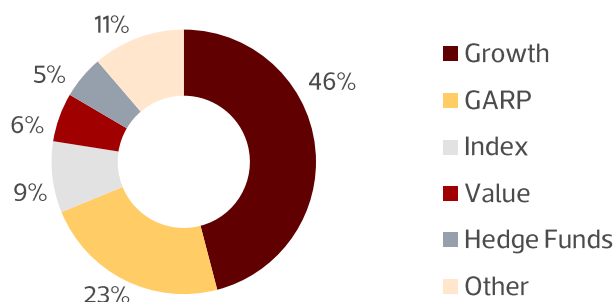
According to this study, investors based in the United Kingdom represented 39% of CTT shares held by identified institutional investors (47% in 2014), while institutional investors based in the United States and Germany held 14% and 13%, respectively (15% and 7% in 2014, respectively). The study also identified institutional investors based in Portugal that held 9% (6% in 2014) and in France, which held 9% (8% in 2014).

GEOGRAPHICAL DISTRIBUTION



The investors with a growth strategy represented 46% of the shares held by the identified institutional investors (vs. 42% in 2014), followed by 23% of investors with a GARP - Growth at a Reasonable Price (vs. 18% in 2014) type of strategy. Hedge Funds, Value and Index Fund investors' type of strategy together represented less than 20% (that compares to less than 1/3 in 2014) of the total identified institutional investors.

INSTITUTIONAL SHARES BY INVESTMENT STRATEGY



This study also demonstrated that the top 10 shareholders of CTT held 43% of the Company's share capital (vs. 34% in 2014), while the top 25 held a total of 64% (vs. 57% in 2014).

2. Restrictions on the transfer of shares

CTT shares are not subject to any limitations (either statutory or legal) regarding its transfer or ownership.

Although CTT shares are freely transferable, the acquisition thereof entails, following the commercial registration date of Banco CTT (a credit institution fully owned by CTT), compliance with the legal requirements on direct or indirect qualifying shareholdings, set out in the Legal Framework of Credit Institutions and Financial Companies, established in Decree-Law No. 298/92, of 31 December, in its updated version.

In particular and pursuant to article 102 of that Legal Framework, anyone intending to hold a qualified holding in CTT and indirectly in Banco CTT (i.e. a direct or indirect holding equal to or higher than 10% of the share capital or voting rights or which, for any reason, allows the exercise of significant influence in the management) should previously inform the Bank of Portugal of their project for the purpose of the respective non-opposition. In turn, the Bank of Portugal shall also be informed of any of the acts or facts triggering the acquisition of a shareholding which reaches at least 5% of the share capital or voting rights of CTT, and indirectly of Banco CTT, within a period of 15 days as of its occurrence, pursuant to article 104 of the said Legal Framework.

3. Own shares

In 2015, the Company purchased own shares in the regulated market of Euronext Lisbon, as detailed below, to satisfy the obligations undertaken in the share award plan to Executive Directors of the Company, approved at the Annual General Meeting held on 5 May 2015 (as further detailed in sections 85 and 86 of Part I below). This was performed in light of the Remuneration Committee's recommendation thereof and based on the authorisation to purchase own shares granted to the Board of Directors in that same General Meeting:

Date of Transaction	Amount	% of share capital	Average price	Disbursements by the Company	% of the sessions total volume
01-06-2015	60,437	0.040%	9.280 €	560,842 €	11.16%
02-06-2015	113,000	0.075%	9.402 €	1,062,400 €	15.85%
03-06-2015	26,740	0.018%	9.345 €	249,883 €	6.89%
Total	200,177	0.133%	9.357 €	1,873,125 €	n.a.

Note: For further detail on the transactions mentioned above, please see the respective press release on the CTT website at: <http://www.ctt.pt/ctt-e-investidores/index.html>.

Following these transactions and with reference to 31 December 2015, CTT holds 200,177 own shares, with the nominal value of €100,088.50, representing 0.133% of the respective share capital and voting rights. All rights inherent thereto (save for the right to receive new shares in the event of a share capital increase through the incorporation of reserves) have been suspended as prescribed in article 324(1)(a) of the Companies Code.

4. Significant agreements with change of control clauses

Some of the real estate lease agreements concluded over the years which expressly stipulated that if the Portuguese State ceased to hold at least 50% of the share capital of the Company, the latter would be required to provide a revolving bank guarantee on first demand in favour of the respective leaseholder of the amount equivalent to 6 or 24 months of rent, continue to be in force. As at 31 December 2015, all the requested guarantees had been provided and no contractual provision was in force (nor is in force on this date) for a change of control in the lease agreements with CTT.

The contract for the sale and marketing of Cetelem credit products at CTT's Retail Network and on its website, concluded on 23 June 2014 with BNP Paribas Personal Finance, S.A. also remains in force. This contract was not amended as regards either party's power to unilaterally terminate the contract, under certain circumstances, should a change of shareholder control occur. The contracts concluded on 16 July 2013 and 8 October 2007, respectively, with Fidelidade – Companhia de Seguros, S.A., for the mediation of insurance of this entity, and with Western Union Payment Services Network EU/EEA Limited, for the provision of funds transfer services, also remain in force without amendment. These establish that any of the parties can terminate these contracts in the case of a change of control in the shareholder structure of the counterparty.

Also as regards the creation of Banco CTT (a fully-owned CTT subsidiary, which will imminently carry out its face-to-face business throughout CTT Retail Network), 3 contracts were entered into on 18 November 2015 between CTT and Banco CTT. These contracts govern the use of resources inherent to the Retail Network and the CTT / Bank partnership in regard to the CTT Channel, the multiple employer regime adopted for labour contracts with Retail Network employees and the rendering of services between the parties. These contracts provide the possibility of renegotiating their respective business / financial equilibrium, on the initiative of either party, in good faith and at arm's length, in the event the respective controlling or group relationship ceases to exist or an event occurs that results in CTT being controlled by a competitor of the Bank.

Although these contracts are strategically relevant for CTT's Financial Services segment, these change of control clauses constitute normal market conditions for this type of financial product marketing / distribution contracts, as well as for partnerships (especially for protection of the parties in the case of acquisition of control of the counterparty by competitors) and neither seek nor are capable of hindering the free transfer of CTT shares.

The Company is not a party to any other significant agreements which enter into force, are altered or cease (including the respective effects) in the case of CTT's change of control following a take-over offer.

Furthermore and in line with CMVM Recommendation I.5., no measures were adopted, nor is CTT a party to significant agreements that trigger any payments or the bearing of costs by the Company in the case of change of control or change of composition of the corporate body and which appear capable of hindering the free transferability of CTT shares and the free assessment by the Shareholders of the performance of the members of the management body of CTT.

5. Regime applicable to the renewal or revocation of defensive measures in particular limitations on votes held or exercised by a single shareholder individually or acting in concert with other shareholders

There are no limits established in the Articles of Association to the number of votes that may be held or exercised by a single Shareholder, individually or acting in concert with other Shareholders, pursuant to which the Company considers that CMVM Recommendation I.4. is not applicable to it.

6. Shareholders agreements that are known to the Company and may lead to restrictions on the transfer of securities or voting rights

The Company is not aware of any shareholder agreements relative to CTT, namely on matters of transfer of securities or voting rights.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualified holders, percentage of share capital and votes attributable, source and causes of the attribution

As at 31 December 2015, based on the communications to the Company made up to such date, the structure of the qualified holdings in CTT, calculated under article 20 of the Securities Code, is as follows (without prejudice to the changes disclosed to the market up to the date hereof and identified in the table below):

Shareholders ⁽¹⁰⁾	No. of shares	% Share capital	% Voting rights
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	6.607%
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	0.065%
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%
Manuel Carlos de Mello Champalimaud	33,785	0.023%	0.023%
Gestmin SGPS, S.A. ⁽²⁾	7,766,215	5.177%	5.177%
Manuel Carlos de Mello Champalimaud	Total	7,800,000	5.200%
Artemis Fund Managers Limited ⁽³⁾	7,433,817	4.956%	4.956%
Artemis Investment Management LLP	276,892	0.185%	0.185%
Artemis Investment Management LLP ⁽³⁾	Total	7,710,709	5.140%
Allianz Global Investors GmbH ⁽⁴⁾	Total	7,552,637	5.035%
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE ⁽⁵⁾	226,096	0.151%	0.151%
BNP PARIBAS A FUND European Multi-Asset Income ⁽⁵⁾	241,969	0.161%	0.161%
BNP PARIBAS B PENSION BALANCED ⁽⁵⁾	675,151	0.450%	0.450%
BNP PARIBAS B PENSION GROWTH ⁽⁵⁾	89,950	0.060%	0.060%
BNP PARIBAS B PENSION STABILITY ⁽⁵⁾	42,617	0.028%	0.028%
BNP PARIBAS L1 MULTI-ASSET INCOME ⁽⁵⁾	287,384	0.192%	0.192%
BNP PARIBAS SMALLCAP EUROLAND ⁽⁵⁾	1,569,016	1.046%	1.046%
Merck BNP Paribas European Small Cap ⁽⁵⁾	97,607	0.065%	0.065%
METROPOLITAN-RENTASTRO GROWTH ⁽⁵⁾	159,111	0.106%	0.106%
PARVEST EQUITY EUROPE SMALL CAP ⁽⁵⁾	3,863,880	2.576%	2.576%
PARWORLD TRACK EUROPE SMALL CAP ⁽⁵⁾	5,004	0.003%	0.003%
Stichting Bewaar ANWB – Eur Small Cap ⁽⁵⁾	149,732	0.100%	0.100%
Stichting Pensioenfond Openbare Bibliotheken ⁽⁵⁾	130,657	0.087%	0.087%
BNP Paribas Investment Partners, Limited Company ⁽⁵⁾	Total	7,538,174	5.025%

Kames Capital plc ⁽⁶⁾		2,045,003	1.363%	1.363%
Kames Capital Management Limited ⁽⁶⁾		3,096,134	2.064%	2.064%
Aegon NV ⁽⁶⁾	Total	5,141,137	3.427%	3.427%
Norges Bank	Total	3,143,496	2.096%	2.096%
F&C Asset Management plc ⁽⁷⁾		3,124,801	2.083%	2.083%
Bank of Montreal ⁽⁷⁾	Total	3,124,801	2.083%	2.083%
Henderson Global Investors Limited ⁽⁸⁾		3,037,609	2.025%	2.025%
Henderson Group plc ⁽⁸⁾	Total	3,037,609	2.025%	2.025%
CTT (own shares)	Total	200,177	0.133%	0.133% ⁽⁹⁾
Other shareholders	Total	94,743,607	63.162%	63.162%
TOTAL		150,000,000	100.000%	100.000%

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

(2) Qualified holding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champalimaud.

(3) Company held by Artemis Investment Management LLP. According to a communication of 25 February 2016, Artemis Investment Management LLP reduced its qualifying holding in CTT, hence its shareholding is comprised of: Artemis Fund Managers Limited - 4.8851%; Artemis Investment Management LLP - 0.1%, totalling 4.9851% held on that date.

(4) Previously, Allianz Global Investors Europe GmbH.

(5) According to BNP Paribas Investment Partners, Limited Company's communication its stake in CTT correspond to "5.03% of the share capital (4.77% of the voting rights)" - see CTT press release of 18 December 2015. Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB - Eur Small Cap; Stichting Pensioenfond Openbare Bibliotheken. According to a communication of 4 February 2016, the structure of the voting rights held in CTT changed and as at that date it was as follows: BNP Paribas Investment Partners Belgium SA - 0.833%; BNP Paribas Investment Partners Luxembourg - 2.972%; BNP Paribas Asset Management - 1.197%, totalling 5.002% held on that date.

(6) As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

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

(8) Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a communication of 8 January 2016, the Henderson Group plc ceased to own a qualifying holding in CTT, as it then held less than 2% of the share capital and voting rights of CTT.

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

(10) According to a communication of 13 January 2016, BlackRock, Inc. became the holder 2.01% of the share capital and voting rights of CTT, corresponding to 2,748,939 shares and 269,835 CFD, attributable to the following chain of BlackRock, Inc. controlled undertakings: BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc.; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Group Limited, BlackRock Advisors (UK) Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock (Singapore) Holdco Pte. Ltd., BlackRock Asia-Pac Holdco, LLC, BlackRock HK Holdco Limited, BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd.; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Fund Advisors; BlackRock, Inc., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, National Association; BlackRock, Inc., Trident Merger, LLC, BlackRock Investment Management, LLC.

8. Number of shares and bonds held by members of the managing and supervisory bodies

Under article 447(5) of the Companies Code and article 14 of CMVM Regulation 5/2008, during the 2015 financial year and pursuant to the communications made to the Company until 31 December, the number of shares held by the members of the managing and supervisory bodies of CTT (which are considered senior officers of CTT under the terms and for the purposes of article 248-B of the Securities Code) and their related parties under said provisions, as well as all their acquisitions, encumbrances or disposals of ownership, are indicated in the following lists:

Board of Directors ^(a)	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
Francisco José Queiroz de Barros de Lacerda	3,110	-	-	-	-	-	3,110
António Sarmiento Gomes Mota	0	-	-	-	-	-	0
Manuel Cabral de Abreu Castelo-Branco	1,550	-	-	-	-	-	1,550
André Manuel Pereira Gorjão de Andrade Costa ^(b)	3,110	14.05.2015	780	-	-	€10.05	3,890
Dionízia Maria Ribeiro Farinha Ferreira	0	-	-	-	-	-	0
Ana M ^ª Carvalho Jordão Ribeiro Monteiro de Macedo	0	-	-	-	-	-	0
António Manuel de Carvalho Ferreira Vitorino	0	-	-	-	-	-	0
Nuno Fernandes Thomaz	0	-	-	-	-	-	0
Diogo José Paredes Leite de Campos	0	-	-	-	-	-	0
Rui Miguel de Oliveira Horta e Costa	0	-	-	-	-	-	0
José Manuel Baptista Fino	0	-	-	-	-	-	0

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

^(b) Transaction performed in the regulated market.

Closely related Parties	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
Alice Monjardino de Campos de Azevedo Soares ^(c)	120	-	-	-	-	-	120
Manuel M ^ª Azevedo Soares de Abreu Castelo-Branco ^(c)	1,550	-	-	-	-	-	1,550
Susana Gorjão Costa ^(d)	3,110	-	-	-	-	-	3,110

^(c) Person closely related to Manuel Cabral de Abreu Castelo-Branco.

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

Statutory Auditor and External Auditor	No. of Shares as at 31.12.2014	Date	Acquisition	Encum- brance	Disposal	Price	No. of Shares as at 31.12.2015
KPMG & Associados, SROC, S.A.	0	-	-	-	-	-	0
Maria Cristina Santos Ferreira	0	-	-	-	-	-	0
Vitor Manuel da Cunha Ribeirinho	0	-	-	-	-	-	0

As at 31 December 2015, none of the members of the managing and supervisory bodies of CTT held any bonds issued by the Company nor any shares or bonds issued by companies in a control or group relationship with CTT, nor did they carry out any transactions relative to those securities in 2015, under the terms and for the purposes of article 447 of the Companies Code.

9. Special powers of the Board of Directors, namely resolutions on capital increase

The powers attributed to the Board of Directors of CTT are described in section 21 of Part I below. According to the Articles of Association, there are no provisions conferring special powers to the Board of Directors as regards capital increases, being such matter within the exclusive powers of the Shareholders General Meeting.

10. Information on the existence of significant business relations between the qualified holders and the Company

The significant business relations maintained between the Company and its qualified holders during the financial year of 2015 correspond to the transactions with related parties identified in section 92 of Part I below.

B. CORPORATE BODIES AND COMMITTEES

I. SHAREHOLDERS GENERAL MEETING

a) Composition of the Board of the Shareholders General Meeting

11. Identification, office and term of office (beginning and end) of the members of the Board of the Shareholders General Meeting

Under article 10 of CTT Articles of Association, the Board of the Shareholders General Meeting is composed of a Chairman and Vice-Chairman, elected every 3 years at the Shareholders General Meeting. In 2015 and at present, the composition of the Board of the General Meeting is as follows:

Members	Office	Term of Office ⁽¹⁾
Júlio de Lemos de Castro Caldas	Chairman	2014/2016
Francisco Maria Freitas de Moraes Sarmiento Ramalho	Vice-Chairman	2014/2016

⁽¹⁾ Members initially elected on 12 November 2013 to complete the term of office 2012/2014, with the General Meeting of 24 March 2014 having resolved to extend their term of office to 2014/2016.

Pursuant to the same provision, the members of the Board of the Shareholders General Meeting are assisted by the Secretary of the Company, functions discharged in 2015 and currently by Maria da Graça Farinha de Carvalho e Sousa Góis.

b) Exercise of the voting rights

12. Possible restrictions on voting rights

CTT Articles of Association do not set out any limitations to voting rights or to the detachment of financial rights.

Pursuant to articles 7 and 8 of the Articles of Association, Shareholders who, on the record date, corresponding to 0 hours (GMT) of the 5th trading day prior to the General Meeting, hold at least 1 share have the right to vote at the General Meeting.

Under the same provisions, the right to vote can be exercised by proxy, correspondence or electronic means and can cover all the matters included in the notice to convene. The exercise of the right to vote by any of these methods should be carried out under the terms, within the stipulated periods and through the mechanisms established in detail in the notice to convene in order to

encourage shareholder participation (the participation and the exercise of the right to vote was permitted by all of these methods at the Annual General Meeting held in 2015). In view of the above, CTT fully complies with CMVM Recommendation I.1.

CTT's Articles of Association do not establish any mechanisms causing a mismatch between the right to receive dividends or to subscribe new securities and the right to vote attached to each share, pursuant to which the Company adopts CMVM Recommendation I.3.

13. Maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders who are in any of the relations under article 20(1) of the Securities Code

CTT's Articles of Association do not establish any percentage limitation to the voting rights that may be exercised by a single shareholder or by shareholders who are in any of the relations under article 20 (1) of the Securities Code, thus CMVM Recommendation I.4. is not considered applicable to CTT.

14. Shareholder resolutions which may only be adopted by qualified majority under the Articles of Association other than those legally established

CTT's Articles of Association do not provide for qualified majorities for the adoption of resolutions beyond those legally established, thus complying with CMVM Recommendation I.2.

II. MANAGEMENT AND SUPERVISION

c) Composition

15. Identification of the adopted governance model

The Company adopts the Anglo-Saxon one-tier governance model, according to which the Board of Directors is responsible for the Company's management and the Audit Committee (corporate body comprising Non-Executive and independent Directors) and the Statutory Auditor are responsible for its oversight.

This model has enabled the consolidation of the governance structure and practices of CTT, in line with national and international best practices, thus promoting the effective performance of duties and coordination of the corporate bodies, the regular operation of a system of checks and balances and the accountability of its management to its Shareholders and remaining stakeholders.

In this context, the General Meeting is competent to: (i) elect the members of the corporate bodies (including the members of the Board of the General Meeting, the Board of Directors and the Audit Committee as well as the Statutory Auditor, the latter elected following a proposal by the Audit Committee), (ii) appraise the annual report of the Board of Directors and the opinion of the Audit Committee, (iii) decide on the allocation of profits and (iv) resolve on amendments to the Articles of Association.

In turn, in the context of its management duties, the Board of Directors delegated day to day management powers to the Executive Committee (described in section 21 of Part I below), whose action is supervised by the Non-Executive Directors, in particular by the Corporate Governance,

Evaluation and Nominating Committee, currently composed of a majority of independent Directors (in the performance of the duties referred to in the same section).

The Audit Committee (currently exclusively composed of independent members), together with the Statutory Auditor, perform the oversight duties resulting from applicable statutory and regulatory provisions, with the Audit Committee in particular being responsible for promoting and monitoring the independence of the Statutory Auditor / External Auditor and of the internal audit of the Company, with a view to contributing to the quality of the financial information and effectiveness of the systems of internal control, risk management and internal audit (described in section 38 of Part I below).

Furthermore, the Remuneration Committee (composed of independent members with no relation to the management and elected at the Shareholders General Meeting) is responsible for establishing the remunerations of the members of the corporate bodies (described in section 66 of Part I below).

16. Articles of Association's provisions on procedural and substantive requirements applicable to the appointment and replacement of members of the Board of Directors

Pursuant to articles 9 and 12 of the Articles of Association, (i) the Shareholders General Meeting is entrusted with the election of the members of the Board of Directors, including its Chairman and Vice-Chairmen, by majority of the votes cast by Shareholders present or represented (or by the most voted proposal in case of several proposals being submitted), and (ii) one of the members of the Board of Directors can be elected among persons proposed in lists submitted by groups of Shareholders, provided that none of these groups holds shares representing more than 20% and less than 10% of the share capital.

The rules contained in the Companies Code are applicable with respect to the replacement of members of the Board of Directors, in the absence of applicable provisions of the Articles of Association. Article 16 of the Articles of Association only provides that the absence of a Director at more than 2 meetings each year, consecutive or interpolated, without justification accepted by the Board of Directors, leads to a definitive absence, in which case measures should be taken for the replacement of this Director pursuant to Companies Code.

No other procedural and substantive requirements are defined in the Company's Articles of Association for the purpose of appointment or replacement of members of the Board of Directors.

17. Composition of the Board of Directors and the Executive Committee

Pursuant to article 12 of the Articles of Association, the Board of Directors is composed of 5 to 15 members, for a 3-year term of office which is renewable.

The Company's Board of Directors in office as at 31 December 2015 and on the present date, is composed of the following 11 Directors, appointed for the term of office 2014/2016:

Members	Board of Directors	Executive Committee	Audit Committee	Independence ⁽¹⁾	Date of 1 st Appointment ⁽²⁾
Francisco José Queiroz de Barros de Lacerda	Chairman	Chairman			24/08/2012
António Sarmento Gomes Mota ⁽³⁾	Vice-Chairman		Chairman	Yes	12/11/2013
Manuel Cabral de Abreu Castelo-Branco	Vice-Chairman	Member			24/08/2012
André Manuel Pereira Gorjão de Andrade Costa	Member	Member			24/08/2012
Dionizia Maria Ribeiro Farinha Ferreira	Member	Member			24/08/2012
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	Member	Member			24/08/2012
António Manuel de Carvalho Ferreira Vitorino	Member			Yes	24/03/2014
Nuno de Carvalho Fernandes Thomaz	Member		Member	Yes	24/03/2014
Diogo José Paredes Leite de Campos ⁽⁴⁾	Member		Member	Yes	12/11/2013
Rui Miguel de Oliveira Horta e Costa	Member			Yes	29/07/2014
José Manuel Baptista Fino	Member			Yes	19/12/2014

(1) The assessment of independence was conducted in accordance with the criteria defined in CMVM Recommendation II.1.7. and CMVM Regulation 4/2013, as well as in article 414(5) of the Companies Code for non-executive members there are part of the Audit Committee.

(2) In this regard, the date provided is the first date of appointment to a governing body in CTT, as specified below.

(3) Between 12 November 2013 and 24 March 2014, António Sarmento Gomes Mota was Chairman of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Vice-Chairman of the Board of Directors and Chairman of the Audit Committee.

(4) Between 12 November 2013 and 24 March 2014, Diogo José Paredes Leite de Campos was a Member of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Member of the Board of Directors and Audit Committee.

18. Distinction between executive and non-executive members of the Board of Directors and, with respect to non-executive members, identification of members who may be deemed independent

The Board of Directors is composed of the executive and non-executive members indicated in section 17 of Part I above, with all the non-executive members in office, as of their appointment to the current term of office, being independent pursuant to the criteria defined in CMVM Recommendation II.1.7. and CMVM Regulation 4/2013 and, regarding the members of the Audit Committee, pursuant to article 414(5) of the Companies Code.

Thus, the Company adopts CMVM Recommendations II.1.6. and II.1.7., since the number of non-executive and independent members assures an effective capacity to monitor, supervise and assess the activity of the remaining members of the managing body, in particular taking into account the adopted governance model, the Company's size and its shareholder structure and free float.

The Company also complies with CMVM Recommendation II.1.10., since it has adopted the following mechanisms aimed at assuring the coordination and effectiveness in the performance of duties by the Non-Executive Directors, considering the accumulation of Chief Executive Officer ("CEO") duties by the Chairman of the Board of Directors of CTT:

- The Non-Executive and independent Vice-Chairman of the Board of Directors, António Sarmento Gomes Mota (also Chairman of the Audit Committee and of the Corporate Governance, Evaluation and Nominating Committee), performs the following duties of lead independent director as follows: (i) monitors and consults the Executive Committee on the performance of the duties delegated thereto; (ii) contributes to the effective performance of duties and powers by the Non-Executive Directors and internal committees of the Board of Directors, assuring the appropriate coordination of their work and the necessary mechanisms for the Non-Executive Directors to receive in due time the information they deem suitable for an independent and informed decision making; and (iii) takes part, together with the Chairman of the Board of Directors (and CEO), in the draft and approval of

the Board meeting agendas;

- The Non-Executive Directors may obtain the information that they deem necessary for the performance of their respective functions and duties;
- The supporting documentation of the meetings of the Board of Directors is timely made available to all Executive and Non-Executive Directors. The agendas and minutes of the meetings of the Executive Committee are distributed to the Non-Executive Directors, including to the Non-Executive Vice-Chairman of the Board of Directors, Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee.

19. Professional qualifications and other curricular data of each of the members of the Board of Directors

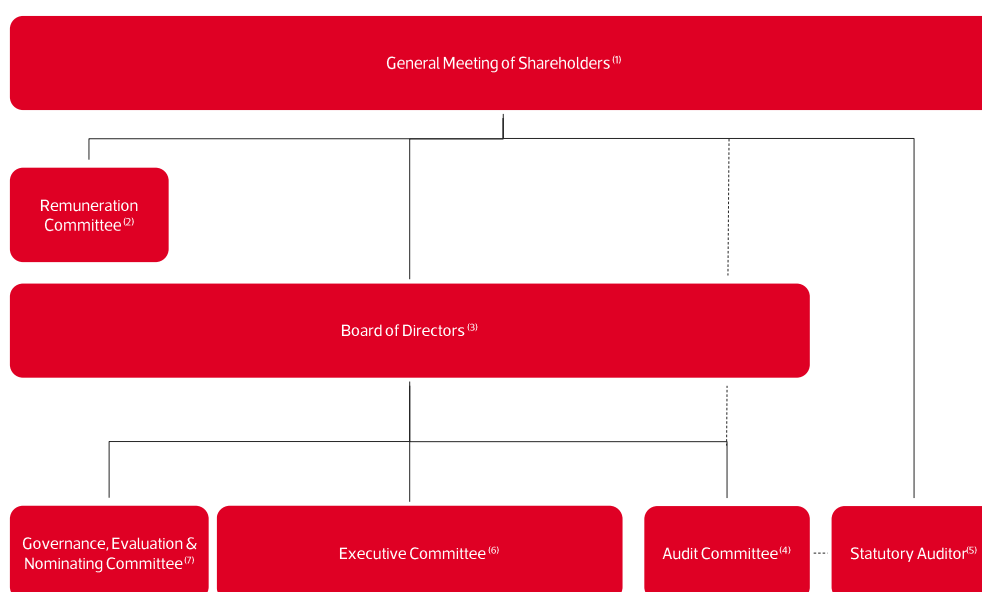
Please refer to Annex I including the curricula of the members of the Board of Directors of CTT.

20. Family, professional or commercial, frequent and significant relations of members of the Board of Directors with qualified Shareholders with more than 2% of voting rights

None of the members of the Board of Directors maintained, throughout 2015, any family, professional or commercial relations with qualified shareholders with more than 2% of voting rights in the Company. Likewise, no such relations are maintained with the shareholders mentioned in the table included in section 8 of Part I above, either as at 31 December 2015 or as at the present date.

21. Division of powers between the various corporate bodies, committees and/or departments of the Company

As at 31 December 2015 and at the present date, the powers of CTT's governing bodies and committees are distributed as follows and as detailed in the sections of Part I indicated below:



- (1) See, in particular, the powers of the Shareholders General Meeting described in section 15 above.
- (2) See, in particular, the powers of the Remuneration Committee and its coordination with the Corporate Governance, Evaluation and Nominating Committee described in sections 15, 21.4 and 66 herein.
- (3) See, in particular, the powers of the Board of Directors described in sections 15 and 21.1 herein. See also sections 21.4 and 21.5 on powers of the Ethics Committee, as a support committee to the Audit Committee and the Board of Directors insofar as the respective powers of these bodies.
- (4) See, in particular, the powers of the Audit Committee described in sections 15, 37 and 38 herein. See also sections 21.4 and 21.5 on powers of the Ethics Committee, as a support committee to the Audit Committee and the Board of Directors insofar as the respective powers of these bodies.
- (5) See, in particular, the powers of the Statutory Auditor described in sections 15 and 38 herein.
- (6) See, in particular, the powers delegated by the Board of Directors to the Executive Committee, as well as the support committees and departments to the Executive Committee, in the terms described in sections 15, 21.2 and 21.3 herein.
- (7) See, in particular, the powers of the Corporate Governance, Evaluation and Nominating Committee of the Board of Directors and its coordination with the Remuneration Committee described in sections 15, 21.4 and 66 herein.

21.1. Board of Directors

The Board of Directors is the corporate body responsible for the Company's management and representation, under the legal terms and the Articles of Association, being entrusted to practice all acts and operations relative to the corporate purpose not falling within the powers of the remaining corporate bodies of the Company.

Under article 13 of the Articles of Association and article 5 of its Regulations, the Board of Directors is responsible, namely, for:

- ✓ Approving the management goals and policies, and establishing the strategy and risk profile of the Group, as well as ensuring the effectiveness of the Group's internal control, risk management and internal audit systems;
- ✓ Approving the annual and multi-annual activity, strategic, investment and/or financial plans and the annual budgets of the Group, as well as their respective changes;
- ✓ Resolving on changes of registered offices and projects to increase or reduce capital, mergers, demergers and transformations and amendments to the Articles of Association to be submitted to the Shareholders General Meeting of the Company;
- ✓ Approving annual, half-year and quarter reports and accounts;
- ✓ Resolving on the provision of bonds and personal or asset guarantees under the legal terms;
- ✓ Establishing the general aspects of the Group's corporate structure and the general standards of conduct;
- ✓ Presenting notices to convene the Shareholders General Meetings of the Company;
- ✓ Proceeding with the co-optation of Directors of the Company;
- ✓ Appointing the Company Secretary and its alternate.

The Chairman of the Board of Directors (in his absence or impediment, to be replaced by the Vice-Chairmen) is especially responsible for:

- ✓ Representing the Board of Directors in and out of court;
- ✓ Coordinating its activity, proceeding with the allocation of matters among Directors, when advisable for management purposes, and calling and chairing the respective meetings;
- ✓ Exercising the casting vote in the taking of resolutions by the Board of Directors;
- ✓ Ensuring the correct implementation of the resolutions of the Board of Directors;
- ✓ Promoting communication between the Company and all its stakeholders.

21.2. Executive Committee

The Board of Directors delegated day-to-day management of the Company to the Executive Committee, as set out under article 13 of the Articles of Association and articles 5 and 6 of the Regulations of the Board and in line with CMVM Recommendation II.1.1.

In compliance with CMVM Recommendation II.1.2., the matters referred to in section 21.1. above and the following matters are excluded from the aforesaid delegation of powers, being relevant matters for the strategy, general policies and structure of the Group:

- ✓ Acquisitions of shareholdings (i) in countries where the Group is not present, (ii) in new business areas for the Group, or (iii) of value per operation above €20m;
- ✓ Investments by the Group not included in the annual budget whose value per operation exceeds €10m and divestments of the Group of value per operation above €10m;
- ✓ Disposals or encumbrances of shareholdings (i) that determine the Group's step out of a certain country or business areas, or (ii) whose value per operation exceeds €20m;
- ✓ Contracting of debt, in the form of financing or issuance of securities, of value per operation above €150m or a maturity period above 5 years;
- ✓ Any other business or operation that implies liabilities or obligations above €50m, per transaction or act, for the Group.

The Chairman of the Executive Committee has the casting vote and should:

- ✓ Ensure that all information is provided to the other members of the Board of Directors relative to the activity and resolutions of the Executive Committee;
- ✓ Ensure compliance with the limits of delegation and strategy of the Company, and propose to the Board of Directors the list of management matters which should be entrusted especially to each of the members of the Executive Committee;
- ✓ Coordinate the activities of the Executive Committee, chairing its meetings, ensuring the implementation of the resolutions and distributing among its members the preparation or monitoring of the issues to be analysed or decided by the Executive Committee.

Under the Regulations of the Board of Directors and the Executive Committee, and in compliance

with CMVM Recommendations II.1.8. and II.1.9, the Company adopts the following mechanisms:

- In order to assure that all the members of the Board of Directors and other corporate bodies are informed of the status of the Company's management, the agendas and minutes of the meetings of the Executive Committee are distributed to the Non-Executive Directors, including the Non-Executive Vice-Chairman of the Board of Directors, Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee;
- At the meetings of the Board of Directors, the Executive Committee presents a summary of the aspects that are considered relevant of the activity developed since the last meeting;
- The Executive Committee is also obliged to timely and adequately provide the members of the Board of Directors and all other members of the corporate bodies with any additional or supplementary clarifications and information requested.

Under its delegated competences, the Executive Committee can entrust one or more of its members to deal with certain matters and sub-delegate in one or more of its members the exercise of some of its delegated powers.

As at 31 December 2015 and on the date thereof, the powers of the Executive Committee are allocated to its members as follows:



⁽¹⁾ Includes Mailtec Comunicação and CTT Contacto; ⁽²⁾ Includes CTT Expresso, Tourline and CORRE.

Note: Banco CTT has its own management structure, autonomous from CTT's Executive Committee.

21.3. Committees and departments supporting the Executive Committee

Given the Company's size and its many areas of action, committees have been created to support the management whose objective is to monitor the Company's activity, both as regards the implementation of the strategy defined by the Board of Directors and compliance with the standards that are in force.

As at 31 December 2015 and on the present date, the following committees were operational:

MANAGEMENT SUPPORT COMMITTEES AND THEIR OBJECTIVES	
Risk Management Committee Composed of the Chief Financial Officer and by the heads of the Finance and Risk, Strategy and Development, Operations and Distribution, Retail Network, Human Resources and Organisation, Information Technologies, Accounting and Treasury, and Physical Resources and Security Departments.	Promotion of the Corporate Risk Management function, operating as an instrument to leverage the process of operationalisation of the risk management system at CTT, under the terms described in further detail in section 52 of Part I below.
Credit Committee Composed of the Chief Financial Officer, who chairs it, by the Board Members with business responsibilities, and by the heads of the following departments: Finance and Risk, Large Clients, Retail Network, Corporate Clients, Advertising Mail, Express & Parcels. The follow-up and monitoring meetings should be attended by the persons responsible for Accounting and Treasury, Litigation, Customer and Business Support, Marketing and the Payshop Network.	Definition and submission to the Board of Directors of customer credit policies. Assessment and review of risk levels and credit limits. Decision on granting/revision/suspension of credit prior to the formalisation of contracts. Evaluation of proposals for conclusion of payment agreements. Monitoring and evaluation of the results of the implementation of customer credit policy and identification of measures to achieve the defined objectives.
Treasury Committee Composed of the Chief Financial Officer, who chairs it, and by the heads of the Accounting and Treasury, as well as Finance and Risk departments, and by the heads of the Finance departments of the subsidiaries.	Measurement and analysis of CTT's funds management process with a view to its continuous management and ongoing adaptation to needs.
Investment Committee Composed of the heads of the corporate departments of Strategy and Development (which it coordinates), Management Planning and Control and Finance and Risk.	Non-binding opinion in relation to investment projects amounting to more than €50,000.00, prior to the assessment/final approval of the Executive Committee.
Real Estate Management Committee Composed of 2 Executive Directors of CTT – the responsible for Physical Resources and Security and the Chief Financial Officer – and by the heads of the following departments: Physical Resources and Security (accompanied by 2 employees), Retail Network, Operations and Distribution, Management Planning and Control, and a member of the Board of Directors of CTT Expresso. Depending on the issues on the agenda, the following are also members: the Executive Director responsible for the Retail Network and other senior managers.	Strategic planning and management of real estate, real estate investment programming and promotion of optimisation and enhanced economic returns of real estate.

As at 31 December 2015 and currently, the organisational structure of CTT was as follows:

Large Customers Filipe Flores Ribeiro	To ensure the integrated management of large customers, managing the key accounts segment in terms of maximising sales and profitability of the various business areas of CTT.
Business Customers Carla Cruz	To assure the loyalty of business customers, along with capitalising on the turnover and profitability of sales of the entire portfolio of products and services made available by the Mail Business Unit.
Marketing Graça Oliveira	To manage the portfolio of transactional and advertising mail products and services and value added solutions upstream and downstream of its value chain for individuals and companies, integrating the available technological capacities and new trends, in order to offer clients innovative solutions adapted to market needs.
Philately Raul Moreira	To develop the business of philately and collecting in a comprehensive, sustained and profitable manner, maintaining the integrity and quality levels of Portuguese philately.
Operations & Delivery Hernâni Santos	To manage the operations of collection, printing and finishing and transport, handling and delivery in an efficient manner, ensuring excellence in quality of service and respect for the nationwide obligations of the universal service all over the national territory, promoting synergies with all business areas of the Company towards increasing efficiency and value creation for the Company.

Commercial – Express & Parcels (Portugal) João Pedro Gonçalves	To ensure customer loyalty and revitalisation of existing customers and acquisition of new customers, aiming at business profitability through a commercial response suited to the needs and opportunities within each sales department.
Marketing – Express & Parcels (Portugal) Pedro Faraústo	To create, communicate, capture and manage the business in the organisation through the understanding of customer needs, providing innovation to the offer; To conceive and develop plans/projects and implement marketing campaigns, providing the Company with a customer-focused vision and performance, as well as satisfaction and loyalty of the customer base.
General Manager Spain Javier Muelas	To manage the commercial, operational, control and financial areas of the subsidiary Tourline.
Executive Director Mozambique Luís Rodrigues	To support the executive business management of the subsidiary Correio Expresso Moçambique (CORRE).
Retail Network António Pedro Silva	To manage the Retail Network, ensuring increasing revenue resulting from acts of sale and their profitability; To maximise resource productivity and rationalisation of supply versus demand, in terms of the defined offer, price levels and obligations of the universal service; To rationalise the Retail Network and points of access to the postal network in a privatisation context; To ensure the quality of customer service at all points of access to the postal network; To maximise the value of the network's offer by assuring more efficient and competitive management.
Financial Services	To manage an innovative offer of competitive financial products and services, creating value for the Shareholder, strategically oriented towards customers, margins and efficiency, based on the Retail Network and Payshop agents.
PayShop Sílvia Correia	To develop the activity related to the provision of payment services.
Company Secretary and General Secretariat Graça Carvalho	To ensure the institutional relations of the Company between the sovereign bodies, ombudsmanship and other entities; To provide technical and administrative support to the Board of Directors, the Executive Committee and other governing bodies; To ensure formal communication between the Board of Directors, the Executive Committee, CTT's structure, its subsidiaries and external entities.
Strategy & Development Francisco Simão	To support the Executive Committee in the definition, implementation and management of the development strategy of the CTT business areas, proposing and promoting initiatives for strategic development and management of its business portfolio, in a perspective of sustained value creation.
Human Resources & Organisation António Marques	To develop and implement human resources policies aligned with the strategy defined for the Group, while promoting a culture of merit and continuous professional development.
Brand & Communication Miguel Salema Garção	To define and implement strategies for CTT's internal and external communication; To ensure the management of sponsorships and patronage of the CTT universe that contribute to the improvement of reputation and creation of value of the institutional image and CTT brand; To ensure, coordinate and implement the institutional image management of CTT and its brands, values and its related strategic value, the management of the public and institutional relations; To identify the stakeholders' needs and expectations, ensuring the compliance with the sustainability, environment, social responsibility and corporate citizenship policy.
E-Commerce Alberto Pimenta	To ensure that CTT is an agent and beneficiary of the development of e-commerce in the Iberian Peninsula, especially in the last mile, and specifically: (i) in studying the market's reality and evolution; (ii) boosting the evolution of the product offer as to keep it permanently in line with market preferences, (iii) promoting the development of the proximity of CTT to the principal international and domestic players; and (iv) accompanying the alignment of the e-commerce solutions with international postal operators, namely the e-CIP project.
International João Caboz Santana	To propose and implement CTT's international policy in the context of international organisations and groups and cooperation for development.
Audit & Quality Julieta Cainço	To examine and evaluate, in an independent manner, the activities and business of CTT, in order to mitigate risks associated with processes and transactions, recommending corrective measures to the audited areas and providing necessary information; To contribute to the management and mitigation of compliance risks in the provision of financial services; To investigate unlawful and/or fraudulent practices; To define and promote quality policies and processes at CTT.
Information Systems Pedro Gomes	To develop CTT's strategy for information systems and technologies so as to maximize its competitiveness and efficiency; To ensure proper planning and control of the information systems and technologies; To promote innovation and implementation of new solutions for business development.
Customer & Business Support Laura Costa	To develop CTT's policy on customer relations in terms of after-sales, information and customer support, contributing to customer loyalty; To ensure support to business in all-encompassing function, aimed at the optimisation of resource use, proposing measures to optimise processes and/or improvement actions.

Investor Relations Peter Tsvetkov	To act as CTT's representative with the Shareholders, investors, financial analysts, rating agencies, the capital markets and the financial community in general, being responsible for providing information that allows knowledge on the economic, financial and governance reality and evolution of CTT.
Regulation & Competition Antónia Rato	To advise the Executive Committee on matters regarding regulation and competition and relations with regulatory and supervisory entities of the sector; To manage regulatory risk and relations with competitors.
Finance & Risk Rui Pedro Silva	To provide and implement strategies for the suitable use of resources by optimising the cost and return of capital and appropriate risk management, in alignment with the strategic objectives defined for CTT.
Accounting & Treasury Ana Rita Matos	To ensure accounting management, economic and financial management, and the management of the evaluation of business processes with an impact on revenue generation.
Management Planning & Control Helena Camacho	To advise the Executive Committee in terms of CTT's management planning and control, ensuring coordination with all the organisational units of CTT and subsidiaries, with a view to value creation.
General Legal Services Graça Carvalho	To ensure legal advice to the Board of Directors, the Executive Committee, different departments of the Company and the subsidiaries, except for labour and disciplinary matters; To ensure the legal advising and representation of the Company and workers who need it, in the context of their duties, and to its subsidiaries when they require them.
Human Resources Management António Marques	To provide human resources administration services to CTT and its subsidiaries; To promote health and safety at work, as well as the availability of health care and social protection.
Labour Legal Services Luísa Teixeira Alves	To assure labour-related legal and disciplinary services to the Board of Directors, Executive Committee, the different Departments of the Company and its subsidiaries; To assure and coordinate the legal advice and representation of the Company and its subsidiaries when required, on matters concerning labour issues.
Physical Resources & Security Luís Soares Rodrigues	To define a coordinated strategy for the fleet and real estate resources; To ensure the provision of services by suppliers under the contractual conditions; To ensure the integrated management of documentation and archiving processes; To define, coordinate and control policies on security and surveillance of facilities, equipment and people.
Procurement & Logistics Fernando Afonso	To define CTT's strategy in terms of procurements, centralisation and planning of needs in terms of leasing and acquisition of movable assets, services and execution of contract work, the coordination, preparation and monitoring of procurement procedures, the centralisation of the administrative management of contracts, quality control and evaluation of suppliers and the effective management of warehouses and stocks.

21.4. Corporate Governance, Evaluation and Nominating Committee

The Corporate Governance, Evaluation and Nominating Committee, created in line with CMVM Recommendation II.1.4, is entrusted with the following competences pursuant to the Regulations of the Board of Directors and its Internal Regulations:

- On matters of governance structure and practices as well as ethics:
 - ✓ To assist the Board in the definition and assessment of CTT's governance model, principles and practices;
 - ✓ To collaborate in the preparation of the annual corporate governance report of the Company;
 - ✓ To supervise the definition and monitoring of the standards on ethics and conduct within the Group;
 - ✓ To formulate recommendations to the Board concerning corporate governance requirements and good practices, conflicts of interest, incompatibilities, independence and expertise;
 - ✓ To prepare a report on the operation and effectiveness of the model, principles and practices of governance of the Company, as well as on the Company's degree of compliance with the applicable requirements;
 - ✓ To assess the corporate image of CTT among the Shareholders, investors, financial analysts,

market in general and supervisory authorities, and monitor the inspection actions of the CMVM;

- ✓ To support and monitor the Board's definition of policies and strategies of social responsibility and sustainability of the Company.
- On matters of performance assessment and remunerations:
 - ✓ To propose or issue an opinion, on an annual basis, to the Remuneration Committee on the remuneration policy of the Board of Directors and the annual statement to be submitted to the General Meeting for this purpose;
 - ✓ To monitor and support the process of annual assessment of the overall performance of the Board and respective internal committees as well as the members of the Executive Committee;
 - ✓ To propose to the Remuneration Committee the result of the qualitative assessment of the Executive Directors in the context of the overall assessment model for the purpose of establishing of the variable remuneration to be defined by that Committee;
 - ✓ To propose or issue an opinion to the Board of Directors and the Remuneration Committee, as applicable, on share award plans, stock options or stock options based on share price variations.
- On matters of appointments:
 - ✓ To formulate recommendations about qualifications, knowledge and experience for the performance of corporate functions and in the context of selection of the members of the managing and supervisory bodies of CTT, after hearing the Chairman and, in the case of Executive Directors, the CEO;
 - ✓ To monitor the processes of selection of the group's senior officers and of members of the corporate bodies of companies that CTT is entitled to appoint;
 - ✓ To monitor the preparation, in coordination with the Executive Committee, of succession plans;
 - ✓ To propose to the Board of Directors the termination of office by members of the Executive Committee, following an assessment and consultation of the CEO;
 - ✓ To issue opinions relative to the performance, by members of the Executive Committee, of executive duties in companies which are not part of the Group.

21.5. Ethics Committee

This Committee's role is to monitor matters related to the application of the Group's Code of Conduct and the handling of irregularities, pursuant to the respective Internal Regulation and the Regulation for Procedures for Reporting Irregularities, always in coordination with the Group's governing bodies, committees and structures, namely, by supporting the Audit Committee, the Board of

Directors, the Executive Committee and the Corporate Governance, Evaluation and Nominating Committee as they carry out their respective duties.

The main duties of the Ethics Committee are as follows:

- ✓ To promote the disclosure, application and compliance with the Group's Code of Conduct, to this end defining plans and channels of communication for all hierarchical levels, as well as to carry out preventive training measures for its disclosure and compliance;
- ✓ To participate in handling communications of irregularities received within the Group in coordination with the Audit Committee and the Audit and Quality Department, pursuant to the mentioned Regulations.

d) **Functioning**

22. Existence and location where the Regulations of the Board of Directors and Executive Committee are available

The full text of the Regulations of the Board of Directors and Executive Committee are available at "CTT & Investors", "The Company", "Corporate Governance", and "Articles of Association & Regulations" on CTT's website (www.ctt.pt).

23. Number of meetings of the Board of Directors and attendance of each member

The Board of Directors held 13 meetings in 2015, with the following attendance by its members:

Board of Directors			
Member	Attendance	Representation	Attendance Percentage*
Francisco José Queiroz de Barros de Lacerda	13	0	100%
António Sarmiento Gomes Mota	12	1	92%
Manuel Cabral de Abreu Castelo-Branco	13	0	100%
André Manuel Pereira Gorjão de Andrade Costa	13	0	100%
Dionizia Maria Ribeiro Farinha Ferreira	13	0	100%
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	13	0	100%
António Manuel de Carvalho Ferreira Vitorino	12	1	92%
Nuno de Carvalho Fernandes Thomaz	13	0	100%
Diogo José Paredes Leite de Campos	12	1	92%
Rui Miguel de Oliveira Horta e Costa	12	1	92%
José Manuel Baptista Fino	13	0	100%

* Percentage with reference to attendance.

24. Indication of corporate bodies with powers to perform the evaluation of the Executive Directors

Pursuant to article 9 of CTT's Articles of Association, the Remuneration Committee is responsible for establishing the remunerations of the members of the corporate bodies and, consequently, the definition of the remuneration policy and principles of the Board of Directors and the overall assessment model for purposes of the variable remuneration of the Executive Directors, under the terms described in sections 66 and following of Part I below.

In turn, under the terms of its Regulations, the Corporate Governance, Evaluation and Nominating Committee is responsible for supporting the Remuneration Committee and Board of Directors in the process of assessment of the members of the managing body, as described in section 21 of Part I above and in sections 70 and 71 of Part I below.

25. Predetermined criteria for evaluating the performance of the Executive Directors

On this issue, sections 66 and following of Part I below present details on the remuneration policy and principles for the managing body, including a description of the criteria, objectives and limits of the variable remuneration of the Executive Directors, in particular in section 71 of Part I below which details the applicable performance evaluation criteria.

26. Availability of each member of the Board of Directors, with indication of offices held simultaneously in other companies, within and outside the Group, and other relevant activities performed by members of the Board of Directors

The offices held simultaneously in other companies, within and outside the Group, by the Company's Directors are detailed in Annex I.

As supplementary information, it is considered important to note:

- The Executive Directors have evidenced their total availability for the performance of their duties, which can be confirmed by their attendance of the meetings of the Board of Directors and Executive Committee and by their exercise of executive duties exclusively within the Group;
- The Non-Executive Directors have also demonstrated their total availability, as shown by their attendance of the meetings of the Board of Directors, the Corporate Governance, Evaluation and Nominating Committee and the Audit Committee.

e) Committees within the managing body

27. Committees created within the Board of Directors and location where the Regulations are available

See sections 21 and 22 of Part I above regarding committees created within the Board of Directors. Concerning the Audit Committee, also see section 38 of Part I below. The aforesaid committees have adopted internal Regulations whose full texts are available at "CTT & Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website (www.ctt.pt).

28. Composition of the Executive Committee

The Executive Committee is composed of the following 5 members in office as at 31 December 2015 and also on the present date (for the term of office 2014/2016):

Members	Office
Francisco José Queiroz de Barros de Lacerda	Chairman
Manuel Cabral de Abreu Castelo-Branco	Member
André Manuel Pereira Gorjão de Andrade Costa	Member
Dionizia Maria Ribeiro Farinha Ferreira	Member

Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo

Member

29. Powers of each committee created and overview of the activities developed during the exercise of those powers

See section 21 of Part I above regarding the powers of the committees created within the Board of Directors and the Executive Committee.

29.1. Executive Committee

During 2015, the Executive Committee held 48 meetings, having resolved on various matters within its powers, in particular including the following:

January	<ul style="list-style-type: none"> Signing of the Protocol between the Government and CTT for Citizen's Bureau Areas opening in CTT's Retail Network.
February	<ul style="list-style-type: none"> Creation of the company CTT Services, SA, for the provision of advisory services and support in the acquisition, development, assembly and preparation of the constitution of Banco CTT. Signing of the new Collective Agreement and reviewing the Social Work Regulations (Health Plan) – the internal health system and social protection of CTT –, with 11 trade unions represented in the Company. Universal postal service prices update of letter mail and parcels effective from 1 March 2015 onwards.
March	<ul style="list-style-type: none"> Signing of the Commitment Agreement for Gender Equality between CTT and the Portuguese Government.
April	<ul style="list-style-type: none"> Approval of the Investor's Day to take place in November.
August	<ul style="list-style-type: none"> Merger by incorporation by the global transfer of the "POSTCONTACTO – Correio Publicitário, Lda." and "MAILTEC PROCESSOS, Unipessoal, Lda." to "CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A." with effect on 1 January 2015 and definitive registration on 10 August 2015 and, consequently, the extinction of the merged companies and the transmission of all the respective rights and obligations to the merging company (which came to be known as "CTT CONTACTO, S.A."). Approval of the relevant acts to the constitution of Banco CTT (with a capital of €34m) and designation of its governing bodies.
November	<ul style="list-style-type: none"> Approval of the relevant acts to the beginning of the Bank's activity on 27 November 2015, following the procedure of special registration with the Bank of Portugal on 8 October 2015.

29.2. Corporate Governance, Evaluation and Nominating Committee

Under the terms of the respective regulation, the Corporate Governance, Evaluation and Nominating Committee is composed of 3 to 5 members, including inherently the Chairman of the Executive Committee ⁽¹⁾ and Non-Executive Directors (at least, 1 of them being independent). This committee is composed of the following 5 members in office as at 31 December 2015 and on the present date, 4 of which are independent Non-Executive Directors (for the term of office 2014/2016):

Members	Office
António Sarmiento Gomes Mota	Chairman
Francisco José Queiroz de Barros de Lacerda	Member ⁽¹⁾
António Manuel de Carvalho Ferreira Vitorino	Member
Rui Miguel de Oliveira Horta e Costa	Member
José Manuel Baptista Fino	Member

⁽¹⁾ It should be noted that the presence of the CEO in this Committee does not hinder compliance with CMVM Recommendation II.1.4, since under the terms of the Internal Regulations of this Committee, such member is prevented from participating and

voting in resolutions where there is a conflict of interest, namely with respect to his individual assessment.

This Committee held 8 meetings in 2015 with member attendance as follows:

Member	Attendance	Representation	Attendance Percentage (1)
António Sarmiento Gomes Mota	7	1	88%
Francisco José Queiroz de Barros de Lacerda	8	0	100%
António Manuel de Carvalho Ferreira Vitorino	7	1	88%
Rui Miguel de Oliveira Horta e Costa	8	0	100%
José Manuel Baptista Fino	7	1	88%

(1) Percentage with reference to attendance.

During this financial year, this Committee carried out the following main activities:

- Monitoring the development of corporate governance rules applicable to CTT;
- Monitoring the review of the Code of Conduct of CTT and its Subsidiaries, together with the Board of Directors, the Executive Committee and the Ethics Committee;
- Assessing the adopted remuneration policy instruments (namely as regards the variable component that depends on performance assessment) and the implementation of the adopted performance assessment models, including the self-assessment of the Board of Directors and the qualitative assessment of the Executive Directors;
- Issuing an opinion on amendments to the Regulations for Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests;
- Establishing the diversity policy of the Board of Directors and the development programme for Non-Executive Directors;
- Assessment of initiatives carried out by CTT under its sustainability and social responsibility policies;
- Analysis on the contracting of senior officers by the Executive Committee.

29.3. Ethics Committee

The Ethics Committee is composed of 3 to 5 members, appointed by the Board of Directors. As at 31 December 2015 and on the present date (for the term of office 2014/2016), this committee is chaired by the independent Non-Executive Director and member of the Audit Committee Nuno de Carvalho Fernandes Thomaz, and also includes the Director of Audit and Quality and the Director of Human Resources and Organisation of CTT.

During 2015, this Committee held 7 meetings and carried out the following main activities:

- Providing training on the Group's Code of Conduct and contributing towards the reinforcement of the Group's standards of conduct, in line with financial sector benchmark, in the context of the creation of Banco CTT;
- Assessment of communications of potential breaches of the Group's standards of conduct. Under the Regulation for Procedures for Reporting Irregularities, the Audit Committee identified no instance requiring the intervention of the Ethics Committee.

III. OVERSIGHT

f) Composition

30. Identification of the supervisory body corresponding to the model adopted

During the current term of office the Company's activities are being supervised by the Audit Committee and the Statutory Auditor. For more details on this issue see section 15 of Part I above.

31. Composition of the Audit Committee, minimum and maximum number of members and term of office set out in the Articles of Association, number of permanent members, date of first appointment and date of termination of office of each member

In accordance with article 19 of CTT's Articles of Association, the Audit Committee consists of 3 board members, including its Chairman, all elected at the Shareholders General Meeting (for a term of office of 3 years renewable) together with the other Board Members. The lists of candidates for the Board of Directors must indicate which members will serve on the Audit Committee and who shall be its Chairman.

The Company's Audit Committee at 31 December 2015, and at the date hereof, consists of the following 3 members for the 2014/2016 term of office:

Members	Office	Date of first appointment ⁽¹⁾	Independence ⁽²⁾
António Sarmiento Gomes Mota ⁽³⁾	Chairman	12/11/2013	Yes
Diogo José Paredes Leite de Campos ⁽⁴⁾	Member	12/11/2013	Yes
Nuno de Carvalho Fernandes Thomaz	Member	19/12/2014	Yes

⁽¹⁾ In this regard, the date provided is the first date of appointment to an oversight body in CTT, as specified below.

⁽²⁾ The members' independence was evaluated in accordance with article 414(5) of the Companies Code.

⁽³⁾ Between 12 November 2013 and 24 March 2014 he was Chairman of the Fiscal Board, and was elected Chairman of the Audit Committee on 24 March 2014.

⁽⁴⁾ Between 12 November 2013 and 24 March 2014 he was Member of the Fiscal Board, and was elected Member of the Audit Committee on 24 March 2014.

In accordance with article 423-B of the Companies Code and article 19 of the Articles of Association, the Audit Committee, on 31 December 2015 and as at the present date, consists exclusively of Non-Executive Directors, who meet the applicable independence requirements and have higher education adequate for the exercise of these functions, with at least 1 of the members having accounting knowledge.

In compliance with CMVM Recommendation II.2.1., the Chairman of the Audit Committee is independent, in accordance with the applicable legal criteria, and has adequate skills for discharging his functions.

In December 2015, the Audit Committee approved an amendment to the respective Internal Regulation, effective as of 1 January 2016, thereby adapting it to the provisions set out in Law 148/2015, of 9 September.

32. Identification of the members of the Audit Committee deemed independent, under the terms of article 414(5) of the Companies Code

See section 31 of Part I above.

33. Professional qualifications and other relevant curricular data for each of the members of the supervisory body

For this section please refer to Annex I including the *curricula* of the members of CTT's supervisory body.

g) **Functioning**

34. Existence and location where Regulations applicable to the supervisory body are available

The full text of the Regulations of the Audit Committee, in the version in force as of 1 January 2016, is available for consultation at "CTT & Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website (www.ctt.pt).

35. Number of meetings of the Audit Committee and attendance of each member

The Audit Committee held 14 meetings in 2015, with member attendance as follows:

Member	Attendance	Representation	Attendance Percentage ⁽¹⁾
António Sarmento Gomes Mota	14	0	100%
Nuno Fernandes Thomaz	14	0	100%
Diogo Leite de Campos	14	0	100%

⁽¹⁾ Percentage with reference to attendance.

During 2015, the Audit Committee carried out the following main activities:

- Supervision of the quality and integrity of the financial information in CTT's interim financial statements;
- Supervision of the internal audit, internal control and risk management systems, namely:
 - ✓ Monitoring the activities of the Audit and Quality Department with respect to internal audit and compliance (e.g. prevention of money-laundering and financing terrorism) and assessing the Auditing and Compliance Activities Plan and the resources allocated for 2016;
 - ✓ Approving amendments to the Regulation for the Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest.
- Supervision of the performance of the Statutory Auditor / External Auditor:
 - ✓ Approval of the proposal to engage statutory audit and audit services and of the requests for prior approval related to audit related services and additional services;
 - ✓ Annual assessment of the Statutory Auditor / External Auditor, namely as regards its independence, and approval of its respective assessment Regulation;
 - ✓ Approval of amendments to the Regulation for the Provision of Services by the Statutory Auditor.

36. Availability of each of the members of the Audit Committee, indicating the functions discharged simultaneously by them in other companies, inside and outside the Group, and other relevant activities carried out by the respective members

The functions exercised in other companies by members of the Company's Audit Committee are described in their *curricula* included in Annex I. On this matter, please refer to section 26 of Part I above.

h) Duties and responsibilities

37. Procedures and criteria applicable to the intervention of the supervisory body on the engagement of additional services to the external auditor

The rules to be followed in engaging additional services from the Statutory Auditor are set out in the Regulation on the Provision of Services by the Statutory Auditor, adopted by CTT in 2014.

An amendment to this Regulation was approved in December 2015, effective 1 January 2016, thereby adapting it to the provisions of Law 140/2015, of 7 September, and of Law 148/2015, of 9 September, that reviewed the Legal Framework for Audit Oversight and the Statutes of the Portuguese Institute of Statutory Auditors.

Under this Regulation, both in the version in force until 2015 and the amended version, the Audit Committee is responsible for analysing and assessing engagements of additional services to the Statutory Auditor / External Auditor by CTT or companies within a control or group relationship (in the version in force since 1 January 2016 “by CTT, by its parent company or by the entities under its control (as applicable)”, being their engagement subject to the prior authorisation of said corporate body. In its assessment the Audit Committee shall consider the following aspects:

- ✓ Whether the services are prohibited or not and whether the provision of the services will affect or not the independence of the Statutory Auditor / External Auditor;
- ✓ Whether the engagement of said services exceeds or not the recommended annual value for additional services engaged by CTT to the Statutory Auditor / External Auditor in each financial year;
- ✓ The experience and knowledge of the Statutory Auditor / External Auditor in relation to the Company.

According to the version of this Regulation in force since 1 January 2016, the Audit Committee shall also take into consideration the new legal limits to fees.

38. Other functions of the supervisory body

The Audit Committee, as a supervisory body, has the following main competences established by law, the Company's Articles of Association and in its Regulation:

- Relating to the quality of financial information:
 - ✓ To assess whether the accounting policies and procedures and the valuation criteria adopted are consistent with Generally Accepted Accounting Principles and appropriate for a correct

- presentation and valuation of the Company's assets, liabilities and results;
- ✓ To supervise compliance with and correct application of accounting principles and rules;
 - ✓ To issue an opinion on the annual management report, the financial statements for the year and the proposals presented by the Company's Board of Directors;
 - ✓ To monitor the preparation and disclosure of financial information;
 - ✓ To certify whether the Company's Annual Corporate Governance Report includes all required matters.
- Relating to the supervision of the internal audit, internal control and risk management systems and in compliance with Recommendations CMVM II.2.4. and II.2.5.:
 - ✓ To monitor and supervise the internal procedures for accounting and auditing matters, as well as the effectiveness and correctness of the risk management, internal control and internal audit systems;
 - ✓ To issue an opinion on the work plans and resources allocated to the Company's Internal Audit and Quality Department and compliance services and assess their independence;
 - ✓ To monitor internal audit matters, in coordination with the Executive Committee, analysing the reports of the Internal Audit and Quality Department and compliance services;
 - ✓ To supervise the Company's risk management policy and system, in coordination with the Board of Directors and the Executive Committee, monitoring the risk control policies and the integrated risk assessment methodologies;
 - ✓ To propose to the Executive Committee measures to improve the functioning of the financial information internal control systems, the risk management system and the internal audit;
 - ✓ To discuss the contents of the internal control report with the Executive Committee and the Statutory Auditor / External Auditor;
 - ✓ To define, implement and supervise the procedures for handling irregularities;
 - ✓ To issue an opinion on transactions involving members of the Board of Directors, under the terms provided by law, and establish and implement procedures for the issue of an opinion on significant transactions involving qualified Shareholders.
 - Relating to the statutory audit and external audit, and in compliance with Recommendations CMVM II.2.2. and II.2.3.:
 - ✓ To propose to the Shareholders General Meeting the appointment and replacement of the Statutory Auditor and to the Board of Directors the engagement and the termination of the External Auditor services agreement, if different from the Statutory Auditor, as well as to carry out an annual evaluation of the Statutory Auditor and External Auditor;
 - ✓ To analyse the expertise and independence of the Statutory Auditor / External Auditor, in particular the provision of additional services;

- ✓ To propose the remuneration of the Statutory Auditor / External Auditor to the relevant bodies;
- ✓ To monitor the activity and contractual relationship with the Statutory Auditor / External Auditor, in particular regarding financial information and the effectiveness of internal control mechanisms, namely (i) promoting suitable conditions for them to carry out their activities, (ii) acting as their main point of contact with the Company and (iii) receiving and analysing their reports and correspondence regarding CTT and companies within a control or group relationship;
- ✓ To analyse the statutory audit report and audit reports.

The list of duties and powers entrusted to the Audit Committee under the respective Internal Regulation were amended in December 2015, in line with Law 148/2015, of 9 September.

The Statutory Auditor is responsible for the review of the Company's accounts, under the terms established in law and in the Regulation on the Provision of Services by the Statutory Auditor mentioned above.

The statutory audit and external audit carried out by the Statutory Auditor are discharged by the entities referred to in sections 39 and following of Part I of this report below, including, *inter alia*, verifying the application of the remuneration policies and systems for the corporate bodies approved by the Remuneration Committee, the effectiveness and functioning of the internal control mechanisms and reporting of any deficiencies to the Audit Committee, as per CMVM Recommendation IV.1.

IV. STATUTORY AUDITOR

39. Identification of the Statutory Auditor and the Audit Partner by whom it is represented

In 2015 and at present, KPMG & Associados, SROC, S.A. ("KPMG"), Statutory Auditor no. 189, represented by its partner Maria Cristina Santos Ferreira (Statutory Auditor no. 1010), renders statutory audit services to the Company, and the Company's Alternate Statutory Auditor is Vítor Manuel da Cunha Ribeirinho (Statutory Auditor no. 1081).

40. Number of consecutive years during which the Statutory Auditor discharged its office for the Company and/or the Group

KPMG discharges its office of Statutory Auditor in CTT since 5 May 2014. It was elected on that date to complete the 2012/2014 term of office and was re-elected on 5 May 2015 (for the 2015/2017 term of office).

41. Description of additional services rendered to the Company by the Statutory Auditor

Please refer to section 47 of Part I below on additional services rendered to the Company by the Statutory Auditor.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor and the Audit Partner who represents it in the compliance of these functions, and his/her registered number in CMVM

In 2015 and on the present date, the External Auditor is KPMG registered with the CMVM under no. 9093, represented by its partner Maria Cristina Santos Ferreira.

43. Number of consecutive years during which the External Auditor and the Audit Partner representing it discharged its office for the Company and/or the Group

KPMG, represented by Maria Cristina Santos Ferreira, discharges its functions as Statutory Auditor / External Auditor since 2014. In effect, in 2012 and 2013, it was the Company's independent auditor.

44. Rotation policy and frequency of the External Auditor and respective Audit Partner representing it in the compliance of these functions

The Regulation for the Provision of Services by the Statutory Auditor / External Auditor, in the version in effect in CTT in 2014 and 2015, set out the following policy for the rotation of its Statutory Auditor / External Auditor: when the Audit Committee elects to maintain the External Auditor, it is responsible for weighing the advantages and costs of its replacement, in addition to the conditions of independence, and shall issue a reasoned opinion on the matter.

As referenced in section 37 of Part I above, said Regulation was amended in order to reflect Law 148/2015, of 9 September, which contains mandatory provisions on rotation that CTT must follow as a "public interest entity". As concerns the rotation of the respective audit partner, the Company takes into account the maximum period set out in the Statutes of the Portuguese Institute of Statutory Auditors.

In light of this policy and, furthermore, the fact that KPMG was engaged to discharge the functions of independent auditor in 2012 and 2013 and of Statutory Auditor / External Auditor as of 2014, the Company is in compliance with Recommendations IV.3 of CMVM, as well as with the legal rotation period of the respective audit partner.

45. Corporate body responsible for assessing the External Auditor and frequency of such assessment

Please refer to section 38 of Part I above related to the responsibilities of the Audit Committee in the annual assessment of the External Auditor. Within its responsibilities and as per Recommendation II.2.3. of CMVM, the Audit Committee certified the independence of the External Auditor and made a positive assessment of its work during the 2015 financial year.

46. Non audit work carried out by the External Auditor for the Company and/or companies within a control relationship, internal procedures for the approval of such services and the reasons for its engagement

Non-audit services engaged to the External Auditor by CTT and companies within a control or group relationship, and rendered during 2015, are summarised in the tables included in section 47 of Part I below.

The Regulation for the Provision of Services by the Statutory Auditor / External Auditor, in force since 2014, includes procedures concerning the engagement of those services and requires prior

approval of the Audit Committee.

During 2015, the Audit Committee monitored the provision of those services by the External Auditor under the terms referred to above, in order to ensure that these did not give rise to conflicts of interests or compromise the independence of the Statutory Auditor / External Auditor. The Audit Committee issued the respective reasoned approvals for their engagement. The grounds for their engagement were, for the most part, based on the advantages resulting from the Statutory Auditor / External Auditor's experience from similar engagements, its knowledge of the Company and the complementarity with the audit services.

In 2015, the non-audit services engaged to KPMG and entities within its network / group by CTT and companies within a control or group relationship accounted for 41% of the total value of the services engaged / accounted by them (as per the tables included in section 47 of Part I below). Therefore, CTT and companies within a control or group relationship engaged KPMG in 2015 to render non-audit services surpassing the 30% maximum threshold set out in CMVM Recommendation IV.2.

Thereby, although CTT considers it a good governance practice to limit the engagement of additional services in order to promote the independence of the Statutory Auditor / External Auditor, in the year of 2015, the surpassing of the mentioned 30% threshold was deemed to be in the interest of the Company and did not affect the independence of the Statutory Auditor / External Auditor for the reasons set out in Part II of this report below, especially in relation to the experience and knowledge of the Statutory Auditor / External Auditor (as regards the engaged matters and as regards the Company) and its particular contribution to the quality of the additional services rendered.

47. Annual remuneration paid by the Company and/or legal entities within a control or group relationship to the auditor and other individuals or legal persons, specifying the percentage relating to each type of services

The table below shows the values corresponding to the fees of KPMG in 2015:

		Contracted Services ⁽¹⁾		Accounted Services ⁽²⁾		Paid Services ⁽¹⁾	
		Amount (€)	%	Amount (€)	%	Amount (€)	%
CTT		2,143,924	88.6%	2,103,394	93.2%	1,014,503	88.0%
1	Statutory audit and audit services	1,225,664	50.6%	1,188,994	52.7%	672,086	58.3%
1.1	Audit and statutory audit	313,650	13.0%	304,266	13.5%	262,637	22.8%
1.2	Quality assurance services ⁽³⁾	419,430	17.3%	406,881	18.0%	277,980	24.1%
1.3	Other audit services ⁽⁴⁾	492,584	20.4%	477,847	21.2%	131,469	11.4%
2	Additional services	918,260	37.9%	914,400	40.5%	342,417	29.7%
2.1	Tax consultancy services	610,760	25.2%	616,100	27.3%	34,917	3.0%
2.2	Other services ⁽⁵⁾	307,500	12.7%	298,300	13.2%	307,500	26.7%
Other companies within CTT Group		276,135	11.4%	152,497	6.8%	138,958	12.0%
1	Statutory audit and audit services	242,925	10.0%	141,500	6.3%	126,658	11.0%
1.1	Audit and statutory audit	159,900	6.6%	130,000	5.8%	112,513	9.8%
1.2	Quality assurance services ⁽³⁾	0	0.0%	11,500	0.5%	14,145	1.2%
1.3	Other audit services ⁽⁴⁾	83,025	3.4%	0	0.0%	0	0.0%
2	Additional services	33,210	1.4%	10,997	0.5%	12,300	1.1%
2.1	Tax consultancy services	33,210	1.4%	10,997	0.5%	12,300	1.1%
2.2	Other services	0	0.0%	0	0.0%	0	0.0%

TOTAL	2,420,059	100.0%	2,255,891	100.0%	1,153,461	100.0%
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- Includes VAT at the applicable legal rate.
- Includes invoiced amounts and specialised amounts of the financial year.
- Includes services relating to the review of Banco CTT's financial model and of CTT's sustainability report and to the recovery of VAT in uncollectible credits.
- Includes services related to audit related services (in matters pertaining to internal control, prevention of money-laundering and financing terrorism and analysis of compliance with accounting and tax rules).
- Includes services related to the review of accounting and tax procedures for the creation of Banco CTT.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Provisions applicable to the amendment of the Company's Articles of Association

The General Meeting is responsible for resolving on any amendment to the Articles of Association.

CTT's Articles of Association do not contain special rules applicable to the approval of its amendments. General rules provided for in the Companies Code will apply in this respect, i.e. such resolution must be approved by the General Meeting:

- In which, at the first call, shareholders holding shares corresponding to at least one third of the Company's share capital are present or represented; and
- By a majority of two thirds of the votes cast, in either first or second call, unless, in the second call, shareholders holding shares corresponding to at least half of the Company's share capital are present or represented, in which case the resolution may be taken by simple majority of the votes cast.

II. REPORTING OF IRREGULARITIES (WHISTLEBLOWING)

49. Mechanisms and policy adopted by the Company for the reporting of irregularities (whistleblowing)

Since 2014, CTT has adopted the Regulation for Reporting Irregularities that sets out the internal procedures for the reception, retention and handling of irregularities communication, in line with best practices in this area.

CTT's Audit Committee is the competent corporate body for the reception of reports of irregularities presented by the Company's shareholders, employees and other, in order to ensure the necessary independence of these procedures.

Reports of irregularities must be addressed, in writing, to CTT's Audit Committee, through any of the following mechanisms and must include the information stated in the Regulation for Procedures for Reporting Irregularities: E-mail: irregularidades@ctt.pt; Address: Remessa Livre 8335, Loja de Cabo Ruivo, 1804-001 Lisbon.

Once any report of an irregularity has been received and registered, the Audit Committee will refer it to the Ethics Committee, which will carry out actions to verify the existence of sufficient grounds for an investigation. On conclusion of the investigation, the Ethics Committee will propose to the Audit Committee the adoption of appropriate measures or the closing of the report.

Given its purview and composition referred to in sections 21.5 and 29.3 of Part I above (in particular, its being chaired by a member of the Audit Committee and having as its member the Director of Audit and Quality who functionally reports to CTT's supervisory body), the Ethics Committee is a support Committee relevant to the effective investigation and preparatory decision of the Audit Committee, which is independent of the Board of Directors.

Although the investigation is led by the Ethics Committee, the reception and registration of communications, as well as the final decision as to the closing or adoption of other measures falls on the Audit Committee, under the terms of the referenced Regulation for Reporting Irregularities.

The Audit Committee's resolutions under these procedures are subject to the general safeguards regarding conflicts of interest set out in its Internal Regulation and which are relevant should a reported irregularity pertain to one of its members. According to this Regulation, members of this body cannot vote or participate in resolutions on matters in which they have a conflicting interest.

Within these procedures and as detailed in the referenced Regulation, the following rights and safeguards are granted to anyone presenting a complaint:

- Confidential handling of reports of irregularities;
- Confidential, secure handling and safeguarding of the records and the information;
- Right to information, access and correction of personal data; and
- Prohibition of CTT from retaliating against anyone reporting irregularities under this mechanism.

During the year 2015 no irregularities were communicated to the Audit Committee.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons/corporate bodies responsible for internal audit and the internal control system

CTT's management and supervisory bodies have attributed increasing importance to improving the Company's internal control, risk management and internal audit systems, referring to the best practices applicable (such as the COSO II method) and the specific characteristics of the Company.

The Board of Directors ensures the effectiveness of the internal control, risk management and internal audit systems, encouraging a culture of control throughout the organization. For this purpose, it has established:

- Internal information and reporting mechanisms, allowing the organisation's performance to be monitored and observed at all levels;
- Processes for identifying and responding to risks in order to pursue the Company's strategic objectives, defined by the Board of Directors; and
- An internal control system intended to guarantee efficient and sustainable execution of business and operations, protection of resources and assets, and compliance with the applicable policies, plans, procedures and regulations.

The Audit Committee, as CTT's supervisory body, is responsible for the effective oversight of these systems, as described in its Internal Regulation.

Internal audit is carried out by the Audit and Quality Department, which is responsible for an independent assessment of the appropriateness and effectiveness of the internal control systems of CTT and its Subsidiaries, through a continuous monitoring of the major risks.

Thus CTT complies fully with CMVM Recommendations II.1.5. and II.2.4., in that (i) the Board of Directors is responsible for setting the Company's strategic objectives and risk limits and for creating systems for their control, with a view to guaranteeing that the risks actually incurred are consistent with those objectives, and (ii) the Audit Committee shall assess the functioning of the internal control and risk management systems; which was performed in 2015 as described in this section as well as in sections 51 to 55 of Part I below.

51. Relations of hierarchical/functional dependence with respect to other corporate bodies of the Company

The Audit and Quality Department reports by hierarchy to the Executive Committee and functionally to the Audit Committee, in the context of their management and supervisory functions.

Under the Company's Articles of Association and the respective Regulation, the Board of Directors is responsible for ensuring the effectiveness of the internal control, risk management and internal audit systems, establishing mechanisms and structures designed to achieve this objective. The Audit and Quality Department reports by hierarchy to the Executive Committee (through its Chairman), allowing it to act right across CTT and all its subsidiaries.

Also under the Company's Articles of Association and the respective Regulation, the Audit Committee has the following responsibilities in this area, in order to ensure functional reporting by the Internal Audit and Quality Department to the Company's supervisory body, thus complying, throughout 2015, with Recommendation II.2.5. of CMVM:

- To issue an opinion on the work plans and resources allocated to the Internal Audit and Quality Department and compliance services and to assess their objectiveness and independence;
- To monitor internal audit, in coordination with the Executive Committee, evaluating the reports of the Internal Audit and Quality Department and compliance services;
- To propose to the Executive Committee measures intended to improve the functioning of the financial information internal control systems and the risk management and internal audits;
- To discuss the internal control report with the Executive Committee and with the Statutory Auditor / External Auditor;
- To supervise the internal procedures for accounting and auditing matters and the effectiveness and appropriateness of the risk management, internal control and internal audit systems.

52. Other functional areas with competence in risk control

The Finance and Risk Department, which reports directly to the Executive Committee (in the person of the Chief Financial Officer ("CFO")), is responsible for the centralised coordination of CTT's risk management model and for planning and implementing risk management programmes supported by the Company's Risk Management Policy and Manual.

Risk management and control are assumed throughout CTT's corporate structure, involving all levels, from top management to more operational levels.

The risk management function requires an integrated view of how the various risks may affect CTT's business strategy, and is also responsible for the communication and coordination with other corporate structures, whose responsibilities are described below:

Board of Directors	<ul style="list-style-type: none"> To appoint the person responsible for the risk management function and ensure that this function possesses both the authority to perform its responsibilities and sufficient resources for a robust management system; To approve effective and appropriate policies for managing the risks to which CTT is exposed, and ensure that they are implemented and complied with.
Audit Committee	<ul style="list-style-type: none"> To supervise the risk management policy and system, in coordination with the Board of Directors and the Executive Committee, specifically monitoring the risk control policies and the integrated risk assessment methodologies, performing an annual assessment of the system and proposing measures necessary to improve it; To supervise internal procedures for accounting and auditing matters, as well as the effectiveness and appropriateness of the risk management, internal control and internal audit systems.
Finance and Risk Department	<ul style="list-style-type: none"> To develop and promote risk management policies and guidelines in CTT and collaborate in the creation of a risk management culture, defining a common language, promoting awareness actions and supporting other areas of the organisation involved as well as the risk owners; To coordinate the whole of CTT's risk management process in all four phases; To monitor and continuously improve the effectiveness of the risk management process, ensuring that best practices are applied; To carry out periodic reviews of the risk profile and the risk management manual.
Internal Audit and Quality Department	<ul style="list-style-type: none"> To carry out periodic audits of the risk management system; To provide technical advice in the Regulations reviews, in order to improve internal control systems; To follow up mitigation actions carried out.
Risk owner	<ul style="list-style-type: none"> To carry out actions associated with the risk management process relating to assessment, response definition and mitigation actions; To monitor and assess the results of mitigation actions; To report to the risk management function any recommendations on control activities.
Risk Management Committee	<p>To support the Board of Directors and the Executive Committee as necessary, to:</p> <ul style="list-style-type: none"> Strengthen organisational involvement in risk, adding to the different visions and sensitivities of the departments involved and promoting the integration of risk management into business processes, and Stimulate the performance of the risk management function in strict cooperation with it.

53. Identification and description of the main risks (economic, financial and legal) to which the Company is exposed in the exercise of its activity

Considering CTT's strategic objectives, the following top risks have been identified which could compromise the achievement of the organisation's sustainable growth, thus establishing CTT's risk profile:

Markets and competition	The expansion of digital communications has resulted, and is expected to continue to result, in a decrease in postal traffic this being the main competing market to CTT's core business. Combined with this, the complete opening of the market tends to intensify competition to date focused mainly on other business segments (e.g., express and parcels and financial services). In this competitive environment it is crucial to be prepared to respond promptly to market changes, anticipating the moves of leading competitors. It is the responsibility of the Business Areas and the Regulation and Competition Department to deal with this type of risk management
Innovation and development	Innovation in postal activity is crucial to leverage the development of new solutions, services and products that jointly mitigate the effect of substitution and introduce competitive advantages to strengthen the leadership of the CTT. The absence of an effective and efficient strategy for innovation may result in a loss of competitiveness and therefore revenue. This risk management is the responsibility of the Strategy and Development Department.
Obligation to provide Universal Service	While the universal service provider until 2020, the obligations of CTT - namely to ensure a supply of goods and postal services throughout the country (according to quality standards and prices approved by the regulator) and to provide access to its postal infrastructure to other operators - involve significant costs that cannot be sufficiently reduced or compensated to cover the decrease in operating income resulting from the decline in postal traffic. The management of this risk is allocated to the Regulation and Competition and to the Strategy and Development Departments.
Customer focus and loyalty	Changes in consumer preferences, the customer consumption behaviour or failure in providing products and high quality services may adversely affect CTT. Furthermore, a significant percentage of the operating income derives from the postal business and, in particular, a relatively concentrated customer base. Managing this risk is a concern of the Business Areas and Commercial Networks.
Human Resources Management	The ability to recruit and retain skilled workers and experienced managers, the implementation of management performance and talent plans as well as the managing of the relationship with the representative structures of the workers are critical and essential factors for the success of CTT. Managing this risk is the responsibility of the Human Resources and Organization Department.
Partnerships	CTT's activity depends on partnerships and other similar agreements, either in terms of mail, financial services or business solutions, or in terms of key suppliers and service providers in some areas of operations. Non-compliance with these commitments, termination of agreements or any interruption of the services provided could significantly affect operations and produce an adverse effect on CTT's business. All departments of the organisation are responsible for managing this risk.
Information Management	It is crucial for the implementation and management of the business strategy of CTT that the analysis, the decision making and the communication duties to the shareholders, regulators and the market in general, are based on rigorous, relevant, reliable and consistent information. It is also a legal, ethical and essential duty to ensure the confidentiality, integrity and availability of business information, whether the property of CTT, customers or other parties. This risk management is the responsibility of the Information Technologies the Planning and Management Control and Investor Relations Departments.
Information Technologies (IT)	The everyday management of CTT's operations depends heavily on its IT infrastructure and communications systems. Failures in its functioning could compromise the Company's ability to provide products and services, resulting in a reduction in operational earnings and consequences for its reputation and image with its stakeholders. Management of this risk is in the hands of the Information Technologies Department.
Strategic Alignment	Management of strategic risks involves monitoring the evolution of social, political and macroeconomic vectors, and alignment of the business portfolios of CTT and its subsidiaries with market trends, with a view to innovation and sustained value creation. The Strategy and Development Department is responsible for managing this risk.
Profitability Analysis	CTT is subject to multiple financial risks, particularly credit, interest and exchange rates and liquidity risks. Mitigation of these risks in order to maximise profitability is crucial for the Company's sustained growth. Management of these risks is a responsibility of the Accounting and Treasury and the Finance and Risk Departments. In this context it is also important to note the powers and activities of the Credit Committee and the Investment Committee.

Given external changes, the challenges of the privatisation process and the creation of Banco CTT, a restructuring project began at the end of 2015, concerning the restructuring and reassessment of the risk portfolio to which CTT is exposed in its activities. This will result in an update of the risk profile and the definition of the respective risk management plan made up of concrete mitigation measures to be implemented in the short / medium term.

This process entails holding themed focus groups with the participation of all the Company's business and corporate areas, where, on the one hand, a reflection and discussion of the main risks faced by CTT is to be carried out and, on the other, to develop adequate risk indicators that allow an efficient link to the organisation's decision-making procedures. In addition to these forums, the risk management good practice methodologies are being revisited, namely by benchmarking similar European companies and some national companies that show a high level of maturity in their integrated risk management models. The entire process is expected to be concluded during the first semester of 2016.

54. Description of the process for risk identification, assessment, monitoring, control and management

Risk management is promoted by the Board of Directors, in coordination with the various senior officers responsible for the organisation's areas, in order to identify, assess and manage the uncertainties and threats, which could influence the execution of the business plan and strategic objectives, in line with the Company's risk profile.

Risk management is integrated in the strategic planning process and operational management of CTT and its Subsidiaries and the adoption of risk management requires the commitment of all employees, as an integral part of their duties.

The Audit and Quality Department and the Finance and Risk Departments support the implementation of the risk management system and the continuous evaluation of the procedures established, in order to ensure the following:

- The maintenance of a risk management model in line with strategic objectives of CTT and its Subsidiaries, including information and communication channels;
- The identification and assessment of risk events to which CTT and its Subsidiaries are exposed to within the activities pursued;
- The permanent monitoring of the principal risks so as to verify possible shifts in its risk level that result in a need to change the internal control system.

Thus being, CTT has implemented a risk management system designed to manage systematically the risks and opportunities which might have an impact on the Company's strategic objectives, through structures, processes, methodologies and information.



⁽¹⁾ The strategic vision comprises the Company's strategic mission (risk sensitivity) and strategic objectives (risk tolerance).

⁽²⁾ The corporate culture consists of 6 layers: information and communication, information management, human resources, corporate structure, knowledge management and assurance.

Therefore, this risk management process involves the following 4 phases:

Phase I - Identification	<ul style="list-style-type: none"> The risk management system is supported by a set of standards and procedures for the capture, recording, classification and communication of the risks inherent in its daily activities (e.g. financial, operational, commercial, other), as well as environmental risks.
Phase II - Assessment	<ul style="list-style-type: none"> The probability and impact of all important risks are assessed, using approved classification levels set out in the risk management manual, which is reviewed periodically.
Phase III - Mitigation	<ul style="list-style-type: none"> Mitigation strategies are defined by reference to the risk assessment, in order to avoid, reduce, share and/or accept a particular level of risk.
Phase IV - Monitoring and reporting	<ul style="list-style-type: none"> This phase is supported by the execution of periodic activities, assessments and reports intended to ensure that all risks are monitored and to verify possible alterations in risk level; This monitoring is carried out on the basis of key risk indicators (KRIs) to provide continuous reporting and timely adoption of remedy measures; KRIs address all levels of the Company (strategic, tactical and operational) and are aimed at permanent alignment with the key performance indicators, and thus with CTT's business strategy and risk profile defined by the Board of Directors.

55. Main elements of the internal control and risk management systems implemented in the Company relating to the process of disclosure of financial information

The process of disclosure of financial information is monitored by both management and supervisory bodies and by the business units and corporate services. The financial statements and other financial information are prepared by the Management Planning and Control and Investor Relations Departments, based on information provided by the Accounting and Treasury Department and the Business Units.

All the documents for the presentation of financial information are approved by the Board of Directors and reviewed by the Audit Committee and the Statutory Auditor / External Auditor.

In particular, the Audit Committee is responsible for supervising the adoption of the principles and policies for the identification and management of the main financial and operational risks associated with CTT's activity, namely by monitoring the activities of the Internal Audit and Quality Department.

The Audit Committee is also responsible for checking the independence of the Statutory Auditor / External Auditor and the process for the preparation and disclosure of the Company's financial information. In this context, the Audit Committee:

- Holds meetings to monitor these processes with members of the Executive Committee, the Statutory Auditor / External Auditor, and with the persons responsible for accounting and for management planning and control;
- Evaluates the reports of the Internal Audit and Quality Department (specifically with respect to the procedures for internal audit and internal control of the financial report), in order to make proposals to the Executive Committee if appropriate;
- Monitors internal audit, in coordination with the Executive Committee, specifically with respect to procedures for the financial reporting, the detection of risks, irregularities and conflicts of interest, and the safeguarding of the Company's assets.

The work carried out in this respect by the Audit Committee during 2015 aimed above all at supervising the suitability of the process for the preparation and publication of financial information, and ensuring that the internal and external auditors were able to perform their functions with independence and objectivity, as per CMVM Recommendation II.2.5..

For the purposes of issuing the statutory audit report and audit report, the Statutory Auditor / External Auditor evaluate the internal control mechanisms of the main business processes of the Group companies affecting the financial reporting.

IV. INVESTOR RELATIONS

56. Department responsible for investor support, composition, functions, information provided by this department and contacts

CTT's Investor Relations Department (IR) is responsible for ensuring a solid and long-term relationship between, on one hand, shareholders, investors and analysts, CMVM, Euronext Lisbon and the capital markets in general and, on the other, the Company and its corporate bodies, providing timely, clear and transparent information representing the current evolution of CTT, in economic, financial and governance terms. Thus being, the Company complies with Recommendation VI.2. of CMVM, providing an investor assistance department and a permanent contact with the market.

CTT's IR team consists of 5 people and is managed by Peter Tsvetkov, and its contacts are as follows:

Address: Avenida D. João II, n.º 13, 12.º piso
1999-001 Lisbon, Portugal

investors@ctt.pt

Fax: +351210 471996

Telephone: +351210 471867

Website: www.ctt.pt

In 2015, in addition to the standard publication of financial accounts (2014 Annual Report and 1st half 2015 Interim Report), the Company issued the following press releases: 21 with privileged information (including press releases and presentations of quarterly results), 61 regarding qualified

holdings in CTT, as well as 1 concerning senior officers' transactions and 1 concerning the acquisition of own shares.

During the year, CTT spent 21.5 days in external meetings with investors, 11.5 of which in 11 conferences (organised by 9 different brokers in 6 different cities) and 10 days in 11 road shows (organised by 8 different brokers in 12 different cities). The number of events was lower than the previous year due to Capital Markets Day held on 19 November, due to which no meetings were held to present the 3rd quarter results. In 2015, the Chairman and CEO of the Company spent 6.5 days abroad on activities involving Investor Relations and the CFO spent 15.5 days on similar activities. CTT received 10 visits by investors, 3 independent and 7 organised by 4 different brokers. Over the course of the year, the Company met with 370 investors. Furthermore there were 37 scheduled conference calls with investors and 12 meetings with analysts and 24 scheduled contacts with analysts, besides many unscheduled calls.

On 19 November 2015, CTT organised its inaugural Capital Markets Day, in order to present its 3rd quarter results and disclose CTT's strategy, with a focus on Banco CTT. There were close to 80 participants present at the event from 16 investors, 17 brokers and other entities associated with the capital markets. The event included a visit to a CTT post office and to the Lisbon Production and Logistics Centre.

On 31 December 2015 research analyst coverage of the CTT share was performed by 15 research analysts (12 by the end of 2014), 5 Portugal-based brokers (CaixaBI, BPI, Haitong, Intermoney and Banco BIG), 5 in North America (JP Morgan, Morgan Stanley, Goldman Sachs, Jefferies and Royal Bank of Canada), 2 in Spain (BBVA and Fidentiis), 1 in Germany (MainFirst), 1 in the United Kingdom (Barclays) and 1 South African broker (Investec). Berenberg temporarily halted coverage of CTT due to a change in its research team.

On 31 December 2014, the closing market price of CTT shares was €8.017, while the average target price on that date of the 12 analysts who covered the share was €8.554. On 31 December 2015, the closing market price of the CTT shares was €8.854. On that date, the average target price of the 15 analysts who covered the share was €9.847 and ~47% (7) held positive recommendations on the share and ~47% (7) held neutral recommendations. One analyst (~7%) held a negative recommendation.

57. Market Relations Representative

CTT's Market Relations Representative is the Executive Member of the Board and CFO André Manuel Pereira Gorjão de Andrade Costa.

58. Information on requests for information received during the year or pending from previous years and response time

In 2015, IR received and processed 354 e-mails from institutional investors, 1,623 from research analysts, 715 from organisers of investor events and conferences and 568 from other investors and the general public. Given that not all e-mails required a response (such as, for example, the research reports on CTT and its peers that IR receives from brokers) or where a response was given immediately by telephone, IR handled by e-mail the responses indicated in the table below within the mentioned time periods, depending on their nature and complexity and no e-mail was left pending at the end of 2015.

	Number of responses given			Total
	within 1h*	from 1h to 24h*	more than 24h*	
To institutional investors	179	93	13	285
To analysts	189	78	12	279
To other (retail investors, general public, etc.)	94	89	9	192
Total	462	260	34	756
Percentage	61.1%	34.4%	4.5%	100%

Note: 95.5% of all requests for information were responded within 24h.

* measured from the time of receipt of the inquiry.

V. WEBSITE

59. Address

The address of CTT's website is: www.ctt.pt.

As described below, in line with CMVM Recommendation VI.1., the Company website provides access to information on the Company's evolution and current situation in economic, financial and governance terms, in Portuguese and English.

60. Website where information may be obtained about the Company, its status as a publicly-traded company, its registered address and other identifying details

This information may be found at "CTT & Investors", "Corporate Governance", "Corporate Identification" on CTT's website (www.ctt.pt).

61. Website where the Company's Articles of Association and the Regulations of the corporate bodies and/or committees may be found

This information may be found at "CTT & Investors", "The Company", "Corporate Governance", "Articles of Association & Regulations" on CTT's website (www.ctt.pt).

62. Website where information is available on the identity of the members of corporate bodies, the market relations representative and the investor office, with their functions and contact details

This information may be found at "CTT & Investors", "The Company" ("Corporate Governance" section) and "Investor Relations" ("Contacts" section) on CTT's website (www.ctt.pt).

63. Website where the financial statements are available, together with the half-yearly calendar of corporate events

This information may be found at "CTT & Investors", "Financial Information" on CTT's website (www.ctt.pt).

64. Website where the convening notices to Shareholders General Meetings and all related preparatory and subsequent information are published

This information may be found at “CTT & Investors”, “Investor Relations”, “Shareholders Meetings” on CTT’s website (www.ctt.pt).

65. Website where the records of all resolutions taken in the Company’s General Shareholders Meetings, the share capital represented and the results of the voting process are available

This information may be found at “CTT & Investors”, “Investor Relations”, “Shareholders Meetings” on CTT’s website (www.ctt.pt).

D. REMUNERATIONS**I. COMPETENCES TO SET REMUNERATIONS****66. Indication of the competences to set the remuneration of the corporate bodies, the members of the Executive Committee and the Company’s senior officers**

As per article 9 of the Company’s Articles of Association, the Shareholders General Meeting is competent to set the remunerations of members of the corporate bodies. It may appoint a Remuneration Committee for this purpose.

Considering that CTT’s Board of Directors understands that the Company’s senior officers under article 248-B of the Securities Code correspond solely to the members of its managing and supervisory bodies, the Remuneration Committee is responsible for setting their remuneration.

As further detailed in sections 21.4 of Part I above, the Corporate Governance, Evaluation and Nominating Committee has consultation powers on assessment and remuneration matters and supports the Remuneration Committee in determining remunerations.

The granting of those consultation powers not only complies with CMVM Recommendation II.1.4(a), but is also in line with best practices (namely in the financial sector) insofar as the body that determines remuneration should be supported by a committee within the Board of Directors, that contributes with its independence, knowledge and experience in defining a remuneration policy adjusted to the specificities of the sector and Company, in particular with detailed knowledge of its strategic and risk profile.

II. REMUNERATION COMMITTEE**67. Composition of the Remuneration Committee, including identification of the natural or legal persons engaged to assist said committee and statement of the independence of each member and consultants**

As at 31 December 2015, the Remuneration Committee was composed of:

Members	Office	Date of 1 st appointment
João Luís Ramalho de Carvalho Talone	Chairman	24/03/2014
José Gonçalo Ferreira Maury ⁽¹⁾	Member	24/03/2014
Rui Manuel Meireles dos Anjos Alpalhão	Member	24/03/2014

(1) Resigned from position by letter of 4 January 2016. The notice to convene for the Annual General Meeting to be held on 28 April 2016 will include an item pertaining to the election of a new member of the Remuneration Committee.

In compliance with Recommendation II.3.1. of CMVM, all members of the Remuneration Committee are independent from the CTT Board, since none of them (i) is part of any corporate body of the Company nor of any company within a control or group relationship with CTT, and / or (ii) has any family relationship (i.e., through his spouse, relatives and/or akin in straight line up to the 3rd degree, inclusive) with any Board member.

As referenced in sections 21.4 and 66 of Part I above, the Corporate Governance, Evaluation and Nominating Committee has consultation powers on remuneration matters and supports the Remuneration Committee who is responsible for determining remunerations. As detailed in sections 17 and 29.2 of Part I above, the Corporate Governance, Evaluation and Nominating Committee is composed of a majority of Non-Executive Directors and independent members (4 out of 5 of its members).

In 2015, the Remuneration Committee was supported by Mercer, specialised consultant with expertise in remuneration and human resource matters. Mercer maintained a relationship with the Company as at 31 December 2015, and was providing and had provided services to CTT over the past 3 years. Although the Company did not adopt CMVM Recommendation II.3.2., as explained in Part II below, the Company established the mechanisms necessary to ensure the independence of the consultants assisting the Remuneration Committee.

68. Knowledge and experience of the members of the Remuneration Committee on matters of remuneration policy

The *curricula* of the members of the Remuneration Committee are included in Annex I. As evidenced therein, and in line with CMVM Recommendation II.3.1., all members of this committee have the appropriate knowledge to analyse and decide on matters within their competence, given their academic degree and extensive professional experience, namely by means of:

- The performance of management duties in various sectors, in Portugal and abroad, and the performance of their duties in remuneration committees, in both cases in companies of a significant size and with shares admitted to trading;
- Consulting activities in the area of specialised human resources, including remuneration policies and those of selection and hiring of executives in the financial, services and industrial sectors.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law no. 28/2009, of 19 June

The remuneration policy for the term of office underway was approved and implemented by CTT's Remuneration Committee in 2015 and was based on: (i) the broad guidelines of the annual statement on the remuneration policy for governing body members, approved by Shareholders in CTT's Annual General Meeting held on 5 May 2014; and (ii) a detailed reflection and benchmark studies

performed with the assistance of specialised consultants, being subsequently subject to the opinion of Corporate Governance, Evaluation and Nominating Committee.

This reflection included developing and adapting the principles laid down in that statement and the best practices applicable to the specificities of the Portuguese market, of CTT's business sector, and of its strategic plan, business plan and annual budgets.

The peer group used in the benchmark analysis underlying the remuneration policy applicable to CTT Executive Directors was selected by reference to 28 July 2014, based on 3 criteria (sector, regulated/unregulated market and stability of cash-flows), and comprised 19 companies, including 7 European companies in the sector (Bpost, Deutsche Post, La Poste, Poste Italiane, PostNL, Post Nord and Royal Mail) and the 12 Portuguese companies with shares admitted to trading on the Euronext Lisbon regulated market deemed relevant.

With regard to Non-Executive Directors and members of the Board of the General Meeting, the reference benchmark corresponded to a peer group of 14 companies in PSI 20.

The remuneration policy approved by the Remuneration Committee sought to align remuneration with the defined business strategy and, thereby, the sustainability of results and the creation of value for Shareholders, based on the following main principles:

- To act as an instrument of the talent management policy;
- To compensate work, stimulate performance, reward results, taking into account performance and individual merit;
- To contribute to attract, develop and retain competent professionals, trying to be competitive with practices in the Portuguese market for companies of identical complexity;
- To promote the alignment of interests with CTT's values and culture, business strategy, Company's Shareholders and, in general, with the remaining stakeholders; and
- To contribute to value-creation not only in the short, but particularly in the medium and long term, following sustained management practices.

Considering these principles, the remuneration of the Executive Directors includes a fixed component and a variable component, the latter consisting of a portion intended to compensate performance in the short term and another intended to compensate long-term performance.

The fixed remuneration component was defined taking into account the market median and competitiveness, the nature and complexity of the duties (reasoning for a differentiated remuneration of the CEO, CFO and the remaining Executive Directors), as well as the required skills and the sustainability of CTT's performance. Additional benefits corresponding to the annual meal allowance and a fixed monthly amount to be allocated to the open pension fund or retirement savings plan are added to the annual base remuneration which is paid 14 times a year. This component can be reviewed annually by the Remuneration Committee.

The variable remuneration of the Executive Directors consists of:

- An annual component ("Annual Variable Remuneration"), subject to the achievement each financial year of predefined quantitative and qualitative objectives and paid in cash in the month after the approval of the accounts by the Annual General Meeting following each

financial year; and

- A long-term component ("Long-Term Variable Remuneration"), subject to a positive Total Shareholder Return ("TSR") of CTT shares at the end of the assessment period, equivalent to the term of office (up to 1 January 2017), and resulting in the delivery of CTT's shares on 31 January 2017, of which 50% is subject to a one-year lock-up period.

Both the Annual Variable Remuneration and the Long-Term Variable Remuneration are subject to limits set by the Remuneration Committee, namely by reference to the fixed remuneration as explained below.

Non-Executive Directors only receive an annual fixed remuneration, paid 14 times a year, the amount being determined by the degree of time commitment and estimated number of meetings of the corporate bodies and their internal committees, according to CMVM Recommendation III.2.

Thus, a differentiated remuneration increase is attributed to (i) Non-Executive Directors who chair or are part of one or more committees, particularly in the case of the Audit Committee, taking into account the competences and duties of this supervisory body, and to (ii) the Non-Executive Vice-Chairman of the Board of Directors who performs the duties of lead independent director as described in section 21 of Part I above.

In summary, the remuneration policy approved by the Remuneration Committee is based on the following pillars aligned with the best national and international practices in this area:

Compensation mix	<ul style="list-style-type: none"> • Appropriate balance between fixed and variable remuneration • Appropriate balance between short and long-term remuneration • Appropriate balance between the component in cash and in shares (without dilution)
Performance measures	<ul style="list-style-type: none"> • Appropriate balance between individual and collective objectives • Appropriate balance between financial and non-financial objectives • Performance measures that consider risk and set appropriate KPIs and targets vis-à-vis the peer group and the Company's plans
Alignment of interests	<ul style="list-style-type: none"> • Definition of the minimum level of performance to access the variable remuneration • Definition of the maximum level of performance as of which there is no additional payment of variable remuneration (caps) • Deferral mechanisms through the multiannual variable remuneration and the lock up of CTT shares delivered
Transparency	<ul style="list-style-type: none"> • Resolutions of an independent Remuneration Committee, assisted by specialised consultants and by a specialised and independent internal committee of the Board of Directors • Information disclosure • Alignment with the peer group and the Company's strategic objectives

These structural principles and elements of the remuneration policy for the members of the managing and supervisory bodies of CTT are detailed in the following sections of this report and also in the remuneration policy statement to be submitted annually by the Remuneration Committee for approval of the Shareholders General Meeting, as it occurred at the General Meeting held on 5 May 2015 and as it shall occur at the General Meeting to take place on 28 April 2016. Therefore, the Company adopts CMVM Recommendation II.3.3. as follows:

- On the annual statement, the information required under Law 28/2009, of 19 June, the criteria for determining the remuneration and the rules applicable to termination of office are presented by the Remuneration Committee to the General Meeting, in line with paragraphs a) and c) of CMVM Recommendation II.3.3.;

- The Remuneration Committee does not expressly indicate in said statement the potential maximum remuneration amount under paragraph b) of said CMVM Recommendation, although the Company fully complies with the principles of predictability, disclosure and transparency of agency costs incurred by the Company and its Shareholders, by adopting a solution that is materially correspondent to CMVM Recommendation II.3.3(b), as explained in Part II below of this report.

70. Information on how remuneration is structured in order to enable the alignment of the interests of the members of the managing body with the Company's long term interests, and on how it is based on performance assessment and discourages excessive risk-taking

70.1. Setting limits to the annual base remuneration, the Annual Variable Remuneration and the Long-Term Variable Remuneration, as well as discouraging excessive risk-taking

As mentioned above, the defined amount of fixed remuneration determined under the criteria indicated in section 69 of Part I above, seeks (i) alignment with market practices, by positioning itself close to the market median and striving thereby adequately discourage excessive risk-taking and (ii) differentiation and compensation according to levels of dedication.

The Non-Executive Directors of CTT only receive a fixed remuneration, fulfilling CMVM Recommendation III.2.

Both the Annual Variable Remuneration and the Long-Term Variable Remuneration are subject to maximum limits set by the Remuneration Committee, in particular by reference to the annual base remuneration, in line with CMVM Recommendation III.3., which also serves to discourage excessive risk-taking.

Thus, the Annual Variable Remuneration's target is 65% of the annual base remuneration, in the case of the CEO, and 55% of the annual base remuneration in the case of the remaining Executive Directors. Therefore, in a scenario of 100% achievement of the objectives applicable to the Annual Variable Remuneration, the CEO will be entitled to an Annual Variable Remuneration, in cash, in the amount of 65% of the annual base remuneration, and the remaining Executive Directors are entitled to an Annual Variable Remuneration, in cash, in the amount of 55% of the annual base remuneration. If the objectives achieved are above these targets, the maximum amount of Annual Variable Remuneration attributable to the CEO is 100% of the annual base remuneration and 85% of the annual base remuneration for the remaining Directors. If the minimum threshold of achievement described in section 71 of Part I below is not reached, there will be no Annual Variable Remuneration.

In turn, the Long-Term Variable Remuneration is paid through the allocation of Company shares, depending on a positive TSR of the Company's shares at the end of the assessment period (until 1 January 2017). The allocation and delivery of shares is deferred to the end of the term of office (being its delivery only due on 31 January 2017), subject to the above criteria and the various limits described below, determined by, inter alia, a maximum percentage of the annual base remuneration, which also serves to discourage excessive risk-taking.

Thus, the Long-Term Variable Remuneration has as target of 135% of the annual base remuneration for all Executive Directors. Therefore, in a scenario of 100% achievement of the objectives applicable to the Long-Term Variable Remuneration, CTT's Executive Directors are each entitled to such component in CTT shares, in the amount of 135% of the annual base remuneration. If the objectives achieved are above this target, the maximum amount of Long-Term Variable Remuneration attributable is 180% of the annual base remuneration. If the minimum threshold of achievement described in section 71 of Part I below is not reached, there will be no Long-Term

Variable Remuneration.

Additionally, the maximum number of Company shares to be allocated, as Long-Term Variable Remuneration regarding the current 3-year term of office, is doubly limited by the number of shares to be allocated and their value, according to the following limits: (i) maximum cap of 148,142, 117,876 and 111,504 shares, respectively for the CEO, CFO and remaining Executive Directors, and (ii) the value of the shares, at the average of the closing price of CTT shares in December 2016, cannot exceed a maximum of two million five hundred thousand euros and two million euros, respectively for the CEO and the remaining Executive Directors.

Once CTT shares have been allocated and delivered as Long-Term Variable Remuneration in 2017, these will be partially subject to restrictions on its transfer and encumbrance, so as to ensure said alignment and incentive to the maintenance of the Company's positive performance beyond the term of office.

As further regards discouraging excessive risk-taking and as better detailed in section 70.2 below, for all members of CTT's Executive Committee the fixed remuneration component will represent, on average, 40% of the total annual remuneration, the remaining 60% being attributed as a variable component, in the event the Annual Variable Remuneration and Long-Term Variable Remuneration objectives are fully met. Should the target of each of these components be met, its relative weight will be 50% on average.

Lastly and under article 23 of the Articles of Association, the Variable Remuneration of the Executive Directors may consist of a percentage of the consolidated profit, in which case the overall percentage of such profit paid up as variable remuneration may not exceed, each year, 5% of the consolidated profit for the financial year.

70.2. Performance assessment criteria, balance between remuneration components and resulting alignment of interests

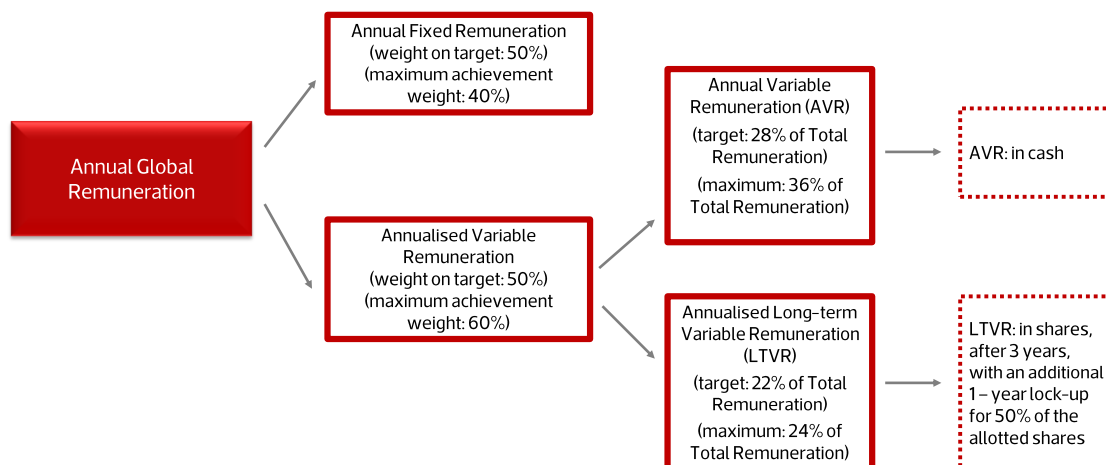
The awarding and value of the variable component depends on the fulfilment of pre-defined goals, measured by the performance assessment criteria described in section 71 of Part I below. This component will fluctuate according to the achievement level of:

- Annual objectives defined by quantitative assessment criteria (based on the benchmark carried out and the business plan and annual budget approved by the Board of Directors and related to EBITDA and TSR) and individual qualitative assessment criteria (defined by the Corporate Governance, Evaluation and Nominating Committee, within the parameters established by the Remuneration Committee and related to the Company's values, sustainability and stakeholder relationships); and
- Multi-annual objectives that correspond to the duration of the term of office (3 years) defined with reference to long-term quantitative assessment criteria (based on the benchmark carried out and related to TSR).

In addition, both Annual Variable Remuneration and Long-Term Variable Remuneration depend on the minimum performance thresholds described in section 70.1 above and gradual objectives described in section 71 of Part I below.

Therefore, the intention of these performance assessment criteria, achievement objectives and attained thresholds is to set a remuneration policy that promotes the alignment of the interests of the members of the Board of Directors with CTT's interests and its long-term performance.

In turn, the following chart shows the weight of fixed and variable remuneration (annualised) compared to the total annual remuneration attributed, on average, to the members of the Executive Committee, in case of compliance with the target and maximum compliance with the objectives established for the Annual Variable Remuneration and the Long-Term Variable Remuneration. Overall, there is a balance between the annual fixed remuneration and the annualised total variable remuneration, which also promotes the mentioned alignment of interests.



The weight of the variable component in relation to the total fixed remuneration is not only in line with the best market practices of a national reference group of companies (including major Portuguese companies and companies listed on PSI 20 index) and European companies (entities of the postal sector), calculated as part of the benchmarking exercise conducted, but also in line with CMVM Recommendations III.1. and III.3.

In summary, the effective allocation of this remuneration mix depends on the performance assessment according to the criteria and objectives described in section 71 of Part I below and contributes to the alignment of Director's interests with those of the Company, as follows:

- The fixed component serves as a reference for the allocation of the variable component, is subject to limitations, can be reviewed annually by the Remuneration Committee and must provide an adequate balance between remuneration components;
- The Annual Variable Remuneration depends on the assessment of quantitative and qualitative performance criteria, predetermined and gradual, the assessment period being the financial year in question;
- The Long-Term Variable Remuneration depends on the assessment of quantitative criteria, predetermined and gradual, the assessment period being the 3-year term of office in progress, on a long-term perspective;
- The Long-Term Variable Remuneration gives rise to the delivery of shares at the end of the term of office, still subject to a lock-up period which is an additional incentive to the maintenance the Company's positive performance and value-creation for Shareholders beyond the term of office.

71. Reference, if applicable, to the existence of a variable component of the remuneration and information on any potential impact of the performance assessment on this component

The Annual Variable Remuneration's amount to be received by the Executive Directors results in 70% of the assessment of the following criteria and quantitative objectives set by the Remuneration Committee based on the benchmarking exercise conducted and the business plan and budget:

- The amount of the annual recurring EBITDA margin of each CTT business unit: (i) Mail; (ii) Express & Parcels; and (iii) Financial Services (40%). In 2015, the Remuneration Committee detailed this objective in terms of CTT's business units, taking into account the stage of diversification of its activities in different areas of business, which have different relative weights in their contribution to CTT's revenues;
- The growth percentage of CTT's recurring EBITDA (as defined by CTT's Audit Committee) regarding the previous calendar year (40%);
- A positive annual TSR for the Company's shares and its comparison to the weighted average TSR of a peer group (20%). In 2015, the Remuneration Committee passed a resolution limiting the impact of this performance indicator to the extent of the respective 20% weight, thus promoting the implementation shorter-term management strategies that may create value in the medium and long-term, despite causing short-term pressure on shares. The peer group consists of 2 subgroups: (i) TSR of PSI 20 with a 60% weighting and (ii) TSR (simple average) of a set of relevant sector peers (Austrian Post, Bpost, PostNL and Royal Mail, subject to changes defined by the Remuneration Committee based on relevant corporate restructurings) with a 40% weighting.

The awarding of the Annual Variable Remuneration in relation to these objectives further depends on (i) a weighted-average of these objectives above 80% and (ii) a recurring EBITDA margin that satisfies at least 85% of the set target.

Having satisfied these conditions, the recorded performance regarding the criteria and quantitative objectives is gradually remunerated, according to the level of achievement and the parameters set by the Remuneration Committee, in particular:

- If the recorded performance meets the set goal in less than 80%, there will be no allocation of Annual Variable Remuneration for that quantitative target;
- If the recorded performance is between 80% and 100% of the set goal, that amount will be between 29.25% and 65% of the CEO's annual base remuneration, and between 24.75% and 55% of the remaining Executive Directors' annual base remuneration;
- If the recorded performance is between 100% and 130% of the set goal, that amount will be between 65% and 100% of the CEO's annual base remuneration, and between 55% and 85% of the remaining Executive Directors' annual base remuneration;
- If the recorded performance fulfils the set goal in more than 130%, that amount will correspond to 100% of the CEO's annual base remuneration and to 85% of the remaining Executive Directors' annual base remuneration.

The amount of the Annual Variable Remuneration to be received results in 30% of the assessment of set qualitative individual objectives, defined and subject to assessment by the Corporate Governance, Evaluation and Nominating Committee, according to the parameters set by the Remuneration Committee. According to these parameters, the performance recorded on these objectives is gradually remunerated by reference to a percentage of the annual base remuneration between 10% and 100% for the CEO, and between 5% and 85% for the remaining Executive

Directors, depending on the achievement level. The referenced percentages of 10% and 5% were introduced in 2015 by the Remuneration Committee and are intended to weight, in terms of qualitative objectives, situations where the Executive Director's performance, although below expectations, is slightly aligned with the expected.

In this context, the Corporate Governance, Evaluation and Nominating Committee defined an assessment model that considers as relevant criteria the composition, image and activity of the members of the Executive Committee, as well as their relationship with the various corporate bodies and stakeholders of the Company (including aspects such as sustainability and environment, organisational culture, Company's reputation and relationship with Shareholders, employees, suppliers and customers).

In turn, the awarding of the Executive Directors' Long-Term Variable Remuneration is subject to verification of the following assessment criteria: (i) a positive TSR of the Company's shares at the end of the assessment period, corresponding to the 3-year term of office, (ii) the awarding and delivery of shares is deferred (being the awarding assessed until 1 January 2017 and the delivery made on 31 January 2017) and only occur if at the end of the term of office the Long-Term Variable Remuneration's awarding criteria are fulfilled.

Additionally, the calculation of the number of shares corresponding to the Long-Term Variable Remuneration to be awarded is based on the comparison of the recorded performance of the TSR of the Company shares and the weighted-average TSR of a peer group formed by the subgroups identified above for the Annual Variable Remuneration and the following parameters (in addition to the limits described in section 70.2 above):

- If the TSR of the Company's shares is less than 90% of the weighted TSR of the peer group's shares, no Long-Term Variable Remuneration will be awarded;
- If the TSR of the Company's shares is equal to or greater than 90% and less than or equal to 110% of the weighted TSR of the peer group's shares, each Executive Director is assigned the number of Company's shares corresponding to the quotient of the division of the proportional percentage between 50% and 135% of the annual base remuneration of the corresponding Executive Director by the awarding price of the Company's shares;
- If the TSR of the Company's shares is greater than 110% of the weighted TSR of the peer group's shares, each Executive Director is awarded a number of Company's shares corresponding to the quotient of the division of 180% of the annual base remuneration of the corresponding Executive Director by the awarding price of the Company's shares.

This share award plan and the corresponding Regulation were approved by the Company's Annual General Meeting on 5 May 2015, in line with the remuneration policy approved by the Remuneration Committee. This plan will not lead to any dilutive effect, since it will be implemented through the acquisition and sale of own shares, duly authorised by the General Meeting, and not by means of capital increases.

72. Deferral of payment of the variable component of remuneration and deferral period

The awarding of the Long-Term Variable Remuneration depends on the verification of a positive TSR of Company's shares at the end of an assessment period, corresponding to the 3-year term of office. Thus being, the awarding and delivery of shares is deferred (being the awarding assessed until 1 January 2017 and the delivery made on 31 January 2017) and only occur if at the end of the term of office the Long-Term Variable Remuneration's awarding criteria are fulfilled.

Therefore, a significant component of the total variable remuneration to be received for the performance in this term of office is deferred to the end of its term and subject to the Company's positive performance, giving full effect to CMVM Recommendation III.4.

The positive performance is measured by CTT share's TSR and by comparing the recorded performance of the TSR of Company's shares and the weighted-average TSR of a peer group (TSR of PSI 20 with a 60% weighting and TSR of a set of relevant sector peers with a 40% weighting, as described in section 71 of Part I above).

In addition to this mechanism that conditions and defers a significant part of the variable remuneration, the Long-Term Variable Remuneration delivered by means of shares is also subject to a lock-up/retention period, since 50% of Company's shares delivered on 31 January 2017 may only be transferred or encumbered 1 year after the Long-Term Variable Remuneration's delivery date, except for the purposes of payment of due taxes and contributions, and in the following cases of termination of office.

The payment of the Annual Variable Remuneration and of the Long-Term Variable Remuneration relating to an assessment period during which there is termination of office will not be due, unless in case of early termination of office for reasons not attributable to the Director, including changes of the Company's control, in which case there will be a proposal for a pro-rata allocation, after a resolution adopted by the Remuneration Committee. If a Director is not elected for another term of office, the lock-up/retention regime of shares described above will cease. In case of termination of office for any cause (with exception of destitution with just cause) after a period of assessment, but prior to the payment of the Annual Variable Remuneration or Long-Term Variable Remuneration, its overall delivery shall be made for such corresponding period.

Since the shares to which the Executive Director has access under this Long-Term Variable Remuneration scheme are only awarded and delivered after the term of office and are still subject to a lock-up period of 50% of the delivered shares, the Company considers that CMVM Recommendation III.6. has been fully complied with.

These rules also aim at an alignment of interests of the executive management team with value-creation for the Shareholder, which, given the specificities of the Company and the sector, should derive from the combination of assessment criteria over the 3-year TSR, as described above, and from a lock-up period for 50% of the acquired shares.

Thus, the Long-Term Variable Remuneration creates a deferral mechanism and retention of a significant part of the variable remuneration, subject to the maintenance of positive performance, in two ways:

- The multi-annual assessment period corresponding to the 3-year term of office determines that, throughout this period, the Director shall not acquire any rights or receive the shares in question, until after the 3-year period and when the positive performance is confirmed at the end of this period. In this model, not only the vesting but also the granting are deferred and conditioned by the positive performance (performance conditions). This multi-annual assessment model eliminates the need for "malus" or "claw-back" provisions, since there is no granting or vesting on an annual basis of Long-Term Variable Remuneration, but only after the end of the term of office (January 2017);
- After the term of office and depending on performance, the Director becomes entitled to the Long-Term Variable Remuneration and receives the shares, but is unable to sell or encumber 50% of those shares for 1 year, i.e. until 31 January 2018 (holding period).

These two mechanisms encourage the Director, on a long-term basis, to pursue the interests of the Company, its Shareholders and stakeholders, and maximise Shareholder value.

73. Criteria underlying the awarding of variable remuneration in shares, and the maintenance of these shares by the Executive Directors; Potential agreements regarding these shares, namely hedging or risk transfer agreements, their limits and its proportionate value in terms of total annual remuneration

The Long-Term Variable Remuneration's awarding depends on a positive TSR of Company's shares at the end of the assessment period, in which terms the vesting of the shares is postponed to 31 January 2017 and subject to a positive performance at the end of the term of office (until 1 January 2017).

In addition to this deferral mechanism, the awarded shares will be subject to a lock-up/retention period, according to which 50% of the Company's shares awarded, as Long-Term Variable Remuneration, may only be transferred or encumbered, for whichever purposes, 1 year after such component's payment date, subject to section 72 of Part I above.

Under the remuneration policy approved by the Remuneration Committee, the Executive Directors shall not enter into any contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration, in compliance with CMVM Recommendation III.5.

74. Criteria underlying the allocation of variable remuneration in options and indication of the deferral period and exercise price

Not applicable. See section 71 of Part I above.

75. Main parameters and grounds of any annual system of bonuses and any other non-cash benefits

The Company did not adopt any annual system of bonuses and other non-cash benefits, without prejudice to the following paragraph.

The Executive Directors receive the following non-cash benefits of fixed value: car use (including fuel and tolls), life and personal accident insurances (including travel), liability insurance (D&O) and access to the health benefits system – *IOS – Instituto de Obras Sociais* (Social Works Institute) – under the same terms as the Company's employees.

76. Main characteristics of supplementary pension schemes or early retirement for the Board members and date on which they were individually approved at the General Meeting

Without prejudice to the following paragraph, the Company's remuneration policy does not include the allocation of pension supplements or any compensation in the case of early retirement of its Directors, therefore CMVM Recommendation II.3.5. is not applicable to the Company.

The fixed monthly remuneration of the Executive Directors includes an amount set by the Remuneration Committee as a result of benchmarking and is intended to be allocated to an open pension fund or retirement savings plan, specifically selected by each Executive Director.

IV. DISCLOSURE OF REMUNERATIONS

77. Indication of the annual remuneration earned, in aggregate and individually, by the members of the managing body of the Company, including fixed and variable remuneration and, regarding the latter, mentioning its different components

The table below shows the gross remunerations paid by the Company in 2015, to the members of the Board of Directors and the Audit Committee:

Member	Office	Amounts		
		Fixed Remuneration ⁽¹⁾	Annual Variable Remuneration 2014 ⁽²⁾	Total
Francisco José Queiroz de Barros de Lacerda	Chairman of the Board of Directors and Chief Executive Officer	513,797.47 €	429,927.00 €	943,724.47 €
Manuel Cabral de Abreu Castelo Branco	Vice Chairman of the Board of Directors and Executive Director	387,297.59 €	185,159.00 €	572,456.59 €
André Manuel Pereira Gorjão de Andrade Costa	Executive Director and Chief Financial Officer	409,279.47 €	290,090.00 €	699,369.47 €
Dionizia Maria Ribeiro Farinha Ferreira	Executive Director	387,297.59 €	274,409.00 €	661,706.59 €
Ana Maria de Carvalho Jordão Ribeiro Monteiro de Macedo	Executive Director	387,297.59 €	258,659.00 €	645,956.59 €
Total for the Executive Committee		2,084,969.71 €	1,438,244.00 €	3,523,213.71 €

Member	Office	Amount ⁽³⁾
António Sarmento Gomes Mota	Vice Chairman of the Board of Directors (lead independent director), Chairman of the Audit Committee and Chairman of the Corporate Governance, Evaluation and Nominating Committee	134,999.90 €
Nuno de Carvalho Fernandes Thomaz ⁽⁴⁾	Member of the Audit Committee and Non-Executive Director	60,428.51 €
Diogo José Paredes Leite de Campos	Member of the Audit Committee and Non-Executive Director	59,999.92 €
Total for the Audit Committee		255,428.35 €
António Manuel de Carvalho Ferreira Vitorino	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	44,999.92 €
Rui Miguel de Oliveira Horta e Costa	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	44,999.92 €
José Manuel Baptista Fino ⁽⁵⁾	Non-Executive Director and Member of the Corporate Governance, Evaluation and Nominating Committee	46,285.63 €
Total for Non-Executive Directors that are not members of the Audit Committee		136,285.47 €
Total for the Board of Directors and Audit Committee		3,914,927.53 €

⁽¹⁾ Fixed remuneration amount of Executive Directors, including the annual base remuneration, amounts regarding annual meal allowance and a fixed amount paid monthly to be allocated to an open pension fund or a retirement savings plan.

⁽²⁾ Annual Variable Remuneration paid to Executive Directors with reference to their respective performance in 2014, determined as described in section 69 *et seq.* of Part I above.

⁽³⁾ Amount of fixed remuneration for Non-Executive Directors, who have no variable remuneration.

⁽⁴⁾ Includes the amount of €428.57 with reference to December 2014, paid in January 2015.

⁽⁵⁾ Includes the amount of €1,285.71 with reference to December 2014, paid in January 2015.

Regarding the Annual Variable Remuneration attributable to Executive Directors as described in section 69 *et seq.* above with reference to their performance in 2015, CTT had staff costs in the amount of €1,373,129.00, as at 31 December 2015, as defined by an actuarial study carried out by an independent entity. This remuneration component shall be paid in cash by the Company in the month following the approval of accounts by the Annual General Meeting, if the corresponding awarding assumptions are met.

As for the Long-Term Variable Remuneration attributable to Executive Directors as described in section 69 *et seq.* above with reference to their performance in 2015, CTT had costs in the amount of €1,610,685.00, as at 31 December 2015, corresponding to long-term governing body benefits under the share award plan approved by the General Meeting on 5 May 2015. This amount was calculated based on the fair value of the shares by an independent expert.

The payment of the mentioned Long-Term Variable Remuneration to Executive Directors is made by attributing shares in the Company, although the allocation and delivery thereof is subject to the verification at the end of each assessment period (3-year term of office) of the performance assessment criteria, objectives and limitations referenced in sections 70 and 71 of Part I above, in particular to a positive TSR for Company shares.

78. Amounts paid, for any reason whatsoever, by other companies in control or group relationship or that are subject to joint control

During the financial year of 2015, companies with a control or group relationship with CTT did not pay any remuneration or any other compensation to the Board of Directors.

79. Remuneration paid in the form of profit sharing and/or bonus payments and reasons for such bonuses and/or profit sharing to be granted

The remuneration paid by the Company to Executive Directors as Annual Variable Remuneration, under the terms set out in section 77 of Part I above, corresponds to profit sharing (through the allocation of bonuses), under the terms set out in the profit allocation proposals presented in the Annual General Meeting of 5 May 2015 and to be presented in the Annual General Meeting of 28 April 2016.

During the financial year of 2015, no further amounts were paid in the form of profit sharing or bonuses to the members of the Board of Directors.

80. Compensations paid or owed to former Executive Directors relating to the termination of their office during the financial year

During the financial year of 2015, no compensation was paid or became due to former Directors relating to the termination of their office during the financial year.

81. Annual remuneration earned, in aggregate and individually, by the members of the supervisory body of the Company, for the purposes of Law 28/2009, of 19 June

See section 77 of Part I above regarding the members of the Audit Committee.

82. Remuneration of the Chairman of the Board of the General Meeting during the year

During the financial year 2015, the remuneration received by the Chairman and Vice-Chairman of the General Meeting Board amounted to €3,075.00 and €2,386.40 respectively (excluding VAT and withholding taxes).

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual limits established for compensation payable for destitution without just cause of a Board member and their connection with the variable component of remuneration

The members of CTT's corporate bodies did not enter into any contracts with the Company on remuneration or compensation/indemnity matters. The remuneration policy approved and disclosed by CTT's Remuneration Committee for the term of office 2014/2016 does not provide for any compensation regime in a context of termination of office by the members of corporate bodies,

thereby applying the current legal regime in this area.

The principle set out in the previous paragraph was presented by the Remuneration Committee to CTT's Annual General Meeting on 5 May 2015 and approved thereby, in relation to the statement on the remuneration policy in force, according to which: *"In the event members of the Board of Directors terminate office, the compensation rules prescribed by law shall apply, as no compensation clauses were agreed upon or established in the remuneration policy."*

The legally due compensation regarding members of the Board of Directors (including Executive Directors), in case of destitution without just cause, corresponds to a compensation for the damage suffered by them as required by law, which may not exceed the remuneration amount that the Board member would presumably receive until the end of the period for which he/she were elected.

Thus, considering the absence of individual agreements in this area and the terms of the remuneration policy approved by the Remuneration Committee, the Company fully complies with CMVM Recommendation III.8., in which terms, in case of a destitution not resulting from a serious fault of duties or inability to regularly exercise duties, but nonetheless due to inadequate performance, the Company will be obliged to pay a compensation only under the terms legally owed.

See section 72 of Part I above concerning the impact of the termination of office on the Annual Variable Remuneration and Long-Term Variable Remuneration.

84. Agreements between the Company and members of the managing body and senior officers under article 248-B(3) of the Securities Code providing for compensation/indemnities in the case of resignation, dismissal without just cause or termination of employment following a change of control of the Company

During the financial year 2015, there were no agreements between the Company and the members of the Board of Directors or the Audit Committee which provided for compensation in the case of resignation, dismissal without just cause or termination of employment following a change in the control of the Company, without prejudice to section 72 of Part I above.

It should be noted, in this regard, that CTT's Board of Directors believes that the Company's senior officers as per article 248-B of the Securities Code correspond only to the members of CTT's managing and supervisory bodies.

VI. PLANS FOR SHARES AWARDING OR STOCK OPTIONS

85. Identification of the plan and its recipients

The allocation of the Long-Term Variable Remuneration to Executive Directors of CTT gives rise to the awarding of Company's shares under the plan for share award and in line with what is described in sections 69 to 73 of Part I above. The relevant share award plan and the corresponding Regulation were approved in the Company's Annual General Meeting, on 5 May 2015, in line with the remuneration policy approved by the Remuneration Committee, thereby complying with CMVM Recommendation II.3.4.

The Company does not currently have any type of share options plan, thus CMVM Recommendation III.7. is not applicable.

86. Characteristics of the plan (awarding terms, lock-up provisions, criteria on the share price and exercise price of options, period during which options may be exercised; characteristics of shares or options to be granted, existence of incentives for the acquisition of shares and/or exercise of options)

As referenced in the previous section, taking into account the model of the Long-Term Variable Remuneration approved by the Remuneration Committee, the Board of Directors submitted and the Company's Annual General Meeting approved, on 5 May 2015, a plan for the awarding of ordinary shares representing the share capital of CTT (with all the inherent social and economic rights) to the Company's Executive Directors, in line with the remuneration policy approved by the Remuneration Committee and with the characteristics described in sections 71 and 72 of Part I above.

87. Stock options plans where the Company's employees are the beneficiaries

Please refer to section 85 of Part I above.

88. Control mechanisms stipulated in any system of employee participation in the Company's equity to the extent that the voting rights are not exercised directly by them

No system of employee participation in equity was in force in 2015 or exists in CTT.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the Company for the purpose of monitoring transactions with related parties

During the financial year of 2014, the Company approved and implemented procedures to ensure (i) strict compliance with the legal and accounting principles and best practices existing in the context of transactions with related parties and (ii) the pursuance of CTT's interest in this context, in particular by the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests. This Regulation was fine tuned in December 2015 in light of the then existing shareholder and corporate structures, in order to strengthen the referenced implementation procedures and clarify some of the concepts referenced therein.

For this purpose, "Related Parties" are considered to be:

- Any shareholder with at least 2% of the CTT's share capital directly or indirectly, pursuant to article 20 of the Securities Code;
- Members of the managing and supervisory bodies of CTT and any senior officer who, not being a member of these corporate bodies are so classified under the referenced Regulation (a concept which has been detailed in the amended Regulation), or any third party related to them through any significant commercial or personal interest (concepts also detailed in the recent amendment to the referenced Regulation);
- Subsidiaries, associated companies and jointly controlled entities (joint venture).

According to such Regulation, "Transactions with Related Parties" (i.e., all onerous or gratuitous legal transactions between, on the one hand, CTT and / or Subsidiaries and, on the other hand, a related party) shall respect the following principles:

- Only take place on the basis of grounds clearly falling within CTT's businesses;
- Its implementation must comply with market conditions, according to the legislation in force and fulfil the best corporate governance practices in order to ensure transparency and full consideration for CTT's interests;
- They must always be formalised in writing, specifying the terms and conditions;
- Loans in favour of "Related Parties" are expressly prohibited, except in favour of subsidiaries, associated companies or jointly controlled entities;
- They should be clearly and accurately disclosed in the notes of the Company's financial statements, with sufficient detail to identify the "Related Party" and the main conditions regarding the transactions.

See section 91 of Part I below on the prior and subsequent control mechanisms by the Audit Committee regarding transactions with related parties.

90. Transactions subject to control in the year of reference

In 2015, the following transactions with related parties were subject to prior and subsequent control by the Company's supervisory body, under the procedures described in the Regulation for Assessment and Control of Transactions mentioned in sections 89 and 91 of Part I of this report:

- (i) Appointment of the law firm Cuatrecasas to render services and legally represent CTT and CTT Expresso in Spain, for which a favourable prior opinion from the Audit Committee was obtained, having been later authorised by the Board of Directors pursuant to article 397 of the Companies Code.
- (ii) Transactions with subsidiaries within the CTT Group's activities (postal and financial) for which a subsequent opinion from the Audit Committee was obtained. (For postal activities, this corresponded almost entirely to the rendering of services and for financial activities to 3 contracts entered into between CTT and Banco CTT, governing the use of resources inherent to the Retail Network and the CTT / Banco CTT partnership, the multiple employer regime adopted for the Retail Network and the rendering of services between the parties).

For greater detail on transactions with Related Parties, please see Note 42 – Related Parties of the consolidated financial statements and Note 6 – Related Parties of the individual financial statements of the 2015 Annual Report.

91. Procedures and criteria applicable to the intervention of the supervisory body for the purposes of pre-assessment of transactions between the Company and qualified holders

According to the Regulation for Assessment and Control of Transactions with Related Parties, the "Significant Transactions with Related Parties" (i.e., of an amount exceeding €1,000,000.00 for a single transaction or a set of transactions conducted in each financial year, with the exception of transactions made between CTT and its Subsidiaries whose capital is 100% owned by CTT) are submitted by the Executive Committee to the prior opinion of the Audit Committee, giving full effect to CMVM Recommendation V.2..

In this context, the Audit Committee shall analyse, namely, the terms, purpose and opportunity of the transaction, the interest of the related party, any limitations that may be imposed on CTT as a result of the transaction, the pre-contractual procedures implemented, the mechanisms adopted to solve or prevent potential conflicts of interest and the evidence that the operation will be carried out under normal market conditions. In the case of an unfavourable opinion of the Audit Committee, the conclusion of the transaction depends on the authorisation of the CTT's Board of Directors, a corporate body that should clearly support its approval, evidencing that it conforms to CTT's interests and that the advantages outweigh the disadvantages.

Transactions to be entered into, on the one hand, by management body members of CTT and / or Subsidiaries (directly or through a third party) and, on the other hand, by CTT and / or Subsidiaries, under the terms and for the purposes set out in articles 397 and 423-H of the Commercial Companies Code and the procedure set out in the Regulation for Assessment and Control of Transactions with Related Parties, as amended in 2015, are also subject to the prior opinion of the Audit Committee.

The remaining "Transactions with related parties" are reported to the Audit Committee for the purpose of subsequent review, particularly in the context of the annual activities report.

II. TRANSACTIONS INFORMATION

92. Place where financial reporting documents containing information on the transactions with related parties can be found, pursuant to IAS 24

The relevant transactions with related parties are set out in Note 42 – Related Parties of the consolidated financial statements in the 2015 Annual Report, having been carried out in normal market conditions in compliance with CMVM Recommendation V.1..

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Identification of the adopted Corporate Governance Code

According to the provisions of article 2(1) of CMVM Regulation 4/2013, CTT adopts the CMVM Code of Corporate Governance, as published in July 2013, which is available for consultation at www.cmvm.pt.

2. Compliance analysis with the adopted Corporate Governance Code

CMVM CODE		ADOPTION	SECTIONS
I. VOTING AND CONTROL OF THE COMPANY			
I.1.	Companies should encourage their shareholders to take part and vote in General Meetings, especially by not establishing an excessively high number of shares required to be entitled to one vote and implementing the necessary means to the exercise of the voting right by mail and electronic means.	Adopted	12
I.2.	Companies should not adopt mechanisms that hinder the process of reaching decisions from their shareholders, in particular by establishing a resolution quorum higher than that provided for in the law.	Adopted	14
I.3.	Companies should not establish mechanisms that have the effect of causing a gap between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, unless they are duly justified by reference to the long-term interests of shareholders.	Adopted	12
I.4.	Companies' Articles of Association providing for the limitation of the number of votes that may be held or exercised by a sole shareholder, individually or jointly with other shareholders, shall also provide that, at least every five years, the changing or maintenance of such by-laws provision will be subject to deliberation by the General Meeting – with no quorum requirements in relation to the law – and that on such resolution any votes cast are counted with no restriction.	n.a.	5 and 13
I.5.	Measures that have the effect of requiring payments or assuming charges by the Company in case of change of control or change in the composition of the managing body and which appear likely to hinder the free transfer of shares and the free assessment of the performance of the members of the managing body by the shareholders shall not be adopted.	Adopted	4
II. OVERSIGHT, MANAGEMENT AND SUPERVISION			
II.1. OVERSIGHT AND MANAGEMENT			
II.1.1.	Within the limits established by law, and unless resulting from the small size of the Company, the Board of Directors must delegate the daily management of the Company, with the delegated competences being identified in the Annual Corporate Governance Report.	Adopted	21
II.1.2.	The Board of Directors must ensure that the Company operates in line with their objectives, and shall not delegate their duties, in particular with regard to: i) defining the strategy and the Company's general policies; ii) defining the corporate structure of the group; iii) decisions that should be considered as strategic due to their amount, risk or particular characteristics.	Adopted	21

CMVM CODE	ADOPTION	SECTIONS
II.1.3. The Supervisory Board, in addition to the exercise of the supervisory duties for which it is responsible, shall assume full responsibility for the Company's governance, so that, through a by-laws provision or through equivalent means, this Board shall be responsible for deciding on the strategy and the main Company's political policies, the definition of the group's corporate structure and the decisions that shall be considered as strategic regarding their amount and risk included. This corporate body shall also assess compliance with the strategic plan and execution of the main Company policies.	n.a.	15
II.1.4. Unless resulting from the small size of the Company, the Board of Directors must create the committees necessary to: a) Ensure a competent and independent performance assessment of the Executive Directors and their overall performance, as well as the various existing committees; b) Reflect on the governance system, structure and practices adopted, monitor its effectiveness and propose to the competent corporate bodies the measures to be executed, with a view to their improvement.	Adopted	21, 27 and 29
II.1.5. The Board of Directors shall establish the objectives on risk-taking and create systems to control them, with a view to ensuring that the risks actually incurred are consistent with these objectives.	Adopted	21, 50 and 51
II.1.6. The Board of Directors shall include a number of non-executive members who shall ensure an effective oversight, supervision and assessment of the activity of the other members of the managing body.	Adopted	17 and 18
II.1.7. The Non-Executive Directors shall include an adequate proportion of independent Directors, taking into account the adopted governance model, the size of the Company, its shareholder structure and its free float. Among the members of the Board of Directors, a person who is not associated with any group with specific interests in the Company, nor is in any situation likely to affect its impartiality on the decision making, is considered an independent member, namely in relation to: a. Having been an employee of this Company or of a company that has a control or group relationship with it in the last three years; b. Having, over the last three years, provided services or established a significant commercial relationship with the Company or a company that has a control or group relationship with it, either directly or as a shareholder, director, manager or officer of a legal entity; c. Being a recipient of remuneration paid by the Company or company that has a control or group relationship with it in addition to the remuneration arising from the exercise of duties as director; d. Living as an unmarried couple or being spouse, relative or akin in a straight line up to a 3 rd degree, inclusively, in the collateral line, of Directors or natural persons directly or indirectly with a qualified holding; e. Being a holder of a qualified holding or representative of a shareholder with qualified holdings.	Adopted	17 and 18
II.1.8. When requested by other members of the corporate bodies, the Directors performing executive duties should provide, in due time and in a form appropriate to the request, any information required by them.	Adopted	21
II.1.9. The Chairman of the Executive Committee should send to the Chairman of the Board of Directors and the Chairman of the Audit Committee the convening calls and minutes of their meetings.	Adopted	21
II.1.10. If the Chairman of the Board of Directors performs executive duties, the Board shall appoint an independent director, among its members, capable of ensuring the coordination of the work of other non-executive members and the terms so that they can decide on an independent and informed manner or find an equivalent mechanism to ensure such coordination.	Adopted	18

II.2. SUPERVISION			
II.2.1.	The Chairman of the Audit Committee shall be independent, according to the legal applicable standard, and have the necessary skills to carry out their duties.	Adopted	31
II.2.2.	The supervisory body should be the main interlocutor of the external auditor and the first recipient of its reports, being responsible, inter alia, for proposing their remuneration and ensuring, within the Company, that the appropriate conditions for the service contract are provided.	Adopted	38
II.2.3.	The supervisory body shall assess, on an annual basis, the external auditor and suggest, to the competent corporate body, its dismissal or termination of the service contract whenever there is just cause.	Adopted	38 and 45
II.2.4.	The supervisory body shall assess the functioning of internal control and risk management systems and suggest the adjustments as necessary.	Adopted	38 and 50
II.2.5.	The Audit Committee shall decide on the working plan and resources allocated to the services of internal audit and services that ensure the compliance of the rules applicable to the Company (compliance services), and shall receive the reports executed by these services at least when matters related to accountability, the identification or the resolution of conflicts of interest and the detection of potential illegalities are concerned.	Adopted	38 and 51
II.3. ESTABLISHMENT OF REMUNERATIONS			
II.3.1.	Any member of the Remuneration Committee or equivalent should be independent from the executive members of the managing body and include at least one member with knowledge and experience on matters of remuneration policy.	Adopted	67
II.3.2.	No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the managing body, to the managing body of the Company itself or who has a current relationship with the Company or a consultant of the Company should be engaged to assist the Remuneration Committee in the performance of its duties. This recommendation is also applicable to any natural or legal person related to the above by means of an employment or services contract.	Not adopted	67
II.3.3.	The statement on the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, shall additionally include: a) Identification and explanation on the criteria for determining the remuneration to be attributed to the members of the corporate bodies; b) Information on the maximum potential amount, individually, and the maximum potential amount, in aggregate, payable to the members of the corporate bodies, and identification of the circumstances under which these maximum amounts may be due; c) Information regarding the enforceability or unenforceability of payments for the destitution or termination of office by Directors.	Partially not adopted regarding what is recommended in paragraph b)	69
II.3.4.	A proposal regarding the approval of share award and/or stock options plans or those based on the variations in the prices of shares to members of the corporate bodies must be submitted to the General Meeting. The proposal shall contain all the elements required for a correct assessment of the plan.	Adopted	85
II.3.5.	The proposal regarding the approval of any retirement benefits system established on behalf of the members of the corporate bodies must be submitted to the General Meeting. The proposal shall contain all the elements required for a correct assessment of the system.	n.a.	76

III. REMUNERATIONS			
III.1.	The remuneration of the executive members of the managing body shall be based on effective performance and discourage excessive risk-taking.	Adopted	69, 70 and 71
III.2.	The remuneration of non-executive members of the managing body and remuneration of the members of the supervisory body shall not contain any component whose value depends on the performance of the Company or of its value.	Adopted	69 and 70
III.3.	The variable component of the remuneration should be reasonable, as a whole, in relation to the fixed component of the remuneration and maximum limits should be established for all components.	Adopted	70 and 71
III.4.	A significant portion of the variable remuneration should be deferred for a period of no less than three years, and its payment should be dependent on the continuation of the positive performance of the Company over this period.	Adopted	72
III.5.	The members of the managing body should not sign contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration as established by the Company.	Adopted	73
III.6.	Until the end of their term of office, executive board members must keep any Company's shares they had access to by virtue of variable remuneration plans, up to the limit of twice the value of the total annual remuneration, except for those that must be sold with a view to paying taxes arising from the benefit of those shares.	Adopted	72
III.7.	When the variable remuneration includes the awarding of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	n.a.	85
III.8.	If the destitution of a board member does not result from a serious fault of his/her duties nor his/her inability to regularly exercise his/her duties, but is, nonetheless, due to inadequate performance, the Company shall be provided with the suitable and required legal instruments so as to ensure that any compensation/indemnity, in addition to that which is legally due, is not due.	Adopted	83
IV. AUDIT			
IV.1.	The external auditor shall, within its competences, check the application of remuneration policies and systems of the corporate bodies, the effectiveness and operation of the internal control mechanisms and report any failings to the supervisory body of the Company.	Adopted	38
IV.2.	The Company and the entities within a control relationship with it shall not engage the external auditor, or any entities which are in a group relationship with it or are part of the same network, services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its annual Corporate Governance Report – those cannot exceed 30% of the total value of the services provided to the Company.	Not adopted	46 and 47
IV.3.	Companies should promote the rotation of the auditor at the end of two or three terms of office, depending on whether they are of four or three years. Maintaining the auditor beyond this period should be based on the grounds produced in a specific opinion issued by the supervisory body which explicitly weighs up the conditions of independence of the auditor and the advantages and costs of this auditor's replacement.	Adopted	44

V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES			
V.1.	The Company's transactions with shareholders with a qualified holdings or with entities which are in any relationship with them, under the terms of article 20 of the Securities Code, shall be performed under regular market conditions.	Adopted	92
V.2.	The supervisory body should establish the procedures and criteria required for defining the relevant level of materiality of transactions with qualified shareholders – or with entities which are in any of the relationships mentioned in number 1 of article 20 of the Securities Code – being the execution of significant transactions subject to a prior opinion of this corporate body.	Adopted	90 and 91
VI. INFORMATION			
VI.1.	Companies shall provide, through their website, access to information, in Portuguese and English, enabling knowledge about its progress and its current situation in economic, financial and governance terms.	Adopted	59
VI.2.	Companies should ensure the existence of an investors office and permanent contact with the market, which responds in due time to requests from investors, keeping a record of the submitted requests and their subsequent follow-up.	Adopted	56 and 58

Recommendation II.3.2.

"No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the managing body, to the managing body of the Company itself or who has a current relationship with the Company or a consultant of the Company should be engaged to assist the Remuneration Committee in the performance of its duties. This recommendation is also applicable to any natural or legal person related to the above by means of an employment or services contract."

In 2015 and for the preparation of the remuneration policy for the current term of office, CTT's Remuneration Committee was assisted by consultants specialised in remuneration matters and human resources (Mercer). Mercer maintained a relationship with the Company on that date, and was providing and had provided services to the Company over the past 3 years. In any case, in the context of the engagement process extended to several service providers, the Remuneration Committee assessed such fact and concluded that it was appropriate to engage Mercer, by comparison with the available proposals, due to its experience and expertise and the extent that independence safeguards were guaranteed through team segregation mechanisms and Chinese walls.

Thus, although the Company does not adopt the benchmarks on the independence of external consultants stipulated in CMVM Recommendation II.3.2., CTT considers it adopts mechanisms to ensure the total independence of the consultants assisting the Remuneration Committee, through:

- The free selection of such consultants by this Committee made up exclusively of independent members, being duly informed of the work done in the past by such consultants and having conducted an extended initial consultation of other consultants available on the market (reaching a conclusion as to which were in better condition to assist it);
- The establishment of procedures to ensure the objectivity, neutrality and impartiality of the consultants who work with the Remuneration Committee through team segregation and Chinese walls guaranteed in the context of Mercer's engagement; and

- The provision of information to the Remuneration Committee on the engagement of its consultants by the Company, in order to allow such committee to make a decision.

In summary, CTT considers that the practices followed by the Company ensure that the Remuneration Committee performs its duties with the assistance of specialised consultants who evidence independence and neutrality, thereby ensuring an alternative solution regarding CMVM Recommendation II.3.2., in line with the principles of good corporate governance and being materially equivalent to compliance with this Recommendation.

Recommendation II.3.3 (b)

"The statement on the remuneration policy of the managing and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, shall additionally include: (...) b) Information on the maximum potential amount, individually, and the maximum potential amount, in aggregate, payable to the members of the corporate bodies, and identification of the circumstances under which these maximum amounts may be due; (...)."

The annual statement on the CTT remuneration policy submitted by the Remuneration Committee to the Annual General Meeting held in 2015 did not include the potential maximum amount, in aggregate or individually, of the remuneration payable to the members of the Company's corporate bodies, as recommended in CMVM Recommendation II.3.3(b).

However, this annual statement is approved by CTT's Remuneration Committee as required by Law 28/2009, of 19 June, and CMVM Recommendation II.3.3. (a) and (b) (especially the annual statements on the 2014/2016 term of office, both the one approved in the Annual General Meeting held on 5 May 2015, and the one to be submitted for approval of the General Meeting to be held on 28 April 2016), specifying: (i) the criteria and limits to which the remuneration policy is subject, in particular with regard to the variable component of the Executive Directors' remuneration (which is established by reference to the fixed component and pre-defined metrics); and (ii) the compensation/indemnity policy existing in the Company, as described in this report.

In turn, in each annual governance report prepared in accordance with CMVM Regulation 4/2013, the Company discloses the amount of remuneration received, individually and in aggregate, by the members of the corporate bodies.

Thus, from the combination of these two information materials, the shareholders, the investors and the market in general obtain, with full transparency, information regarding the remuneration mix and the amounts involved, being able to decide on these at the Annual General Meeting and estimate agency costs arising from the remuneration policy approved by the CTT's Remuneration Committee.

In summary, the Company believes that its disclosure practices of the remuneration policy in force enable it to achieve 3 key objectives in this area:

- Predictability, presenting the standards appropriate for a review of agency costs, as opposed to a quantification of potential maximum remuneration amounts depending on performance objectives particularly aimed at motivating the management team;
- Information on actual due and paid remuneration, as opposed to the indication of potential amounts representing an inappropriate image of agency costs, particularly due to the fact that such potential amounts disregard unpredictable factors related to the business, sector,

market and context, and are subject to a performance assessment to be held at each moment;

- Transparency, resulting from the indication of the maximum amounts of fixed remuneration of the corporate bodies, together with an indication of the limits and criteria of the variable component (established by reference to the annual base remuneration of each Executive Director) for which maximum limits were also established – a more appropriate way for the shareholders to become aware of and decide on the remuneration policy, whereby the Remuneration Committee and the Corporate Governance, Evaluation and Nominating Committee are responsible for the analysis of the appropriateness of the individual remuneration of each member of the management team and its assessment.

Thus, the Company ensures an alternative solution regarding CMVM Recommendation II.3.3 (b), in line with the principles of good corporate governance, being materially equivalent to compliance with this recommendation.

Recommendation IV.2.

“The Company and the entities within a control relationship with it should not engage the external auditor, or any entities which are in a group relationship with it or are part of the same network, services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its annual Corporate Governance Report – those cannot exceed 30% of the total value of the services provided to the Company.”

In 2015, the non-audit services engaged to KPMG and entities within its network / group by CTT and companies within a control or group relationship accounted for 41% of the total value of the services rendered / accounted by them, thereby surpassing the 30% maximum threshold of the aggregated value of services rendered.

In effect, although CTT considers it a good governance practice to limit the engagement of additional services in order to promote the independence of the Statutory Auditor / External Auditor, in 2015, the surpassing of the threshold was deemed to be in the interest of the Company and did not affect the independence of the Statutory Auditor / External Auditor for the following reasons:

- In most cases, the quality and efficiency of the services rendered by the Statutory Auditor / External Auditor is greatly increased by its knowledge of the issues and its experience and knowledge of the Company's history and activity in 3 business areas (Postal, Express and Parcels and Financial), in particular as regards tax consulting services and the revision of tax and accounting procedures, in relation to the creation of Banco CTT engaged in 2015;
- Such advantages in engaging the Statutory Auditor / External Auditor were particularly relevant in relation to Banco CTT, given the short timeline for its creation and its specifications, as a fully owned CTT entity that will operate its in-store activities in CTT's Retail Network;
- On the other hand, the rendering of services was accompanied by the necessary safeguards for the independence of the Statutory Auditor / External Auditor;
- Lastly, the surpassing of the recommended threshold did not take on an importance deemed to impact the Statutory Auditor / External Auditor's independence.

On the other hand, the engagement of these services and their implementation throughout the financial year was monitored by the Audit Committee, namely by issuing prior reasoned opinions on the engagement of each service, in light of the criteria set out in the Regulation on the Rendering of Services by the Statutory Auditor.

Therefore, the Company believes it has provided an equivalent solution that materially corresponds to Recommendation IV.2. of the CMVM, thereby both promoting the quality of the additional services rendered that were particularly relevant in 2015 and the safeguarding of the Statutory Auditor / External Auditor's independence, in line with good corporate governance principles and compliance with this Recommendation.

ANNEX I

CURRICULA OF THE MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE AND REMUNERATION COMMITTEE

A. CURRICULA OF THE MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE AND REMUNERATION COMMITTEE

I. MEMBERS OF THE BOARD OF DIRECTORS AND AUDIT COMMITTEE

Francisco de Lacerda

Chairman & CEO

Date of Birth	24 September 1960, Portugal
Date of 1 st appointment	24 August 2012
Term of office	2014 / 2016

Education

- ✓ 1982: Degree in Business Administration and Management, Universidade Católica Portuguesa

Management and supervisory functions held internally

- ✓ Chairman & CEO of CTT – Correios de Portugal, S.A.
- ✓ Chairman of Banco CTT, S.A.
- ✓ Chairman of CTT Expresso – Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Chairman of Tourline Express Mensajería, S.L.U.

Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.
- ✓ Chairman of the Remuneration Committee and Member of the Selection Committee of Banco CTT, S.A.
- ✓ Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (Express Mail)

Professional experience

For 25 years, until 2008, he held several functions in investment, corporate and retail banking, including CEO of Banco Mello and Member of the Executive Board of Directors of the Portuguese Bank Millennium BCP, listed on the stock exchange and with significant operations in Central and Eastern Europe, for which he was responsible. Afterwards, he held functions in Portuguese institutions, also listed, having been CEO of Cimpor – Cimentos de Portugal SGPS, S.A. – an international cement group operating in 12 countries and one of the 5 largest companies in the NYSE Euronext Lisbon stock market – and Non-Executive Director and Member of the Audit Committee of EDP Renováveis, the 2nd global renewable energy company.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 – ...: Non-Executive Director of Endesa Energia, S.A.
- ✓ May – October 2014: Non-Executive Director of Norfin – Portuguese Property Group, S.A.
- ✓ 2010 – 2012: CEO of Cimpor – Cimentos de Portugal, SGPS, S.A.
- ✓ 2010 – 2012: Chairman of Cimpor Inversiones, S.A.
- ✓ 2010 – 2012: Chairman of Investment Company Cimpor Macau, S.A.
- ✓ 2008 – 2012: Non-Executive Director of EDP Renováveis, S.A., Member of the Audit Committee in 2008–2011
- ✓ 2008 – 2012: Managing Partner of Deal Winds – Sociedade Unipessoal, Lda.

Other external functions held

- ✓ 2015 – ...: Chairman of the Board of Directors of COTEC Portugal – Associação Empresarial para a Inovação
- ✓ 2014 – ...: Member of the Board of Directors of the International Post Corporation
- ✓ 2014 – ...: Member of the Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado (Companies Issuers of Listed Securities Association)
- ✓ 2012 – ...: Member of the Board of Directors of Fundação Portuguesa das Comunicações*
- ✓ 2011 – ...: Member of the Advisory Board of Nova School of Business and Economics
- ✓ 2009 – ...: Member of the Remuneration Committee of PHAROL, SGPS, S.A. (suspended these functions from August 2012 to March 2014)
- ✓ 2006 – ...: Member of the Advisory Board of the Master's Degree in Finance, Católica Lisbon School of Business & Economics
- ✓ 2006 – ...: Member of the Supervisory Board of Cascais Yacht Club

*Current naming of the former General Council following the amendment to the Foundations Framework-Law.

António Gomes Mota

Vice-Chairman, Non-Executive Director, Chairman of the Audit Committee

Date of Birth	10 June 1958, Portugal
Date of 1 st appointment	12 November 2013*
Term of office	2014 / 2016

* Between 12 November 2013 and 24 March 2014, António Sarmento Gomes Mota was Chairman of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Vice-Chairman of the Board of Directors and Chairman of the Audit Committee.

Education

- ✓ 1981: Degree in Business Management and Organization, ISCTE - Instituto Universitário de Lisboa
- ✓ 1984: MBA, Nova School of Business and Economics
- ✓ 2000: PhD in Business Management, ISCTE

Management and supervisory functions held internally

- ✓ Vice-Chairman and Non-Executive Member of the Board of Directors of CTT - Correios de Portugal, S.A.
- ✓ Chairman of the Audit Committee of CTT - Correios de Portugal, S.A.

Other internal functions held

- ✓ Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT - Correios de Portugal, S.A.
- ✓ Chairman of the Selection Committee of Banco CTT, S.A.

Professional experience

His 20-year corporate journey includes management roles in the sectors of banking, consulting and financial services. He was Director of the ISCTE Business School (from 2003 to 2012) and Chairman of INDEG/ISCTE (from 2005 to 2012). He is a Professor at the ISCTE Business School since 2005 and a Visiting Professor at the Nova/Católica Lisbon MBA since 2013. He has a long experience as a consultant in the areas of strategy, business valuation and risk management for large Portuguese and international companies. He is the author of several reference works in the financial area. He has held leadership roles in several Boards of Directors and Supervisory Boards in large listed companies in Portugal.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2013 -: Chairman of the Board of Directors (non-executive) of SDC Investimentos, SGPS, S.A.
- ✓ 2009 -: Member of the General and Supervisory Board and Chairman of the Audit Committee of EDP - Energias de Portugal, S.A.
- ✓ 2014 - 2015: Vice-Chairman of the Board of Directors (non-executive) of Soares da Costa Construção, SGPS, S.A.
- ✓ 2009 - 2012: Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee of Cimpor - Cimentos de Portugal, SGPS, S.A.

Other external functions held

- ✓ 2013 -: Member of the Remuneration Committee of PHAROL, SGPS, S.A.
- ✓ 2010 -: Vice-Chairman of the Portuguese Institute of Corporate Governance

Manuel Castelo-Branco

Vice-Chairman, Executive Director

Date of Birth	14 September, 1968, Portugal
Date of 1st appointment	24 August 2012
Term of office	2014 / 2016

Education

- ✓ 1992: Degree in Business Administration and Management, Universidade Católica Portuguesa

Management and supervisory functions held internally

- ✓ Vice-Chairman of CTT – Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal functions held

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Professional experience

Vice-Chairman of the Board of Directors of CTT, he is responsible for Large Customers and for the Systems & Information Technology departments. He held sales and marketing functions in consumer goods companies, including Unilever, Sara Lee and Reckitt Benckiser. He joined Sonae as Sales Manager for the Group's retail brands, such as Worten and Continente. As General Manager of Media Capital he was responsible for the launching of what would become the 3rd largest Internet service provider in Portugal. Subsequently he was Director of Reditus, an information technology company listed on the stock exchange, and was part of the top management after the merger with Tecnidata. He was also a strategic consultant at Saudi Oger – a Lebanon-Saudi Holding Company – for its telecommunications business in Portugal.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 –: Manager of Alpodex, Lda.
- ✓ 2010 – 2012: Member of the Board of Directors of Reditus BS Products, S.A.
- ✓ 2009 – 2012: Member of the Board of Directors of Strong, S.A.
- ✓ 2009 – 2011: Member of the Board of Directors of Reditus Gestão, S.A.
- ✓ 2008 – 2012: Member of the Board of Directors of Partblack, S.A.
- ✓ 2008 – 2012: Member of the Board of Directors of ALL2it Infocomunicações, S.A.
- ✓ 2008 – 2011: Member of the Board of Directors of TD IF, S.A.
- ✓ 2008 – 2011: Member of the Board of Directors of Tecnisuporte, S.A.
- ✓ 2007 – 2012: Member of the Board of Directors of Tecnidata, S.A.
- ✓ 2007 – 2012: Member of the Board of Directors of Reditus, SGPS, S.A.

Other external functions held

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André Gorjão Costa

CFO, Executive Director

Date of Birth	1 June 1973, Portugal
Date of 1 st appointment	24 August 2012
Term of Office	2014 / 2016

Education

- ✓ 1996: Degree in Economics, Nova School of Business and Economics

Management and supervisory functions held internally

- ✓ Executive Director and Chief Financial Officer of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of Banco CTT, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
- ✓ Chairman of the Board of Directors of Payshop (Portugal), S.A.

Other internal functions held

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Professional experience

Mr. Gorjão Costa holds functions as Chief Financial Officer (CFO) and Member of the Board of Directors of CTT, being responsible for the Financial Services Business Unit, and also for the Regulation and Competition and Investor Relations departments, outside the direct competences of CFO. With a 16-year professional career in commercial and investment banking at Grupo Santander, he held several roles in Portugal and abroad. He joined the Corporate Finance team of Banco Santander de Negócios in 1996 and subsequently led the cross border team in the Area of Mergers and Acquisitions where he was responsible for several acquisitions in Latin American countries. In 2000, he was appointed Director of Corporate Banking, being responsible for creating the Department of Global Customers of Santander and for the connections with the key Portuguese corporate customers of the bank. He provided advisory services to Sonae on the acquisition of a participation in Modelo Continente from Carrefour, and to Américo Amorim Group on the acquisition of 33.34% of Galp Energia, among many other significant transactions in Portugal, Spain and Brazil. In 2007, he was appointed Coordinating Director of Credit Markets in Portugal at a time when Santander was Bookrunner in many issuances of Eurobonds and Mandated Lead Arranger in some of the major financing operations of projects in the renewable and infrastructure sectors in Portugal, as well as the financing of several acquisitions.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 - ...: Vice Chairman of the Board of Directors of Eurogiro, A/S.
- ✓ 2012 - 2015: Member of the Board of Directors of Eurogiro, A/S.
- ✓ 2006 - 2012: Partner and Manager of Pleximyng, Lda.

Other external functions held

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Dionizia Ferreira

Executive Director

Date of Birth	3 January 1966, Portugal
Date of 1 st appointment	24 August 2012
Term of Office	2014 / 2016

Education

- ✓ 1988: Degree in Business Administration and Management, Instituto Superior de Economia e Gestão

Management and supervisory functions held internally

- ✓ Executive Director of CTT - Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso - Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.
- ✓ Chairwoman of the Board of Directors of Mailtec Comunicação, S.A.
- ✓ Chairwoman of the Board of Directors of CTT Contacto, S.A.
- ✓ Member of the Board of Directors of Correio Expresso de Moçambique, S.A. (Express Mail)

Other internal functions held

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Professional experience

The Executive Director of CTT is responsible for the Business Units of Mail and Express & Parcels (CTT Expresso, Tourline (Spain) and CORRE (Mozambique)) and for the Retail Network. With 18-year professional career in commercial and retail banking at Barclays Bank, Banco Mello, Millennium BCP and BP. From 2003 to 2007 she was Commercial and Marketing Director at CTT, having been responsible for the operational and strategic marketing of the retail network, SME and Large Accounts. For two years, she held the role of Chief Executive Officer of Payup (Portugal and Spain).

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2013 - 2014: Chairwoman of the Board of Directors of EAD - Empresa de Arquivo de Documentação, S.A. (Data Archives and Data Entry)

Other external functions held

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Ana Maria Jordão

Executive Director

Date of Birth	14 December 1955, Portugal
Date of 1 st appointment	24 August 2012
Term of office	2014 / 2016

Education

- ✓ 1977: Law Degree, Universidade Clássica de Lisboa

Management and supervisory functions held internally

- ✓ Executive Director of CTT – Correios de Portugal, S.A.
- ✓ Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. (Postal Services and Logistics)
- ✓ Member of the Board of Directors of Tourline Express Mensajería, S.L.U.

Other internal functions held

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Professional experience

As Member of the Board of Directors of CTT she is responsible for the Legal and Labor Services, the Human Resources Management as well as for the Physical Resources and Purchasing and Logistics departments. With a long career in Public Administration, dating back to 1978, she held functions of high responsibility including those of Deputy to the Secretary of State for National Defense, Deputy to the Secretary of State for Budget, Deputy Secretary General of the Ministry of Planning and Territory Administration, Chief of staff to the Secretary of State for Fiscal Affairs, Member of the Commission for the Supervision of the Portuguese Securities Market Commission and Director General of Customs and Taxes on Consumption. From 2006 to 2011 she held roles as Administrative and Financial Services Director and as Deputy Secretary General of Parliament in 2012.

Management and supervisory functions held in other companies (last 5 years)

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Other external functions held

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António Vitorino

Non-Executive Director

Date of Birth	12 January 1957, Portugal
Date of 1 st appointment	24 March 2014
Term of Office	2014 / 2016

Education

- ✓ 1981: Law Degree, Universidade Clássica de Lisboa
- ✓ 1986: Master's Degree in Legal and Political Sciences, Universidade Clássica de Lisboa

Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.

Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee

Professional experience

He is a member of the Bar Association and Assistant Professor at the Faculty of Law of Universidade de Lisboa since 1982 and was also a Visiting Professor at the Faculty of Law of Universidade Nova de Lisboa from 2008 to 2010. He served in top governmental, legislative and political roles in Portugal and abroad, was a Member of Parliament (1980 to 2006), Secretary of State for Parliamentary Affairs (1983 to 1985), Secretary of State of the Government of Macau (1986 to 1987), Judge of the Constitutional Court (1989 to 1994), Member of the European Parliament (1994 to 1995), Minister of the Presidency and National Defence (1995 to 1997) and European Commissioner for Justice and Domestic Affairs (1999 to 2004). In the field of corporate management he has also served in several supervisory and non-executive management roles in Portuguese and international companies.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2014 –: Chairman of the Audit Board of Tabaqueira, S.A.
- ✓ 2014 –: Chairman of the Audit Board of Siemens Portugal
- ✓ 2007 –: Non-Executive Director of Áreas Portugal

Other external functions held

- ✓ 2011 –: President of Notre Europe – Jacques Delors Institute, Paris
- ✓ 2010 –: Chairman of the Board of the General Meeting of Finpro SGPS, S.A.
- ✓ 2008 –: Chairman of the Board of the General Meeting of Novabase SGPS, S.A.
- ✓ 2007 –: Chairman of the Board of the General Meeting of Brisa – Auto-estradas de Portugal, S.A.
- ✓ 2005 –: Chairman of the Board of the General Meeting of Banco Santander Totta, S.A.
- ✓ 2005 –: Partner of Cuatrecasas, Gonçalves Pereira

Nuno Fernandes Thomaz

Non-Executive Director, Member of the Audit Committee

Date of Birth	5 August 1943, Portugal
Date of 1 st appointment	24 March 2014
Term of Office	2014 / 2016

Education

- ✓ 1965: Law Degree, Universidade Clássica de Lisboa

Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.
- ✓ Member of the Audit Committee of CTT – Correios de Portugal, S.A.

Other internal functions held

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Professional experience

With a background in law, Mr. Fernandes Thomaz started his professional career as a lawyer in Portugal, from 1965 to 1974, having simultaneously held management roles in major international financial and industrial consortia, such as the Anglo American Group/De Beers in Portugal, in Banco do Alentejo and the parabanking company Diners Club. In Brazil, Rio de Janeiro, from 1975 to 1981, he was a consultant at Interbrás-Petrobrás and Chairman of Banco Pinto de Magalhães and of the securities broker and dealer Pinto de Magalhães. Already in Portugal, he has held, since 1981, various executive management roles at Grupo Jorge de Mello/Nutrinveste, such as member of the Board of Directors, Vice-Chairman and Chairman of more than 25 industrial and financial companies (including Tabaqueira, Molaflex and Incofina). Throughout his career, he has held leadership and consulting roles in various foundations, fora, institutes and universities.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2010 –: Chairman of Sociedade Gestora do Fundo de capital de Risco Bem Comum
- ✓ 2005 –: Manager of I Cook – Organização de Eventos, Lda.
- ✓ 2014 – 2015: Non-Executive Director of Espírito Santo Saúde, SGPS, S.A.
- ✓ 1998 – 2014: Director of Nutrinveste, SGPS, S.A.

Other external functions held

- ✓ 2015 –: Member of the Advisory Committee of Luz Saúde, S.A.
- ✓ 2014 –: Vice-Chairman of the Competitiveness Forum
- ✓ 2011 –: Member of the Advisory Committee of the Portuguese Institute of Corporate Governance
- ✓ 2009 –: Chairman of the School Council of Nova School of Business and Economics
- ✓ 2008 –: Member of the international and European Boards of UNIAPAC – Union des Entrepreneurs Chrétiens
- ✓ 2007 –: Vice Chairman of ACEGE – Associação Cristã de Empresários e Gestores (Christian Association of Entrepreneurs and Managers)
- ✓ 1998 – 2002: Member of the Steering Committee of CIP – Confederação da Indústria Portuguesa (Confederation of Portuguese Industry)

Diogo Leite Campos

Non-Executive Director, Member of the Audit Committee

Date of Birth	4 December 1944, Portugal
Date of 1st appointment	12 November 2013*
Term of Office	2014 / 2016

* Between 12 November 2013 and 24 March 2014, Diogo José Paredes Leite de Campos was a Member of CTT's Fiscal Board. On 24 March 2014, when the Company adopted the current Anglo-Saxon governance model, he was appointed Member of the Board of Directors and Audit Committee.

Education

- ✓ 1967: Law Degree, Universidade de Coimbra
- ✓ 1978: PhD in Law, Universidade de Coimbra
- ✓ 1979: Docteur d'État en Droit, Université de Paris II
- ✓ 1979: PhD in Economics, Université de Paris IX

Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.
- ✓ Member of the Audit Committee of CTT – Correios de Portugal, S.A.

Other internal functions held

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Professional experience

Mr. Leite de Campos is a Professor at the Law School of Coimbra and Universidade Autónoma de Lisboa. He was a member of the Board of Directors of Banco de Portugal and Chairman of the Advisory Board of CMVM between 1994 and 2000. He is a lawyer (partner) at the law firm Leite de Campos, Soutelinho & Associados – Sociedade de Advogados, RL. (Lisbon) and at Rolim, Viotti and Leite de Campos (Brazil).

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2015 –: Chairman of the Fiscal Board of PME Investimentos
- ✓ 2009 –: Chairman of the Fiscal Board of Banco Santander Consumer Portugal, S.A.
- ✓ 2014 – 2014: Non-Executive Director of Banco Millennium in Romania.
- ✓ 2008 – 2014: Non-Executive Director of RES SGPS, S.A.
- ✓ 2008 – 2011: Chairman of the Fiscal Board of Hagen Engenharia, S.A.

Other external functions held

- ✓ 2013 – 2015: Member of the Monitoring Committee for the privatisation of the insurance branch of business of Caixa Geral de Depósitos, S.A.

Rui Horta e Costa

Non-Executive Director

Date of Birth	27 August 1960, Portugal
Date of 1 st appointment	29 July 2014
Term of Office	2014 / 2016

Education

- ✓ 1984: Degree in Economics, Universidade Católica – Lisbon, Portugal
- ✓ 1986: MBA, University of Minnesota – EUA
- ✓ 1995: FSA Certificate – London, UK

Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.

Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.

Professional experience

He was Managing Director of UBS in the area of Investment Banking in London, Utilities Team Leader for Europe, Middle East and Africa (EMEA) and member of the Investment Banking Management Board for the EMEA Region. At UBS he headed a significant number of large operations in Europe, during a total period of 8 years – 6 years before (from 1995 to 2000) and 2 years after (from 2006 to 2008) working at EDP. He was a member of the Board of Directors and CFO at EDP-Energias de Portugal for 6 years (from 2000 to 2006), where he very actively participated in the company's strategic shift, in the implementation of its re-focus on the Iberian Peninsula and in its accelerated growth in renewable energy, as well as in the restructuring and ring fencing of EDP's businesses in Brazil. At the beginning of his professional career, he worked for a period of 7 years in Portugal (1986-1994), in investment banking (MDM-Morgan, Deutsche & Mello, Finantia and Citibank), and in industry (Executive Director of Nutrinveste).

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2014 – ...: Non-executive Member of the Board of Directors of Agrocortex (BRAZIL)
- ✓ 2012 – ...: Member of the Board of Directors of Cell2B
- ✓ 2012 – ...: Member of the Iberian Advisory Board of ATKearney
- ✓ 2008 – ...: Non-executive Member of the Board of Directors of EIP
- ✓ 2008 – ...: Founder and Member of the Board of Directors of Luz.on
- ✓ 2007 – ...: Non-executive Member of the Board of Directors of Vale do Lobo Resort

Other external functions held

- ✓ 2008 – ...: Founder, as a consultant, of RHCAS

José Baptista Fino

Non-Executive Director

Date of Birth	10 January 1954, Portugal
Date of 1st appointment	19 December 2014
Term of Office	2014 / 2016

Education

- ✓ 1972 – 74: Attended the course on Business Studies in North East London Polytechnic, UK

Management and supervisory functions held internally

- ✓ Non-Executive Member of the Board of Directors of CTT – Correios de Portugal, S.A.

Other internal functions held

- ✓ Member of the Corporate Governance, Evaluation and Nominating Committee of CTT – Correios de Portugal, S.A.

Professional experience

An entrepreneur since 1977, Mr. Fino was a promoter and a manager in several companies in Portugal, Spain and most recently in Mozambique, which include activities in home retailing as Snucker and Area Infinitas (a company that resulted from the franchise of Habitat in Portugal), in the promotion of real estate and in the agro-industrial activity. While representing relevant shareholder positions, he was a non-executive member of the Board of Directors of Cimpor-Cimentos de Portugal, SGPS, S.A. for 8 years (from 2004 to 2012), and is also, since 2008, a non-executive member of the Board of Directors of SDC – Investimentos SGPS, S.A., both of which are companies listed on Euronext Lisbon. He is also a non-executive member of the Board of Directors of Specialty Minerals (Portugal), a subsidiary of the multinational group Minerals Technologies Inc., in Portugal.

Management and supervisory functions held in other companies (last 5 years)

- ✓ 2009–...: Chairman of the Board of Directors of Ramada Energias Renováveis, S.A.
- ✓ 2008–...: Member of the Board of Directors of SDC – Investimentos, SGPS, S.A.
- ✓ 2007–...: Chairman of the Board of Directors of Dignatis – Investimentos Imobiliários e Turísticos SGPS, S.A.
- ✓ 2001–...: Chairman of the Board of Directors of Ramada Holdings SGPS, S.A.
- ✓ 1997–...: Managing Partner of Nova Algodoeira, Lda.
- ✓ 1996–...: Manager of Dorfino Imobiliário, Lda.
- ✓ 1994–...: Member of the Board of Directors of Specialty Minerals (Portugal) Especialidades Minerais, S.A.

Other external functions held

- ✓ 2004 – 2013: Member of the Board of Directors of Investifino – Investimentos e Participações SGPS, S.A.
- ✓ 2004 – 2013: Member of the Board of Directors of Manuel Fino SGPS, S.A.
- ✓ 2004 – 2012: Member of the Board of Directors of Cimpor-Cimentos de Portugal SGPS, S.A.
- ✓ 2001 – 2013: Chairman of the Board of Directors of Ethnica SGPS, S.A.
- ✓ 2001 – 2013: Chairman of the Board of Directors of Area Infinitas Design de Interiores, S.A.

II. Members of the Remuneration Committee

João Talone

Chairman of the Remuneration Committee

Date of Birth	27 October 1951, Portugal
Date of 1 st appointment	24 March 2014
Term of Office	2014 / 2016

Education

- ✓ 1974: Degree in Civil Engineering, Universidade Técnica de Lisboa
- ✓ 1984: MBA, Universidade Nova de Lisboa
- ✓ 2002: AMP Harvard Business School

Internal functions held

- ✓ Chairman of the Remuneration Committee of CTT – Correios de Portugal, S.A.

Professional experience

For 13 years (1988 to 2001) he was Member of the Executive Board of Directors of Banco Comercial Português (BCP), having been appointed Special Commissioner for the Portuguese Government and led the process of extinction of Investimentos e Participações Empresariais (IPE), a Portuguese State Company which owned and controlled the main holdings of the State in industrial companies. Between 2003 and 2006 he was CEO of EDP-Energias de Portugal, S.A., one of the major European operators in the sector of energy, and Vice-Chairman of the Board of Directors of HidroCantábrico, after the takeover by EDP in 2005. He is a founding partner of Magnum Capital, the largest Iberian private equity fund.

Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2006–...: Chairman of the Board of Directors of Iberwind
- ✓ 2006–...: Member of the Board of Directors of Grupo Eptisa
- ✓ 2006–...: Chairman of the Board of Directors of Grupo Vendap
- ✓ 2006–...: Chairman of the Board of Directors of Grupo Generis
- ✓ 2014 Member of the Board of Directors of Grupo Nace

Other external functions held

- ✓ 2014–...: Elected member of CNEI – Conselho Nacional de Empreendedorismo e Inovação (National Council for Entrepreneurship and Innovation)
- ✓ 2013–...: Elected member of Academia de Engenharia (Engineering Academy)
- ✓ 2014–...: Representative of Portugal in the “Comissão Trilateral” (Trilateral Committee)

José Gonçalo Maury¹

Member of the Remuneration Committee

Date of Birth	29 November 1950, Portugal
Date of 1 st appointment	24 March 2014
Term of Office	2014 / 2016

Education

- ✓ 1973: Degree in Finance, Instituto Superior de Economia, Lisboa
- ✓ 1978: MBA, INSEAD, Fontainebleau

Internal functions held

- ✓ Member of the Remuneration Committee of CTT – Correios de Portugal, S.A.

Professional experience

He began his professional career in 1971 at the formal Technical Secretariat of the Presidency of the Council, having subsequently held functions in various bodies of the Ministry of Industry, namely in IAPMEI (until 1977). After finishing his MBA, he returned to Portugal where he was Commercial Director of Tobom (1978 to 1979) and then Deputy and Chief of Staff to the Secretary of State for Transport (1980 to 1981). From 1981 to 1989 he worked at Citibank in Spain and Portugal, where he was responsible for the financial sector (banking and insurance), was part of the team that negotiated and prepared the opening of Banco de Portugal and was Director of the Department of Credit and Risk Management. Since 1990 he has been working as a consultant for Egon Zehnder, a global executive search company, where he advises Portuguese and multinational companies present in Portugal, on all sectors of activity, namely: financial, services and industry.

Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2015 –: Non-Executive Director and Member of the Nominating and Remuneration Committee of Gestmin SGPS, S.A.

Other external functions held

- ✓ 2006 –: Chairman of the Remuneration Committee of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- ✓ 2006 –: Chairman of the Remuneration Committee of Grupo Portucel Soporcel
- ✓ 2007 –: Chairman of the Remuneration Committee of Secil – Companhia Geral de Cal e Cimento, S.A.
- ✓ 2015 –: Member of the Remuneration Committee elected by the General Meeting of EDP
- ✓ 2015 –: Chairman of the Remuneration and Welfare Council of BCP

¹ Resigned from position by letter of 4 January 2016. The notice to convene for the Annual General Meeting to be held on 28 April 2016 will include an item pertaining to the election of a new member of the Remuneration Committee.

Rui Alpalhão

Member of the Remuneration Committee

Date of Birth	5 August 1963, Portugal
Date of 1 st appointment	24 March 2014
Term of Office	2014 / 2016

Education

- ✓ 1985: Degree in Economics, Universidade Nova de Lisboa
- ✓ 1988: Master's Degree in Business Management, Universidade Nova de Lisboa
- ✓ 2007: PhD in Finance, Instituto Universitário de Lisboa

Internal functions held

- ✓ Member of the Remuneration Committee of CTT – Correios de Portugal, S.A.

Professional experience

He started his professional career in university education after completing his degree, currently being an Associate Visiting Professor of Finance at the Instituto Universitário de Lisboa. He was a director of companies owned (and controlled) by Banco Totta & Açores and Caixa Geral de Depósitos and coordinated the management buy-in of a fund manager, whose Executive Management he would later ensure. Later, he created FundBox Holdings SGPS, which holds qualified holdings in two fund management companies and began operations in the market for distressed assets through Tram 28, with the acquisition of a hotel from Parvalorem. He has had two books published in Portugal and has published scientific articles in international magazines such as "Applied Financial Economics", the "Financial History Review", the "International Journal of Financial Research" and "ISRN Economics".

Management and Supervisory functions held in other companies (last 5 years)

- ✓ 2014 –...: Chairman of the Board of Directors of FundBox Holdings, SGPS, S.A.
- ✓ 2008 –...: Member of the Board of Directors of Safeunit, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Sintra Retail Park – Parques Comerciais, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Lansdowne SGPS, S.A.
- ✓ 2007 –...: Member of the Board of Directors of Lima Retail Park, S.A.
- ✓ 2006 –...: Member of the Board of Directors of Safeshare – Consultoria, S.A.
- ✓ 2005 –...: Manager at Tram 28, Lda.
- ✓ 2007–2013: CEO of FundBox – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.

Other external functions held

- ✓ Member of the Committee of the PSI20 Index at Euronext Lisbon

CONTACTS

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