Consolidated Results

1st Quarter 2018

TABLE OF CONTENTS

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

1ST QUARTER 2018 CONSOLIDATED RESULTS

- **Revenues** stabilise (-0.0%) due to the growth of the Express & Parcels (including the incorporation of Transporta) and Banco CTT[1] business units that offset the decrease in the Mail and Financial Services business units.
- **Mail revenues** decrease by only 0.8% despite the sharp fall in **addressed mail volumes**, mitigated by the positive developments of the product mix (inbound international mail volumes growth) and by the average price increase.
- **Express & Parcels (E&P) revenues**, with the best growth rate since the privatisation, increase by 21.8% in 1Q18 (10.8% excluding the impact of the incorporation of Transporta). The launch of the Iberian Operator project aims at aligning supply and harmonising processes and operations in Portugal and Spain, thus creating positive revenues and profitability dynamics in this segment.
- **Financial Services revenues** decrease by 37%, impacted by the reduction in the placement of one of the **Public Debt** products, which was replaced by another with a lower interest rate (2.25% vs 1.38%)[2] in October 2017.
- **Banco CTT** with solid operating performance reaches more than 300 thousand customers and 255 thousand current accounts through its presence in 211 branches. After only two years in activity, in March 2018 it was awarded the **ECSI Portugal 2018 award** as the number 1 bank in the National Customer Satisfaction Index in 2018.
- The **Operational Transformation Plan** was launched in 1Q18 and is exceeding the initial projections, having already contributed positively to the cost structure. Mail & other recurring operating costs, which represent 66.4% of all costs, are positively impacted (-0.5%) as are Financial Services costs (-17.3%), as a result of the decline in activity.
- **Recurring EBITDA** closed at €22.7m, 18.9% lower than that obtained in the 1Q17, with an EBITDA margin of 12.8%. The €5.3m decrease is mostly due to: (i) the existence of -2 working days meaning a negative comparison effect in Mail revenues; (ii) impact of the 2018 price increase – higher than that of 2017 - and not yet felt in 1Q18; and (iii) Financial Services -€4.4m.

Consolidated Results

€ Million

	1Q18	1Q17	Δ
Revenues	**176.9**	**177.0**	**-0.0%**
Mail & Other	125.5	127.5	-1.5%
Express & Parcels	36.5	30.0	21.8%
Financial Services	9.8	15.6	-37.0%
Banco CTT	5.0	3.9	28.8%
Operating costs	**158.5**	**152.1**	**4.3%**
Recurring	154.2	148.9	3.6%
Of which Transporta	*3.8*	-	-
Recurring EBITDA	**22.7**	**28.0**	**-18.9%**
Reported EBITDA	**18.4**	**24.9**	**-26.0%**
Amortisation, depreciation, provisions and impairments	8.8	7.3	20.1%
EBIT	**9.6**	**17.6**	**-45.2%**
Financial income, net	-1.4	-1.1	-27.5%
Gains / (losses) in associated companies	0.1	-	-
Earnings before taxes (EBT)	**8.4**	**16.5**	**-49.2%**
Income tax for the period	3.0	6.2	-51.6%
Gains / (losses) attributable to non-controlling interests	0.02	-0.03	180.6%
Net profit attributable to equity holders	**5.4**	**10.3**	**-48.2%**

[1] Includes the incorporation of Payshop in Banco CTT this quarter and in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

[2] Annual average interest rates for the 5-year Treasury Certificates Poupança Mais (CTPM) and 7-year Treasury Certificates Poupança Crescimento (CTPC), respectively.

1. ECONOMIC AND FINANCIAL ANALYSIS

REVENUES

Revenues totalled €176.9m in 1Q18, stabilising vis-à-vis the same period of 2017 as a result of the growth in the Express & Parcels and Banco CTT business units that offset the decline in the Mail and the Financial Services business units.

Revenues

€ Million

	1Q18	1Q17	Δ	Weight % 1Q18	Weight % 1Q17
Revenues	**176.9**	**177.0**	**-0.0%**		
Mail & Other	125.5	127.5	-1.5%	71%	72%
Express & Parcels	36.5	30.0	21.8%	21%	17%
Financial Services[1]	9.8	15.6	-37.0%	6%	9%
Banco CTT[1]	5.0	3.9	28.8%	3%	2%

[1] Includes the incorporation of Payshop in Banco CTT this quarter and in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

MAIL

The revenues of the Mail business unit reached €136.0m in 1Q18, a year-on-year decline of 0.8%, mainly reflecting the decrease in addressed mail volumes, mitigated by the positive evolution of the product mix (growth of inbound international mail volumes) and by the 6.2% increase in average revenues per item, despite the fact that the 2018 price update occurred as of the beginning of the 2Q18.

Mail Volumes

Million items

	1Q18	1Q17	Δ	daily average 1Q18	daily average 1Q17	Δ
Transactional Mail	160.1	174.7	-8.3%	2.6	2.7	-5.3%
Editorial Mail	9.6	10.6	-9.5%	0.2	0.2	-6.6%
Advertising Mail	15.5	18.5	-16.1%	0.3	0.3	-13.4%
Addressed Mail	**185.2**	**203.7**	**-9.1%**	**3.0**	**3.2**	**-6.1%**
Unaddressed Mail	**100.3**	**107.3**	**-6.6%**	**1.6**	**1.7**	**-3.6%**

Addressed mail volumes declined by 9.1%, a reduction above the maximum expected range [-5% to -6%]. It should be noted that this evolution was negatively influenced by the existence of 2 less working days than in the 1Q17. Without this effect, the volumes decline would have been 6.1%, close to the estimated range.

The average change of the prices of the Universal Service in 1Q18 versus the same period of the previous year was 2.5% (as a result of the new prices having been implemented as of 4 April in 2017) which impacted the revenues of addressed mail, allowing to mitigate the decline in volumes.

In 2018, the price update of the basket of letter mail, editorial mail and parcels services, including the reserved services and bulk mail, was 4.1% and took effect from 2 April (see section "Other highlights – Regulatory issues" below), thus not having an impact in the period under review.

If the new prices had come into force in January 2018, the impact on 1Q18 revenues would have been circa +€1.9m. This difference in revenues will be recovered in the following quarters, since with the price update in April the price change for the rest of the year will be 4.7% versus an average yearly variation of 4.1%.

The addressed mail volumes decline was mainly a result of the decline in **transactional mail** volumes (-8.3%). This decline was due in large part to the decrease of **ordinary mail** (-9.9%) that has a relevant impact as it represents 78% of the transactional mail volumes. The decline in the volumes of this service worsened in the banking and insurance sectors (-14.6%), and utilities and telecommunications (-9.8%), following recent years' trend of large customers to substitute physical mail with digital communication and some competitive pressures.

Inbound international mail volumes grew strongly (18.7%) due higher volumes originated in Asia (particularly in China) related to e-commerce.

Registered mail volumes decreased by 7.2% as a result of the decrease in consumption from the two largest customers of the Government and the central Public Administration.

Editorial mail volumes decreased by 9.5% mainly influenced by a significant decline of the number of items from customers that are associations (professional orders, unions and other associations).

Addressed advertising mail volumes declined sharply (-16.1%) as a result of the reduction of investment from more traditional players in the areas of distance selling / catalogues, as well as the slight reduction in volumes per campaign / action of some relevant advertisers in the areas of retail and consumer goods, converting some shipments to digital formats. The entry of new clients from the most diverse sectors has not yet compensated the aforementioned reductions.

Unaddressed advertising mail volumes (essentially drop mail) presented a decline of 6.6%. The recent entry of larger customers has put some pressure on the average price which, combined with the reduction in the frequency of the campaigns of one of the largest customers in the retail area, has resulted in a decrease in revenues.

In 1Q18, the revenues from **Philately** reached €1.8m, corresponding to a year-on-year growth of 10.9%, due to the fact that several events were translated into philatelic products of great commercial attractiveness.

EXPRESS & PARCELS

The revenues of this business unit reached €36.5m in 1Q18, a 21.8% growth over the same period of the previous year, although they were negatively affected by the existence of 2 less working days in Portugal and in Spain.

In 1Q18 the Iberian Operator project was launched with a view to aligning the offer (special note to the extension of the e-segue service to Spain) and the harmonisation of processes and operations between Portugal and Spain. The first steps have already allowed to increase the flows of items between the two countries with the subsequent effect on the revenues.

Portugal

Revenues from this business in Portugal[3] grew by 29.7% to €22.8m, which includes €3.3m from Transporta (€2.9m in cargo, €0.3m in logistics and €0.1m in other operating income). Revenues in Portugal excluding Transporta would have grown 10.9% year-on-year. This situation resulted mainly from the 11.4% growth in the CEP (Courier, Express & Parcels) business. In 1Q18 the average price decreased by 1.6% vis-à-vis 1Q17, a lower decline than that of the previous periods (-4.3% in 2017).

Volumes in Portugal totalled 4.8 million items in the 1Q18, a 32.2% growth over the same period of 2017 (+12.3%, excluding approximately 0.7 million items from Transporta). The good performance of CTT Expresso is fundamentally the result of new customers in the B2C segment (brought in mainly in the 2nd half of 2017) and to the small businesses segment due to the growth of e-commerce. The banking business reversed the downward trend seen in recent years, following the re-entry of 2 major customers at the end of 2017.

E-commerce was a fundamental lever for the parcels growth. In 1Q18 its activity within CTT showed a growth of 39.1% in terms of volumes delivered (last mile) in Portugal in 2017.

Spain

In Spain, revenues of this business stood at €13.3m (+10.8%) and volumes grew by 9.8%, although there were 2 less working days in this period than in 1Q17. The average price evolution remained at -5.8% as a result of both the growth of customers with lower prices (particularly one large customer), and the change in the profile of the items with the growth of e-commerce.

Mozambique

CORRE's revenues in local currency (Metical) grew by 8.5%, +2.4 million meticais when compared to 1Q17, mainly due to the evolution of the banking business (+3.1 million meticais; +19.6%). Those revenues (excluding internal customers of the Group) in euros reached €0.4m and grew by only 6.1% year-on-year due to the unfavourable impact of the exchange rate.

FINANCIAL SERVICES

This business unit covered all the CTT, S.A. retail-oriented financial services, as well as the payments activity for the corporate segment provided by the CTT network.

This business unit revenues reached €9.8m in 1Q18, -37.0% than in the same period of 2017. The €5.8m decline is mainly due to the decrease of revenues from savings products.

In 1Q18 Public Debt placements increased slightly compared to the last quarter of 2017, although they are still far from those obtained until October 2017. It is recalled that at the end of October 2017, by a decision of the Portuguese Treasury and Debt Management Agency – IGCP, E.P.E. and following the improvement of the rating of the Portuguese Republic, the Public Debt product responsible for the largest share of placements (CTPM – Treasury Certificates Poupança Mais) was replaced by a new issue (CTPC – Treasury Certificates Poupança Crescimento) with a lower remuneration and higher average maturity, thereby leading to the contraction in demand that explains the current level of placements.

Still with regard to Public Debt placements, the 1Q18 was marked by a multi-channel communication campaign with the slogan "Do More for Your Savings", aimed at promoting the offer of Public Debt products, generally recognised by the trade press as the most profitable savings investment in a context where the average yield on

[3] Including revenues from intra-group transactions with companies of other business units and Other Operating Income of Portugal, Spain and Mozambique.

bank deposits remains at historic lows. This action is part of a broader plan of actions aimed at accelerating the recovery of Public Debt placements, which is expected to gain traction in the coming quarters of 2018.

In the field of insurance, special mention is made of the new partnerships with MetLife for the area of personal accidents and with Mapfre for a wide range of insurance in several branches. Marketing of the products resulting from these new partnerships is planned to start at the beginning of 2Q18.

With regard to international transfers of funds, this quarter was marked by intense activity involving new agreements, new services and pricing adjustments in CTT own offer of electronic international transfers, thus creating the conditions for relaunching of this offer during 2018.

In terms of payment of services, 6.4 million transactions were carried out, corresponding to revenues of €3.1m.

BANCO CTT

The revenues of this business unit, which includes Payshop as of 1Q18, reached €5.0m in 1Q18 (+28.8% than in 1Q17, rebased with the effect of the transfer of Payshop).

The date of 18 March 2018 was marked by the celebration of two years of activity of Banco CTT. Currently, Banco CTT is present countrywide, in the mainland and the islands, in 211 branches and has the confidence of more than 300 thousand customers who hold 255 thousand current accounts (+124% vs. the same period of the previous year).

Banco CTT was awarded the ECSI (European Customer Satisfaction Index) Portugal 2018, a prestigious award in the banking sector, as it was considered the number 1 bank, leader in the National Customer Satisfaction Index in 2018.This result is even more surprising for a recently launched bank, with only 2 years in activity. Banco CTT had the best customer satisfaction index, with a score of 8.16 (on a scale of 1 to 10), and led in all 8 dimensions assessed by the ECSI, including, for example, trust, image and value perceived.

Banco CTT has continued to focus on Mortgage Loans, with special attention to the speed and agility in responding to the clients' needs. In February, the advertising campaign "Crédito Habitação sem Ais nem Uis" ("Mortgage Loans as simple as it gets!") was relaunched, which once again underlined the reduced costs and the simplicity of the process and the access conditions. The beginning of 2018 was also marked by the first Health Insurance campaign, a product offered by Banco CTT as a result of a partnership with the Fidelidade insurance company.

The Bank's results for the quarter continue to show solid operating performance with growth:

a) of the clients' deposits to circa €665m (+100.7% vs. 1Q17);
b) of the consumer credit portfolio to €114m (+365.0% vs. 1Q17);
c) of the Credit Card offer, totalling more than 53 thousand cards placed.

The 1Q18 was also marked by the incorporation of Payshop in Banco CTT, another step in the concentration of payment activities within the Group, with a view to enhancing the capacity to address opportunities and challenges in this business unit. The Payshop agents' network has been expanding year after year, with a total of 4,446 agents at the end of 1Q18.

OPERATING COSTS[4]

Recurring operating costs totalled €154.2m, +€5.3m (+3.6%) year-on-year, due to the increase in variable costs (transport and delivery) associated with the Express & Parcels volumes growth in Portugal and Spain (+€1.4m) and to the integration of Transporta (+€3.8m).

Operating costs

€ Million

	Reported			Recurring		
	1Q18	**1Q17**	**Δ**	**1Q18**	**1Q17**	**Δ**
Operating costs (*)	**158.5**	**152.1**	**4.3%**	**154.2**	**148.9**	**3.6%**
External supplies & services	62.6	58.8	6.4%	62.1	56.9	9.1%
Staff costs	89.7	88.6	1.3%	86.0	87.4	-1.6%
Other operating costs	6.2	4.7	32.5%	6.1	4.6	33.2%

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

Recurring external supplies & services (ES&S) costs increased by 9.1% (+€5.2m) vis-à-vis the same period of 2017, due to the cost increases in the following captions: (i) +€3.1m from Transporta; (ii) +€1.4m relating to CTT Expresso and Tourline transport and distribution costs resulting from volumes growth; and (iii) +€0.8m from Banco CTT.

The recurring staff costs decreased €1.4m (-1.6%) year-on-year.

Other operating costs posted an amount of €1.5m, which includes mainly the increase of the cost of sales (+€1.0m) following the sales evolution, especially as far as lottery is concerned (the sale of which was suspended in 1Q17), and the increase in Banco CTT commissions (+€0.3m) arising from the transactionality of the clients.

STAFF

As at 31 March 2018, the CTT headcount (permanent and fixed-term staff) consisted of 12,194 employees, 32 more (+0.3%) than as at the same date of 2017. This increase includes the integration of 141 employees of Transporta following its acquisition in May 2017. Excluding the employees of Transporta, the total staff decreased by 109 (-0.9%) year-on-year.

These figures result from a decrease of 179 in the number of permanent staff and an increase of 211 in the number of staff with fixed-term contracts year-on-year. Staff in the growth businesses – Express & Parcels and Banco CTT – was reinforced and reduced in the remaining ones.

[4] Excluding depreciation / amortisation, impairments, provisions and non-recurring costs.

Headcount

	31.03.2018	31.03.2017	Δ 2018/2017	
Mail & Other	10,799	10,936	-137	-1.3%
Express & Parcels	1,112	958	154	16.1%
Financial Services(1)	51	54	-3	-5.6%
Banco CTT(1)	232	214	18	8.4%
Total, of which:	**12,194**	**12,162**	**32**	**0.3%**
Permanent	11,052	11,231	-179	-1.6%
Fixed-term contracts	1,142	931	211	22.7%
Total in Portugal	11,729	11,734	-5	0.0%

(1) Includes the incorporation of Payshop in Banco CTT this quarter and in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

Together, the areas of Operations and Distribution (with 6,651 employees, including 4,558 delivery postmen) and Retail Network (with 2,723 employees) represent circa 77% of CTT headcount.

It should be noted that these figures include 58 exits of staff in 1Q18 within the Human Resources Optimisation Programme related to the Operational Transformation Plan underway.

RECURRING EBITDA

The operating activity generated a recurring EBITDA[5] of €22.7m, 18.9% (-€5.3m) below that of 1Q17, with an EBITDA margin of 12.8%.

The recurring EBITDA was mainly affected by the loss of revenues from the Mail business unit due to the existence of 2 less working days in 1Q18, by the decline in Financial Services revenues (-€4.4m), and by the above-mentioned evolution of revenues and costs that led to the following EBITDA by business unit:

EBITDA by Business Unit

€ Million

	Reported			Recurring		
	1Q18	**1Q17**	**Δ**	**1Q18**	**1Q17**	**Δ**
EBITDA	**18.4**	**24.9**	**-26.0%**	**22.7**	**28.0**	**-18.9%**
Mail	19.2	22.4	-14.6%	23.2	24.6	-5.8%
Express & Parcels	0.5	-0.1	586.3%	0.7	0.2	360.4%
Financial Services(1)	3.1	7.5	-58.2%	3.1	7.5	-58.2%
Banco CTT(1)	-4.4	-4.9	11.7%	-4.3	-4.2	-1.5%

(1) Includes the incorporation of Payshop in Banco CTT this quarter and in the same period of the previous year (proforma); similarly, Payshop is excluded from Financial Services.

[5] Earnings before interest, tax, depreciation and amortisation, impairments, provisions and non-recurring results.

EBIT AND NET PROFIT

EBIT stood at €9.6m, corresponding to -€8.0m (-45.2%) vis-à-vis the same period of 2017. The EBIT margin was 5.4%.

The consolidated net financial result totalled -€1.3m, which represents a year-on-year decrease of €0.2m (-16.1%).

Interest and other financial income decreased by 93.2% (-€0.2m) compared to the figures of 1Q17, due to the reduced rates of return on term deposits, the reduction in the liquidity levels, and CTT's continued conservative investment policy.

Financial costs incurred amounted to €1.4m, mainly incorporating financial costs corresponding to the update of the employee benefits liability for an amount of €1.3m.

CTT obtained a consolidated net profit attributable to shareholders of €5.4m, which is 48.2% below that obtained in the same period of 2017, and a 3.0% net profit margin. Excluding the non-recurring effects in both periods, the net profit would have decreased by 27.4%.

NON-RECURRING COSTS

In 1Q18, CTT recorded non-recurring costs as follows:

Non-recurring costs

€ Million

	1Q18	1Q17
Total	**6.4**	**3.8**
affecting EBITDA	**4.3**	**3.1**
. External supplies & services and other costs	0.6	2.0
. Staff costs	3.7	1.1
affecting only EBIT	**2.0**	**0.7**
. Provisions (reinforcements / reductions)	1.7	0.0
. Impairments, depreciations and amortisations (losses / reductions)	0.3	0.7

Staff costs are those in connection with the Human Resources Optimisation Programme in 1Q18 and the provisions include an amount relative to the set-up of a provision at Tourline (€1.4m) for the notification issued by the *Comisión Nacional de los Mercados y la Competencia* (National Commission on Markets and Competition).

INVESTMENT

Capex of the Group stood at €5.0m, which is €3.1m above (+162.7%) that of 1Q17. Special mention to the investment in Banco CTT (€2.3m), in its core system and business support systems, and the investment in refurbishment work in buildings and facilities (€1.3m), as well as the investment in IT (€1.1m), especially in pursuing the change of the SAP platform, the development of support systems for the e-commerce and Payments businesses.

CASH FLOW

In 1Q18, the adjusted change in cash was -€15.4m and the adjusted operating free cash flow totalled -€15.2m, influenced by the amount of €14.7m paid as indemnities related to the Operational Transformation Plan during this quarter (including €11.9m pertaining to amounts provisioned in 2017).

The reported change in cash amounted to -€131.7m. The change in cash flow from operating activities (-€40.4m) resulted mostly from: (i) -€49.4m relative to the change in the Financial Services receivables/payables; (ii) +€13.4m from Banco CTT's operating cash flows; and (iii) -€4.4m of cash flow from operating activities (excluding the Financial Services and Banco CTT's cash flows).

The main contributions to the change in cash flow from investment activities (-€63.9m) were: (i) -€13.2m relative to net payments of tangible and intangible assets; and (ii) -€51.3m from financial assets of Banco CTT within the Bank's policy of application of funds that includes predominantly investment in securities from European public issuers as a result of the growth of the clients' deposits in 1Q18 (+€45.8m).

Cash flow

€ Million

	Reported			Adjusted (*)		
	1Q18	**1Q17**	**Δ**	**1Q18**	**1Q17**	**Δ**
Cash flow from operating activities	**-40.4**	**27.1**	**-248.9%**	**-2.5**	**12.1**	**-121.1%**
Cash flow without Fin. Services and Banco CTT	-	-	-	*-4.4*	*15.2*	*-129.0%*
Cash flow Banco CTT	-	-	-	*1.9*	*-3.1*	*160.0%*
Cash flow from investment activities	**-63.9**	**-53.4**	**-19.7%**	**-12.6**	**-13.6**	**7.6%**
Capex	-13.2	-14.2	7.3%	-13.2	-14.2	7.3%
Of which cash flow Banco CTT	-	-	-	*-3.0*	*-1.1*	*-185.0%*
Financial assets Banco CTT (**)	-51.3	-39.8	-29.0%	-	-	-
Other	0.5	0.5	-0.7%	0.5	0.5	-0.7%
Operating free cash flow	**-104.3**	**-26.3**	**-296.8%**	**-15.2**	**-1.6**	**-873.1%**
Cash flow from financing activities	**-0.2**	**-0.6**	**71.0%**	**-0.2**	**-0.6**	**71.0%**
Other (***)	**-27.2**	**-2.5**	**-981.6%**	**-**	**-**	**-**
Net change in cash	**-131.7**	**-29.5**	**-347.3%**	**-15.4**	**-2.2**	**-596.9%**

(*) Cash flow from operating activities excluding changes in Net Financial Services payables, Banking customer deposits and other loans, Credit to bank clients, third parties other receivables/payments related to Banco CTT, Investments in securities, Deposits at the Bank of Portugal and Other banking financial assets.

(**) Includes investments in securities and other banking financial assets of Banc o CTT.

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

CONSOLIDATED BALANCE SHEET

The key aspects of the comparison between the balance sheet as at 31.03.2018 and that at the end of the 2017 financial year are:

Total assets amounted to €1,594.5m, representing a decrease of €14.3m (-0.9%), of which €561.0m relative to financial investments, financial assets and credit held by Banco CTT, broken down as follows: (i) €335.0m of investments in securities, (ii) €111.5m of other banking financial assets, mostly investments in credit institutions and in the interbank market; and (iii) €114.5m of credit to banking clients, especially mortgage loans and other credit.

Within the total assets mention should also be made to the €131.7m decrease (-21.0%) in cash and cash equivalents.

Equity increased by €3.9m (+2.1%) as a result of the net profit for the period (€5.4m), net from the negative impact on equity of the adoption in 2018 of IFRS 9 and IFRS 15 (€1.5m), although the payment of dividends of the 2017 financial year has not yet occurred.

Liabilities decreased by €18.2m (-1.3%) with emphasis on the €48.0m reduction in Financial Services payables and the €10.8m reduction in provisions resulting essentially from the payment of the indemnities foreseen in the Operational Transformation Plan. On the other hand, there was an increase of €45.8m (+7.4%) in Banco CTT clients' deposits.

Consolidated Balance Sheet

€ Million

	31.03.2018	31.12.2017	Δ
Non-current Assets	776.1	678.5	14.4%
Current Assets	818.3	930.3	-12.0%
Assets	**1,594.5**	**1,608.8**	**-0.9%**
Equity	**187.9**	**184.0**	**2.1%**
Total Liabilities	**1,406.5**	**1,424.8**	**-1.3%**
Non-current Liabilities	270.9	282.7	-4.2%
Current Liabilities	1,135.7	1,142.0	-0.6%
Total Equity and Liabilities	**1,594.5**	**1,608.8**	**-0.9%**

As at 31 March 2018, the liabilities related to employee benefits (post-employment and long-term benefits) amounted to €268.8m, 0.4% less (-€1.2m) than in December 2017, as specified in the table below:

Liabilities related to long-term employee benefits

€ Million

	31.03.2018	31.12.2017	Δ
Total liabilities	**268.8**	**270.0**	**-0.4%**
Healthcare	253.3	254.0	-0.2%
Staff (suspension agreements)	2.8	3.3	-14.7%
Other long-term employee benefits	12.3	12.3	-0.7%
Transporta pension plans	0.3	0.4	-2.0%
Other benefits	0.1	0.0	25.0%

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

Financial position excluding Banco CTT from the consolidation perimeter

€ Million

	31.03.2018	31.12.2017	Δ
Non-current Assets	424.7	413.4	2.7%
Current Assets	481.6	557.3	-13.6%
Assets	**906.3**	**970.7**	**-6.6%**
Equity	**187.9**	**184.0**	**2.1%**
Total Liabilities	**718.4**	**786.8**	**-8.7%**
Non-current Liabilities	270.8	282.7	-4.2%
Current Liabilities	447.6	504.1	-11.2%
Total Equity and Liabilities	**906.3**	**970.7**	**-6.6%**

2. OTHER HIGHLIGHTS

OPERATIONAL TRANSFORMATION PLAN[6]

The plan started in 1Q18 and is surpassing the initial projections, as it has already secured €11.7m of recurring cost savings versus an overall objective of €13.8m for 2018, i.e. 85% of the 2018 objective.

QUALITY OF SERVICE

In 1Q18 the OQSI – Overall Quality of Service Indicator reached 114.8 points, compared to a target of 100. The results were negatively impacted by some labour disturbances, particularly workers' plenaries and the national CTT strike of 23 February. Out of the eleven quality of service indicators of the universal postal service measured by *PricewaterhouseCoopers* and the *International Post Corporation*, eight have met the minimum targets, of which six have surpassed the targets.

CTT customers' perception of the quality of service is very favourable as circa 79.1% of the customers who responded to a satisfaction questionnaire consider the overall quality of CTT as good or very good[7].

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[6] Operational Transformation Plan approved by the Board of Directors on 19 December 2017 and disclosed to the market on that date. http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/plano-de-transformacao-operacional.html

[7] Source: customer satisfaction surveys. Questionnaires in hard copy completed and returned to the Department of Quality via Business Reply Service (post offices: conducted quarterly; postal agencies: conducted half-yearly, distributed in the area of influence of the postal agency through unaddressed mail; Production and Logistics Centre / Logistics and Distribution Centres: two questionnaires / day attached to priority or ordinary mail letters).

REGULATORY ISSUES

Complying with the pricing criteria defined by a decision of ANACOM of 21.11.2014[8], the proposal on the **prices of the Universal Postal Service** submitted by CTT on 15.02.2018 was approved by ANACOM by a deliberation of 23.03.2018. The prices foreseen in said proposal, which met the defined pricing principles and criteria, entered into force on 02.04.2018.

This update corresponds to a 4.5% annual average change of the price of the letter mail, editorial mail and parcels basket of services, excluding the offer of the universal service to bulk mail senders, to whom the special pricing arrangement applies.

In terms of prices and as far as the **special prices for postal services included in the universal postal service**[9] applicable to bulk mail senders are concerned, these were also updated on 02.04.2018, following a proposal CTT submitted to the Regulator on 22.03.2018.

Within the scope of the Company's pricing policy for the year of 2018, said updates correspond to an average overall annual price change of 4.1% and also reflect the price update for reserved services (services for the transmission of judicial and other postal notifications) and the special prices for bulk mail.

On 11.01.2018, ANACOM approved a **Draft Decision on the Quality of Service Criteria** applicable as of 1 July 2018 and until the end of 2020. This draft decision provides for changes in the quality of service standards CTT will be required to comply with and defines a set of 24 indicators compared to the previous 11 indicators, as well as more demanding targets for some of them. This draft decision was subject to public consultation until 19.03.2018, having CTT given its contribution.

On the same date, ANACOM also approved a **Draft Decision on the Criteria for the Formulation of the Universal Postal Service Pricing** for the 2018-2020 three-year period. The new rules will be applied to the prices to be in force in 2019 and 2020, which should be updated in accordance with the rate of inflation minus 1.28 percentage points, taking also into account correction factors for inflation and volumes. In 2018 the current rules still apply, as defined by ANACOM in 2014. This draft decision was subject to public consultation until 15.03.2018, having CTT given its contribution.

The approval of the Regulator's final decision on these issues has not yet taken place.

3. SUBSEQUENT EVENTS

On 18 April 2018, CTT held its Annual General Meeting where the following resolutions were adopted, among others:

- Proposal for the allocation of profits and payment of dividends to shareholders for a total amount of €57,000,000 corresponding to €0.38 per share;
- Ratification of the co-optation of Guy Patrick Guimarães de Goyri Pacheco as member of the Board of Directors and the Executive Committee of CTT, to complete the 2017-2019 term of office underway;
- Election of KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. as Effective Statutory Auditor for the three-year period of 2018-2020.

[8] Pursuant to article 14(3) of Law no. 17/2012, of 26 April (Postal Law), as amended by Decree-Law no. 160/2013, of 19 November, and by Law no. 16/2014, of 4 April.

[9] As amended by article 4 of Decree-Law no. 160/2013, of 19 November.

FINAL NOTE

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 1st quarter of 2018, which are attached hereto.

Lisbon, 2 May 2018

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT's Investor Relations website at: http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1.

CTT – Correios de Portugal, S.A.

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Disclaimer

This document has been prepared by CTT – Correios de Portugal, S.A. (the "Company" or "CTT") exclusively for communication of the financial results of the 1st quarter of 2018 and has a mere informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

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

Forward-looking statements

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

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

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

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

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

3 months report
2018

Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 AND 31 DECEMBER 2017
Euros

	NOTES	Unaudited 31.03.2018	31.12.2017
ASSETS			
Non-current assets			
Tangible fixed assets	5	195,432,934	199,855,908
Investment properties	7	6,237,613	6,164,849
Intangible assets	6	48,181,660	47,501,684
Goodwill		9,523,180	9,523,180
Investments in associated companies		296,260	296,260
Other investments		1,379,137	1,503,572
Investment securities	9	317,280,412	-
Investments held to maturity	9	-	245,827,759
Other non-current assets		1,299,663	1,375,223
Credit to bank clients	11	98,231,509	64,263,948
Financial assets available for sale	9	-	3,175,180
Other banking financial assets	10	14,248,475	11,831,122
Deferred tax assets		84,010,242	87,155,739
Total non-current assets		**776,121,085**	**678,474,423**
Current assets			
Inventories		5,939,103	5,696,996
Accounts receivable		133,343,763	132,480,130
Credit to bank clients	11	16,259,582	15,083,442
Income taxes receivable	21	1,933,861	1,552,005
Deferrals	12	9,159,300	6,600,115
Investment securities	9	17,707,346	-
Investments held to maturity	9	-	15,721,373
Other current assets		41,641,537	32,338,234
Financial assets available for sale	9	-	2,576,194
Other banking financial assets	10	97,267,547	91,417,084
Cash and cash equivalents		495,078,443	626,825,397
		818,330,481	930,290,969
Non-current assets held for sale		-	-
Total current assets		**818,330,481**	**930,290,969**
Total assets		**1,594,451,566**	**1,608,765,392**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(8)
Reserves	15	79,948,975	79,947,883
Retained earnings	15	60,065,564	34,268,089
Other changes in equity	15	(32,634,996)	(32,634,996)
Net profit		5,356,199	27,263,244
Equity attributable to equity holders		187,735,734	183,844,211
Non-controlling interests		172,751	146,738
Total equity		**187,908,485**	**183,990,949**
Liabilities			
Non-current liabilities			
Medium and long term debt		63,410	73,689
Employee benefits		251,880,191	252,919,533
Provisions	18	15,256,126	26,028,332
Deferrals	12	314,092	316,892
Deferred tax liabilities	24	3,342,038	3,399,121
Total non-current liabilities		**270,855,857**	**282,737,567**
Current liabilities			
Accounts payable	19	323,011,909	384,533,294
Banking clients' deposits and other loans	20	665,073,541	619,229,680
Employee benefits		16,935,242	17,100,808
Short term debt		10,052,214	10,304,390
Deferrals	12	2,679,402	1,432,696
Other current liabilities		101,054,827	91,553,848
Other banking financial liabilities	10	16,880,090	17,882,160
Total current liabilities		**1,135,687,225**	**1,142,036,875**
Total liabilities		**1,406,543,081**	**1,424,774,442**
Total equity and liabilities		**1,594,451,566**	**1,608,765,392**

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2017
Euros

		Unaudited	Unaudited
	NOTES	31.03.2018	31.03.2017
Revenues		**176,943,037**	**176,955,596**
Sales and services rendered	4	171,069,029	173,154,253
Financial margin		1,503,237	405,226
Other operating income	22	4,370,771	3,396,117
Operating costs		**(167,310,727)**	**(159,372,663)**
Cost of sales		(3,227,564)	(2,196,673)
External supplies and services		(62,607,438)	(58,832,248)
Staff costs	23	(89,742,451)	(88,564,004)
Impairment of accounts receivable, net		113,019	(63,791)
Impairment of other financial banking assets		14,037	(9,002)
Provisions, net	18	(1,408,478)	(58,032)
Depreciation/amortisation and impairment of investments, net		(7,494,143)	(7,178,552)
Other operating costs		(2,957,710)	(2,470,361)
Earnings before financial income and taxes		**9,632,310**	**17,582,933**
Financial results		**(1,252,421)**	**(1,078,614)**
Interest expenses		(1,393,492)	(1,344,392)
Interest income		18,279	265,778
Gains/losses in associated companies		122,792	-
Earnings before taxes		**8,379,889**	**16,504,319**
Income tax for the period	24	(2,999,572)	(6,199,753)
Net profit for the period		**5,380,317**	**10,304,566**
Net profit for the period attributable to:			
Equity holders		5,356,199	10,334,491
Non-controlling interests		24,118	(29,925)
Earnings per share:	17	0.04	0.07

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2017
Euros

		Unaudited	Unaudited
	NOTES	31.03.2018	31.03.2017
Net profit for the period		**5,380,317**	**10,304,566**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	1,896	10,418
Changes to fair value reserves	15	1,092	10,181
Other changes in equity		1,895	10,418
Other comprehensive income for the period after taxes		**4,883**	**31,017**
Comprehensive income for the period		**5,385,201**	**10,335,584**
Attributable to non-controlling interests		26,013	(19,507)
Attributable to shareholders of CTT		5,359,187	10,355,090

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 MARCH 2018 AND 31 DECEMBER 2017
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 2017		**75,000,000**	**(5,097,536)**	**34,891,671**	**(27,137,824)**	**93,589,211**	**62,160,395**	**(79,135)**	**233,326,782**
Share capital increase	15	49,500,000	-	-	-	(49,500,000)	-	367,020	367,020
Share capital decrease	15	(49,500,000)	-	49,500,000	-	-	-	-	-
Appropriation of net profit for the year of 2016		-	-	-	-	62,160,395	(62,160,395)	-	-
Dividends	16	-	-	-	-	(72,000,000)	-	-	(72,000,000)
Attribution of own shares	15	-	5,097,527	(4,480,638)	-	-	-	-	616,890
		-	**5,097,527**	**45,019,362**	**-**	**(59,339,605)**	**(62,160,395)**	**367,020**	**(71,016,090)**
Other movements	15	-	-	-	-	-	-	6,775	6,775
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	(5,497,172)	-	-	-	(5,497,172)
Changes to fair value reserves	15	-	-	36,849	-	-	-	-	36,849
Adjustments from the application of the equity method	15	-	-	-	-	18,482	-	-	18,482
Net profit for the period		-	-	-	-	-	27,263,244	(147,921)	27,115,323
Comprehensive income for the period		**-**	**-**	**36,849**	**(5,497,172)**	**18,482**	**27,263,244**	**(141,146)**	**21,680,257**
Balance on 31 December 2017		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**34,268,089**	**27,263,244**	**146,738**	**183,990,949**
Adjustment on initial application of IFRS 9 (net of tax)	3	-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)	3	-	-	-	-	(1,281,946)	-	-	(1,281,946)
Adjusted balance on 1 January 2018		**75,000,000**	**(8)**	**79,947,883**	**(32,634,996)**	**32,800,424**	**27,263,244**	**146,738**	**182,523,284**
Appropriation of net profit for the year of 2017		-	-	-	-	27,263,244	(27,263,244)	-	-
		-	**-**	**-**	**-**	**27,263,244**	**(27,263,244)**	**-**	**-**
Other movements	15	-	-	-	-	-	-	1,895	1,895
Changes to fair value reserves	15	-	-	1,092	-	-	-	-	1,092
Adjustments from the application of the equity method	15	-	-	-	-	1,896	-	-	1,896
Net profit for the period		-	-	-	-	-	5,356,199	24,118	5,380,317
Comprehensive income for the period		**-**	**-**	**1,092**	**-**	**1,896**	**5,356,199**	**26,013**	**5,385,201**
Balance on 31 March 2018 (Unaudited)		**75,000,000**	**(8)**	**79,948,975**	**(32,634,996)**	**60,065,564**	**5,356,199**	**172,751**	**187,908,485**

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 31 MARCH 2017

Euro

	NOTES	Unaudited 31.03.2018	Unaudited 31.03.2017
Cash flow from operating activities			
Collections from customers		164,233,911	154,596,518
Payments to suppliers		(68,718,210)	(61,125,202)
Payments to employees		(84,251,459)	(72,574,482)
Banking customer deposits and other loans		45,867,413	77,554,882
Credit to bank clients		(35,023,575)	(17,528,692)
Cash flow generated by operations		22,108,080	80,923,023
Payments/receivables of income taxes		(496,182)	(257,669)
Other receivables/payments		(62,000,567)	(53,535,319)
Cash flow from operating activities (1)		(40,388,669)	27,130,035
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		3,360	274,360
Investment properties		208,000	-
Financial investments		247,226	-
Investment securities		10,362,239	-
Financial assets available for sale		-	2,000,000
Investments held to maturity		-	368,695
Demand deposits at Bank of Portugal		26,690,962	2,502,745
Other banking financial assets		17,765,000	42,100,000
Interest income		81,924	270,195
Payments resulting from:			
Tangible fixed assets		(5,050,738)	(11,452,423)
Intangible assets		(8,103,366)	(2,738,330)
Investment securities		(79,624,418)	-
Financial assets available for sale		-	(2,500,000)
Investments held to maturity		-	(35,870,023)
Other banking financial assets		(26,520,000)	(48,375,000)
Cash flow from investing activities (2)		(63,939,811)	(53,419,781)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained		4,612,326	1,850,000
Payments resulting from:			
Loans repaid		(4,716,081)	(2,000,000)
Interest expenses		(78,403)	(160,198)
Finance leases		(5,025)	(334,418)
Cash flow from financing activities (3)		(187,184)	(644,615)
Net change in cash and cash equivalents (1+2+3)		(104,515,664)	(26,934,361)
Cash and equivalents at the beginning of the period		592,677,415	613,845,248
Cash and cash equivalents at the end of the period		488,161,751	586,910,887

Cash and cash equivalents at the end of the period	**488,161,751**	**586,910,887**
Sight deposits at Bank of Portugal	6,065,019	1,289,589
Outstanding checks of Banco CTT / Checks clearing of Banco CTT	983,239	1,158,657
Impairment of slight and term deposits	(131,566)	-
Cash and cash equivalents (Balance sheet)	**495,078,442**	**589,359,132**

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

CTT – CORREIOS DE PORTUGAL, S.A.

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

TABLE OF CONTENTS

1. INTRODUCTION

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

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

On 31 January 2013 the Portuguese State through the Order no. 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

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

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

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

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 2 May 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the changes mentioned in section 3. Changes to accounting policies, errors and estimates.

2.1 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2018, and in accordance with IAS 34 - Interim Financial Reporting.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customer* and IFRS 9 *Financial Instruments*.

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 established a new impairment model. In this way, loss event will no longer need to occur before an impairment loss is recognised.

As soon as the loss event occur (what is currently defined as "objective evidence of impairment"), the accumulated impairment is allocated directly to the financial asset affected, thus providing, from that point on, a similar treatment the IAS 39, including the treatment of interest revenue.

One of the main amendments resulting from the adoption of this standard is the recognition of the impairment recognition of impairment on the exposure to securities, bank deposits and other financial applications, which was not required under IAS 39, except if there was objective evidence of impairment.

Impact at the time of transition and in the period

The impacts of the adoption of IFRS 9 are detailed as follows:

IFRS 9 – Impact at the time of transition and in the period

	Impact of adopting IFRS 9 at 1 January 2018	Impact on the period	Impact of adopting IFRS 9 at 31 March 2018
Banco CTT – Investments held to maturity, Financial assets available for sale, Cash and Other financial applications	(882,083)	61,475	(820,608)
Banco CTT – Account Receivables	2,713	(1)	(1)
Other Companies – Cash and Equivalents and Fin. Investments	(405,982)	275,285	(130,697)
Other Companies – Account Receivables	883,882	147,384	1,031,265
Related Tax	215,752	(147,000)	68,752
Impact	**(185,718)**	**337,144**	**148,712**

(1) Taking into account that the amount is residual, the impairment was not calculated in accordance with IAS 39 on 31.03.2018

The change in the accounting policy resulting from the adoption of IFRS 9 was applied retrospectively, with the exception of the option not to restate comparative information for prior periods in relation to classification and measurement requirements (including impairment). The differences in the accounting amount of financial assets and liabilities resulting from the adoption of IFRS 9 were recognized in retained earnings with reference to 1 January 2018.

Classification and measurement

Comparing with the previous standard, there was the need to reclassify and remeasure the financial assets and liabilities in accordance with IFRS 9, therefore the new classification and measurement was applied to the amounts as at 1 January 2018, as shown below:

	01.01.2018			
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Assets				
Other Investments	Available-for-sale financial assets	Fair Value through Other Comprehensive Income	1,503,572	1,503,572
Investments held to maturity	Investments held to maturity	Amortised Cost	261,549,132	261,302,060
Other assets	Loans and receivables	Amortised Cost	33,713,457	33,713,457
Financial assets available for sale	Available-for-sale financial assets	Fair Value through Other Comprehensive Income	5,751,374	5,740,688
Credit to bank clients	Loans and receivables	Amortised Cost	79,347,390	79,350,103
Other banking financial assets	Loans and receivables	Amortised Cost	103,248,206	102,624,809
Accounts receivable	Loans and receivables	Amortised Cost	132,480,130	133,364,012
Cash and cash equivalents	Loans and receivables	Amortised Cost	626,825,397	626,418,487
Total Financial Assets			**1,244,418,658**	**1,244,017,188**

Impairment

1. Adoption of IFRS 9 by Banco CTT

The adoption of IFRS 9 represents a significant change to the methodology and calculation of impairments in banks.

Due to the absence of a past records, the Bank based the calculation based on benchmarking of parameters making the needed adjustments in order to migrate from the vision of loss incurred to the vision of expected credit loss (ECL).

The analysis framework of credit risk is based on a model of collective and individual analysis. In the collective analysis, basically, the Bank considers that the probability of default (PD) is constant over the instruments' life time and applies in stage 2 a methodology of survival rate to calculate the PD of each period of the instrument's life time that it is multiplied by the Loss Given Default (LGD), which, in turn, is a function of expected exposure in each period and the existing collateral in the operation. Finally, the Bank updates the expected value of the all periods considered (12 months in stage 1, life time in stage 2 and 3).

In the individual analysis, the Bank begins by evaluating the existence of objective evidence of impairment. If it does not exist, the credit losses are treated as stage 1. If there is objective evidence of impairment, the impairment losses are calculated by comparing the present value of expected future cash flows discounted at the original effective interest rate of each contract and the accounting value for each credit. The losses are recorded against profit or loss.

In the portfolio of securities and cash and cash equivalents and financial investments, the impairments are calculated by assigning i) a probability of default that derives from the rating of the issuer or counterparty, respectively, and ii) a Loss Given Default (LGD) that results from market parameters.

2. Adoption of IFRS 9 by the remaining companies of the Group

Cash equivalents and financial investments

In the portfolio of securities and cash equivalents and financial investments, the impairments are calculated by assigning i) a probability of default that derives from the rating of the issuer or counterparty, respectively and ii) a Loss Given Default (LGD) that results from market parameters.

Accounts receivables

Regarding the remaining companies, the Group applies the simplified method and registers expected credit losses until maturity for all accounts receivables. The expected credit losses were calculated based on past records of credit losses throughout the period considered statistically relevant estimating the rate of expected losses by companies and customer typology.

IFRS 15 – Revenue from Contracts with Customers

The revenue recognition model according to IFRS 15 is based on five steps in order to determine when the revenue should be recognised and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognise revenue.

According to the new model, the revenue recognition depends on whether the "performance obligations" are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time. The revenue should be recognised for the amount that the company expects to receive.

The impacts of the adoption of IFRS 15 are detailed as follows:

IFRS 15 - Impact at the time of transition and in the period

	Impact of adopting IFRS 15 at 1 January 2018	Impact on the period	Impact of adopting IFRS 15 at 31 March 2018
Sales of philatelic and pre-paid products	(782,046)	(36,625)	(818,670)
Rendering of Express Services	(822,765)	250,494	(572,270)
Related Tax	322,865	(4,164)	318,701
Impact	**(1,281,946)**	**209,706**	**(1,072,240)**

The Group decided to adopt IFRS 15 using the cumulative effect method ("modified retrospective approach"), with the effect of the initial application of this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

According to the analysis performed, in the Group CTT, the adoption of IFRS 15 had the following impacts:

a) Sales of philatelic and pre-paid products

Before the adoption of this standard, the revenue was recognised when the philatelic and pre-paid products were sold.

Under IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only at the moment of the effective utilisation of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognised at the time of the sale. In the remaining situations, the adoption of the IFRS 15 implies the deferral of the revenue given the current policy.

b) Rendering of Express Services

Before the adoption of this new standard, the revenue from the rendering of express services (parcels) was recognised when the customer requested the service at our retail network.

According to IFRS 15, the revenue is recognised only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer. The adoption of the IFRS 15 implies the deferral of the revenue given the current policy.

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

4. SEGMENT REPORTING

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

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

In 2018, Payshop became part of Banco CTT, through a capital increase operation in which all the shares representing the share capital of Payshop (Portugal), SA were transferred to Banco CTT. This operation is aligned with the strategy of concentrating the Group's business lines related to the financial sector at Banco CTT, also reflected on the internal reporting where Payshop is now included in Banco CTT segment, as well as with the project submitted to Banco de Portugal at the time of its creation.

The comparable information for 2017 has been restated, having Payshop been included in Banco CTT segment.

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

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

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

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

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

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

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

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

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

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated among the segments Mail and Financial Services segments according to the average number of CTT, S.A. employees affected to each of these segments.

With the allocation of all costs, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the first quarter of 2018 and 2017 are as follows:

31.03.2018

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	135,966,486	36,549,738	9,828,799	5,022,041	26,032,337	(36,456,363)	-	176,943,037
Sales and services rendered	125,061,271	35,961,170	9,166,617	2,618,913	-	(1,738,942)	-	171,069,029
Sales	4,225,620	211,415	-	-	-	337	-	4,437,372
Services rendered	120,835,651	35,749,755	9,166,617	2,618,913	-	(1,739,280)	-	166,631,656
Financial Margin	-	-	-	1,503,237	-	-	-	1,503,237
Operating revenues external customers	7,289,847	588,568	639,865	899,890	2,583,369	(7,630,768)	-	4,370,771
Internal services rendered	3,615,368	-	22,317	-	10,466,169	(14,103,853)	-	-
Allocation to CTT central structure	-	-	-	-	12,982,799	(12,982,799)	-	-
Operating costs	116,813,747	36,069,589	6,710,645	9,378,875	26,032,337	(36,456,363)	-	158,535,162
External supplies and services	24,739,100	29,729,576	2,170,824	5,477,772	9,859,802	(9,369,635)	-	62,607,438
Staff costs	65,231,601	5,785,908	471,229	3,400,043	14,853,670	-	-	89,742,451
Other costs	3,714,717	554,104	378,164	501,061	1,037,302	(75)	-	6,185,273
Internal services rendered	10,214,052	-	3,608,238	-	281,563	(14,103,853)	-	-
Allocation to CTT central structure	12,914,278	-	68,521	-	-	(12,982,799)	-	-
EBITDA[1]	**19,152,738**	**480,149**	**3,131,822**	**(4,356,834)**	**-**	**-**	**-**	**18,407,875**
Depreciation/amortisation and impairment of investments, net	(3,854,087)	(837,404)	(228,559)	(704,051)	(1,811,995)	-	(58,047)	(7,494,143)
Impairment of accounts receivable, net							-	113,019
Impairment of non-depreciable assets							-	-
Impairment of other financial banking assets							-	14,037
Provisions net								(1,408,478)
Interest expenses							-	(1,393,492)
Interest income							-	18,279
Gains/losses in associated companies							-	122,792
Earnings before taxes							-	**8,379,889**
Income tax for the period							-	(2,999,572)
Net profit for the period							-	**5,380,317**
Non-controlling interests							-	24,118
Equity holders of parent company								**5,356,199**

[1] Operating results + depreciation/amortisation + provisions and impairment losses, net.

31.03.2017 Restated

Euros	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	137,022,081	30,006,705	15,593,923	3,900,473	28,194,016	(37,761,603)	-	176,955,596
Sales and services rendered	127,304,731	29,515,095	15,383,878	2,734,812	-	(1,784,263)	-	173,154,253
Sales	2,885,895	192,374	-	-	-	-	-	3,078,269
Services rendered	124,418,836	29,322,721	15,383,878	2,734,812	-	(1,784,263)	-	170,075,984
Financial Margin	-	-	-	405,226	-	-	-	405,226
Operating revenues external customers	5,702,758	491,610	188,408	760,436	3,086,147	(6,833,242)	-	3,396,117
Internal services rendered	4,014,592	-	21,637	-	10,015,372	(14,051,601)	-	-
Allocation to CTT central structure	-	-	-	-	15,092,497	(15,092,497)	-	-
Operating costs	114,582,209	30,105,449	8,108,118	8,835,097	28,194,016	(37,761,603)	-	152,063,286
External supplies and services	25,306,721	24,470,574	2,113,386	5,075,590	10,384,229	(8,518,253)	-	58,832,248
Staff costs	62,155,133	5,212,606	1,383,833	3,574,021	16,330,783	(92,373)	-	88,564,004
Other costs	2,498,737	422,269	364,275	185,486	1,203,147	(6,880)	-	4,667,034
Internal services rendered	9,635,076	-	4,140,668	-	275,857	(14,051,601)	-	-
Allocation to CTT central structure	14,986,541	-	105,956	-	-	(15,092,497)	-	-
EBITDA[1]	**22,439,873**	**(98,744)**	**7,485,805**	**(4,934,624)**	**-**	**-**	**-**	**24,892,310**
Depreciation/amortisation and impairment of investments, net	(3,888,409)	(888,619)	(50,570)	(575,536)	(1,723,709)	-	(51,710)	(7,178,552)
Impairment of accounts receivable, net								(63,791)
Impairment of non-depreciable assets								(9,002)
Provisions net								(58,032)
Interest expenses								(1,344,392)
Interest income								265,778
Gains/losses in associated companies								-
Earnings before taxes								**16,504,319**
Income tax for the period								(6,199,753)
Net profit for the period								**10,304,566**
Non-controlling interests								(29,925)
Equity holders of parent company								**10,334,491**

[1] Operating results + depreciation/amortisation + provisions and impairment losses, net.

The revenues are detailed as follows:

Thousand Euros	31.03.2018	31.03.2017 Restated
Mail	135,966	137,022
Transactional mail	105,022	107,782
Editorial mail	3,917	4,102
Parcels (USO)	1,724	1,740
Advertising mail	6,336	7,337
Retail	2,857	1,736
Philately	1,830	1,650
Business Solutions	2,423	2,072
Other	11,857	10,605
Express & Parcels	36,550	30,007
Financial Services	9,829	15,594
Banco CTT	5,022	3,900
Banco CTT	2,393	1,120
Payshop	2,629	2,780
CTT Central Structure	26,032	28,194
Intragroup eliminations	(36,456)	(37,762)
	176,943	**176,956**

The assets by segment are detailed as follows:

Assets (Euros)	Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Non allocated assets	Total
	31.03.2018						
Intagible assets	3,126,842	4,624,387	633,544	22,648,075	10,088,331	7,060,480	48,181,660
Tangible fixed assets	162,015,793	14,120,846	2,549,669	165,004	14,603,990	1,977,632	195,432,934
Investment properties						6,237,613	6,237,613
Goodwill	6,161,326	2,955,753		406,101			9,523,180
Deferred tax assets						84,010,242	84,010,242
Accounts receivable						133,343,763	133,343,763
Credit to bank clients				114,491,091			114,491,091
Investment securities				334,987,758			334,987,758
Other banking financial assets				111,516,022			111,516,022
Other assets						61,648,860	61,648,860
Cash and cash equivalents						495,078,443	495,078,443
	171,303,962	**21,700,986**	**3,183,213**	**584,214,051**	**24,692,321**	**789,357,033**	**1,594,451,566**

Assets (Euros)	31.12.2017 Restated Mail	Express & Parcels	Financial Services	Banco CTT (includes Payshop)	CTT Central Structure	Non allocated assets	Total
Intagible assets	3,104,896	5,005,423	419,038	21,211,707	7,631,667	10,128,953	47,501,684
Tangible fixed assets	165,561,819	14,477,996	2,002,643	815,209	15,141,231	1,857,009	199,855,908
Investment properties						6,164,849	6,164,849
Goodwill	6,161,326	2,955,753		406,101			9,523,180
Deferred tax assets						87,155,739	87,155,739
Accounts receivable						132,480,130	132,480,130
Credit to bank clients				79,347,390			79,347,390
Investments held to maturity				261,549,132			261,549,132
Financial assets available for sale				5,751,374			5,751,374
Other banking financial assets				103,248,206			103,248,206
Other assets						49,362,404	49,362,404
Cash and cash equivalents						626,825,397	626,825,397
	174,828,041	**22,439,172**	**2,421,682**	**472,329,119**	**22,772,898**	**913,974,481**	**1,608,765,392**

Debt by segment is detailed as follows:

Other information (Euros)	31.03.2018 Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	**-**	**63,410**	**-**	**-**	**-**	**63,410**
Bank loans	-	46,144	-	-	-	46,144
Leasings	-	17,266	-	-	-	17,266
Short-term debt	**-**	**10,052,214**	**-**	**-**	**-**	**10,052,214**
Bank loans	-	10,014,940	-	-	-	10,014,940
Leasings	-	37,274	-	-	-	37,274
	-	**10,115,624**	**-**	**-**	**-**	**10,115,624**

Other information (Euros)	31.12.2017 Mail	Express & Parcels	Financial Services	Banco CTT	CTT Central Struture	Total
Medium and long-term debt	**-**	**73,689**	**-**	**-**	**-**	**73,689**
Bank loans	-	49,596	-	-	-	49,596
Leasings	-	24,093	-	-	-	24,093
Short-term debt	**-**	**10,304,390**	**-**	**-**	**-**	**10,304,390**
Bank loans	-	10,272,258	-	-	-	10,272,258
Leasings	-	32,132	-	-	-	32,132
	-	**10,378,079**	**-**	**-**	**-**	**10,378,079**

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

Thousand Euros	31.03.2018	31.03.2017
Revenue - Portugal	146,522	152,494
Revenue - other countries	24,547	20,660
	171,069	173,154

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

5. TANGIBLE FIXED ASSETS

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation, were as follows:

	31.03.2018								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	619,912,904
Acquisitions	-	3,505	288,616	1,637	225,333	16,171	1,226,597	(65,627)	1,696,232
Disposals	-	-	(324,162)	-	-	-	-	-	(324,162)
Transfers and write-offs	(300,837)	(493,916)	(4,034,332)	-	-	-	(1,009,502)	(959)	(5,839,548)
Adjustments	-	(747)	(73,106)	(1,124)	(27,908)	(1,790)	-	-	(104,676)
Closing balance	36,801,301	342,164,586	142,524,407	3,381,796	62,371,980	26,054,494	1,717,662	324,522	615,340,750
Accumulated depreciation									
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	420,007,656
Depreciation for the period	-	2,493,816	1,445,493	7,839	655,451	270,000	-	-	4,872,599
Disposals	-	-	(262,503)	-	-	-	-	-	(262,503)
Transfers and write-offs	(34,103)	(666,197)	(4,034,444)	-	112	-	-	-	(4,734,633)
Adjustments	-	(86)	(19,978)	(1,107)	(2,154)	(1,319)	-	-	(24,644)
Closing balance	3,817,391	209,489,016	125,422,698	3,277,805	56,369,811	21,481,755	-	-	419,858,476
Accumulated impairment									
Opening balance	-	-	-	-	-	49,340	-	-	49,340
Other variations	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	49,340	-	-	49,340
Net Tangible fixed assets	32,983,910	132,675,570	17,101,710	103,992	6,002,169	4,523,399	1,717,662	324,522	195,432,934

	31.12.2017								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,903,717	334,909,767	140,435,199	3,269,073	59,021,936	25,037,425	5,016,467	3,351,405	607,944,990
Acquisitions	-	300,889	5,013,385	81,568	2,087,373	741,212	2,277,480	475,458	10,977,364
Disposals	-	(8,315)	(1,125,067)	-	(40,687)	(137)	-	-	(1,174,206)
Transfers and write-offs	1,396	6,396,121	1,673,849	-	750,365	(867,944)	(5,793,379)	(3,425,208)	(1,264,800)
Adjustments	-	(44,923)	(61,259)	(247)	(61,727)	(21,887)	-	(10,547)	(200,588)
Changes in the consolidation perimeter	197,025	1,102,206	731,285	30,889	417,295	1,151,444	-	-	3,630,144
Closing balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	619,912,904
Accumulated depreciation									
Opening balance	3,851,494	197,359,750	121,934,623	3,208,997	52,255,805	20,239,484	-	-	398,850,154
Depreciation for the period	-	9,924,796	7,139,729	34,044	3,426,663	1,113,660	-	-	21,638,891
Disposals	-	(7,026)	(1,096,952)	-	(40,236)	(137)	-	-	(1,144,351)
Transfers and write-offs	-	(39,113)	(158,051)	-	(145,697)	(712,315)	-	-	(1,055,176)
Adjustments	-	274	15,044	(404)	1,082	(6)	-	-	15,989
Changes in the consolidation perimeter	-	422,804	459,736	28,437	218,784	572,388	-	-	1,702,149
Closing balance	3,851,494	207,661,484	128,294,129	3,271,073	55,716,402	21,213,074	-	-	420,007,656
Accumulated impairment									
Opening balance	-	-	-	-	-	173,055	-	-	173,055
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	-	-	-	-	-	49,340	-	-	49,340
Net Tangible fixed assets	33,250,644	134,994,262	18,373,263	110,210	6,458,153	4,777,700	1,500,567	391,109	199,855,908

During the three-month period ended 31 March 2018, Land and natural resources and Buildings and other constructions include 617,087 Euros (625,996 Euros as at 31 December 2017), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter relates to the balances of the company Transporta – Transportes Porta a Porta, S.A. acquired in May 2017.

During the three-month period ended 31 March 2018, the most significant movements in Tangible fixed assets were the following:

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

Basic equipment:
The amount of acquisitions mainly relates to the purchase of ATM's in the amount of 19 thousand Euros and pallets for about 104 thousand Euros by CTT. Tourline acquired IT equipment worth approximately 136 thousand Euros and PDA's worth approximately 5 thousand Euros.

Office equipment:
The amount of acquisitions relates essentially to the purchase of several administrative equipment, namely safes and security doors totaling 21 thousand Euros, office furniture worth about 47 thousand Euros and the acquisition of personal computers for approximately 34 thousand Euros by CTT.

Other tangible fixed assets:
The amount of acquisitions mainly relates to prevention and safety equipment for approximately 16 thousand Euros by CTT.

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

The depreciation recorded in the amount of 4,872,599 Euros (5,142,396 Euros on 31 March 2017), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Contractual commitments related to Tangible fixed assets are as follows:

	31.03.2018
Hardware communications and SD-WAN	579,243
Hardware firewall networks	280,353
Upgrades to mail sorting machines	191,195
Safes and security doors	108,286
	1,159,076

6. INTANGIBLE ASSETS

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

	31.03.2018					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Acquisitions	-	2,010,295	1,528	-	1,249,206	3,261,029
Transfers and write-offs	-	4,732,409	-	-	(4,732,409)	-
Adjustments	-	-	(28,122)	-	-	(28,122)
Closing balance	4,380,552	86,978,667	13,270,557	444,739	9,771,253	114,845,769
Accumulated amortisation						
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Amortisation for the period	2,730	2,397,640	163,127	-	-	2,563,497
Adjustments	-	-	(10,565)	-	-	(10,565)
Closing balance	4,373,964	52,940,288	8,905,118	444,739	-	66,664,109
Net intangible assets	6,588	34,038,380	4,365,439	-	9,771,253	48,181,660

	31.12.2017					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,923	69,732,469	11,722,559	444,739	8,870,277	95,142,968
Acquisitions	-	2,776,195	1,569,908	-	13,167,265	17,513,369
Transfers and write-offs	-	7,727,299	(16,833)	-	(8,802,367)	(1,091,901)
Adjustments	-	-	21,516	-	-	21,516
Changes in the consolidation perimeter	7,629	-	-	-	19,281	26,910
Closing balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Accumulated amortisation						
Opening balance	4,360,060	43,021,166	8,400,280	444,739	-	56,226,245
Amortisation for the period	10,495	8,740,207	361,397	-	-	9,112,100
Transfers and write-offs	-	(1,218,272)	(16,834)	-	-	(1,235,106)
Adjustments	-	(454)	7,713	-	-	7,259
Changes in the consolidation perimeter	679	-	-	-	-	679
Closing balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Net intangible assets	9,318	29,693,316	4,544,595	-	13,254,456	47,501,684

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

The transfers occurred in the three-month period ended 31 March 2018 in Intangible assets in progress to Computer software refer to IT projects which were completed during the period.

The amounts of 247,148 Euros and 225,902 Euros that were capitalised in Computer software or in Intangible assets in progress as at 31 March 2018 and 31 March 2017, respectively, related to the staff costs incurred in the development of these projects.

As at 31 March 2018, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	31.03.2018
SAP Hana & Hybris Billing	1,316,104
Management information - Software	951,894
NAVE evolution	762,938
Mail products evolution	595,769
RAID - Software	465,390
New customer solutions- software	302,536
Business Excellence - Software	296,215
Security Identity Governance and Intelligence	230,791
FATCA/CRS	219,010
Aplica Legacy adaptations	187,094
SIGPOSTAL - software	184,990
SADIP - Dynamics Change Plans	159,642
SAP developments	150,553
Mortgage loans - software	148,884
APARTADOS - Software	137,272
International Accounts - Software	114,459
INTRANET CTT	113,859
Lease Management - software	113,222
DOL - Treatment and generation of schedules	100,685
	6,551,308

The amortisation for the period, of 2,563,497 Euros (1,984,445 Euros as at 31 March 2017), was recorded under Depreciation / amortisation and impairment of investments, net.

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

Contractual commitments relative to Intangible assets are as follows:

	31.03.2018
SAP S/4 Hana e SAP Hybris	1,519,633
CBS - Core Banking System	959,306
SIG Postal	359,643
Transaction Monitoring	304,473
UAT Projects	121,320
Software servers	111,930
Online Account Opening	89,950
Iberian operator	58,176
ITSM Solution	40,481
Consolidation	28,400
Worflow Solution	30,092
App Receipts Online	22,140
New Offer	22,080
APP Mobility Android	20,295
Intranet Banco CTT	16,758
CRM - Microsoft Dynamics	10,092
Hybrid Mail	3,690
	3,718,458

7. INVESTMENT PROPERTIES

As at 31 March 2018 and 31 December 2017, the Group has the following assets classified as investment properties:

31.03.2018	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	2,882,477	11,824,326	-	14,706,803
Disposals	(43,658)	(341,601)	-	(385,259)
Transfers and write-offs	300,837	1,315,536	-	1,616,373
Closing balance	3,139,657	12,798,261	-	15,937,917
Accumulated depreciation				
Opening balance	166,541	7,282,857	-	7,449,397
Depreciation for the period	-	58,047	-	58,047
Disposals	(2,315)	(185,167)	-	(187,482)
Transfers and write-offs	34,103	655,979	-	690,082
Closing balance	198,329	7,811,717	-	8,010,045
Accumulated impairment				
Opening balance	-	1,092,556	-	1,092,556
Transfers/Adjustments	-	597,703	-	597,703
Closing balance	-	1,690,259	-	1,690,259
Net Investment properties	2,941,328	3,296,285	-	6,237,613

31.12.2017	Land and natural resources	Buildings and other constructions	Investment properties in progress	Total
Investment properties				
Opening balance	3,921,049	18,372,780	-	22,293,828
Additions	-	-	43,152	43,152
Disposals	(1,038,572)	(6,591,606)	-	(7,630,178)
Transfers and write-offs	-	43,152	(43,152)	-
Closing balance	2,882,477	11,824,326	-	14,706,803
Accumulated depreciation				
Opening balance	210,097	11,500,249	-	11,710,347
Depreciation for the period	-	242,117	-	242,117
Disposals	(43,557)	(4,459,510)	-	(4,503,066)
Closing balance	166,541	7,282,857	-	7,449,397
Accumulated impairment				
Opening balance	-	1,291,498	-	1,291,498
Transfers/Adjustments	-	(198,942)	-	(198,942)
Closing balance	-	1,092,556	-	1,092,556
Net Investment properties	2,715,936	3,448,913	-	6,164,849

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

During the three-month period ended 31 March 2018, the amount of disposals relates to the sale of one property, having the corresponding gains, of 10 thousand Euros, been recorded in the caption Other operating income.

During the year ended 31 December 2017, the amount of disposals relates to the sale of ten properties, having the corresponding gains, of 1.1 million Euros, been recorded in the caption Other operating income.

Depreciation for the period, of 58,047 Euros (82,639 Euros on 31 March 2017), was recorded in the caption Depreciation / amortisation and impairment of investments, net.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 31 March 2018 and 31 December 2017, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

			31.03.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
Company name	Place of business	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	100	-	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Mailtec Comunicação , S.A. ("Mailtec TI")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona - Spain	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50
Escrita Inteligente , S.A. ("RONL")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 11 1999-001 Lisboa	100	-	100	100	-	100
Transporta - Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521 Cacém	100	-	100	100	-	100

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

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

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

In August 2017 the subsidiary Corre - Correio Expresso de Moçambique, S.A. was subject to a capital increase by incorporation of credits of both shareholders in the total amount of 371,634 Euros.

Joint ventures

As at 31 March 2018 and 31 December 2017, the Group held the following interests in joint ventures, accounted for by the equity method:

			31.03.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
Company name	Place of business	Head office	Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 31 March 2018 and 31 December 2017, the Group held the following interests in associated companies accounted for by the equity method:

			31.03.2018			31.12.2017		
			Percentage of ownership			Percentage of ownership		
Company name	Place of business	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. [(a)]	Mozambique	R. da Sé, 114-4º. Maputo - Mozambique	-	-	-	-	35	35
Mafelosa, SL [(b)]	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL [(b)]	Spain	Málaga - Spain	-	30	30	-	30	30

[(a)] Company held by Payshop Portugal, S.A., which was liquidated during 2017.

[(b)] Company held by Tourline Mensajeria, SLU, which currently has no activity.

Changes in the consolidation perimeter

During the three-month period ended 31 March 2018, there were no changes in the consolidation perimeter.

During the year ended 31 December 2017, the consolidation perimeter was changed following the acquisition of the company Transporta – Transportes Porta a Porta, S.A. on 4 May 2017.

9. INVESTMENT SECURITIES, INVESTMENTS HELD TO MATURITY AND FINANCIAL ASSETS AVAILABLE FOR SALE

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

	31.03.2018	31.12.2017
Non-current		
Investment securities measured at Fair Value through Other Comprehensive Income [(1)]		
Debt securities and other fixed-income securities		
Public issuers	559,150	-
Other issuers	1,601,945	-
	2,161,095	-
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	288,421,668	-
Other issuers	26,986,795	-
Impairment	(289,145)	-
	315,119,317	-
	317,280,412	**-**
Current		
Investment securities measured at Fair Value through Other Comprehensive Income [(1)]		
Debt securities and other fixed-income securities		
Public issuers	18,512	-
Other issuers	2,101,987	-
	2,120,499	-
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	9,829,949	-
Other issuers	5,772,921	-
Impairment	(16,023)	-
	15,586,847	-
	17,707,346	**-**
	334,987,758	**-**

[(1)] As at 31 March 2018 includes the amount of 8,057 Euros regarding Accumulated impairment losses.

It should be noted that the Group adopted IFRS 9 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period are not restated. Accordingly, the amounts currently shown in the caption Investment securities are shown under the headings Investments held to maturity and Financial assets available for sale.

As at 31 December 2017, the composition of the headings Investments held to maturity and Financial assets available for sale are as follows:

	31.03.2018	31.12.2017
Non-current		
Financial assets available for sale		
Debt securities and other fixed-income securities		
Public issuers	-	562,115
Other issuers	-	2,613,065
	-	3,175,180
Investments held to maturity		
Debt securities and other fixed-income securities		
Public issuers	-	228,806,240
Other issuers	-	17,021,519
	-	245,827,759
Current		
Financial assets available for sale		
Debt securities and other fixed-income securities		
Public issuers	-	13,765
Other issuers	-	2,562,429
	-	2,576,194
Investments held to maturity		
Debt securities and other fixed-income securities		
Public issuers	-	8,729,378
Other issuers	-	6,991,995
	-	15,721,373
Financial assets available for sale	**-**	***5,751,374***
Investments held to maturity	**-**	***261,549,132***
	-	**267,300,506**

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

	31.03.2018		
	Amortised cost	Fair value reserve	Total
Debt securities and other fixed-income securities			
Public-debt securities			
National	547,249	30,413	577,662
Foreign	-	-	-
Other issuers			
National	-	-	-
Foreign	3,682,929	21,003	3,703,932
	4,230,178	51,416	4,281,594

	31.03.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at Fair Value through Other Comprehensive Income [(1)]							
Debt securities and other fixed-income securities							
Public-debt securities							
National	18,512	-	18,512	-	559,150	559,150	577,662
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	56,567	2,045,420	2,101,987	1,490,190	111,755	1,601,945	3,703,932
	75,079	**2,045,420**	**2,120,499**	**1,490,190**	**670,905**	**2,161,095**	**4,281,594**

[(1)] As at 31 March 2018 includes the amount of 8,057 Euros regarding Accumulated impairment losses.

	31.03.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at amortised cost							
Debt securities and other fixed-income securities							
Public-debt securities							
National	9,340,941	-	9,340,941	11,698,895	180,546,578	192,245,473	201,586,414
Foreign	489,008	-	489,008	20,842,625	75,333,570	96,176,195	96,665,203
Other issuers							
National	4,532,520	1,240,401	5,772,921	23,980,909	3,005,886	26,986,795	32,759,716
Foreign	-	-	-	-	-	-	-
	14,362,469	**1,240,401**	**15,602,870**	**56,522,429**	**258,886,034**	**315,408,463**	**331,011,333**

Regarding 31 December 2017, the analysis of the Financial assets available for sale and the corresponding residual maturity as well as the analysis of the residual maturity of the investments held to maturity is detailed as follows:

	31.12.2017		
	Amortised cost	Fair value reserve	Total
Debt securities and other fixed-income securities			
Public-debt securities			
National	545,545	30,335	575,880
Foreign	-	-	-
Other issuers			
National	250,002	-	250,002
Foreign	4,905,504	19,988	4,925,492
	5,701,051	50,323	5,751,374

	31.12.2017						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Financial assets available for sale							
Debt securities and other fixed-income securities							
Public-debt securities							
National	13,765	-	13,765	-	562,115	562,115	575,880
Foreign	-	-	-	-	-	-	-
Other issuers							
National	250,002	-	250,002	-	-	-	250,002
Foreign	239,942	2,072,485	2,312,427	2,500,506	112,559	2,613,065	4,925,492
	503,709	**2,072,485**	**2,576,194**	**2,500,506**	**674,674**	**3,175,180**	**5,751,374**

	31.12.2017						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investments held to maturity							
Debt securities and other fixed-income securities							
Public-debt securities							
National	3,370,516	5,083,554	8,454,070	11,789,808	142,181,624	153,971,432	162,425,502
Foreign	275,308	-	275,308	20,888,425	53,946,383	74,834,808	75,110,116
Other issuers							
National	1,683,085	5,308,910	6,991,995	14,603,866	2,417,653	17,021,519	24,013,514
Foreign	-	-	-	-	-	-	-
	5,328,909	**10,392,464**	**15,721,373**	**47,282,099**	**198,545,660**	**245,827,759**	**261,549,132**

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

	31.03.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	-	(429)	-	4,566	4,137
Investment securities measured at amortised cost	-	56,136	(10,999)	-	244,008	289,145
	-	56,136	(11,428)	-	248,575	293,282
Current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	6	(2,206)	-	6,120	3,920
Investment securities measured at amortised cost	-	12,959	-	-	3,064	16,023
	-	12,965	(2,206)	-	9,184	19,943
Investment securities measured at Fair Value through Other Comprehensive Income	***-***	***6***	***(2,635)***	***-***	***10,686***	***8,057***
Investment securities measured at amortised cost	***-***	***69,095***	***(10,999)***	***-***	***247,072***	***305,167***
	-	69,100	(13,634)	-	257,759	313,225

10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 March 2018 and 31 December 2017, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.03.2018	31.12.2017
Non-current assets		
Investments in credit institutions	-	-
Loans to credit institutions	14,389,919	11,831,122
Impairment	(141,444)	-
	14,248,475	11,831,122
Current assets		
Investments in credit institutions	87,342,768	82,221,285
Loans to credit institutions	8,960,514	7,859,401
Impairment	(365,069)	-
Other	1,329,334	1,336,398
	97,267,547	91,417,084
	111,516,022	**103,248,206**
Current liabilities		
Other	16,880,090	17,882,160
	16,880,090	**17,882,160**

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

	31.03.2018	31.12.2017
Up to 3 months	33,772,521	16,716,838
From 3 to 6 months	24,545,136	16,078,185
From 6 to 12 months	37,985,625	57,285,663
From 1 to 3 years	9,020,725	7,473,850
Over 3 years	5,369,194	4,357,272
	110,693,201	101,911,808

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

	31.03.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Investments and loans in credit institutions	-	79,647	(54,496)	-	116,293	141,444
	-	79,647	(54,496)	-	116,293	141,444
Current assets						
Investments and loans in credit institutions	-	-	(142,035)	-	507,104	365,069
	-	-	(142,035)	-	507,104	365,069
	-	**79,647**	**(196,531)**	**-**	**623,397**	**506,513**

11. CREDIT TO BANK CLIENTS

As at 31 March 2018 and 31 December 2017, the caption Credit to bank clients was detailed as follows:

	31.03.2018	31.12.2017
Performing loans	**114,561,570**	**79,393,333**
Mortgage Loans	101,167,658	66,145,178
Overdrafts	424,348	299,170
Other credits	12,969,564	12,948,985
Overdue loans	**91,897**	**71,708**
	114,653,467	79,465,041
Credit risk impairment	**(162,376)**	**(117,651)**
	114,491,091	79,347,390

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

	31.03.2018	31.12.2017
Fixed rate	516,245	370,878
Floating rate	114,137,222	79,094,163
	114,653,467	**79,465,041**
Credit risk impairment	(162,376)	(117,651)
	114,491,091	**79,347,390**

The maturity analysis of the Credit to bank clients as at 31 March 2018 and 31 December 2017 is detailed as follows:

	31.03.2018							
	Current				Non-current			Total
	In cash	Due within 3 months	Over 3 months and less than 1	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	735,260	2,113,147	2,848,407	5,729,760	92,589,491	98,319,251	101,167,658
Overdrafts	516,245	-	-	516,245	-	-	-	516,245
Other credits	-	12,969,564	-	12,969,564	-	-	-	12,969,564
	516,245	13,704,824	2,113,147	16,334,216	5,729,760	92,589,491	98,319,251	114,653,467

	31.12.2017							
	Current				Non-current			Total
	In cash	Due within 3 months	Over 3 months and less than 1	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	465,590	1,357,066	1,822,656	3,680,670	60,641,852	64,322,522	66,145,178
Overdrafts	370,878	-	-	370,878	-	-	-	370,878
Other credits	-	12,948,985	-	12,948,985	-	-	-	12,948,985
	370,878	13,414,575	1,357,066	15,142,519	3,680,670	60,641,852	64,322,522	79,465,041

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movement in the Credit to bank clients impairment caption was as follows:

	31.03.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Credit to bank clients	59,078	45,229	(9,976)	-	(6,589)	87,742
	59,078	45,229	(9,976)	-	(6,589)	87,742
Current assets						
Credit to bank clients	58,573	12,185	-	-	3,876	74,634
	58,573	12,185	-	-	3,876	74,634
	117,651	**57,414**	**(9,976)**	**-**	**(2,713)**	**162,376**

	31.12.2017				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Non-current assets					
Credit to bank clients	-	62,628	(3,550)	-	59,078
	-	62,628	(3,550)	-	59,078
Current assets					
Credit to bank clients	417	70,950	(12,794)	-	58,573
	417	70,950	(12,794)	-	58,573
	417	**133,578**	**(16,344)**	**-**	**117,651**

12. DEFERRALS

As at 31 March 2018 and 31 December 2017, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:

	31.03.2018	31.12.2017
Assets deferrals		
Current		
Rents payable	1,333,291	1,375,076
Meal allowances	1,596,308	1,615,852
Other	6,229,701	3,609,187
	9,159,300	6,600,115
Liabilities deferrals		
Non-current		
Investment subsidy	314,092	316,892
	314,092	316,892
Current		
Phone-ix top ups	138,623	143,203
Investment subsidy	15,774	17,299
Contratual liabilities	1,390,941	-
Other	1,134,063	1,272,194
	2,679,402	1,432,696
	2,993,494	1,749,588

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

13. ACCUMULATED IMPAIRMENT LOSSES

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the following movements occurred in impairment losses:

	31.03.2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Changes in the accounting standards	Closing balance
Non-current assets								
Tangible fixed assets	49,341	-	-	-	-	-	-	49,341
Investment properties	1,092,556	-	-	-	597,703	-	-	1,690,259
Intangible assets	-	-	-	-	-	-	-	-
	1,141,897	-	-	-	597,703	-	-	1,739,600
Investment securities	-	56,136	(11,428)	-	-	-	248,575	293,282
Other non-current assets	1,786,729	-	-	-	50,776	-	-	1,837,505
Credit to bank clients	59,078	45,229	(9,976)	-	-	-	(6,589)	87,742
Other banking financial assets	-	79,647	(54,496)	-	-	-	116,293	141,444
	1,845,807	181,011	(75,900)	-	50,776	-	358,279	2,359,973
	2,987,704	**181,011**	**(75,900)**	**-**	**648,479**	**-**	**358,279**	**4,099,573**
Current assets								
Accounts receivable	32,583,555	214,898	(75,964)	(90,344)	-	-	(883,883)	31,748,262
Credit to bank clients	58,573	12,185	-	-	-	-	3,876	74,634
Investment securities	-	12,965	(2,206)	-	-	-	9,184	19,943
Other current assets	7,335,098	74,566	(51,233)	(590)	(50,776)	-	-	7,307,065
Other banking financial assets	-	-	(142,035)	-	-	-	507,104	365,069
Slight and term deposits	-	14,274	(289,618)	-	-	-	406,911	131,566
	39,977,226	328,887	(561,056)	(90,934)	(50,776)	-	43,191	39,646,539
Merchandise	1,719,745	153,576	-	(39,390)	-	-	-	1,833,931
Raw, subsidiary and consumable	658,137	58,727	-	-	-	-	-	716,864
	2,377,882	212,303	-	(39,390)	-	-	-	2,550,795
	42,355,108	**541,190**	**(561,056)**	**(130,324)**	**(50,776)**	**-**	**43,191**	**42,197,334**
	45,342,812	**722,201**	**(636,955)**	**(130,324)**	**597,703**	**-**	**401,470**	**46,296,907**

	31.12.2017						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Tangible fixed assets	173,055	-	(123,714)	-	-	-	49,341
Investment properties	1,291,498	49,208	(248,150)	-	-	-	1,092,556
	1,464,553	49,208	(371,864)	-	-	-	1,141,897
Credit to bank clients	-	62,628	(3,550)	-	-	-	59,078
Other non-current assets	1,748,286	233,311	-	(194,868)	-	-	1,786,729
	1,748,286	295,939	(3,550)	(194,868)	-	-	1,845,807
	3,212,839	**345,147**	**(375,414)**	**(194,868)**	**-**	**-**	**2,987,704**
Current assets							
Accounts receivable	30,309,524	2,358,555	(1,302,268)	(1,060,347)	-	2,278,091	32,583,555
Credit to bank clients	417	70,950	(12,794)	-	-	-	58,573
Other current assets	8,173,677	254,470	(445,833)	(974,012)	-	326,796	7,335,098
	38,483,618	2,683,975	(1,760,895)	(2,034,359)	-	2,604,887	39,977,226
Merchandise	1,565,187	236,253	(455)	(81,240)	-	-	1,719,745
Raw, subsidiary and consumable	579,327	78,810	-	-	-	-	658,137
	2,144,514	315,063	(455)	(81,240)	-	-	2,377,882
	40,628,132	**2,999,038**	**(1,761,350)**	**(2,115,599)**	**-**	**2,604,887**	**42,355,108**
	43,840,971	**3,344,185**	**(2,136,764)**	**(2,310,467)**	**-**	**2,604,887**	**45,342,812**

In the year ended 31 December 2017, the caption Changes in the consolidation perimeter refers to the balances of Transporta as at the acquisition date.

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

14. EQUITY

As at 31 March 2018, 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 March 2018 and 31 December 2017 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

		31.03.2018		
Shareholder		**No. of shares**	**%**	**Nominal value**
Gestmin SGPS, S.A. (1)		18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud		284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud (1)	**Total**	**18,874,419**	**12.583%**	**9,437,210**
Global Portfolio Investments, S.L. (2)		8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. (2)	**Total**	**8,492,745**	**5.662%**	**4,246,373**
Credit Suisse Group AG (3)	**Total**	**4,965,530**	**3.310%**	**2,482,765**
Norges Bank	**Total**	**4,726,966**	**3.151%**	**2,363,483**
The Goldman Sachs Group, Inc. (4)	**Total**	**3,682,841**	**2.455%**	**1,841,421**
BBVA BOLSA FI (5)		1,139,308	0.760%	569,654
BBVA BOLSA EURO FI (5)		674,991	0.450%	337,496
BBVA BOLSA EUROPA FI (5)		1335028	0.890%	667,514
BBVA BOLSA PLUS FI (5)		346172	0.231%	173,086
BBVA Asset Management, SA SGIIC (5)	**Total**	**3,495,499**	**2.330%**	**1,747,750**
Wellington Management Group LLP (6)	**Total**	**3,105,222**	**2.070%**	**1,552,611**
Kairos Partners SGR SpA (7)	**Total**	**3,075,000**	**2.050%**	**1,537,500**
BlackRock, Inc. (8)	**Total**	**3,015,269**	**2.010%**	**1,507,635**
CTT, S.A. (own shares) (8)	**Total**	**1**	**0.000%**	**0.50**
Other shareholders	**Total**	**96,566,508**	**64.378%**	**48,283,254**
Total		**150,000,000**	**100.000%**	**75,000,000**

(1) Includes 18,465,215 shares directly held by Gestmin SGPS, S.A. and 124,319 shares held by members of its Board of Directors (for this purpose, CTT assumes that the shareholdings of the members of the Board of Directors of Gestmin communicated in the notification to the Company on 16 March 2018 correspond to their shareholdings as at 31 March 2018) . Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud who holds the controlling interest in Gestmin.

(2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

(3) The full chain of Credit Suisse Group AG controlled undertakings through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 21 November 2017 available on CTT website (http://www.ctt.pt/contentAsset/raw-data/b314fef6-30a6-4dae-8850-48b13e56ccd7/ficheiroPdf/Credit%20Suisse%2021nov2017_PT.pdf?byInode=true).

(4) The full chain of undertakings controlled by The Goldman Sachs Group, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release which is available at (http://www.ctt.pt/contentAsset/raw-data/5221656c-bc53-4afe-a6a2-dd289f323f57/ficheiroPdf/Goldman%20Sachs%2016Feb2018_EN1.pdf?byInode=true).

(5) Investment funds managed by BBVA ASSET MANAGEMENT, SA, SGIIC, which are legal entities completely independent from their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.

(6) The full chain of controlled undertakings through which the voting rights are held includes Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP.

(7) The person subject to the notification obligation is a fund, and the managing entity and its controlling entities are as follows: Julius Baer Group Ltd., Kairos Investment Management SpA and Kairos Partners SGR SpA (as manager) - please refer to the qualifying holding press release of 10 November 2017 available at CTT website (http://www.ctt.pt/contentAsset/raw-data/f1388005-a56a-46ff-9527-07b2277d8e7c/ficheiroPdf/Kairos%2010Nov2017_EN.pdf?byInode=true).

(8) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 8 March 2018 available at CTT website (http://www.ctt.pt/contentAsset/raw-data/77ad3458-733f-46f7-a7e4-251ed4871312/ficheiroPdf/BlackRock%2008March2018_EN.pdf?byInode=true).

(9) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

		31.12.2017		
Shareholder		**No. of shares**	**%**	**Nominal value**
Gestmin SGPS, S.A. (1)		16,733,301	11.156%	8,366,651
Manuel Carlos de Melo Champalimaud		284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud (2)	**Total**	**17,018,186**	**11.345%**	**8,509,093**
Global Portfolio Investments, S.L. (3)		8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. (3)	**Total**	**8,492,745**	**5.662%**	**4,246,373**
Credit Suisse Group AG (4)	**Total**	**4,965,530**	**3.310%**	**2,482,765**
Norges Bank	**Total**	**4,726,966**	**3.151%**	**2,363,483**
BNP Paribas Asset Management, S.A. (5)	**Total**	**4,646,344**	**3.098%**	**2,323,172**
Wellington Management Group LLP (6)	**Total**	**3,105,222**	**2.070%**	**1,552,611**
Kairos Partners SGR SpA (7)	**Total**	**3,075,000**	**2.050%**	**1,537,500**
CTT, S.A. (own shares) (8)	**Total**	**1**	**0.000%**	**0.50**
Other shareholders	**Total**	**103,970,006**	**69.313%**	**51,985,003**
Total		**150,000,000**	**100.000%**	**75,000,000**

(1) Includes 16,642,862 shares directly held by Gestmin SGPS, S.A. and 90,439 shares held by members of its Board of Directors (for this purpose, CTT assumes that the shareholdings of the members of the Board of Directors of Gestmin communicated in the notification to the Company on 4 January 2018 correspond to their shareholdings as at 31 December 2018) . Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud who holds the controlling interest in Gestmin.

(2) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

(3) As per section 10 of the press release of 4 January 2018 available on CTT website (http://www.ctt.pt/contentAsset/raw-data/321d6a50-14fa-47e9-9d42-94d17701a9f8/ficheiroPdf/Global%20Portfolio%2004Jan2018_EN.pdf?byInode=true) Wilmington Capital, S.L., a subsidiary of Indumenta Pueri, S.L. which held the qualifying holding in CTT, transferred all its CTT titles to a sister company controlled by Indumenta Pueri, S.L. – Global Portfolio Investments, S.L.

(4) The full chain of the Credit Suisse Group AG controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at attachments of the qualifying holding press release of 21 November 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/68124fa8-3e13-4051-a36c-4cabc2009f96/ficheiroPdf/Credit%20Suisse%2021Nov2017_EN.pdf?byInode=true).

(5) The full chain of the BNP Paribas Asset Management, S.A. controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at section 10 of the qualifying holding press release of 30 October 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/f68bfc42-2801-406c-996b-510b31319bcd/ficheiroPdf/BNP%20Paribas%20Qualif%20Hold%2030Oct2017_EN.pdf?byInode=true).

(6) The full chain of the Wellington Management Group LLP controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 5 September 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/19f0d587-5a8b-4e33-8afd-ba914e4d88cd/ficheiroPdf/Wellington%20Managt%20Gr%20Qualif%20Hold%205Sep2017_EN.pdf?byInode=true).

(7) The full chain of the Kairos Partners SGR SpA controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted in section 8 of the qualifying holding press release of 10 November 2017, available at CTT website (http://www.ctt.pt/contentAsset/raw-data/f1388005-a56a-46ff-9527-07b2277d8e7c/ficheiroPdf/Kairos%2010Nov2017_EN.pdf?byInode=true).

(8) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.

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

Own shares

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

On 31 January 2017, and pursuant to the remuneration policy approved by the Remuneration Committee for the 2014-2016 term of office and the Share Plan to the executive members of the Board of Directors approved by the General Meeting on 5 May 2015, CTT granted a total of 600,530 own shares, representing 0.400% of the corresponding share capital, to the Company's executive members of the Board of Directors, as long-term variable remuneration.

As at 31 March 2018, CTT held 1 own share, with a nominal value of 0.50 €, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

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

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31December 2017	1	8	8.488
Acquisitions	-	-	-
Attribution	-	-	-
Balance at 31March 2018	1	8	8.488

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

Reserves

As at 31 March 2018 and 31 December 2017, the heading Reserves is detailed as follows:

	31.03.2018				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883
Assets fair value	-	-	1,092	-	1,092
Closing balance	15,000,000	8	51,415	64,897,551	79,948,975

	31.12.2017				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	5,097,536	13,474	11,708,102	34,891,671
Share capital decrease	-	-	-	49,500,000	49,500,000
Transfers	(3,072,559)	-	-	3,072,559	-
Own shares attribution	-	(5,097,527)	-	5,097,527	-
Assets fair value	-	-	36,849	-	36,849
Share Plan (attribution)	-	-	-	(4,480,638)	(4,480,638)
Closing balance	15,000,000	8	50,323	64,897,551	79,947,883

Legal reserves

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

Own shares reserve (CTT, S.A.)

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

As at 31 March 2018, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the following movements were made in the heading Retained earnings:

	31.03.2018	31.12.2017
Opening balance	34,268,089	93,589,211
Application of the net profit of the prior year	27,263,244	62,160,395
Distribution of dividends	-	(72,000,000)
Share capital increase	-	(49,500,000)
Changes to accounting polices	(1,467,664)	-
Adjustments from the application of the equity method	1,896	18,482
Closing balance	60,065,564	34,268,089

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

Other changes in equity

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

Thus, for the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movements occurred in this heading were as follows:

	31.03.2018	31.12.2017
Opening balance	(32,634,996)	(27,137,824)
Actuarial gains/losses	-	(7,579,217)
Tax effect	-	2,082,045
Closing balance	(32,634,996)	(32,634,996)

16. DIVIDENDS

According to the dividends distribution proposal included in the 2017 Annual Report, at the General Meeting of Shareholders, which was held on 18 April 2018, a dividend distribution of 57,000,000 Euros regarding the financial year ended 31 December 2017 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.38 Euros.

At the General Meeting of Shareholders, which was held on 20 April 2017, a dividend distribution of 72,000,000 Euros was also approved, corresponding to a dividend per share of 0.48 Euros, regarding the financial year ended 31 December 2016. The dividend was paid on 19 May 2017. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.48 Euros.

17. EARNINGS PER SHARE

During the three-month periods ended 31 March 2018 and 31 March 2017, the earnings per share were calculated as follows:

	31.03.2018	31.12.2017
Net income for the period	5,356,199	27,263,244
Average number of ordinary shares	149,999,999	149,950,640
Earnings per share		
Basic	0.04	0.18
Diluted	0.04	0.18

The average number of shares is detailed as follows:

	31.03.2018	31.12.2017
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	1	49,360
Average number of shares during the period	149,999,999	149,950,640

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

As at 31 March 2018, the number of own shares held by the Group is 1 and its average number for the period ended 31 March 2018 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

18. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the three-month period ended 31 March 2018 and the year ended 31 December 2017, in order to face legal proceedings and other liabilities arising from past events, the Group recognised Provisions, which showed the following movement:

	31.03.2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current provisions								
Litigations	3,390,479	672,758	(330,848)	(67,591)	32,402	-	-	3,697,200
Onerous contracts	1,729,651	-	-	(38,654)	(597,703)	-	-	1,093,294
Other provisions	8,338,601	1,400,039	(333,471)	-	(32,402)	-	-	9,372,767
Sub-total - caption "Provisions (increases)/reversals"	13,458,731	2,072,797	(664,319)	(106,245)	(597,703)	-	-	14,163,261
Investments in subsidiary and associated companies	-	-	-	-	-	-	-	-
Restructuring	11,903,172	-	(134,866)	(11,338,186)	-	-	-	430,120
Other provisions	666,430	-	-	(3,685)	-	-	-	662,745
	26,028,333	2,072,797	(799,185)	(11,448,116)	(597,703)	-	-	15,256,126

	31.12.2017							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current provisions								
Litigations	4,838,552	2,316,092	(2,805,272)	(1,140,292)	151,399	30,000	-	3,390,479
Restructuring	-	1,729,651	-	-	-	-	-	1,729,651
Other provisions	9,288,931	118,462	(333,053)	(584,340)	(151,399)	-	-	8,338,601
Sub-total - caption "Provisions (increases)/reversals"	**14,127,483**	**4,164,205**	**(3,138,325)**	**(1,724,632)**	**-**	**30,000**	**-**	**13,458,730**
Investments in subsidiary and associated companies	-	-	-	-	-	-	-	-
Restructuring	-	13,101,590	(146,221)	(1,052,197)	-	-	-	11,903,172
Other provisions	-	666,430	-	-	-	-	-	666,430
	14,127,483	**17,932,225**	**(3,284,546)**	**(2,776,829)**	**-**	**30,000**	**-**	**26,028,332**

In the year ended 31 December 2017 the caption Changes in the consolidation perimeter refers to the balances of Transporta as at the acquisition date.

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (1,408,478) Euros ((58,032) Euros as at 31 March 2017).

Litigations

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

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. As a result of this Transformation Plan, a provision for restructuring in the total amount of 13,571,359 Euros was recorded in the year ended 31 December 2017, having 11,841,708 Euros been recorded against the caption Staff costs and the amount of 1,729,651 Euros was recognised under the heading Provisions, net in the income statement.

The utilisations recorded in the three-month period ended 31 March 2018 regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Other provisions

For the three-month period ended 31 March 2018, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 7,557,337 Euros (7,882,083 Euros as at 31 December 2017).

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

As at 31 March 2018, in addition to the previously mentioned situations, this heading also includes:

- the amount of 86,315 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,795 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies.

Guarantees provided

As at 31 March 2018 and 31 December 2017, the Group had provided bank guarantees to third parties as follows:

Description	31.03.2018	31.12.2017
Autoridade Tributária e Aduaneira	11,686,909	4,844,868
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autarquias	188,491	188,491
TIP - Transportes Intermodais do Porto, ACE	150,000	150,000
Tribunais	113,137	126,204
Solred	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres	68,895	21,433
INCM - Imprensa Nacional da Casa da Moeda	46,167	46,167
Fonavi, Nave Hospitalet	40,477	40,477
ANA - Aeroportos de Portugal	34,000	68,000
Serviços Intermunicipazilados Loures e Odivelas	17,000	17,000
EMEL, S.A.	26,984	26,984
Águas do Norte	23,804	23,804
Direção Geral do Tesouro e Finanças	16,867	16,867
Portugal Telecom, S.A.	16,658	16,658
Refer	16,460	16,460
Instituto de Gestão Financeira Segurança Social	16,406	16,406
SMAS de Sintra	15,889	15,889
Repsol	15,000	15,000
Outras entidades	14,103	14,103
Administração Regional de Saúse - Lisboa e Vale do Tejo	13,086	13,086
ACT Autoridade Condições Trabalho	12,460	12,460
Águas do Porto, E.M	10,720	10,720
SMAS Torres Vedras	9,909	9,909
Instituto de Segurança Social	8,190	8,190
Promodois	6,273	6,273
TNT Express Worldwide	6,010	6,010
Consejeria Salud	4,116	4,116
Instituto do emprego e formação profissional	3,718	3,718
Casa Pia de Lisboa, I.P.	1,863	1,863
IFADAP	1,746	1,746
Águas de Coimbra	870	870
SPMS - Serviços Partilhados do Ministério da Saúde	-	30,180
	22,320,406	15,508,150

According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 9,654,198 Euros as at 31 March 2018 and 31 December 2017.

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

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

Commitments

As at 31 March 2018, the Group had subscribed promissory notes amounting to approximately 39.6 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline and regarding the subsidiary CORRE in the amount of 85,695 Euros, which are still active as at 31 March 2018.

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

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

19. ACCOUNTS PAYABLE

As at 31 March 2018 and 31 December 2017, the heading Accounts payable showed the following composition:

	31.03.2018	31.12.2017
Current		
Advances from customers	2,959,954	2,989,508
CNP money orders	162,733,029	192,760,943
Suppliers	60,392,724	67,167,246
Invoices pending confirmation	12,756,347	10,783,684
Fixed assets suppliers	1,923,216	8,069,559
Invoices pending confirmation (fixed assets)	5,203,721	8,934,307
Values collected on behalf of third parties	10,419,396	10,307,613
Postal financial services	59,661,362	77,584,441
Advances regarding disposals	9,959	9,947
Other accounts payable	6,952,201	5,926,046
	323,011,909	384,533,294

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.

20. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 31 March 2018 and 31 December 2017, the composition of the heading Banking clients' deposits and other loans is as follows:

	31.03.2018	31.12.2017
Sight deposits	452,522,760	408,639,274
Term deposits	119,378,544	129,945,220
Savings deposits	93,172,236	80,645,186
	665,073,540	619,229,680

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 31 March 2018 and 31 December 2017, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

	31.03.2018					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits	452,522,760	-	-	-	-	452,522,760
Term deposits	-	48,251,502	71,127,042	-	-	119,378,544
Savings deposits	93,172,236	-	-	-	-	93,172,236
	545,694,996	48,251,502	71,127,042	-	-	665,073,540

	31.12.2017					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits	408,639,274	-	-	-	-	408,639,274
Term deposits	-	63,510,961	66,434,259	-	-	129,945,220
Savings deposits	80,645,186	-	-	-	-	80,645,186
	489,284,460	63,510,961	66,434,259	-	-	619,229,680

21. INCOME TAXES RECEIVABLE / PAYABLE

As at 31 March 2018 the caption reflects the estimated income tax regarding 2017, which has not yet been received, as well as the estimated income tax regarding the three-month period ended 31 March 2018.

22. OTHER OPERATING INCOME

During the three-month periods ended 31 March 2018 and 31 March 2017, the composition of the heading Other operating income was as follows:

	31.03.2018	31.03.2017
Supplementary revenues	1,094,387	1,080,693
Early settlement discounts received	17,807	13,236
Inventories gains	336	-
Favourable exchange rate differences of assets and liabilities other than financing	311,474	301,574
Income from financial investments	145,056	216,950
Income from non-financial investments	42,101	552,235
Income from services and commissions	887,346	648,496
Interest income and expenses - financial services	38,620	41,546
VAT adjustments	748,399	413,266
Other	1,085,244	128,121
	4,370,771	3,396,117

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

The interest related to the Financial Services segment is recognised under this caption.

23. STAFF COSTS

During the three-month periods ended 31 March 2018 and 31 March 2017, the composition of the heading Staff Costs was as follows:

	31.03.2018	31.03.2017
Remuneration	66,912,199	68,453,063
Employee benefits	1,062,958	1,653,081
Indemnities	3,785,662	798,774
Social Security charges	15,121,159	14,882,544
Occupational accident and health insurance	1,090,146	825,614
Social welfare costs	1,744,677	1,914,396
Other staff costs	25,650	36,532
	89,742,451	88,564,004

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

In the three-month periods ended 31 March 2018 and 31 March 2017, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, S.A. were as follows:

31.03.2018	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	631,288	47,357	13,950	-	692,595
Annual variable remuneration	-	-	-	-	-
	631,288	47,357	13,950	-	692,595
Long-term remuneration					
Defined contribution plan RSP	45,887	-	-	-	45,887
Long-term variable remuneration	10,035	-	-	-	10,035
	55,922	-	-	-	55,922
	687,210	47,357	13,950	-	748,517

31.03.2017	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	565,908	59,196	9,360	-	634,464
Annual variable remuneration	224,091	-	-	-	224,091
	789,999	59,196	9,360	-	858,555
Long-term remuneration					
Defined contribution plan RSP	47,125	-	-	-	47,125
Long-term variable remuneration - Share Plan	616,890	-	-	-	616,890
	664,015	-	-	-	664,015
	1,454,014	59,196	9,360	-	1,522,570

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

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

The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 10,035 Euros corresponds to the cost to be assumed in the period between 1 January 2018 and 31 March 2018 and was set by an independent entity.

For the three-month period ended 31 March 2018, and in accordance with the provisions of the Operational Transformation Plan, no estimate of Annual Variable Compensation was recorded for the members of the Statutory Bodies of CTT, S.A..

Employee benefits
The variation registered under Employee benefits mainly reflects the cost reduction related to the long-term variable remuneration of the executive members of the Board.

Indemnities
During the three-month period ended 31 March 2018, this caption includes the amount of 3,698,356 Euros related to compensation paid for termination of employment contracts by mutual agreement, initiated in 2018.

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

During the three-month periods ended 31 March 2018 and 31 March 2017, the heading Staff costs includes the amounts of 120,766 Euros and 253,088 Euros, respectively, related to expenses with workers' representative bodies.

For the three-month periods ended 31 March 2018 and 31 March 2017, the average number of staff of the Group was 12,205 and 12,157, respectively.

24. INCOME TAX FOR THE PERIOD

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 Euros up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on the Group and its subsidiaries CTT – Expresso, S.A., Mailtec Comunicação, S.A., Payshop Portugal, S.A, CTT Contacto, S.A., Banco CTT, S.A. and Escrita Inteligente, S.A., through the Special Regime for the Taxation of Groups of Companies ("RETGS"). The remaining companies are taxed individually.

Reconciliation of the income tax rate

In the three-month periods ended 31 March 2018 and 31 March 2017, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	31.03.2018	31.03.2017
Earnings before taxes	8,379,889	16,504,319
Nominal tax rate	21.0%	21.0%
	1,759,777	**3,465,907**
Tax Benefits	(94,849)	(86,674)
Accounting capital gains/(losses)	(4,445)	(3,127)
Tax capital gains/(losses)	(11,497)	(14,772)
Equity method	(25,786)	-
Provisions not considered in the calculation of deferred taxes	(8,639)	-
Impairment losses and reversals	15,972	(72,546)
Other situations, net	915,506	597,888
Adjustments related with - autonomous taxation	146,875	411,292
Adjustments related with - Municipal Surcharge	57,801	296,172
Adjustments related with - State Surcharge	91,229	1,029,553
Tax losses without deferred tax	602,571	455,428
Excess estimated income tax	(444,943)	120,632
Income taxes for the period	2,999,572	6,199,753
Effective tax rate	35.79%	37.56%
Income taxes for the period		
Current tax	(180,892)	4,486,875
Deferred tax	3,625,407	1,592,246
Excess estimated income tax	(444,943)	120,632
	2,999,572	6,199,753

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

Deferred taxes

As at 31 March 2018 and 31 December 2017, the balance of deferred tax assets and liabilities was composed as follows:

	31.03.2018	31.12.2017
Deferred tax assets		
Employee benefits - healthcare	71,366,242	71,544,019
Employee benefits - pension plan	78,413	80,044
Employee benefits - other long-term benefits	4,246,757	4,409,187
Impairment losses and provisions	3,608,887	6,753,261
Tax losses carried forward	838,499	688,388
Impairment losses in tangible fixed assets	255,515	257,614
Share Plan	14,135	11,308
Land and buildings	473,844	494,805
Tangible assets' tax revaluation regime	2,500,634	2,581,300
Other	627,316	335,813
	84,010,242	87,155,739
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,541,165	2,591,593
Suspended capital gains	769,867	776,522
Other	31,006	31,006
	3,342,038	3,399,121

As at 31 March 2018, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.6 million Euros and 0.2 million Euros, respectively.

During the three-month period ended 31 March 2018 and the year ended 31 December 2017, the movements which occurred under the deferred tax headings were as follows:

	31.03.2018	31.12.2017
Deferred tax assets		
Opening balances	87,155,739	86,220,762
Effect on net profit		
Employee benefits - healthcare	(177,777)	(1,061,122)
Employee benefits - pension plan	(1,631)	80,044
Employee benefits - other long-term benefits	(162,430)	(892,139)
Deferred accounting gains	-	(606,790)
Impairment losses and provisions	(3,123,140)	3,722,704
Tax losses carried forward	150,111	361,204
Impairment losses in tangible fixed assets	(2,099)	(102,719)
Long term variable remuneration	2,827	11,364
Share plan	-	(1,268,526)
Land and buildings	(20,961)	(1,365,661)
Tangible assets' tax revaluation regime	(80,666)	(86,657)
Other	(75,532)	61,230
Effect on equity		
Employee benefits - healthcare	-	2,082,045
Other	345,802	-
Closing balance	84,010,242	87,155,739

	31.03.2018	31.12.2017
Deferred tax liabilities		
Opening balances	3,399,121	4,123,146
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(50,428)	(560,116)
Suspended capital gains	(6,655)	(158,299)
Other	-	(5,610)
Closing balance	3,342,038	3,399,121

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

Company	Tax losses	Deferred tax assets
Tourline	46,688,363	-
Escrita Inteligente	64,718	13,591
Transporta	3,928,133	824,908
Total	50,681,214	838,499

Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016 and 2017 have no time limit for deduction. As far as Escrita Inteligente is concerned, the tax losses related to the years 2015 and 2016 may be carried forward in the next 12 years and the tax losses of 2017 may be reported in the next 5 years. Regarding Transporta, the tax loss refers to the years 2017 and 2018 and may be carried forward in the next 5 years.

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

<u>SIFIDE</u>

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

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

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

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

<u>Other information</u>

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2016 and onwards may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected, even though the deadlines for the years 2014 and 2015 have not yet expired.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 31 March 2018.

25. RELATED PARTIES

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

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

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

During the three-month periods ended 31 March 2018 and 31 March 2017, the following transactions took place and the following balances existed with related parties:

	31.03.2018				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Other shareholders of Group companies					
Associated companies	3,393	-	3,301	2,619	-
Jointly controlled	168,445	-	114,879	-	-
Members of the					
Board of Directors	-	-	-	631,288	-
Audit Committee	-	-	-	47,357	-
Remuneration Committee	-	-	-	13,950	-
General Meeting	-	-	-	-	-
	171,838	-	118,181	695,214	-

	31.03.2017				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Other shareholders of Group companies					
Associated companies	3,604	-	3,306	9,331	-
Jointly controlled	116,960	-	115,136	111	-
Members of the					
Board of Directors	-	-	-	789,999	-
Audit Committee	-	-	-	59,196	-
Remuneration Committee	-	-	-	9,360	-
General Meeting	-	-	-	-	-
	120,564	-	118,442	867,998	-

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

26. OTHER INFORMATION

Regulatory proceedings

In the daily operation of its business, CTT is regularly subject to inquiry from the supervisory entities for verification of compliance with current legislation and verification of procedures to ensure the provision of services. The Company adopts an attitude of collaboration by providing the necessary clarifications and due answer.

In this context, and following the statement of objections issued by the Competition Authority (AdC) in August 2016 on the basis of CTT's alleged set up of obstacles on the access to its postal network by its competitors, to which CTT reacted within the legal deadline, as well as the investigation carried out by said authority, CTT, with the objective of responding to the competition concerns expressed by the AdC, presented, on 22 December 2017, under the terms and for the purposes set forth in article 23 of Law no. 19/2012, of 8 May (Competition Law), a set of commitments that consist in the extension of the scope of the Offer of Access to the Postal Network (Offer of Access), made available to the competing postal operators, as follows:

1. Extension of the postal services covered by the Access Offer, namely the Domestic Editorial Service, the Domestic Priority Service and the Domestic Registered Service;
2. Introduction of new access points to the postal network, further downstream in the postal distribution chain, namely Destination Production and Logistics Centres and 217 Destination Post Offices (with the exception of the Domestic Base Service items weighing up to 50 g), whose mail is directly forwarded for delivery by the postmen through the Postal Delivery Offices;
3. Introduction of faster delivery time in the case of access through the Destination Post Offices for the Domestic Base Service items weighing more than 50 g and the Domestic Editorial Service;
4. Possibility for a competing operator to carry out additional mail processing tasks, namely the separation of mail by distribution area within the Postal Delivery Office and by street;
5. Lower pricing for access to the network than that applied to final customers, with differentiated prices depending on the access point, mail service and mail processing tasks carried out by the competing operator.

The commitments submitted by CTT were subject to a public consultation, pending a final decision by the AdC, which will take into account the comments submitted by those interested in that consultation.

Tourline proceeding

The Spanish National Market and Competition Commission fined Tourline Express Mensajería, S.L.U. in the amount of 3,148,845 Euros (three million, one hundred and forty-eight thousand, eight hundred and forty-five euros), for alleged cartel practice with ICS - International Courier Solution SL, in the courier market in Spain, between October 2013 and April 2016. Tourline considers that decision to be completely unfounded and will appeal against it, to the competent court.

27. SUBSEQUENT EVENTS

Postal services prices update

Following the company's tariff policy for the year 2018 and in accordance with the pricing criteria defined by an ANACOM decision of 21.11.2014, the price update for the universal service entered into force on 02.04.2018.

This update corresponds to an average annual price variation of 4.1%, also reflecting the effect of lower prices for reserved services (services for the transmission of judicial and other postal notifications) and the revision of special prices for bulk mail.

THE DIRECTOR OF ACCOUNTING & TREASURY

THE BOARD OF DIRECTORS