



Financial
Statements
2015

Financial Statements

Consolidated Financial Statements

CTT - CORREIOS DE PORTUGAL, S.A.

Consolidated Statement of Financial Position as at 31 December 2015 and 31 December 2014

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

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

CTT - CORREIOS DE PORTUGAL, S.A.

Consolidated Income Statement for the twelve months and three months ended 31 December 2015 and 31 December 2014

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

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

CTT - CORREIOS DE PORTUGAL, S.A.

Consolidated Statement of Comprehensive income for the twelve months and three months ended 31 December 2015 and 31 December 2014

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

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

CTT - CORREIOS DE PORTUGAL, S.A.

Consolidated Statement of Changes In Equity as at 31 December 2015 and 31 December 2014

Euros	Notes	Share capital	Own shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2014		75,000,000	-	30,397,559	24,548,756	83,367,465	61,016,067	1,604,372	275,934,219
Appropriation of net profit for the year of 2013		-	-	-	-	61,016,067	(61,016,067)	-	-
Dividends	22/24	-	-	-	-	(60,000,000)	-	(198,423)	(60,198,423)
Share plan	21/24	-	-	1,376,408	-	-	-	-	1,376,408
		-	-	1,376,408	-	1,016,067	(61,016,067)	(198,423)	(58,822,015)
Other movements	21/24	-	-	-	-	(8,968)	-	(6,482)	(15,450)
Participation sale	24	-	-	-	-	-	-	(1,395,678)	(1,395,678)
Actuarial gains/losses - Health Care, net from deferred taxes	21	-	-	-	(43,335,066)	-	-	-	(43,335,066)
Net profit for the period		-	-	-	-	-	77,171,128	(327,492)	76,843,635
Comprehensive income for the period		-	-	-	(43,335,066)	(8,968)	77,171,128	(1,729,652)	32,097,442
Balance on 31 December 2014		75,000,000	-	31,773,967	(18,786,310)	84,374,563	77,171,128	(323,703)	249,209,645
Balance on 1 January 2015		75,000,000	-	31,773,967	(18,786,310)	84,374,563	77,171,128	(323,703)	249,209,645
Appropriation of net profit for the year of 2014		-	-	-	-	77,171,128	(77,171,128)	-	-
Dividends	22/24	-	-	-	-	(69,750,000)	-	-	(69,750,000)
Acquisition of own shares	21	-	(1,873,125)	-	-	-	-	-	(1,873,125)
Share plan	21/24	-	-	1,610,685	-	-	-	-	1,610,685
		-	(1,873,125)	1,610,685	-	7,421,128	(77,171,128)	-	(70,012,440)
Other movements	21/24	-	-	-	-	(177,319)	-	158,658	(18,661)
Actuarial gains/losses - Health Care, net from deferred taxes	21	-	-	-	141,478	-	-	-	141,478
Changes to fair value reserves	21	-	-	(540)	-	-	-	-	(540)
Adjustments from the application of the equity method	21	-	-	-	-	109,622	-	335,015	444,637
Net profit for the period		-	-	-	-	-	72,065,283	5,352	72,070,635
Comprehensive income for the period		-	-	(540)	141,478	(67,697)	72,065,283	499,025	72,637,549
Balance on 31 December 2015		75,000,000	(1,873,125)	33,384,112	(18,644,832)	91,727,994	72,065,283	175,322	251,834,754

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

CTT - CORREIOS DE PORTUGAL, S.A.

Consolidated Cash flow Statement for the twelve months ended 31 December 2015 and 31 December 2014

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

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

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1. Introduction

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

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

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

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

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

During 2013, CTT’s capital was opened to the private sector. Supported by Decree-Law no. 129/2013 of 6 September and the Resolution of the Council of Ministers (“RCM”) no. 62-A/2013, of October 10, the RCM no. 62-B/2013, of 1 0 October and RCM no. 72-B/2013, of 14 November, the first phase of privatisation of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by detention and 6.36% by allocation.

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

The Equity Offering was addressed exclusively to institutional investors.

The shares of CTT are listed on Euronext Lisbon.

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

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

1.2. Business

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant Accounting Policies

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

2.1 Basis of presentation

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

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

In addition to the standards that became effective as of 1 January 2015, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2015 and described in Note 2.2 through Note 2.28, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2015.

2.1.1. New standards or amendments adopted by the Group

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

- **IFRIC 21 – Levies** – The IASB issued on 20 May 2013 this interpretation, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. This interpretation was endorsed by EU Commission Regulation no. 634/2014,

13 July (defining entry into force at the latest, as from the commencement date of its first financial year beginning, starting on or after 17 June 2014). IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering specific event, according to the legislation, occurs. IFRIC 21 had no material effect on the Group’s financial statements.

- **Improvements to IFRS (2011–2013)** – The annual improvements of the cycle 2011–2013, issued by IASB on 12 December 2013, introduced amendments, with effective date on or after 1 July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation no. 1361/2014, of 18 December (defining entry into force at the latest, as from the commencement date of its first financial year starting on or after 1 January 2015). The Group expects no impact from the adoption of these amendments on its financial statements.
- **IFRS 2 – definition of vesting condition**
The amendment clarifies the definition of ‘vesting conditions’ in Appendix A of IFRS 2 Share-based Payment by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.
- **IFRS 3 – Accounting for contingent consideration in a business combination**
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely the classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.
- **IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments’ assets to entity’s assets**
The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity’s reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments’ assets to the entity’s assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.
- **IFRS 13 – Short-term receivables and payables**
IASB amends the basis for conclusion in order to clarify that, by deleting AG79 from IAS 39, IASB did not intend to change the measurement requirements for short-term receivables and payables with no stated interest rate at

invoice amounts. It is worth noting that IAS 8.8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial.

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

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

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

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

period in which the related service is rendered. The Group expects no impact from the adoption of this amendment on its financial statements.

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

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

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

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

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

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

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

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

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

- (i) At a time when the control of the goods or services is transferred to the customer; or
- (ii) Over the period, to the extent that represents the performance of the entity.

The Group is still evaluating the impact from the adoption of this standard.

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

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

Other Amendments – The IASB also issue:

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

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

2.2. Consolidation principles

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

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

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities

acquired is recognised as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as a profit and loss.

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

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

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

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

Associated companies

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

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

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

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

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

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

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

Joint-ventures

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

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

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

2.3.Segment reporting

The Group presents the operational segments based on internal management information

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

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

2.4. Transactions and balances in foreign currency

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

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

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

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

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

Source: Bank of Portugal.

2.5. Tangible fixed assets

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

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

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

Land is not depreciated.

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

On each reporting date, the Group assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible fixed assets are subject to impairment tests, where any surplus of the carrying value relative to the recoverable amount, should this exist, is recognised in the consolidated income statement.

The recoverable amount corresponds to the highest amount between the fair value of an asset minus the costs of selling it and its value in use.

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

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

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

2.6. Intangible assets

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

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

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

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

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

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

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

2.7. Investment properties

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

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

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

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates are between 10 and 50 years.

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

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

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

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

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

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

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

2.9. Goodwill

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

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

Impairment losses are not reversible.

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

2.10. Financial assets

2.10.1. Classification

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

Loans and receivables

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

receivables comprise Accounts receivable, Cash and cash equivalents, Other non-current assets and Other current assets in the consolidated balance sheet.

Available-for-sale financial assets

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

Financial assets at fair value through profit and loss

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

2.10.2. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with the variation's counterpart of the fair value being presented in comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.11. Equity

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

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

2.12. Financial liabilities

Debt

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

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

Accounts payable

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

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

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

2.13. Offsetting financial instruments

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

2.14. Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a

'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

Assets classified as available for sale

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

2.15. Inventories

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

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

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

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

2.16. Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) the Group is committed to sell, and (iii) the sale is expected to be completed within a 12-month period.

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

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

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

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

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

2.17. Distribution of dividends

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

2.18. Employee benefits

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

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognised in each period, an annual actuarial study is prepared by an independent entity under the assumptions

considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Post-employment benefits - healthcare

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

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

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

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

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

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

Other long-term benefits

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

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

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

- Telephone subscription fee

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

- Pensions for work accidents

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

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

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

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

- Monthly life annuity

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

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

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

- Support for termination of professional activity

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

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

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

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

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

which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.19. Share-based payments

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

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

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

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

2.20. Provisions and contingent liabilities

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

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

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

Provision for financial investments

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

Restructuring provisions

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

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

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

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

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

Dismantling costs provisions

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

Provisions for litigations in progress

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

Provision for onerous contracts

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

Contingent assets and liabilities

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

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

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

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

The Company does not recognise contingent assets and liabilities.

2.21. Revenue

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

The recognition of revenue requires that (i) it is probable that the economic benefits associated to the transaction will flow into the Company, (ii) the amount of the revenue may be measured reliably, (iii) the costs that have been or will be incurred with the transaction may also be measured reliably, and (iv) the stage of completion

of the services rendered/transaction can be measured reliably, in the case of the services rendered being recognised based on the percentage of completion.

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

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

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

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

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

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

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

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

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

2.22. Subsidies obtained

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

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

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

2.23. Leases

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

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

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

2.24. Borrowing costs

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

2.25. Taxes

Corporate income tax ("IRC")

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

Current tax payable is based on the taxable income for the period of the Group companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable.

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

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

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

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

Value Added Tax ("VAT")

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

2.26. Accruals basis

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

2.27. Judgements and estimates

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

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

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

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

(ii) Impairment of Goodwill

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

(iii) Impairment of accounts receivable

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

(iv) Deferred taxes

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

(v) Employee benefits

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

(vi) Provisions

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

2.28. Consolidated Cash Flow Statement

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

2.29. Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the

financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, errors and estimates

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

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

4. Segment Reporting

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

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

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

The business of CTT is organised in the following segments:

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

- Financial Services – PayShop and financial services of CTT, S.A.; and
- Banco CTT – Banco CTT, S.A..

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

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

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

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

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

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

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

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

With the allocation of all costs, earnings before depreciation, provisions, impairments, financial results and taxes by segment in the year of 2015 and 2014 are analysed as follows:

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

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

2014							
Euros	Mail	Express & Parcels	Financial Services	CTT Central Structure	Intragroup eliminations	Others non allocated	Total
Revenues	546.178.734	129.012.707	74.908.453	51.573.467	(82.898.939)		718.774.422
Sales and services rendered	510.086.693	126.921.380	71.226.579	-	(4.951.062)		703.283.590
Sales	21.606.200	1.073.082	-	-	(4.494)		22.674.787
Services rendered	488.480.494	125.848.298	71.226.579	-	(4.946.568)		680.608.803
Operating revenues external customers	18.753.395	2.091.327	3.602.982	18.873.926	(27.830.798)		15.490.832
Internal services rendered	17.338.645	-	78.893	68.360.718	(85.778.256)		-
Allocation to CTT central structure	-	-	-	(35.661.176)	35.661.176		-
Operating costs	395.196.908	123.194.717	36.066.094	51.573.467	(82.898.939)		523.132.246
External supplies and services	104.979.473	96.962.567	13.233.439	55.267.717	(32.763.388)		237.679.808
Staff costs	238.834.195	23.761.516	4.384.799	(8.973.774)	-		258.006.736
Other costs	20.023.978	2.470.634	732.070	4.237.493	(18.472)		27.445.702
Internal services rendered	66.751.982	-	17.984.242	1.042.032	(85.778.256)		-
Allocation to CTT central structure	(35.392.720)	-	(268.456)	-	35.661.176		-
EBITDA ⁽¹⁾	150.981.826	5.817.990	38.842.360	-	-		195.642.176
Depreciation /amortisation and impairment of investments, net	(15.062.055)	(2.345.754)	(582.109)	(2.805.063)	-	(610.618)	(21.405.600)
Impairment of inventories and accounts receivable, net							(5.877.266)
Impairment of non-depreciable assets							(18.932.073)
Provisions net							(14.009.576)
Interest expenses							(11.797.721)
Interest income							4.325.187
Gains/losses in associated companies							53.562
Earnings before taxes							127.998.690
Income tax for the year							(51.155.054)
Net profit for the year							76.843.636
Non-controlling interests							(327.492)
Equity holders of parent company							77.171.128

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

The revenues are detailed as follows:

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

The assets by segment are detailed as follows:

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

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

Debt by segment is detailed as follows:

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

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

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

Thousand Euros	2015	2014
Revenue - Portugal	624,709	624,685
Revenue - other countries	80,406	78,599
	705,169	703,284

5. Tangible Fixed Assets

During the years ended 31 December 2015 and 31 December 2014, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

2015									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Acquisitions	-	241,625	6,037,562	1,981	1,694,892	929,960	3,505,594	2,137,061	14,548,674
Disposals	(2,881)	(206,610)	(3,453,459)	-	(10,823)	-	-	-	(3,673,773)
Transfers and write-offs	477,748	7,295,485	(8,159,431)	647,245	(634,229)	(139,395)	(3,271,776)	(1,168,066)	(4,952,418)
Adjustments	-	-	(57,723)	4,016	(34,707)	(29,544)	-	(1,991)	(119,949)
Changes in the consolidation perimeter	-	-	3,569	-	-	-	-	-	3,569
Closing balance	37,306,577	337,982,013	138,002,341	3,273,327	54,961,400	23,252,352	1,971,616	1,398,408	598,148,034
Accumulated depreciation									
Opening balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Depreciation for the period	-	8,999,999	6,576,631	65,894	2,392,151	1,244,129	-	-	19,278,804
Disposals	(388)	(116,904)	(3,449,206)	-	(10,823)	-	-	-	(3,577,322)
Transfers and write-offs	-	2,004,296	(8,961,765)	548,540	(602,122)	(154,648)	-	-	(7,165,699)
Adjustments	-	(271)	(70,002)	60	(9,332)	(3,176)	-	-	(82,720)
Changes in the consolidation perimeter	-	-	1,927	-	-	-	-	-	1,927
Closing balance	3,888,322	192,743,987	118,629,681	3,154,422	50,187,217	19,306,750	-	-	387,910,379
Accumulated impairment									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	-	-	-	-	-	296,769	-	-	296,769
Net Tangible fixed assets	33,418,255	145,238,026	19,372,659	118,905	4,774,183	3,648,833	1,971,616	1,398,408	209,940,886

2014									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	38,540,555	337,440,722	148,660,979	3,607,333	81,746,922	24,362,622	174,283	754,041	635,287,457
Acquisitions	-	274,607	6,126,576	7,200	2,630,276	728,593	3,062,319	389,863	13,219,435
Disposals	-	-	(7,720)	(166)	(39,509)	(974)	-	-	(48,369)
Transfers and write-offs	-	1,480,911	(8,951,356)	(482,988)	(29,388,060)	(2,525,697)	(1,498,803)	(712,500)	(42,078,492)
Adjustments	-	2,920	681,532	(280,939)	(386,820)	(16,693)	-	-	-
Other variations	(725,969)	(5,467,977)	2,957	-	1,103	(56,521)	-	-	(6,246,407)
Changes in the consolidation perimeter	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	36,831,709	330,651,512	143,631,822	2,620,085	53,946,268	22,491,331	1,737,799	431,404	592,341,930
Accumulated depreciation									
Opening balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Depreciation for the period	-	9,055,496	4,996,397	65,703	2,559,852	1,138,257	-	-	17,815,704
Disposals	-	-	(7,720)	(3,978)	(39,311)	(974)	-	-	(51,983)
Transfers and write-offs	-	-	(9,783,218)	(479,176)	(30,119,633)	(1,658,689)	-	-	(42,040,715)
Adjustments	-	608	292,116	(207,224)	(84,400)	(1,281)	-	-	(181)
Other variations	(11,120)	(2,738,980)	18,645	(3,225)	12,100	313	-	-	(2,722,266)
Changes in the consolidation perimeter	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	3,888,710	181,856,867	124,532,096	2,539,928	48,417,343	18,220,445	-	-	379,455,389
Accumulated impairment									
Opening balance	-	-	-	-	-	-	-	-	-
Impairments for the period	-	-	-	-	-	2,530	-	-	2,530
Other variations	-	-	-	-	-	417,953	-	-	417,953
Closing balance	-	-	-	-	-	420,483	-	-	420,483
Net Tangible fixed assets	32,942,999	148,794,645	19,099,726	80,157	5,528,924	3,850,403	1,737,799	431,404	212,466,058

As at 31 December 2015, Land and natural resources and Buildings and other constructions include 4,756,534 Euros (4,982,117 Euros as at 31 December 2014), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A.

In the year ended 31 December 2015, the caption Changes in the consolidation perimeter relates to the balances of the company Escrita Inteligente, S.A. acquired in December 2015. On 31 December 2015, this caption relates to the balances of the company EAD that was sold in the first half of 2014.

In the year ended 31 December 2015, the Group reclassified to tangible fixed assets one property, which became a part of the Group's activity, of 4,517,053 Euros and respective accumulated depreciation of 2,047,352 Euros, as a result of the retail network's development model.

In the year ended 31 December 2014, the Group reclassified to investment properties nine properties that were no longer contributing to the Group's operating activities, of 6,627,890 Euros

and respective accumulated depreciation of 2,950,936 Euros. One property, which became a part of the Group's activity, was reclassified to tangible fixed assets of 439,417 Euros and respective accumulated depreciation of 223,473 Euros.

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported on CTT's accounting records and the Statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), responsible entity for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

During the year ended 31 December 2015, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount of additions relates to acquisitions of motorcycles, tricycles and quadricycles in the amount of 1,096 thousand Euros, trucks worth approximately 1,644 thousand Euros, trailers in the amount of 286 thousand Euros, pallet trucks of 75.6 thousand Euros and the acquisition of scanners, monitors and scales of 222 thousand Euros by CTT, to the acquisition of the medium package sorting machine (RestMail) for 1,873 thousand Euros, upgrade to parcel sorting machines worth about 309 thousand Euros, acquisition of 800 PDA's worth about 485 thousand Euros and the purchase of pallet truck of 30,6 thousand Euro, in CTT Expresso. Payshop acquired 400 payment terminals in the amount of 74 thousand Euros and 350 scanners in the amount of 26 thousand Euros. Tourline implemented the upgrade of its servers in the amount of 40 thousand Euros. In Corre the additions relate to the acquisition of cars and motorcycles in the amount of 228 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase of computer equipment of medium and large size and various computer equipment in a total value of 1,061 thousand Euros and the acquisition of several administrative equipment in the amount

of 369 thousand Euros, by CTT. In Tourline the acquisitions refer to several office equipment worth about 56.5 thousand Euros, computer equipment in a total value of 60.7 thousand Euros and acquisition/upgrade of servers in the amount of 67.6 thousand Euros.

Other tangible fixed assets:

The amount of acquisitions relates essentially to the purchase of marketing equipment (60 thousand Euros) and the acquisition of prevention and safety equipment (714 thousand Euros) by CTT.

Tangible fixed assets in progress:

The amounts under this heading are related to costs of improvements in own and third-party property.

The amounts recorded under write-offs, with particular emphasis in Basic equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciation recorded amounting to 19,278,804 Euros (17,815,704 Euros on 31 December 2014), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 38).

Contractual commitments related to Tangible fixed assets are as follows:

Safes and security doors	121,119
Safety equipment	438,117
Scales	43,542
	602,778

6. Intangible Assets

During the years ended 31 December 2015 and 31 December 2014, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

2015						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	59,824,001
Acquisitions	84,441	5,386,048	342,437	-	11,911,640	17,724,566
Transfers and write-offs	(84,441)	4,448,727	-	-	(4,502,826)	(138,540)
Changes in the consolidation perimeter	-	-	2,167	-	40,201	42,368
Closing balance	4,372,922	48,455,024	12,004,296	444,739	12,175,413	77,452,394
Accumulated amortisation						
Opening balance	4,340,765	33,801,244	7,816,346	439,639	-	46,397,993
Amortisation for the period	12,060	3,471,192	344,597	5,100	-	3,832,949
Transfers and write-offs	(2,413)	(359,537)	-	-	-	(361,949)
Adjustments	-	-	(40,614)	-	-	(40,614)
Closing balance	4,350,412	36,912,898	8,120,329	444,739	-	49,828,379
Net intangible assets	22,510	11,542,126	3,883,967	-	12,175,413	27,624,015

2014						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	55,749,238
Acquisitions	-	586,266	-	-	2,790,181	3,376,447
Transfers and write-offs	-	1,810,188	-	-	(735,847)	1,074,341
Adjustments	-	-	1,618	-	-	1,618
Changes in the consolidation perimeter	-	(316,797)	(60,846)	-	-	(377,643)
Closing balance	4,372,922	38,620,250	11,659,692	444,739	4,726,397	59,824,001
Accumulated amortisation						
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	42,699,930
Amortisation for the period	9,647	2,544,357	382,492	42,783	-	2,979,278
Transfers and write-offs	(19,681)	1,094,023	-	-	-	1,074,342
Adjustments	-	-	11,570	-	-	11,570
Changes in the consolidation perimeter	-	(316,797)	(50,330)	-	-	(367,127)
Closing balance	4,340,765	33,801,244	7,816,346	439,639	-	46,397,993
Net intangible assets	32,157	4,819,006	3,843,346	5,100	4,726,397	13,426,007

The caption Industrial property include the license of the trademark “Payshop International” of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore is not amortised.

The transfers occurred in the year ended 31 December 2015 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

During the year ended 31 December 2015, the most significant movements in Intangible assets were the following:

Computer software:

The amount of acquisitions relates essentially to the purchase of software “Information Automatization centralization” in the amount of 483 thousand Euros, the acquisition of “SAP HANA” for 371 thousand Euros, “SAP Financial Consolidation” in the amount of 90.5 thousand Euros, the software to servers UNIX of 889.5 thousand Euros, the software “Enterprise Application Integration” in the amount of 476 thousand Euros, software “SAP Hybris Billing” in the amount of 1,459 thousand Euros, software “Enterprise Content Management Solution” in the amount of 239.8 thousand Euros and software “Business Process Management” in the amount of 476 thousand Euros by CTT. In Banco CTT the acquisitions relate to software “Oracle” in the amount of 601 thousand Euros, software “Qlik View Enterprise” in the amount of 71.9 thousand Euros and “SAP Crystal Reports” in the amount of 47.9 thousand Euros.

Industrial property:

The acquisitions relates essentially to the purchase, by CTT, of licenses “Forefront TMG” in the amount of 17,494 Euros which has an indefinite useful life and the acquisition of licenses Biztalk for 298 thousand Euros.

The amounts of 306,256 Euros and 407,270 Euros were capitalised in computer software or in intangible assets in progress as at 31 December 2015 and 31 December 2014, respectively, related to the staff costs incurred in the development of these projects.

As at 31 December 2015 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	2015
CBS - Core Banking System	8,994,990
International (E-CIP)	452,485
Mail products evolution	198,163
NAVE evolution	346,336
Performance evaluation - Software	134,259
Payment platform	121,093
Financial consolidation - Software	105,120
Audit management - software	83,190
DOL - Treatment and generation of scales	79,906
Riposte migration	61,454
Extraterritorial virtual mailbox	58,808
	10,635,804

The amortisation for the year ended 31 December 2015, amounting to 3,832,949 Euros (2,979,278 Euros as at 31 December 2014) was recorded under Depreciation/amortisation and impairment of investments, net (Note 38).

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

Contractual commitments relative to Intangible assets are as follows:

CBS - Core Banking System	8,440,589
Card management system	187,664
Oracle Software	145,000
“Risk Center” Software	141,832
APP Mobile account	125,001
REG Pro	119,460
APP CTT 2.0	93,780
Web call center	50,000
	9,303,326

7. Investment Properties

As at 31 December 2015 and 31 December 2014, the Group has the following assets classified as investment properties:

	2015		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,716,058	45,722,963	53,439,021
Additions	14,500	43,500	58,000
Disposals	(173,376)	(854,186)	(1,027,562)
Transfers and write-offs	(477,748)	(4,017,057)	(4,494,805)
Closing balance	7,079,434	40,895,220	47,974,654
Accumulated depreciation			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	752,365	752,365
Disposals	(20,075)	(435,235)	(455,310)
Transfers and write-offs	-	(2,047,352)	(2,047,352)
Closing balance	239,426	26,669,510	26,908,936
Accumulated impairment			
Opening balance	-	1,450,025	1,450,025
Impairments for the period	-	(167,403)	(167,403)
Closing balance	-	1,282,622	1,282,622
Net Investment properties	6,840,008	12,943,087	19,783,095

	2014		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(247,126)	(2,290,703)	(2,537,829)
Transfers/Adjustments	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Transfers/Adjustments	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairments for the period	-	(156,480)	(156,480)
Closing balance	-	1,450,025	1,450,025
Net Investment properties	7,456,557	15,873,206	23,329,763

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

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2015 which were conducted by independent entities, amounts to 29,425,470 Euros (35,978,503 Euros as at 31 December 2014).

The movements associated with disposals relate to the sale of three properties, which occurred during the year 2014.

In the year ended 31 December 2015, the Group reclassified to tangible fixed assets one property which became a part of the Group’s activity in the amount of 4,517,053 Euros and respective accumulated depreciation of 2,047,352 Euros, as a result of the retail network’s development model.

In the year ended 31 December 2014, the Group reclassified to investment properties nine properties that are no longer contributing to the Group's operating activities, of 6,627,890 Euros and respective accumulated depreciation of 2,950,936 Euros. One property, which became a part of the Group's activity, was reclassified to tangible fixed assets for 439,417 Euros and respective accumulated depreciation of 223,473 Euros.

Depreciation for the year, of 752,365 Euro (764,567 Euros on 31 December 2014) was recorded in the caption Depreciation/amortisation and impairment of investments (losses/reversals) (Note 38).

Impairment losses for the period amounting to 167,403 Euros (156,480 Euros on 31 December 2014) were recorded in the caption Depreciation/amortisation and impairment of investments (losses/reversals) (Note 38) and are explained by the market value reduction observed in same buildings.

8. Companies Included in the Consolidation

Subsidiary companies

As at 31 December 2015 and 31 December 2014, the parent company, CTT – Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Parent company:							
CTT – Correios de Portugal, S.A.	Av. D. João II n.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto – Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	-	-	-	100	-	100
CTT Expresso – Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Av. D. João II n.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Contacto, S.A. ^(a) ("CTT Con")	Av. D. João II n.º 13 1999-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	100	-	100
Mailtec Comunicação, S.A. ("Mailtec TI")	Av. D. João II n.º 13 1999-001 Lisboa	100	-	100	18	82	100
Mailtec Consultoria, S.A. ("Mailtec CON")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	10	90	100
Mailtec Processos, Lda. ("EQUIP")	Estrada Casal do Canas, Edifício Mailtec, 2720-092 Amadora	-	-	-	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908) Barcelona	-	100	100	-	100	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo – Moçambique	50	-	50	50	-	50
Escrita Inteligente, S.A. ("RONL")	Av. D. João II n.º 13 1999-001 Lisboa	100	-	100	-	-	-
Banco CTT, S.A. ("BancoCTT")	Av. D. João II n.º 11 1999-001 Lisboa	100	-	100	-	-	-

^(a) Previously named CTT Gest, S.A.

In relation to CORRE as the Group has the right to variable returns and the ability to affect those returns through its power over this company, it is included in the consolidation due to the fact that the Group controls its operating and financial business.

In January 2015, a share capital increase occurred in Corre – Correio Expresso de Moçambique, S.A. in the amount of 670,030 Euros. This operation was accomplished through the incorporation of both shareholders' credits in Corre.

On 20 January 2015, but with effect as of 1 January 2015, the merger of Mailtec Holding, SGPS, S.A. into CTT was registered through the global transfer of the assets of Mailtec Holding, SGPS, S.A.. Following this merger, the shareholdings held by Mailtec Holding, SGPS, S.A. in Mailtec Comunicações, S.A., Mailtec Consultoria, S.A. and Mailtec Processos, Lda. are now held entirely by the parent company, CTT – Correios de Portugal, S.A..

On 10 August 2015, but with effect as of 1 January 2015, the merger of Post Contacto, Lda. and Mailtec Processos, Lda. into CTT Gest, S.A. was registered through the global transfer of the assets of Post Contacto, Lda. and Mailtec Processos, Lda.. Following this merger, the corporate name of CTT Gest, S.A. was changed to CTT Contacto, S.A..

During December 2015, a share capital increase occurred in Tourline Express Mensajería, SLU. in the amount of 12,000,000 Euros.

On 28 December 2015, but with effect as of 1 January 2015, the merger of Mailtec Consultoria, S.A. into CTT was registered through the global transfer of the assets of Mailtec Consultoria, S.A..

During the first half of 2014 the participation in the subsidiary Tourline Express Mensajería, SLU, held by the parent company, was sold to its subsidiary CTT Expresso, S.A. as a result of the integration strategy of the Express & Parcels segment in Iberia, enabling the creation of value in Tourline. This transaction was done at net book value.

The sale of the 5% participation held by CTT Expresso, S.A. in Post Contacto Lda. to the parent company, CTT-Correios de Portugal, S.A. also took place in 2014. CTT now directly holds 100% of Post Contacto, Lda.. The sale was made at net book value.

None of these transactions had an impact on the consolidation perimeter.

Joint-ventures

As at 31 December 2015 and 31 December 2014, the Group held the following interests in joint-ventures, registered through the equity method:

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestação de Serviços informáticos, ACE ("Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisboa	49	-	49	49	-	49
NewPost, ACE ^(a)	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

^(a) Previously named Postal Network – Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

Associated companies

As at 31 December 2015 and 31 December 2014, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Head office	2015			2014		
		Percentage of ownership			Percentage of ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Multicert – Serviços de Certificação Electrónica, S.A. ("Multicert")	R. do Centro Cultural, 2 Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. ^(a)	R. da Sé, 114-4º. Maputo Moçambique	-	35	35	-	35	35
Mafelosa, SL ^(b)	Castellon Espanha	-	25	25	-	25	25
Urpacsur, SL ^(b)	Málaga Espanha	-	30	30	-	30	30

^(a) Company held by Payshop Portugal, S.A., which is currently in termination process.

^(b) Company held by Tourline Mensajería, SLU, company with no commercial activity.

Changes in the consolidation perimeter

During the year ended 31 December 2015, the consolidation perimeter changed as a result of the incorporation, on 6 February 2015, of CTT Serviços, S.A. with a share capital of 5,000,000 Euros, in the context of the incorporation process of Banco CTT.

The share capital of CTT Serviços, S.A. has since been increased to 34,000,000 Euros.

On 24 August 2015, the corporate name of CTT Serviços, S.A. was changed to Banco CTT, S.A., as well as its main activity in order to accommodate the banking activity.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named “Recibos Online”.

Following the acquisition, the Group made an assessment of the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3 – Business Combinations, not having identified significant differences between the carrying amounts of assets and liabilities and their fair values.

The detail of the net assets of Escrita Inteligente and goodwill recorded related with this transaction as at 31 December 2015 is as follows:

	Book value
Assets acquired	63,469
Liabilities acquired	2,764
Net assets acquired	60,705
Goodwill (Note 9)	357,917
Acquisition value	418,622

The contribution of Escrita Inteligente to the Group’s income statement ended 31 December 2015, was negative by 360 Euros, corresponding to the period from 17 December to 31 December 2015.

In the year ended 31 December 2014, the consolidation perimeter was changed due to the sale of the subsidiary EAD. Resulting from this sale a gain of 256,383 Euros was recorded under Gains/losses in associated in the consolidated income statement.

9. Goodwill

As at 31 December 2015 and 31 December 2014, the Goodwill was made up as follows:

	Year of acquisition	2015	2014
Mailtec Holding SGPS, S.A. (51%)	2004	-	582,970
Mailtec Consultoria, S.A.	2004	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Holding SGPS, S.A. (49%)	2005	-	6,641,901
Escrita Inteligente, S.A.	2015	357,917	-
		8,058,656	7,705,457

As a result of the merger of Mailtec Holding, SGPS, S.A. into CTT, the Goodwill related to that company, held by CTT, was entirely allocated to Mailtec Comunicação, S.A..

During the years ended 31 December 2015 and 31 December 2014, the movements in Goodwill were as follows:

	2015	2014
Opening balance	7,705,457	25,083,869
Acquisitions	357,917	-
Transfers/adjustments	(4,718)	-
Disposals	-	(786,164)
Impairment	-	(16,592,248)
Closing balance	8,058,656	7,705,457

In the year ended 31 December 2015, the acquisitions relate to the company Escrita Inteligente, S.A., with a corresponding Goodwill of 357,917 Euros.

The adjustments are related to the merger of Mailtec Consultoria, S.A. into CTT, and the corresponding Goodwill.

In the year ended 31 December 2014, following the sale of the stake in EAD, Goodwill in the amount of 786,164 Euros, was eliminated.

During the year ended 31 December 2014, due to the deterioration in the business conditions in Spain, namely because Tourline lost two of its major franchisees in 2014 and the difficulty of operational integration of the businesses in Spain and in Portugal, Tourline’s results in 2014 were far below what was estimated by the management. Therefore, the Group has revised the estimates of the evolution of Tourline’s business, while leave a common management of both companies, which were incorporated into future cash flows used in the impairment test performed in 2014 and an impairment loss of 16,592,248 Euros was recorded related to the Goodwill of Tourline.

Goodwill impairment assessment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the year ended 31 December 2015, in order to determine the recoverable amount of its investments, CTT Group performed impairment tests as at 31 December 2015 and 31 December 2014 based on the following assumptions:

2015					
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetuity rate growth
Tourline Express Mensajeria, SLU	CEP and Logistics	Equity Value/DCF	5 years	10.00%	0.50%
Mailtec Comunicação, SA	Documental services	Equity Value/DCF	5 years	9.02%	0.50%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	9.85%	0.50%

2014					
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetuity rate growth
Tourline Express Mensajeria, SLU	CEP and Logistics	Equity Value/DCF	5 anos	9,86%	0,5%
Mailtec Grupo	Documental services	Equity Value/DCF	5 anos	10,80%	0,5%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 anos	10,30%	0,5%

The decrease in the discount rate (WACC) for the year ended 31 December 2015 was a result of the decrease in yields’ spreads of the Portuguese government bonds in relation to the free-risk bonds of the Eurozone.

The cash flow projections were based on the historical performance and the medium and long-term business plans, approved by the Board of Directors. As a consequence of this impairment analysis, the Group concluded that as at 31 December 2015 there were no impairment losses. As far as Tourline is concerned the impairment test performed as at 31 December 2015 confirms the impairment registered as at 31 December 2014, therefore, no additional impacts were considered.

As at 31 December 2015 and 31 December 2014, the impairment losses registered are as follows:

2015						
Company	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	20,671,985	-	-
Payshop Moçambique, S.A. ^(a)	2008	235,946	-	235,946	-	-
		20,907,931	-	20,907,931	-	-

2014						
Company	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	16,592,248	4,079,737	-	-
EAD - Empresa de Arquivo de Documentação, S.A.	2006	1,082,015	-	295,851	(786,164)	-
Payshop Moçambique, S.A. ^(a)	2008	235,946	-	235,946	-	-
		21,989,946	16,592,248	4,611,534	(786,164)	-

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

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key assumptions: (i) perpetuity growth rate and (ii) discount rates.

The results of the sensitivity analyses for PayShop and Mailtec Comunicação do not determine that there are indicators of impairment, according to the following tables:

Maitec Comunicação						(thousand Euros)
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment*	WACC					
	7.0%	8.0%	9.0%	10.0%	11.0%	
	0.00%	19,394	15,774	12,959	10,707	8,866
	0.25%	20,224	16,385	13,424	11,070	9,154
g	0.50%	21,117	17,037	13,915	11,451	9,457
	0.75%	22,082	17,733	14,437	11,854	9,774
	1.00%	23,127	18,479	14,991	12,278	10,108

* impairment if negative.

Payshop						(thousand Euros)
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment*	WACC					
	7.9%	8.9%	9.9%	10.9%	11.9%	
	0.00%	77,071	68,358	61,415	55,752	51,045
	0.25%	79,242	70,029	62,735	56,817	51,920
g	0.50%	81,562	71,799	64,125	57,933	52,833
	0.75%	84,044	73,679	65,591	59,105	53,788
	1.00%	86,708	75,678	67,140	60,336	54,786

* impairment if negative.

10. Investments in Associated Companies

As at 31 December 2015 and 31 December 2014, the investments in associated companies were as follows:

	2015	2014
Multicert, S.A.	255,214	226,937
Urpacsur, SL	481	481
	255,695	227,418

Investments in associated companies

For the years ended 31 December 2015 and 31 December 2014, the investments in associated companies had the following movements:

2015									
	Head office	Assets	Liabilities	Equity	Net profit	% held	Investments	Provisions	Proportion of net profit
Associated companies:									
Multicert - Serviços de Certificação Electrónica, S.A. ^(a)	Lisbon	2,767,973	1,491,901	1,162,488	113,584	20%	255,214	-	28,277
Payshop Moçambique, S.A. ^(b)	Maputo - Mozambique	n.d.	n.d.	n.d.	n.d.	35%	-	189,775	n.d.
Mafelosa, SL ^{(c) (d)}	Castellon - Spain	n.d.	n.d.	n.d.	n.d.	25%	-	-	n.d.
Urpacsur ^{(c) (d)}	Spain	n.d.	n.d.	n.d.	n.d.	30%	481	-	n.d.
							255,695	189,775	28,277

2014									
	Head office	Assets	Liabilities	Equity	Net profit	% held	Investments	Provisions	Proportion of net profit
Associated companies:									
Multicert - Serviços de Certificação Electrónica, S.A. ^(a)	Lisbon	3,300,404	2,165,716	3,122,809	(37,161)	20%	226,937	-	(7,432)
Payshop Moçambique, S.A. ^(b)	Maputo - Mozambique	n.d.	n.d.	n.d.	n.d.	35%	-	215,772	n.d.
Mafelosa, SL ^{(c) (d)}	Castellon - Spain	n.d.	n.d.	n.d.	n.d.	25%	-	-	n.d.
Urpacsur ^{(c) (d)}	Spain	n.d.	n.d.	n.d.	n.d.	30%	481	-	n.d.
							227,418	215,772	(7,432)

^(a) Data reported as at December 2014.

^(b) Company held by Payshop Portugal, which is in liquidation process.

^(c) Companies held by Tourline Express Mensajería.

^(d) Companies without activity.

The amount of 28,277 Euros relates to the proportion of 2014 income that had not been recognised in that year regarding Multicert, S.A.. No additional movements occurred in this participation since the company does not more have updated financial information.

The amount of (7,432) Euros, as at 31 December 2014, relates to the proportion of income for the period ended 30 September 2014 of Multicert, S.A.. The amount of (240,167) Euros concerning the proportion of 2013 income, which had not been recognised in that year, also recognised.

1.1. Other Investments

The other investments include non-listed capital instruments whose fair value cannot be reliably measured. The amounts of these instruments recognised at cost as at 31 December 2015 and 31 December 2014 were as follows:

Company	Head office	2015	2014
IPC - International Post Corporation	Brussels - Belgium	6,157	6,157
Eurogiro Network	Copenhagen - Denmark	124,435	124,435
CEPT	Copenhagen - Denmark	237	237
Tagus Park	Lisbon - Portugal	975,982	975,982
		1,106,812	1,106,812

During the year, no impairment loss was recognised in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. The Group did not measure the instruments through discounted cash flows since these could not be reliably determined.

At the reporting date, the Group does not intend to sell any of these investments.

1.2. Financial Risk Management

The Group's activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Group in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the Group's financial performance.

Financial risk management integrates the Risk Management System of the Company reporting directly to the Executive Committee. The departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Group and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the Group is exposed to. The Group is developing an integrated risk management system.

The financial risks of particular importance include credit risk, market risk, interest and exchange rate risk as well as liquidity risk.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the Group. In the Group, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the Group's net income. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation ("Regulamento de Concessão de Crédito a Clientes" (RCCC)) and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of CTT's Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the Group and monthly monitoring by the Credit Committee with the purpose of limiting the credit granted to customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted, and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client.

The movement of impairment losses of accounts receivable is disclosed in Notes 19 and 37. As at 31 December 2015, the Group believes that impairment losses in accounts receivable are adequately estimated and recorded in the consolidated financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made by the Group. With the purpose of reducing that risk, the Group's policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The Group's credit risk quality, as at 31 December 2015, related to these types of assets (Cash and cash equivalents as stated in Note 17, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating ⁽¹⁾	2015
A1	6,113
A2	120,006,242
A3	43,463
B1	236,789,344
B2	128,799,819
Ba1	37,126,081
Ba2	1,295
Baa1 ⁽³⁾	31,088,972
Baa2	30,128
Ba3 ⁽²⁾	20,498,794
Caa2	1,155,814
Others ⁽⁴⁾	672,829
	576,218,894

⁽¹⁾ Rating assigned by Moody's.

⁽²⁾ Conversion of BB- rating by Standard & Poor's.

⁽³⁾ Conversion of BBB+ rating by Fitch.

⁽⁴⁾ Others with no rating.

As at 31 December 2015 and 31 December 2014, the caption Cash and cash equivalents included cash term deposits investments of 508,153,791 Euros and 498,232,900 Euros, respectively (Note 17).

The following table include the maximum exposure to credit risk associated with financial assets held by the Group. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated balance sheet:

	2015	2014
Other non-current assets	601,103	790,601
Accounts receivable	124,355,641	131,682,269
Other current assets	12,590,310	16,272,945
Cash and cash equivalents	576,218,894	627,995,792
	713,765,948	776,741,607

Interest rate risk

Interest rate risk is essentially related to the interest obtained from the application of surplus liquidity. Gains arising from financial operations are important, therefore changes in interest rates have a direct impact on the Group's Interest income.

In order to leverage the period/rate relationship on one hand and the risk/yield relationship on the other hand, the Group monitors the market trends on a regular and systematic basis.

The investment of surplus liquidity, on 31 December 2015 and 31 December 2014, generated interest income of 1,483,388 Euros and 4,225,231 Euros, respectively (Note 40). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2015 and 2014, amounting to 516,707 Euros and 2,305,688 Euros, respectively (Note 33).

The Group generally negotiates its deposits at fixed rates, while loans are negotiated at variable rates. Due to the reduced amount of its loans, the Group believes that the difference between the financial assets fixed rate and the floating rate of the financial liabilities does not represent a significant potential impact on the consolidated income statement.

If the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2015, the effect in the interest would have been 742 thousand Euros (31 December 2014: 3,818 thousand Euros).

Foreign currency exchange rate risk

Exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined

objectives based on the evolution of the international business activities. As at 31 December 2015 and 31 December 2014, the net exposure (assets minus liabilities) of the Group amounted to 988,959 SDR (1,258,777 Euros at the exchange rate €/SDR 1.27283), and 895,251 SDR (1,068,321 Euros at the exchange rate €/SDR 1.19332), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2015 and 31 December 2014, assuming an increase/decrease in the exchange rate €/SDR of 10%, the profit and losses would have been higher by 125,878 Euros and lower by 106,832 Euros, respectively.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial

operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash in hand, the Group believes that it has the capacity to meet its obligations.

The main contractual obligations of the Group are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following table details the expected contractual obligations and financial commitments as at 31 December 2015 and 31 December 2014 and does not reconcile with the consolidated balance sheet:

2015				
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	7,088,293	1,037,265	-	8,125,558
Accounts payable	426,809,193	-	-	426,809,193
Other current liabilities	30,650,178	-	-	30,650,178
Non-financial liabilities				
Operating leases (Note 35)	10,434,899	16,618,420	-	27,053,319
Non-contingent financial commitments ⁽¹⁾	9,906,104	-	-	9,906,104
	484,888,668	17,655,685	-	502,544,353

2014				
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	1,866,056	1,926,723	-	3,792,779
Accounts payable	491,269,984	-	-	491,269,984
Other current liabilities	18,037,952	-	-	18,037,952
Non-financial liabilities				
Operating leases (Note 35)	9,345,242	14,456,925	-	23,802,167
Non-contingent financial commitments ⁽¹⁾	494,954	-	-	494,954
	521,014,188	16,383,648	-	537,397,836

⁽¹⁾ The non-contingent financial commitments are essentially related to contracts signed with fixed costs suppliers and a corresponding liability has not been recognised in the balance sheet (Notes 5 and 6).

Capital risk

The Group manages its capital to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored on the basis of the adjusted solvency ratio, calculated as: Equity/Liabilities.

During the years ended 31 December 2015 and 2014, the Group's strategy was to maintain the solvency ratio higher than 35%. The solvency ratio at 31 December 2015 and 31 December 2014 was as follows:

	2015	2014
Equity	251,834,754	249,209,645
Liabilities	867,637,454	931,786,978
Amounts of third parties	324,650,604	385,678,898
Adjusted solvency ratio⁽¹⁾	46.4%	45.6%

⁽¹⁾ Equity / (Liabilities - amounts of third parties in Cash and cash equivalents).

13. Inventories

As at 31 December 2015 and 31 December 2014, the Group's Inventories are detailed as follows:

2015				2014		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	4,618,877	1,397,098	3,221,779	5,240,512	1,527,827	3,712,685
Raw, subsidiary and consumable materials	2,670,454	565,513	2,104,941	2,716,730	676,836	2,039,894
Advances on purchases	128,395	-	128,395	32,698	-	32,698
	7,417,726	1,962,611	5,455,115	7,989,940	2,204,663	5,785,277

Cost of sales

During the years ended 31 December 2015 and 31 December 2014, the details of Cost of sales were as follows:

2015			
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	5,240,512	2,716,730	7,957,242
Purchases	13,256,802	3,206,079	16,462,881
Offers	(128,047)	(22,249)	(150,296)
Adjustments	(358,796)	(305,354)	(664,150)
Closing balance	(4,618,877)	(2,670,454)	(7,289,331)
Cost of sales	13,391,594	2,924,752	16,316,346

2014				
	Merchandise	Raw, subsidiary and consumable materials	Change in consolidation perimeter	Total
Opening balance	5,018,085	3,410,775	(30,453)	8,398,407
Purchases	13,868,917	3,528,006	-	17,396,923
Offers	(39,334)	(24,807)	-	(64,141)
Adjustments	(265,997)	(509,452)	-	(775,449)
Closing balance	(5,240,512)	(2,716,730)	-	(7,957,242)
Cost of sales	13,341,159	3,687,792	(30,453)	16,998,498

Impairment

During the years ended 31 December 2015 and 31 December 2014, the movements in Accumulated impairment losses (Note 19) were as follows:

2015					
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,527,827	36,874	(129,402)	(38,201)	1,397,098
Raw, subsidiary and consumable materials	676,836	35,091	(146,414)	-	565,513
	2,204,663	71,965	(275,816)	(38,201)	1,962,611
2014					
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,812,893	43,671	(323,990)	(4,747)	1,527,827
Raw, subsidiary and consumable materials	685,925	4,863	(13,952)	-	676,836
	2,498,818	48,534	(337,942)	(4,747)	2,204,663

For the years ended 31 December 2015 and 31 December 2014, impairment losses of inventories were recorded net of reversals amounting to (203,851) Euros and (289,408) Euros, respectively, in the caption Impairment of inventories and accounts receivable, net (Note 37).

14. Accounts Receivable

As at 31 December 2015 and 31 December 2014 the heading Accounts receivable showed the following composition:

	2015	2014
Customers	124,355,641	131,682,077
Associated companies	-	192
	124,355,641	131,682,269

Customers

As at 31 December 2015 and 31 December 2014, the ageing of customers receivables is detailed as follows:

2015				2014		
	Gross amount	Accumulated impairment	Carrying amount	Gross amount	Accumulated impairment	Carrying amount
Current						
Non-overdue	68,617,967	-	68,617,967	63,040,222	151,682	62,888,540
Overdue⁽¹⁾:						
0-30 days	10,721,851	-	10,721,851	17,089,136	105,192	16,983,944
30-90 days	11,622,753	-	11,622,753	10,948,465	211,018	10,737,447
90-180 days	5,308,371	-	5,308,371	5,512,173	395,193	5,116,980
180-360 days	11,320,671	875,685	10,444,986	13,167,307	2,831,679	10,335,628
> 360 days	48,501,197	30,861,483	17,639,714	52,423,561	26,804,022	25,619,539
	156,092,809	31,737,168	124,355,641	162,180,863	30,498,785	131,682,077

⁽¹⁾ The amounts regarding the foreign operators, although being overdue 360 days, are within the normal period for the presentation and regularisation of the accounts.

The gross amount of accounts receivable's balance overdue over 360 days was as follows:

	2015	2014
National accounts receivable	396,387	2,673,966
Foreign operators	17,243,327	22,945,573
Total	17,639,714	25,619,539
Foreign operators - payable (Note 28)	(16,456,906)	(21,714,470)

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of 22 months for the presentation of the accounts and, therefore, the foreign operators balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. The credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 28).

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables decreased from 1.0% in 2014 to 0.8% on 31 December 2015.

	2015	2014
Advance deposits	647,495	894,069
Bank guarantees	43,663	83,753
Total	691,159	977,822

Customer's impairment

During the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 19) was as follows:

2015						
	Opening balance	Increases	Reversals	Utilisations	Change in consolidation perimeter	Closing balance
Customers	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
2014						
	Opening balance	Increases	Reversals	Utilisations	Change in consolidation perimeter	Closing balance
Customers	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785
	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785

For the years ended 31 December 2015 and 31 December 2014, impairment losses of accounts receivable were recorded (net of reversals) amounting to 2,599,910 Euros and 6,700,175 Euros, respectively in the caption Impairment of inventories and accounts receivable, net (Note 37).

15. Deferrals

As at 31 December 2015 and 31 December 2014, the Deferrals included in current assets and current and non-current liabilities showed the following composition:

	2015	2014
Assets deferrals		
Current		
Rents payable	1,293,761	1,313,235
Meal allowances	1,701,736	1,698,085
Company Agreement - Supplementary agreement compensation	1,457,575	-
Other	3,715,517	2,681,575
	8,168,589	5,692,895
Liabilities deferrals		
Non-current		
Deferred capital gains	3,677,282	6,076,311
Deferred commissions	1,000,000	-
Tangible fixed assets	339,294	350,496
	5,016,576	6,426,807
Current		
Deferred capital gains	2,399,029	2,399,029
Phone-ix top ups	206,329	258,669
Deferred comissions	400,000	1,800,000
Altice agreement	9,583,333	-
Tangible fixed assets	11,201	11,201
Other	1,145,538	1,033,284
	13,745,430	5,502,183
	18,762,006	11,928,989

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

During the years ended 31 December 2015 and 31 December 2014, the amount of 1,511,128 Euros, was recognised under Other operating income in the consolidated income statement, in both years, related to the above mentioned gains.

In 2014 CTT signed an agreement with Cetelem, according to which CTT received an amount of 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, for the non-refundable fees will be recognised over the period of the contract. As at 31 December 2015 an amount of 1,400,000 Euros related to this contract was deferred.

Following the Memorandum of understanding signed with Altice and the acquisition of PT Portugal being completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the consolidated income statement over the exclusive period for the negotiation of the partnerships. In the year ended 31 December 2015, the amount of 5,416,667 Euros, was recognised under Other operating income in the consolidated income statement, related to this contract.

16. Non-Current Assets Held for Sale and Discontinued Operations

As at 31 December 2015 and 31 December 2014, the Group did not have non-current assets classified as held for sale, nor were there operations classified as discontinued operations.

17. Cash and cash equivalents

As at 31 December 2015 and 31 December 2014, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts, and is detailed as follows:

	2015	2014
Cash	27,430,823	36,573,952
Sight deposits	67,920,196	129,762,892
Sight deposits in Banco of Portugal	15,847	-
Financial assets available for sale	129,060	-
Term deposits	508,153,791	498,232,900
Cash and cash equivalents (Consolidated balance sheet)	603,649,717	664,569,744
Bank overdrafts	-	-
Cash and cash equivalents (Consolidated cash flow statement)	603,649,717	664,569,744

18. Other Non-Current and Current Assets

As at 31 December 2015 and 31 December 2014, the headings Other non-current assets and Other current assets had the following composition:

	2015	2014
Non-current		
Advances to staff	466,086	512,079
Other receivables from staff	1,558,326	1,699,523
INESC loan	347,021	371,891
Labour compensation fund	49,527	-
Other non-current assets	191,853	-
Impairment	(2,011,710)	(1,792,892)
	601,103	790,601
Current		
Advances to suppliers	31,205	101,457
Advances to staff	2,736,705	2,776,653
INESC loan	49,740	49,740
Postal financial services	6,372,504	12,352,806
State and other public entities	2,523,671	290,714
Debtors by accrued revenues	4,784,068	2,703,244
Amounts collected on CTT behalf	1,211,810	2,791,459
Guarantees	232,289	360,977
CGA reimbursements	11,598	302,004
Advances to lawyers	143,603	162,686
Debtors by asset disposals	124,734	137,054
Other current assets	13,195,073	10,268,251
Impairment	(8,480,056)	(9,511,662)
	22,936,943	22,785,382

The amounts recorded in the caption Postal financial services refer to receivables from the amortisation of saving products and the marketing of insurance.

Debtors by accrued revenues

As at 31 December 2015 and 31 December 2014, the debtors by accrued revenues refer to accrued interest, not invoiced amounts, philatelic products, philatelic agents and other amounts.

Impairment

For the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 19) was as follows:

2015						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other accounts receivable	10,882,923	539,816	(1,500,571)	(9,530)	182,366	10,095,004
INESC loan	421,631	-	(24,870)	-	-	396,761
	11,304,554	539,816	(1,525,441)	(9,530)	182,366	10,491,765

2014						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other accounts receivable	10,394,977	1,539,178	(1,046,957)	(4,275)	-	10,882,923
INESC loan	1,447,353	-	(1,025,722)	-	-	421,631
	11,842,330	1,539,178	(2,072,679)	(4,275)	-	11,304,554

For the years ended 31 December 2015 and 31 December 2014, impairment losses (increases net of reversals) of Other current and non-current assets amounted to (985,625) Euros and (533,502) Euros, respectively, and were booked under the heading Impairment of inventories and accounts receivable, net (Note 37).

19. Accumulated Impairment Losses

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in the impairment losses:

2015						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,421,001	51,835	-	-	-	1,472,836
INESC loan	371,891	-	(24,870)	-	-	347,021
	1,792,892	51,835	(24,870)	-	-	1,819,857
Customers and Other current assets (Notes 14 and 18)						
Customers	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
Other accounts receivable	9,461,922	487,981	(1,500,571)	(9,530)	182,366	8,622,168
INESC loan	49,740	-	-	-	-	49,740
	40,010,447	5,113,851	(3,526,531)	(1,371,056)	182,366	40,409,077
Inventories (Note 13)						
Merchandise	1,527,827	36,874	(129,402)	(38,201)	-	1,397,098
Raw, subsidiary and consumable	676,836	35,091	(146,414)	-	-	565,513
	2,204,663	71,965	(275,816)	(38,201)	-	1,962,611
	44,008,002	5,237,651	(3,827,217)	(1,409,257)	182,366	44,191,545

2014						
	Opening balance	Increases	Reversals	Utilisations	Change in consolidation perimeter	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,296,044	124,957	-	-	-	1,421,001
INESC loan	1,397,613	-	(1,025,722)	-	-	371,891
	2,693,657	124,957	(1,025,722)	-	-	1,792,892
Customers and Other current assets (Notes 14 and 18)						
Customers	24,361,985	7,575,359	(875,184)	(497,000)	(66,375)	30,498,785
Other accounts receivable	9,098,933	1,414,221	(1,046,957)	(4,275)	-	9,461,922
INESC loan	49,740	-	-	-	-	49,740
	33,510,658	8,989,580	(1,922,141)	(501,275)	(66,375)	40,010,447
Inventories (Note 13)						
Merchandise	1,812,893	43,671	(323,990)	(4,747)	-	1,527,827
Raw, subsidiary and consumable	685,925	4,863	(13,952)	-	-	676,836
	2,498,818	48,534	(337,942)	(4,747)	-	2,204,663
	38,703,133	9,163,071	(3,285,805)	(506,022)	(66,375)	44,008,002

Impairment losses regarding tangible fixed assets, investment properties and goodwill are detailed respectively in Notes 5, 7 and 9.

20. Equity

As at 31 December 2015, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2015 and 31 December 2014 the Company's shareholders with greater than or equal to 2% shareholdings are as follows:

2015				
Shareholder	No. of shares	%	Nominal value	
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290	
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537	
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%	5,003,827
Manuel Carlos de Mello Champalimaud	33,785	0.023%	16,893	
Gestmin SGPS. S.A. ⁽²⁾	7,766,215	5.177%	3,883,108	
Manuel Carlos de Mello Champalimaud	Total	7,800,000	5.200%	3,900,000
Artemis Fund Managers Limited ⁽³⁾	7,433,817	4.956%	3,716,909	
Artemis Investment Management LLP	276,892	0.185%	138,446	
Artemis Investment Management LLP	Total	7,710,709	5.140%	3,855,355
Allianz Global Investors Europe GmbH (AGIE) ⁽⁴⁾	Total	7,552,637	5.035%	3,776,319
A.A.-FORTIS-ACTIONS PETITE CAP. EUROPE ⁽⁵⁾	226,096	0.151%	113,048	
BNP PARIBAS A FUND European Multi-Asset Income ⁽⁵⁾	241,969	0.161%	120,985	
BNP PARIBAS B PENSION BALANCED ⁽⁵⁾	675,151	0.450%	337,576	
BNP PARIBAS B PENSION GROWTH ⁽⁵⁾	89,950	0.060%	44,975	
BNP PARIBAS B PENSION STABILITY ⁽⁵⁾	42,617	0.028%	21,309	
BNP PARIBAS L1 MULTI-ASSET INCOME ⁽⁵⁾	287,384	0.192%	143,692	
BNP PARIBAS SMALLCAP EUROLAND ⁽⁵⁾	1,569,016	1.046%	784,508	
Merck BNP Paribas European Small Cap ⁽⁵⁾	97,607	0.065%	48,804	
METROPOLITAN-RENTASTRO GROWTH ⁽⁵⁾	159,111	0.106%	79,556	
PARVEST EQUITY EUROPE SMALL CAP ⁽⁵⁾	3,863,880	2.576%	1,931,940	
PARWORLD TRACK EUROPE SMALL CAP ⁽⁵⁾	5,004	0.003%	2,502	
Stichting Bewaar ANWB – Eur Small Cap ⁽⁵⁾	149,732	0.100%	74,866	
Stichting Pensioenfonds Openbare Bibliotheken ⁽⁵⁾	130,657	0.087%	65,329	
BNP Paribas Investment Partners. Limited Company ⁽⁵⁾	Total	7,538,174	5.025%	3,769,087
Kames Capital plc ⁽⁶⁾	2,045,003	1.363%	1,022,502	
Kames Capital Management Limited ⁽⁶⁾	3,096,134	2.064%	1,548,067	
Aegon NV ⁽⁶⁾	Total	5,141,137	3.427%	2,570,569
Norges Bank	Total	3,143,496	2.096%	1,571,748
F&C Asset Management plc ⁽⁷⁾	3,124,801	2.083%	1,562,401	
Bank of Montreal ⁽⁷⁾	Total	3,124,801	2.083%	1,562,401
Henderson Global Investors Limited ⁽⁸⁾	3,037,609	2.025%	1,518,805	
Henderson Group plc ⁽⁸⁾	Total	3,037,609	2.025%	1,518,805
CTT. S.A. (own shares) ⁽⁹⁾	Total	200,177	0.133%	100,089
Other shareholders	Total	94,743,607	63.162%	47,371,804
Total		150,000,000	100.000%	75,000,000

⁽¹⁾ Company held by Standard Life Investments (Holdings) Limited.

⁽²⁾ Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champallimaud.

⁽³⁾ Company held by Artemis Investment Management LLP.

⁽⁴⁾ Previously, Allianz Global Investors Europe GmbH.

⁽⁵⁾ The qualifying holding of BNP Paribas Investment Partners represents 5.025% of CTT share capital and 4.773% of the voting rights (see CTT press release of 18-12-2015). Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB – Eur Small Cap; Stichting Pensioenfonds Openbare Bibliotheken.

⁽⁶⁾ As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

⁽⁷⁾ This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.

⁽⁸⁾ Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a disclosure of 8 January 2016, Henderson Group plc ceased to hold a qualified holding in CTT.

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

2014				
Shareholder	No. of shares	%	Nominal value	
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290	
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537	
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%	5,003,827
Kames Capital plc ⁽²⁾	2,045,003	1.363%	1,022,502	
Kames Capital Management Limited ⁽²⁾	3,096,134	2.064%	1,548,067	
Aegon NV ⁽³⁾	Total	5,141,137	3.427%	2,570,569
Allianz Global Investors Europe GmbH (AGIE) ⁽⁴⁾	Total	4,695,774	3.131%	2,347,887
UBS AG ⁽⁵⁾	3,705,257	2.470%	1,852,629	
UBS Fund Management (Switzerland) AG ⁽⁵⁾	55,397	0.037%	27,699	
UBS Fund Services (Luxembourg) AG ⁽⁵⁾	57,770	0.039%	28,885	
UBS Global Asset Management (UK) Limited ⁽⁵⁾	8,330	0.006%	4,165	
UBS Global Asset Management (Australia) Ltd ⁽⁵⁾	3,715	0.002%	1,858	
UBS Group AG ⁽⁶⁾	Total	3,830,469	2.554%	1,915,235
Morgan Stanley & Co. International plc ⁽⁷⁾	3,553,396	2.369%	1,776,698	
Morgan Stanley ⁽⁷⁾	Total	3,553,396	2.369%	1,776,698
Pioneer Funds – European Equity Target Income ⁽⁸⁾	613,645	0.409%	306,823	
Pioneer Funds – Global Equity Target Income ⁽⁹⁾	170,047	0.113%	85,024	
Pioneer Funds – ABS Return European Equities ⁽⁹⁾	95,475	0.064%	47,738	
Pioneer Funds – European Potential ⁽⁹⁾	825,082	0.550%	412,541	
Pioneer Funds – European Equity Value ⁽⁹⁾	764,953	0.510%	382,477	
Pioneer Funds – European Equity Market Plus ⁽⁹⁾	15,876	0.011%	7,938	
Pioneer Funds – European Research ⁽⁹⁾	643,204	0.429%	321,602	
UniCredit S.p.A.	Total	3,128,282	2.086%	1,564,141
Artemis Fund Managers Limited ⁽¹⁰⁾	3,104,624	2.070%	1,552,312	
Artemis Investment Management LLP	Total	3,104,624	2.070%	1,552,312
FMRC-FMR CO., INC. ⁽¹¹⁾	716,444	0.478%	358,222	
FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K.) INC. ⁽¹⁰⁾	2,379,854	1.587%	1,189,927	
FMR LLC	Total	3,096,298	2.064%	1,548,149
DSAM Partners LLP ⁽¹²⁾	3,096,079	2.064%	1,548,040	
DSAM Cayman Ltd.	Total	3,096,079	2.064%	1,548,040
Goldman Sachs International ⁽¹³⁾				
Goldman Sachs Asset Management, L.P. ⁽¹³⁾				
Goldman Sachs Asset Management International ⁽¹³⁾				
The Goldman Sachs Group, Inc. ⁽¹³⁾	Total	3,019,750	2.013%	1,509,875
Other shareholders	Total	107,326,538	71.551%	53,663,269
Total		150,000,000	100.000%	75,000,000

⁽¹⁾ Company held by Standard Life Investments (Holdings) Limited.

⁽²⁾ As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.

⁽³⁾ This qualified shareholding is imputable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

⁽⁴⁾ By virtue of the merger of Allianz Global Investors Luxembourg, S.A. (AGIL) into Allianz Global Investors Europe (AGIE), the qualified shareholding mentioned above became imputable to AGIE.

⁽⁵⁾ Subsidiary of the UBS Group AG.

⁽⁶⁾ As a result of the acquisition of UBS AG by UBS Group AG the shares of UBS AG were transferred to UBS Group AG. The UBS AG subsidiaries also became controlled by UBS Group AG.

⁽⁷⁾ The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.

⁽⁸⁾ Fund managed by Pioneer Investments Kapitalgesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.

⁽⁹⁾ Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.

⁽¹⁰⁾ Company held by Artemis Investment Management LLP.

⁽¹¹⁾ Company owned by FMR LLC.

⁽¹²⁾ The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.

⁽¹³⁾ The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

Expiration/Exercise/ Conversion Period/Date	No. of shares/voting rights that may be acquired if the instrument is exercised/converted	% of voting rights that may be obtained if the instrument is exercised/converted
25-Nov-2019	2,453	0.0016%
22-Nov-2019	1,278	0.0009%
4-Dec-2024	506,660	0.3378%
4-Dec-2024	4,869	0.0032%
9-Dec-2024	600	0.0004%
23-Sep-2024	11,502	0.0077%
26-Sep-2024	360,000	0.2400%
11-Nov-2024	1,024	0.0007%
Total Number of voting rights and percentage of voting rights	888,386	0.59%

21. Own Shares, Reserves, Other Changes In Equity And Retained Earnings

Own shares

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

As at 31 December 2015, the company held 200,177 own shares, acquired in June 2015, which represented 0.133% of the Company's share capital.

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

In the year ended 31 December 2015, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9.357
Disposals	-	-	-
Balance at 31 December 2015	200,177	1,873,125	-

Reserves

As at 31 December 2015 and 31 December 2014, the heading Reserves is detailed as follows:

	2015	2014
Legal reserves	18,072,559	18,072,559
Own shares reserve (CTT S.A.)	1,873,125	-
Other reserves	13,438,428	13,701,407
	33,384,112	31,773,967

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 31 December 2015, this caption includes the amount of 1,873,125 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

As at 31 December 2015 and 31 December 2014 it also records the amount recognised in both years related to the Share Plan that constitutes the long-term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee in the amount of 2,987,092 Euros.

Retained earnings

During the years ended 31 December 2015 and 31 December 2014, the following movements were made in the heading Retained earnings:

	2015	2014
Opening balance	84,374,563	83,367,465
Application of the net profit of the prior year	77,171,128	61,016,067
Distribution of dividends (Note 22)	(69,750,000)	(60,000,000)
Adjustments from the application of the equity method	109,622	-
Other movements	(177,319)	(8,969)
Closing balance	91,727,994	84,374,563

Other changes in equity

The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 26).

Thus, for the years ended 31 December 2015 and 31 December 2014, the movements occurred in this heading were as follows:

	2015	2014
Opening balance	(18,786,310)	24,548,756
Actuarial gains/losses - Healthcare	114,181	(61,041,103)
Tax effect - Healthcare	27,297	17,706,037
Closing balance	(18,644,832)	(18,786,310)

22. Dividends

According to the dividends distribution proposal included in the 2014 Annual Report, at the General Meeting of Shareholders, which took place on 5 May 2015, a dividend distribution of 69,750,000 Euros relative to the financial year ended 31 December 2014 was proposed and approved. The dividend was paid on 29 May 2015.

At the General Meeting of Shareholders held on 5 May 2014, the shareholders approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at 31.12.2013) relative to the financial year ended 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

23. Earnings per Share

During the years ended 31 December 2015 and 31 December 2014, the earnings per share were calculated as follows:

	2015	2014
Net profit for the year	72,065,283	77,171,128
Average number of ordinary shares	149,883,331	150,000,000
Earnings per share:		
Basic	0.48	0.51
Diluted	0.48	0.51

The average number of shares is detailed as follows:

	2015	2014
Shares issued at the beginning of the period	150,000,000	150,000,000
Own shares effect	116,669	-
Average number of shares during the period	149,883,331	150,000,000

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the Group. As at 31 December 2015, the number of own shares held by the Group is 200,177 and its average number for the year ended 31 December 2015 is 116,669, reflecting the fact that the acquisition of own shares occurred in June 2015.

There are no dilutive factors of earnings per share.

24. Non-Controlling Interests

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in non-controlling interests:

	2015	2014
Opening balance	(323,703)	1,604,372
Net profit for the year attributable to non-controlling interests	5,352	(327,492)
Distribution of dividends	-	(198,423)
Disposals	-	(1,395,678)
Other movements	493,673	(6,482)
Closing balance	175,322	(323,703)

As at 31 December 2015 and 31 December 2014, non-controlling interests related to the following companies:

	2015	2014
Correio Expresso de Moçambique. S.A.	175,322	(323,703)
	175,322	(323,703)

25. Debt

As at 31 December 2015 and 31 December 2014, debt is detailed as follows:

	2015	2014
Non-current liabilities		
Bank loans	95,241	-
Leasing	940,281	1,913,118
	1,035,522	1,913,118
Current liabilities		
Bank loans	6,028,197	824,650
Leasing	1,049,958	955,484
Other loans	-	65,936
	7,078,155	1,846,070
	8,113,677	3,759,188

At 31 December 2015, the interest rates applied to finance leases were between 0.60% and 0.83% (31 December 2014: between 0.62% and 0.91%) and the interest rates applied to other loans were between 0.06% and 2.10% (31 December 2014: 0.56% and 3.84%).

Bank loans and other loans

As at 31 December 2015 and 31 December 2014, the details of the bank loans were as follows:

Financing entity	2015			2014		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans:						
Banco Sabadell (Spain)	400,000	-	-	400,000	-	-
BBVA (Spain)	500,000	-	-	500,000	-	-
Millennium BCP (Spain)	9,750,000	5,991,565	-	5,000,000	818,911	-
BIM - (Mozambique)	218,270	-	-	218,270	5,739	-
BIM - (Mozambique)	131,873	36,632	95,241			
Other loans:						
Millennium BCP	5,000,000	-	-	5,000,000	-	-
Millennium BCP	250,000	-	-	250,000	-	-
Millennium BCP	150,000	-	-	150,000	-	-
BIM - (Mozambique)	77,861	-	-	77,861	65,936	-
Millennium BCP (Mozambique)	25,954	-	-	25,954	-	-
	16,503,958	6,028,197	95,241	11,622,085	890,586	-

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

Leasings

As at 31 December 2015 and 31 December 2014, the Group has the following assets under finance leases:

	2015				2014			
	Gross amount	Depreciation/accumulated impairment losses	Carrying amount	Gross amount	Depreciation/accumulated impairment losses	Change in consolidation perimeter	Carrying amount	
Land	9,425,895	815,990	8,609,905	9,651,895	815,990	(226,000)	8,609,905	
Buildings and other constructions	4,963,685	1,397,118	3,566,567	5,641,685	1,296,022	(678,000)	3,667,663	
Basic equipment	-	-	-	856,109	-	(856,109)	-	
Transport equipment	19,371	18,854	517	87,790	18,854	(68,419)	517	
	14,408,951	2,231,962	12,176,989	16,237,479	2,130,866	(1,828,528)	12,278,085	

The key contracts are the following:

CTT, S.A. is the lessee, under a leasing contract signed with IMOLEASING – Sociedade de Locação Financeira Imobiliária, S.A., of a property in the municipality of Maia (Porto) where the Mail Sorting Centre is located. The type of lease contract determines its

classification as a lease, namely the fact there is an option to buy it for a residual value of approximately 6% of the contract value considered significantly lower than the estimated market value at the end of the contract. There are no contingent rents payable nor any restrictions.

The subsidiary CTT Expresso is the lessee of a property located in Perafita (Matosinhos) where is located the Operating Centre of the Northern Region, which includes an option to buy the asset at the end of the contract for a residual value considered significantly lower than the estimated market value at the end of the contract.

The monthly rents are calculated based on the initial contract value, and it is possible to exercise the call option by paying a residual value.

There are no other restrictions in the contracts that have been signed.

As at 31 December 2015 and 31 December 2014, the Group's liabilities with financial lease contracts presented the following plan of due dates:

	2015			2014		
	Capital	Interest	Total	Capital	Interest	Total
Due within 1 year	1,049,958	10,139	1,060,097	955,484	19,986	975,470
Due between 1 to 5 years	940,281	1,742	942,023	1,913,118	13,605	1,926,723
Over 5 years	-	-	-	-	-	-
	940,281	1,742	942,023	1,913,118	13,605	1,926,723
Total	1,990,239	11,881	2,002,120	2,868,602	33,591	2,902,192

For the years ended 31 December 2015 and 31 December 2014, the values paid in relation to leasing interest amounted to 18,201 Euros and 34,441 Euros, respectively.

26. Employee Benefits

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare, (ii) other benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2015 and 31 December 2014, these liabilities presented the following movement:

	2015			2014	
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954
Movement of the period	(4,360,000)	(13,086,203)	(17,446,203)	1,610,685	(15,835,518)
Closing balance	236,806,000	23,039,345	259,845,345	2,987,092	262,832,437
	2014			2013	
	Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	263,371,000	35,172,054	298,543,054	1,376,407	298,543,054
Movement of the period	(22,205,000)	953,493	(21,251,507)	1,610,685	(19,875,100)
Closing balance	241,166,000	36,125,547	277,291,547	2,987,092	278,667,954

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

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

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

	2015	2014
Equity (Other reserves)	2,987,092	1,376,407
Non-current liabilities	241,306,773	255,541,102
Current liabilities	18,538,572	21,750,445
	262,832,437	278,667,954

As at 31 December 2015 and 31 December 2014, the costs related to employee benefits recognised in the consolidated income statement and the amount recognised directly in Other changes in equity were as follows:

	2015	2014
Costs for the period		
Healthcare	9,942,000	(68,905,327)
Other long-term employee benefits	(7,075,980)	7,602,753
Other long-term benefits statutory bodies	1,610,685	1,376,407
	4,476,705	(59,926,168)
Other changes in equity		
Healthcare	114,181	(61,041,103)
	114,181	(61,041,103)

Healthcare

As mentioned in Note 2.18, CTT is responsible for financing the healthcare plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2015.

The main assumptions followed in the actuarial study were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries growth rate	2.25%	2.75%
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP < 2%)	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Health costs growth rate		
- Inflation rate	1.50%	2.00%
- Growth due to ageing	2.00%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability table	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA" or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The maintenance of the discount rate of 2.50% is motivated by the Group's analysis of the evolution of the macroeconomic context taking into account a constant need to match the actuarial and financial assumptions to that reality.

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

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

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

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

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

	2015	2014	2013	2012	2011
Liabilities at the end of the period	236,806,000	241,166,000	263,371,000	252,803,000	272,102,000

For the years ended 31 December 2015 and 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	2015	2014
Opening balance	241,166,000	263,371,000
Service cost of the year	4,042,000	3,825,000
Interest cost of the year	5,900,000	10,268,000
Plan amendment	-	(82,998,327)
Pensioners contributions	5,113,703	3,607,690
(Payment of benefits)	(18,654,596)	(16,894,342)
(Other costs)	(646,926)	(1,054,123)
Actuarial (gains)/losses	(114,181)	61,041,103
Closing balance	236,806,000	241,166,000

In February 2015, CTT signed with effect as from 31 December 2014, the revised Regulation of the Social Works ("RSW"), the internal healthcare and social protection system of CTT, with the eleven trade unions represented in the company. The revised RSW of CTT maintains a high but balanced protection level, while rationalising the use of benefits. Accordingly, the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments, while the all-encompassing feature of the system was maintained and some social support measures were strengthened.

The revised plan entailed a significant reduction in the estimate of CTT future healthcare expenses and therefore a corresponding reduction in past services liabilities as at 31 December 2014, which has been considered as an amendment to the plan and therefore recognised in profit and loss.

During the years ended 31 December 2015 and 31 December 2014, the total costs were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 36)	3,395,074	(80,227,450)
Other costs	646,926	1,054,123
Interest expenses (Note 40)	5,900,000	10,268,000
	9,942,000	(68,905,327)

As at 31 December 2015, the actuarial (gains)/losses in the amount of (114,181) Euros (61,041,103 Euros as at 31 December 2014) were recognised in equity under Other changes in equity, net of deferred taxes of 27,297 Euros (17,706,037 Euros as at 31 December 2014).

The best estimate the Group has at this date for costs related to the healthcare plan, which it expects to recognise in the next annual period is 9,770 thousand Euros.

The sensitivity analysis performed for the healthcare plan leads to the following conclusions:

- (i) If there was an increase of 1 per cent in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 292,432 thousand Euros, increasing by approximately 23.5%.
- (ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.7%, amounting to 255,040 thousand Euros.
- (iii) The use of adjusted mortality tables, differentiated between men and women [Men TV 73/77 (-2) and Women TV 88/90 (-3)], holding everything else constant, could translate into an increase of health care plan liability of about 5.5% amounting to a total of 249,883 thousand Euros.

Other long-term employee benefits

As mentioned in Note 2.18, in certain situations, the Group has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable.

As at 31 December 2015, the Company requested an actuarial study from an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of these liabilities were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries growth rate (Suspension of contracts)	2.25%	2.75%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	Law no. 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability rate	Swiss RE	Swiss RE

For the determination of the Group's liabilities to employees in situations of Suspension of contracts, redeployment and release of employment, salary growth rates of 2.25% were considered for 2015 and following years. For the benefits Monthly life annuity and Pensions for work accidents the pensions growth rate was 1.50% since under an analysis performed to these benefits' historical data it was concluded that updates were normally associated with the upgrades of the Portuguese Harmonised Index

of Consumer Prices (HICP). Regarding the remaining benefits, Telephone subscription fee and Support for termination of professional activity, no growth rate was considered since these benefits are not updated.

For the years ended 31 December 2015 and 31 December 2014, the movement of liabilities with other long-term employee benefits was as follows:

	2015	2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,810,243	19,743,891
Interest cost of the period	379,359	696,465
Liabilities relative to new beneficiaries	-	393,318
Curtailment	(4,782,194)	-
(Payment of benefits)	(5,187,776)	(5,738,282)
Actuarial (gains)/losses	14,599	2,714,852
Closing balance	8,234,231	17,810,243
Telephone subscription fee		
Opening balance	4,832,775	4,800,195
Interest cost of the period	114,854	178,544
(Payment of benefits)	(216,939)	(303,781)
Actuarial (gains)/losses	(212,420)	157,817
Closing balance	4,518,270	4,832,775
Pension for work accidents		
Opening balance	8,161,400	7,004,370
Interest cost of the period	198,665	271,647
(Payment of benefits)	(472,298)	(437,324)
Actuarial (gains)/losses	(1,024,176)	1,322,707
Closing balance	6,863,591	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the period	130,698	139,714
(Payment of benefits)	(97,925)	(112,271)
Actuarial (gains)/losses	(1,891,915)	1,710,168
Closing balance	3,423,253	5,282,395
Support for cessation of professional activity		
Opening balance	38,734	78,814
Interest cost of the period	484	1,576
(Payment of benefits)	(35,284)	(57,602)
Actuarial (gains)/losses	(3,934)	15,946
Closing balance	-	38,734
Total closing balances	23,039,345	36,125,547

During the years ended 31 December 2015 and 31 December 2014, the total costs for the year were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 36)		
Suspension of contracts, redeployment and release of employment	(4,767,595)	3,108,170
Telephone subscription fee	(212,420)	157,817
Pension for work accidents	(1,024,176)	1,322,707
Monthly life annuity	(1,891,915)	1,710,168
Support for cessation of professional activity	(3,934)	15,946
subtotal	(7,900,040)	6,314,808
Interest expenses (Note 40)	824,060	1,287,945
	(7,075,980)	7,602,753

Following the renegotiation of the conditions related to workers in situations of Suspension of contracts, redeployment and release of employment, CTT recorded a liability reduction in the amount of 4,782,194 Euros.

As a result of the pensions growth rate's change applied to the benefits Monthly life annuity and Pensions for work accidents the related liability decreased significantly, which is reflected in results in Staff costs.

In the year ended 31 December 2014, due to Law 11/2014, of 6 March, which establishes convergence mechanisms of the social protection system for civil servants to the general social security scheme by modifying the retirement schemes, the retirement age changed from 65 to 66 years of age for employees covered by “Caixa Geral de Aposentações” (“CGA”). This change had a more significant impact on the liability related to the Suspension of contracts, redeployment and release of employment where the increase in the liability was about 2,137 thousand Euros.

As at 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit related to the Telephone subscription fee. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

The best estimate that the Group has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 529,495 Euros.

The sensitivity analysis performed on 31 December 2015 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4.1%, increasing to 23,984 thousand Euros.

Other long-term benefits for the Statutory Bodies

CTT approved, with effect as from 31 December 2014, the Remuneration Regulation for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company shares (Note 2.19). The number of shares allocated to members of the CTT's Executive Committee is based on the performance evaluation results during the period of the term of office, until 31 December 2016, which consists of a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

The evaluation period of CTT TSR performance compared to peers is from 1 January 2014 to 31 December 2016. The long-term variable remuneration is paid on 31 January 2017, by allocating shares of the Company, subject to a positive TSR of the shares of the Company at the end of the evaluation period, according

to a maximum number of shares defined in the Regulation and corrected by maximum limits for each member of the Executive Committee.

On 31 December 2014, the liability of this long-term remuneration was calculated, based on the fair value of the shares, by an independent expert and by using a Black-Scholes methodology through the production of a Monte Carlo simulation model.

Therefore, as at 31 December 2015 CTT recorded a cost of 1,610,685 Euro corresponding to the period from 1 January 2015 to 31 December 2015, booked against Other reserves.

27. Provisions, Guarantees Provided, Contingent Liabilities And Commitments

Provisions

For the years ended 31 December 2015 and 31 December 2014, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which showed the following movement:

2015						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	9,907,427	1,942,805	(2,556,840)	(1,603,861)	1,413,169	9,102,700
Onerous contracts	16,854,955	1,291,580	(670,798)	(3,117,634)	-	14,358,103
Other provisions	18,693,363	1,212,339	(941,773)	(515,527)	(1,413,169)	17,035,233
Investments in associated companies	215,772	-	-	-	(25,997)	189,775
	45,671,517	4,446,724	(4,169,411)	(5,237,022)	(25,997)	40,685,811
Restructuring	-	1,880,000	(167,398)	(1,666,081)	-	46,521
	45,671,517	6,326,724	(4,336,809)	(6,903,103)	(25,997)	40,732,332
2014						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current provisions						
Litigations	10,868,975	4,848,272	(4,019,596)	(3,216,034)	1,425,810	9,907,427
Onerous contracts	12,643,714	6,728,727	-	(2,517,486)	-	16,854,955
Other provisions	14,775,306	6,452,173	-	(690,354)	(1,843,762)	18,693,363
Investments in associated companies	213,840	-	-	-	1,932	215,772
	38,501,835	18,029,172	(4,019,596)	(6,423,874)	(416,020)	45,671,517

Litigations

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

Onerous Contracts

During the year ended 31 December 2015, the provision to cover the estimate of the net present value of the net expenditure associated with onerous contracts was increased by 1,291,580 Euros. The remaining value was obtained from the update of the assumptions used in 2014, namely the discount rate.

As at 31 December 2015 the amount provided for contracts is 14,358,103 Euros (16,854,955 Euros as at 31 December 2014).

Other provisions

As at 31 December 2015 the provision to cover any contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences required by workers, was increased by 231,067 Euros, amounting to 15,142,991 Euros (16,374,091 Euros as at 31 December 2014).

As at 31 December 2015, in addition to the previously mentioned situations, this heading also includes:

- the amount of 204,480 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 981,272 Euros, which arises from the assessment made by the management regarding the possibility of tax contingencies.

Investments in associated companies

The provision for investments in associated companies corresponds to the assumption by the Group of legal or constructive obligations regarding the associated company PayShop Moçambique, S.A.

Restructuring

During the year ended 31 December 2015, a provision for restructuring was recognised in the accounts of the subsidiary Tourline Express Mensajería, SLU, for 1,880,000 Euros, following the human resources optimisation and restructuring process, timely disclosed by the parent company. The ongoing process is aimed at increasing the operational efficiency of Tourline by reducing its staff costs, as well as improving and simplifying processes in the context of the restructuring plan currently being implemented. This provision was recorded under the line Staff costs in the consolidated income statement. As at 31 December 2015, it amounts to 46,521 Euros.

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (277,313) Euros and (14,009,576) Euros as at 31 December 2015 and 2014, respectively.

Guarantees provided

As at 31 December 2015 and 31 December 2014, the Group had provided bank guarantees to third parties as follows:

Description	2015	2014
Courts	200,087	325,684
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE - Sociedade Imobiliária, Lda	2,944,833	2,944,833
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Lisboagás, S.A.	190,000	190,000
Autarquias	183,677	154,677
Sofinsa	-	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	-	77,969
Alfândega do Porto	-	74,820
Secretaria Geral do Ministério da Administração Interna	-	44,547
ACT Autoridade Condições Trabalho	59,395	67,638
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
Record Rent a Car (Cataluña, Levante)	40,000	40,000
SetGás, S.A.	30,000	30,000
ANA - Aeroportos de Portugal	34,000	34,000
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Natur Import (nave Barbera)	-	18,096
Portugal Telecom, S.A.	16,657	16,657
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180
Petrogal, S.A.	-	10,774
Águas do Porto, E.M	10,720	10,720
Alquiler Nave Tarragona	-	7,155
TNT Express Worldwide	6,010	6,010
SMAS Torres Vedras	2,808	4,001
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	-	3,400
Inmobiliaria Ederkin	7,800	7,800
Promodois	6,273	-
Águas de Coimbra	870	-
Direção Geral do Tesouro e Finanças	16,867	-
Instituto Infra-Estruturas Rodoviárias	-	3,725
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira, SA	12,681	12,681
REN Serviços, S.A.	9,818	9,818
EMEL, S.A.	19,384	19,384
IFADAP	1,746	1,746
Casa Pia de Lisboa, I.P.	-	1,863
Martinez Estevez	-	3,000
Gexploma	-	3,000
Consejeria Salud	6,433	6,433
Universidad Sevilla	4,237	4,237
Fonavi, Nave Hospitalet	40,477	40,477
Other entities	7,694	7,694
	14,336,996	14,758,985

Guarantees for Contracts

According to the terms of some lease contracts of the buildings occupied by the Group's services, the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided.

These guarantees have already been issued and amount to 12,599,031 Euros.

Commitments

As at 31 December 2015 and 31 December 2014, the Group subscribed promissory notes amounting to approximately 60.9 thousand Euros and 73.8 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the subsidiary Tourline and regarding the subsidiary Corre in the amount of 131,873 Euros, which are still active as at 31 December 2015.

As at 31 December 2015, the Group assumed commitments regarding the sponsoring of "Taça da Liga" (League Football Cup) in the amount of 1.5 million Euros.

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

The contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

28. Accounts Payable

As at 31 December 2015 and 31 December 2014, the heading Accounts payable showed the following composition:

	2015	2014
Advances from customers	3,043,051	2,996,416
CNP money orders	218,478,956	200,879,441
Suppliers	67,989,193	64,572,970
Invoices pending confirmation	9,834,805	12,958,575
Fixed assets suppliers	6,717,094	8,063,263
Invoices pending confirmation (fixed assets)	5,311,267	1,997,480
Values collected on behalf of third parties	5,881,304	5,645,991
Postal financial services	112,544,152	197,152,263
Customers deposits	52,422	-
Other accounts payable	6,039,433	5,270,507
	435,891,677	499,536,907

CNP money orders

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

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders. The high amount in this caption as at 31 December 2014 is largely explained by the significant volume of subscription of savings/ treasury certificates occurred in December 2014.

Suppliers, fixed assets suppliers

As at 31 December 2015 and 31 December 2014, the ageing of the balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

	2015	2014
Suppliers		
Non-overdue	22,897,539	14,865,726
0-30 days	6,425,563	8,694,897
30-90 days	12,499,262	8,659,132
90-180 days	1,423,112	2,551,882
180-360 days	8,255,781	7,657,452
> 360 days ⁽¹⁾	16,487,936	22,143,881
	67,989,193	64,572,970

⁽¹⁾ The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

	2015	2014
Fixed assets suppliers		
Non-overdue	6,325,283	7,367,690
0-30 days	241,226	400,198
30-90 days	42,735	29,847
90-180 days	-	43,697
180-360 days	-	59,389
> 360 days	107,850	162,443
	6,717,094	8,063,263

The increase in the caption Fixed assets suppliers is directly related to the investment in basic equipment (with particular emphasis on the acquisition of vehicles) and office equipment.

The current amount of accounts payable overdue over 360 days is as follows:

	2015	2014
National account payable	31,030	429,411
Foreign operators	16,456,906	21,714,470
Total	16,487,936	22,143,881
Foreign operators - receivables (Note 14)	(17,243,327)	(22,945,573)

The balances between Foreign Operators are cleared by netting accounts. These amounts are related to the accounts receivable balances related to these entities (Note 14).

29. Income Taxes Payable

As at 31 December 2015 and 31 December 2014 the heading Income taxes payable showed the following composition:

	2015	2014
Current liabilities		
Corporate income tax	7,922,942	6,173,214
	7,922,942	6,173,214

30. Other Current Liabilities

As at 31 December 2015 and 31 December 2014, the heading Other current liabilities showed the following composition:

	2015	2014
Current		
Estimated holiday pay, holiday subsidy and other remunerations	49,152,091	50,315,835
Estimated supplies and external services	30,650,178	18,037,952
State and other public entities		
Value Added Tax	1,405,729	3,740,619
Personal income tax withholdings	3,367,641	3,543,152
Social Security contributions	5,139,856	5,124,264
Caixa Geral de Aposentações	776,789	860,878
Local Authority taxes	515,275	521,000
Other taxes	577	20
Other	784,739	440,211
	91,792,877	82,583,931

The increase observed in the heading Estimated supplies and external services results essentially from the increase in accrued costs following a transitory process adaptation situation by the new supplier of the Healthcare Plan management.

31. Financial Assets and Liabilities

As at 31 December 2015 and 31 December 2014, the categories of financial assets and liabilities were as follows:

2015					
	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Other investments	-	1,106,812	-	-	1,106,812
Other non-current assets	601,103	-	-	-	601,103
Accounts receivable	124,355,641	-	-	-	124,355,641
Other current assets	12,590,310	-	-	10,346,634	22,936,944
Cash and cash equivalents	603,649,717	-	-	-	603,649,717
Total Financial Assets	741,196,771	1,106,812	-	10,346,634	752,650,216
Liabilities					
Medium and long term debt	-	-	1,035,522	-	1,035,522
Accounts payable	-	-	426,756,771	9,134,906	435,891,677
Short term debt	-	-	7,078,155	-	7,078,155
Cash and cash equivalents	-	-	31,434,918	60,357,959	91,792,877
Total Financial Liabilities	-	-	466,305,366	69,492,865	535,798,231

2014					
	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Other investments	-	1,106,812	-	-	1,106,812
Other non-current assets	790,601	-	-	-	790,601
Accounts receivable	133,290,415	-	-	-	133,290,415
Other current assets	16,953,369	-	-	5,832,013	22,785,382
Cash and cash equivalents	664,580,080	-	-	-	664,580,080
Total Financial Assets	815,614,466	1,106,812	-	5,832,013	822,553,290
Liabilities					
Medium and long term debt	-	-	1,913,118	-	1,913,118
Accounts payable	-	-	491,269,983	8,266,923	499,536,907
Short term debt	-	-	1,846,070	-	1,846,070
Cash and cash equivalents	-	-	18,478,162	64,105,769	82,583,931
Total Financial Liabilities	-	-	513,507,333	72,372,692	585,880,026

The Group believes that the fair value of its financial assets and liabilities is similar to its book value.

32. Subsidies Obtained

As at 31 December 2015 and 31 December 2014, the information regarding European Union subsidies or grants (Note 2.21) was as follows:

2015						2014				
Subsidy	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value to be received	Accumulated income	Value to be used
FEDER	9,815,622	9,662,306	153,316	9,465,126	350,496	9,815,622	9,662,306	153,316	9,453,925	361,697
IEFP	100,774	100,774	-	100,774	-	94,486	79,132	15,354	82,390	12,096
	9,916,396	9,763,080	153,316	9,565,900	350,496	9,910,108	9,741,438	168,670	9,536,315	373,792

The amounts received as investment subsidy – FEDER – are recognised in the consolidated income statement, under the heading Other operating income, as the corresponding assets are amortised.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. (“Institute of Employment and Professional Training”) (“IEFP”), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 15) and transferred to the consolidated income statement to the caption Other operating income, to the extent that the expenses were recognised.

33. Other Operating Income

For the years ended 31 December 2015 and 31 December 2014, the composition of the heading Other operating income was as follows:

	2015	2014
Supplementary revenues	3,214,885	4,348,820
Altice agreement	5,416,667	-
Prompt-payment discounts obtained	85,154	114,757
Gains in inventories	16,657	39,519
Favourable exchange rate differences of assets and liabilities different from financing	1,999,259	1,990,205
Income from financial investments	485,472	684,122
Income from non-financial investments	1,751,030	2,121,308
Interest income and expenses - financial services	516,707	2,305,688
VAT adjustments	6,409,103	-
Other	2,115,962	3,886,415
	22,010,897	15,490,832

The interest related to the Financial Services segment is recognised under this caption (Note 2.21).

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

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

34. External Supplies and Services

For the years ended 31 December 2015 and 31 December 2014, the composition of the heading External supplies and services was as follows:

	2015	2014
Transportation of goods	63,427,926	63,934,867
Specialised services	61,074,007	65,771,170
Rents	35,141,392	34,637,236
Energy and fuel	15,073,806	15,508,445
Remuneration to postal operators	18,051,278	17,242,525
Other services	13,568,885	12,980,182
Communication	2,691,023	4,058,295
Agencing	5,321,179	4,940,226
Subcontracts	4,178,927	4,750,345
Cleaning, hygiene and comfort	3,966,115	3,778,809
Remuneration to Postal Agencies	4,498,737	4,496,988
Insurance	3,498,473	3,128,038
Materials	1,840,512	1,656,662
Litigation and notary	275,234	307,177
Staff transportation	222,216	270,949
Royalties	254,430	217,896
	233,084,139	237,679,808

- (i) Transportation of goods refers to costs with the transportation of mail in several ways (sea, air, surface);
- (ii) Specialised services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;
- (iii) Rents mainly refer to costs with leased facilities from third parties and the operating lease of vehicles;
- (iv) Energy and fuel refers mainly to diesel for vehicles used in the operating process;
- (v) Remuneration to postal operators refer to costs with peer postal operators.

35. Operating Leases

As at 31 December 2015 and 31 December 2014, the Group maintained medium and long-term liabilities in operating lease contracts of vehicles, with penalty clauses in the case of cancellation.

The total amount of the future payments relative to operating leases is as follows:

	2015	2014
Due within 1 year	10,434,899	9,345,242
Due between 1 to 5 years	16,618,420	14,456,925
Over 5 years	-	-
	27,053,319	23,802,167

During the years ended 31 December 2015 and 31 December 2014, the costs incurred with operating lease contracts amount to 7,488,749 Euros and to 6,927,430 Euros, respectively, and are recognised under the caption Rents in the heading Supplies and external services of the consolidated income statement.

The operating leases relate to leasing agreements of short duration, in which the lessor transfers the temporary use of the asset to a third party upon payment of an income or rental.

Lease payments are made monthly by equal amounts during the period of the lease agreement and the recognition of the rent is considered as an expense which will also be performed on a linear basis (straight-line basis).

There is no recognition of any leased asset, because the lease is a rental in substance and there is no evidence that the lessee will obtain future economic benefits from the asset beyond the contract period.

The transfer of the legal ownership of the assets to the lessee at the end of the contract is not expected.

36. Staff Costs

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading Staff Costs was as follows:

	2015	2014
Statutory bodies remuneration (Note 42)	4,136,712	3,768,528
Staff remuneration	259,355,100	256,671,440
Employee benefits	(2,686,050)	(72,385,347)
Indemnities	5,891,115	2,423,911
Social Security charges	56,482,830	55,373,290
Occupational accident and health insurance	2,253,074	1,851,651
Social welfare costs	6,297,590	10,233,119
Other staff costs	42,509	70,144
	331,772,879	258,006,736

Remuneration of the statutory bodies

As at 31 December 2015 and 31 December 2014, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group were as follows:

2015					
	Board of Directors	Audit Committee/ Statutory Auditor	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,446,796	273,886	37,440	5,461	2,763,583
Annual variable remuneration	1,373,129	-	-	-	1,373,129
	3,819,925	273,886	37,440	5,461	4,136,712
Long-term remuneration					
Defined contribution plan RSP	207,458	-	-	-	207,458
Long-term variable remuneration - Share Plan	1,610,685	-	-	-	1,610,685
	1,818,143	-	-	-	1,818,143
	5,638,068	273,886	37,440	5,461	5,954,855

2014					
	Board of Directors	Audit Committee/ Statutory Auditor	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,028,033	284,459	28,808	-	2,341,300
Annual variable remuneration	1,427,228	-	-	-	1,427,228
	3,455,261	284,459	28,808	-	3,768,528
Long-term remuneration					
Defined contribution plan RSP	144,517	-	-	-	144,517
Long-term variable remuneration - Share Plan	1,376,407	-	-	-	1,376,407
	1,520,924	-	-	-	1,520,924
	4,976,185	284,459	28,808	-	5,289,452

Bearing in mind the new reality of CTT as an entity of private capital and admitted to trading on a regulated market, the Remuneration Committee (elected by the General Meeting on 24 March 2014 and composed of independent members) defined the new remuneration model for the statutory bodies which followed a benchmark study performed by a specialised firm and is already considered under the caption Statutory bodies' remuneration.

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office in Company shares, and the amount of 1,610,685 Euros corresponds to the expense to be recognised in the period between 1 January 2015 and 31 December 2015 and was determined by an actuarial study performed by an independent entity. The annual variable remuneration will be determined and paid on an annual basis and was also defined by an actuarial study performed by an independent entity.

Staff remuneration

The variation in this heading is mainly a result of the update of the fixed salaries of 2% following the new Company Agreement became effective on 1 January 2015.

Employee benefits

The amount registered in the caption Employee benefits in the year ended 31 December 2015 mainly reflects the liability reduction related to workers in a situation of Suspension of contract, redeployment and release of employment as well as the liability reduction related to the benefits Pension for work accidents and Monthly life annuity due to the update of the pensions' growth rate.

Indemnities

In the year ended 31 December 2015 this caption includes the amount of 2,988,045 Euros related to compensations paid for termination of employment contracts by mutual agreement.

It also includes the amount of 1,712,602 Euros related to the provision for restructuring recorded in Tourline following the human resources optimisation in the context of the restructuring plan currently being implemented in the Company.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the Group with the active workers, as well as expenses related to Health and Safety at work. The decrease in this caption results

from changes that took place in CTT's Healthcare Plan following the revised Regulation of the Social Works (RSW), according to which the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments.

As at 31 December 2015 and 31 December 2014, the heading Staff costs includes the amounts of 807,237 Euros and 828,060 Euros, respectively, related to expenses with workers' representative bodies.

For the years ended 31 December 2015 and 31 December 2014, the average number of staff of the Group was 12,445 and 12,448 employees, respectively.

37. Impairment of Inventories and Accounts Receivable

For the years ended 31 December 2015 and 31 December 2014, the detail of Impairment of inventories and accounts receivable, net was as follows:

	2015	2014
Impairment losses		
Customers (Note 14)	4,625,870	7,575,359
Other accounts receivable (Note 18)	539,816	1,539,178
Inventories (Note 13)	71,965	48,534
	5,237,651	9,163,071
Reversals of impairment losses		
Customers (Note 14)	2,025,960	875,184
Other accounts receivable (Note 18)	1,500,571	1,046,957
INESC loan (Note 18)	24,870	1,025,722
Inventories (Note 13)	275,816	337,942
	3,827,217	3,285,805
Net movement of the period	1,410,434	5,877,266

38. Depreciation/Amortization (Losses/Reversals)

For the years ended 31 December 2015 and 31 December 2014, the detail of Depreciation/amortisation and impairment losses, net was as follows:

	2015	2014
Tangible fixed assets		
Depreciation (Note 5)	19,278,804	17,815,704
Impairment losses (Note 5)	(123,714)	2,530
Intangible assets		
Amortisation (Note 6)	3,832,949	2,979,278
Investment properties		
Depreciation (Note 7)	752,365	764,567
Impairment losses (Note 7)	(167,403)	(156,480)
	23,573,001	21,405,600

39. Other Operating Costs

For the years ended 31 December 2015 and 31 December 2014, the breakdown of the heading Other operating costs was as follows:

	2015	2014
Taxes	1,894,532	1,627,497
Bad debts	1,090,569	569,304
Losses in inventories	510,693	397,190
Costs and losses from non-financial investments	368,018	390,193
Concession rent	-	11,287
Unfavourable exchange rate differences of assets and liabilities different from financing	2,029,152	1,934,484
Donations	908,366	1,038,825
Banking services	1,181,262	1,110,280
Interest on arrears	88,201	14,651
Subscriptions	804,791	763,775
Deposits Guarantee Fund /Resolution Unified Fund	51,000	-
Other costs	2,510,241	2,589,718
	11,436,825	10,447,204

40. Interest Expenses and Interest Income

For the years ended 31 December 2015 and 31 December 2014, the heading Interest Expenses had the following detail:

	2015	2014
Interest expenses		
Bank loans	77,473	153,478
Other interest	26,823	66,218
Interest costs from employee benefits	6,746,892	11,555,946
Other interest costs	10,212	22,079
	6,861,401	11,797,721

During the years ended 31 December 2015 and 31 December 2014, the heading Interest income was detailed as follows:

	2015	2014
Interest income		
Deposits in credit institutions	1,483,388	4,225,231
Other supplementary income	1,775	99,956
	1,485,163	4,325,187

41. Income Tax for the Period

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit above 1,500,000 Euros and 5% of taxable profit above 7,500,000 up to 35,000,000 Euros and 7% of the taxable profit above 35,000,000 Euros. Tourline is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary Corre is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

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

Reconciliation of the income tax rate

For the years ended 31 December 2015 and 31 December 2014, the reconciliation between the nominal rate and the effective income tax rate is as follows:

	2015	2014
Earnings before taxes	104,609,981	127,998,690
Nominal tax rate	21.0%	23.0%
	21,968,096	29,439,699
Tax Benefits	(198,588)	(270,373)
Accounting capital gains	17,549	(51,057)
Tax capital gains	(394,293)	(338,751)
Equity method	5,938	56,948
Provisions not considered in the calculation of deferred taxes	19,167	13,633
Impairment losses and reversals	(133,566)	4,319,294
Other situations, net	959,041	5,920,739
Adjustments related with - autonomous taxation	1,628,892	582,101
Adjustments related with - Municipal Surcharge	1,496,378	1,242,098
Adjustments related with - State Surcharge	5,162,504	3,951,454
Impact of the change in income tax rate (deferred tax)	(574,330)	4,616,986
Tax losses with no deferred tax assets recognised	2,648,348	2,418,712
Excess estimated income tax	(65,790)	(746,429)
Income taxes for the period	32,539,346	51,155,054
Effective tax rate	31.11%	39.97%
Income taxes for the period		
Current tax	28,469,567	24,823,529
Deferred tax	4,135,569	27,077,954
Excess estimated income tax	(65,790)	(746,429)
	32,539,346	51,155,054

In the year ended 31 December 2014 the heading Excess estimated income tax includes the amount of 487,839 Euros related to the tax credit allocated under the SIFIDE programme of 2006 and 2008 of the subsidiary CTT Expresso.

Deferred taxes

As at 31 December 2015 and 31 December 2014, the balance of deferred tax assets and liabilities was composed as follows:

	2015	2014
Deferred tax assets		
Employee benefits - healthcare	67,158,181	67,864,112
Employee benefits - other long-term benefits	6,531,878	10,160,424
Deferred accounting capital gains	1,723,242	2,384,961
Impairment losses and provisions	8,997,558	10,134,884
Tax losses carried forward	342,161	-
Impairment losses in tangible fixed assets	405,373	497,238
Share Plan	847,140	387,321
Land and buildings	1,392,924	-
Other	137,484	-
	87,535,941	91,428,940
	2015	2014
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	3,562,520	3,793,815
Suspended capital gains	971,679	994,953
Other	42,399	52,916
	4,576,598	4,841,684

As at 31 December 2015, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 4,428,230 Euros and 265,086 Euros, respectively.

During the years ended 31 December 2015 and 31 December 2014, the movements which occurred under the deferred tax headings were as follows:

	2015	2014
Deferred tax assets		
Opening balances	91,428,940	103,645,256
Effect on net profit		
Employee benefits - healthcare	(733,228)	(28,063,112)
Employee benefits - other long-term benefits	(3,628,545)	(273,016)
Deferred accounting gains	(661,719)	(844,727)
Impairment losses and provisions	(1,142,594)	1,482,942
Impairment losses in tangible fixed assets	(91,864)	44,378
Derecognition of inventories	-	(77,821)
Value deducted from debts	-	(18,692)
Tax losses carried forward	24,628	(2,432,701)
Share plan	459,819	387,321
Land and buildings	1,392,924	-
Other	460,283	(124,155)
Effect on net profit		
Employee benefits - healthcare	27,297	17,706,037
Change in consolidation perimeter		
Other	-	(2,770)
Closing balance	87,535,941	91,428,940

	2015	2014
Deferred tax liabilities		
Opening balances	4,841,684	5,481,878
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(231,295)	(495,037)
Suspended capital gains	(23,274)	(87,502)
Outros	(10,517)	(57,655)
Closing balance	4,576,598	4,841,684

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Corre. Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, except the tax losses related to 2012, 2013 and 2014, which may be carried forward in the next 18 years. The tax losses of Corre relate to the year of 2013 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.6 million Euros.

SIFIDE

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

Regarding the expenses incurred with R&D during 2013, of 33,987 Euros, the Group will had the possibility of benefiting from a tax deduction in income tax estimated at 9,519 Euros. According to the notification dated 16 January 2015 of the Certification Commission a tax credit of 8,337 Euros was attributed to CTT.

In relation to the expenses incurred with R&D during 2014 of 736,033 Euros, the Group had the possibility of benefiting from a tax deduction in income tax estimated at 514,753 Euros. According to the notification dated 18 January 2016 of the Certification Commission a tax credit of 268,898 Euros was attributed to CTT.

Regarding the year ended 31 December 2015, the expenses incurred with R&D of 3,358,151 Euros, the Group will have the possibility of benefiting from a tax deduction in income tax estimated at 2,556,380 Euros.

Other information

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

2012 (remain open and inclusive) may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2015.

42. Related Parties

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

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

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

During the years ended 31 December 2015 and 31 December 2014, the following transactions took place and the following balances existed with related parties:

2015					
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	69,750,000	-
Other shareholders of Group companies					
Associated companies	11,579	21,592	18,841	-	109,211
Jointly controlled	136,855	14,574	524,252	-	187,938
Members of the					
Board of Directors	-	-	-	-	3,819,925
Board of the General Meeting	-	-	-	-	5,461
Audit Committee	-	-	-	-	273,886
Remuneration Board	-	-	-	-	37,440
	148,434	36,166	543,093	69,750,000	4,433,860

2014					
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Shareholders	-	-	-	60,000,000	-
Other shareholders of Group companies					
Associated companies	2,901	226	18,048	-	84,300
Jointly controlled	51,389	945	250,988	-	177,272
Members of the					
Board of Directors	-	-	-	-	3,455,261
Board of the General Meeting	-	-	-	-	-
Audit Committee	-	-	-	-	284,459
Remuneration Board	-	-	-	-	28,808
	54,291	1,171	269,036	60,000,000	4,030,100

The transactions and balances between subsidiaries are eliminated in the consolidation process and are not disclosed in this note. For details of the transactions eliminated in the consolidation process, see equivalent note in the notes to corporate financial statements.

43. Fees and Services of the External Auditors

The information concerning the fees and services provided by the Group's external auditors is detailed in items 46 and 47 of the Corporate governance report.

44. Other Information

Postal Bank

The year 2015 allows the monitoring and update the results of several market studies carried out by CTT and also allowed several visits to postal banks in Europe, having developed an in-depth knowledge of international postal banking models and strategies in terms of offer and growth processes.

Simultaneously, and throughout the year 2015, the market and the behaviour of the main indicators was continuously monitored and the Bank's strategy was being updated in line with the requirements and surrounding context, leading to a gradual adjustment of the economic and financial model.

The project and its strategic framework were reiterated and presented to investors/shareholders of CTT in the Capital Markets Day, held on 19 November, where it was possible to detail the value offer, positioning and some of the indicators.

Banco CTT is a banking project that is positioned in the mass market/retail with strong gains in solid balance sheet, in simplicity and proximity, leveraging the existing resources structure.

After the submission of the process which supported the Special Registry with the Bank of Portugal, in early July, and following the interactions with the regulator, it was possible to safeguard all the requirements set by the Bank of Portugal, and in October 2015 Banco CTT was authorized to complete its special registration process, and start the implementation of the applicable regulatory requirements, particularly regarding anti-money laundering and terrorist financing policies.

Banco CTT initiated its activity on 27 November, by opening the head agency in a soft opening, which allowed systems, processes and banking practices to be tested in a controlled environment before opening to the general public, scheduled for the first quarter of 2016.

Memorandum of Understanding with Altice Portugal, S.A.

In November 2014, CTT signed a Memorandum of Understanding with Altice, which was at the time bidding to acquire PT Portugal S.A., aiming at concluding a Framework Agreement to maximise the joint synergies of CTT and PT Portugal.

Upon the acquisition of PT Portugal by Altice, CTT has already received, in June 2015, the initial payment, established by contract.

During the second semester, several interactions have been developed regarding the definition of the specific business partnerships which should generate value for both companies, in particular the joint optimisation of the retail networks, taking advantage of the scale and capillarity of the CTT Retail Network, and the development of joint-ventures in the area of e-commerce, physical-digital convergence as well as the value creation within the Financial Services of CTT and Banco CTT. However, due to MEO's priorities following the acquisition, no specific partnership has yet been materialised.

Escrita Inteligente, S.A.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online". The solution in question allows electronic invoicing, permitting retailers and other entities, to eliminate the traditional paper printing through a digital version with equal legal value, and consumers to have a platform to gather their expenses (useful for personal income tax purposes).

45. Subsequent Events

Postal services prices update

CTT – Correios de Portugal, S.A. updated the prices with effect from 1 February 2016 onwards. These updated prices correspond to an average increase of 1.3% of the basket of letter mail, editorial mail and parcels services (which does not cover the universal service offer to bulk mailers who benefit from the special price scheme).

The new prices were defined in accordance with the Criteria for the Formulation of the Universal Service Prices laid down by ICP-Autoridade Nacional de Comunicações, the regulator of the communications sector (ANACOM) under article 14(3) of Law no. 17/2012, of 26 April, amended by Decree-Law no. 160/2013, of 19 November.

In accordance with the pricing policy of the company for 2016, the current update corresponds to an average annual price variation of 1.1%, which also takes into account the updated prices of reserved services (summons and postal notifications) and of the bulk mail.

Following the pricing policy for the year 2016, CTT, as the universal service provider, will provide an offer for the access to the universal service network by other operators, pursuant to article 38 of the Postal Law (Law No. 17/2012 of 26 April).

Banco CTT – General public opening

The opening of Banco CTT to the general public will occur on 18 March 2016, through the opening of Banco CTT branches in 52 CTT post offices, ensuring the bank's presence in all the country's districts including the islands of Madeira and the Azores. Being a natural evolution of the Financial Services segment, the opening of the bank will be initiated in CTT's post offices that have the greatest potential in this business area.

The activity of Banco CTT in these post offices will be developed according to two distinct models: dedicated spaces in almost all the post offices concerned, and dedicated counters, allowing for a clear identification and communication of the presence and enhancing the start of the banking activity.

Adequacy of the Express & Parcels business unit corporate structure

Following the analysis of Tourline's ongoing restructuring process results and of the decision to integrate the Express & Parcels network in the mail network, the most suitable corporate structure to meet the proposed strategic goals was analysed.

The integration strategy of the operations in Iberia has proven to be difficult to apply due to the different operational models and was therefore rejected in favour of the network integration in Portugal given the evident synergies and economies of scale observed. In this sense, on 15 March 2016 the Board of Directors approved the acquisition, by CTT, of the participation in Tourline from CTT Expresso. This transaction will have no impact in the consolidated financial statements of CTT.

Corporate Accounts

CTT - CORREIOS DE PORTUGAL, S.A.

Corporate balance sheet as at 31 december 2015 and 31 december 2014

Euros			
	Notes	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Tangible fixed assets	7	193,843,668	196,761,737
Investment property	8	19,783,095	23,329,763
Goodwill	9	8,058,656	7,705,457
Intangible assets	10	12,960,678	8,934,087
Investment in subsidiaries and associated companies	11	57,363,394	35,876,915
Investment in other companies	12	1,106,812	1,106,812
Accounts receivable from Group companies	6	6,750,000	9,103,098
Other accounts receivable	15	586,741	790,601
Deferred tax assets	38	86,330,601	90,547,447
Total non-current assets		386,783,645	374,155,917
Current assets			
Inventories	14	4,671,709	5,002,908
Accounts receivable	15	97,684,021	96,513,372
Portuguese State and other public entities	28	2,502,186	-
Accounts receivable from Group companies	6	3,291,221	733,318
Other accounts receivable	15	19,360,051	20,049,456
Deferrals	16	7,002,270	4,670,967
Cash and cash equivalents	4	559,542,719	649,688,918
Total current assets		694,054,177	776,658,939
Total assets		1,080,837,822	1,150,814,856
EQUITY AND LIABILITIES			
Equity			
Share capital	19	75,000,000	75,000,000
Own shares	20	(1,873,125)	-
Legal reserves	20	19,945,684	18,072,559
Other reserves	20	13,438,968	13,701,407
Retained earnings	20	72,869,417	62,752,243
Adjustments in investments	20	18,858,577	21,622,320
Other changes in equity	20	(18,393,737)	(18,526,395)
Net income for the year		72,065,283	77,171,128
Total equity		251,911,067	249,793,262
LIABILITIES			
Non-current liabilities			
Provisions	23	36,725,302	41,715,256
Medium and long term debt	25	724,845	1,187,975
Employee benefits	26	241,306,773	255,527,808
Deferrals	16	4,677,282	6,076,311
Deferred tax liabilities	38	4,633,600	4,890,550
Total non-current liabilities		288,067,802	309,397,900
Current liabilities			
Accounts payable	27	64,887,846	66,845,568
Portuguese State and other public entities	28	17,001,342	18,247,579
Accounts payable to Group companies	6	1,613,945	295,103
Short term debt	25	462,968	460,098
Employee benefits	26	18,499,767	21,594,809
Other accounts payable	27	427,854,060	478,688,808
Deferrals	16	10,539,025	5,491,729
Total current liabilities		540,858,953	591,623,694
Total liabilities		828,926,755	901,021,594
Total equity and liabilities		1,080,837,822	1,150,814,856

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

CTT - CORREIOS DE PORTUGAL, S.A.

Corporate income statement for the periods ended on 31 december 2015 and 31 december 2014

Euros					
		Twelve months ended		Three months ended	
	Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Sales and services rendered	30	550,979,418	544,860,686	138,165,711	145,343,425
Grants	29	8,119	62,745	-	21,242
Gains/losses from subsidiaries and associated companies	11	(4,058,785)	(18,672,591)	(462,036)	(23,035,916)
Own work capitalised		306,257	407,280	115,303	121,709
Cost of sales	14	(13,874,596)	(14,655,528)	(3,802,546)	(5,034,507)
Supplies and external services	32	(153,012,109)	(161,177,888)	(39,730,090)	(45,460,327)
Staff costs	33	(297,335,567)	(226,759,946)	(76,616,236)	(11,124,897)
Impairment of inventories, net	14, 18	268,616	332,471	347,441	487,418
Impairment of accounts receivable, net	15, 18	248,629	46,382	(52,039)	(1,218,982)
Provisions, net	23	246,722	(9,668,919)	(60,022)	(8,765,841)
Other operating revenues	31	51,298,403	47,278,332	18,906,806	9,345,349
Other operating costs	35	(8,328,937)	(8,399,468)	(1,572,777)	(2,494,094)
Earnings before interest, taxes, depreciation and amortisation		126,746,170	153,653,556	35,239,515	58,184,579
Depreciation and amortisation, net	34	(19,732,394)	(18,395,130)	(5,698,056)	(4,603,666)
Impairment of depreciable/amortisable assets, net	7	291,117	153,950	(133,321)	93,360
Operating income (earnings before interest and taxes)		107,304,893	135,412,376	29,408,138	53,674,273
Interest and similar income received	36	283,466	519,287	69,904	116,447
Interest and similar expenses	36	(6,774,705)	(11,629,302)	(1,693,146)	(2,849,454)
Income before taxes		100,813,654	124,302,361	27,784,896	50,941,266
Income tax	38	(28,748,371)	(47,131,233)	(6,354,569)	(26,403,710)
Net income for the year		72,065,283	77,171,128	21,430,327	24,537,556
Earnings per share	22	0.48	0.51	0.14	0.16

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

CTT - CORREIOS DE PORTUGAL, S.A.

Corporate statement of changes in equity for the periods ended on 31 december 2015 and 31 december 2014

Euros										
	Notes	Share capital	Own shares	Legal reserves	Other reserves	Retained earnings	Adjustments in investments	Other changes in equity	Net income for the year	Total equity
Balance on 1 January 2014		75,000,000	-	18,072,559	12,325,000	57,823,615	25,543,850	24,810,903	61,016,067	274,591,993
CHANGES DURING THE PERIOD										
Actuarial gains/losses - health care	20	-	-	-	-	-	-	(43,335,066)	-	(43,335,066)
Other changes in equity	20	-	-	-	1,376,407	3,912,561	(3,921,530)	(2,232)	-	1,365,207
		-	-	-	1,376,407	3,912,561	(3,921,530)	(43,337,298)	-	(41,969,859)
Net income for the period									77,171,128	77,171,128
Comprehensive income									77,171,128	35,201,269
TRANSACTIONS WITH STAKEHOLDERS IN THE YEAR										
Appropriation of net income for the year of 2013	20	-	-	-	-	61,016,067	-	-	(61,016,067)	-
Distribution of dividends	21	-	-	-	-	(60,000,000)	-	-	-	(60,000,000)
		-	-	-	-	1,016,067	-	-	(61,016,067)	(60,000,000)
Balance on 31 December 2014		75,000,000	-	18,072,559	13,701,407	62,752,243	21,622,320	(18,526,395)	77,171,128	249,793,262
CHANGES DURING THE PERIOD										
Actuarial gains/losses - health care	20	-	-	-	-	-	-	141,478	-	141,478
Other changes in equity	20	-	-	-	1,610,685	2,696,046	(2,763,743)	(8,820)	-	1,534,168
		-	-	-	1,610,685	2,696,046	(2,763,743)	132,658	-	1,675,646
Net income for the period									72,065,283	72,065,283
Comprehensive income									72,065,283	73,740,929
TRANSACTIONS WITH STAKEHOLDERS IN THE YEAR										
Acquisition of own shares	20	-	(1,873,125)	1,873,125	(1,873,125)	-	-	-	-	(1,873,125)
Appropriation of net income for the year of 2014	20	-	-	-	-	77,171,128	-	-	(77,171,128)	-
Distribution of dividends	20, 21	-	-	-	-	(69,750,000)	-	-	-	(69,750,000)
		-	(1,873,125)	1,873,125	(1,873,125)	7,421,128	-	-	(77,171,128)	(71,623,125)
Balance on 31 December 2015		75,000,000	(1,873,125)	19,945,684	13,438,968	72,869,417	18,858,577	(18,393,737)	72,065,283	251,911,067

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

CTT – CORREIOS DE PORTUGAL, S.A.

Cash flow statement for the periods ended on 31 december 2015 and 31 december 2014

Euros			
	Notes	31.12.2015	31.12.2014
OPERATING ACTIVITIES:			
Collection from customers		563,510,468	552,932,792
Payments to suppliers		(158,179,087)	(167,588,299)
Payments to staff		(297,169,839)	(279,279,756)
Cash flow generated by operations		108,161,542	106,064,737
Payment of income tax		(22,257,569)	(15,303,753)
Payment of other taxes		(14,698,754)	(7,010,065)
Other receivables/payments		(53,133,970)	83,353,459
		(90,090,293)	61,039,641
Cash flow from operating activities (1)		18,071,248	167,104,378
INVESTING ACTIVITIES:			
Receivables remeting from:			
Tangible fixed assets		515,316	1,434,725
Financial investments		24,870	22,293,518
Loans granted		-	9,905,569
Interest and related income		2,168,561	6,704,914
Dividends	11	7,500,373	15,392,297
		10,209,119	55,731,024
Payments remeting from:			
Tangible fixed assets		(10,814,488)	(5,717,843)
Intangible assets		(1,574,138)	(210,199)
Financial investments	11	(34,418,622)	(23,153,803)
Loans granted		-	(11,205,569)
		(46,807,249)	(40,287,414)
Cash flow from investment activities (2)		(36,598,129)	15,443,610
FINANCING ACTIVITIES:			
Receivables remeting from:			
Loans obtained		-	-
		-	-
Payments remeting from:			
Loans repaid		-	-
Finance leases - repayment of principal		(460,260)	(456,115)
Interest and related expenses		(583,121)	(922,195)
Acquisition of own shares		(1,873,125)	-
Dividends	20	(69,750,000)	(60,000,000)
		(72,666,506)	(61,378,310)
Cash flow from financing activities (3)		(72,666,506)	(61,378,310)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(91,193,387)	121,169,677
Cash and cash equivalents at the beginning of the year	4	649,688,918	528,519,241
Merger		1,047,189	-
Cash and cash equivalents at the end of the year	4	559,542,719	649,688,918

The attached notes are an integral part of these statements.

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1. Introduction

1.1. CTT – Correios de Portugal, S.A.

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

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

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

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

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

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

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the currency mainly used by the Company.

1.2. Activity

The main activity of CTT is to establish, manage and operate the Universal Postal Service infrastructure in Portugal, and to render financial services. In addition, the corporate object of CTT also includes any activities that are complementary to these services, as well as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, electronic communication networks and services, in which CTT acts as a Mobile Virtual Network Operator (“MVNO”), and the provision of public interest or general interest services.

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

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

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

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

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

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

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

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

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

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

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

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

2. Accounting standards used to prepare the financial statements

The present financial statements were drawn up on a going concern basis from the Company’s ledgers and accounting records kept in conformity with the standards of the Sistema de Normalização Contabilística (“SNC”), regulated by the following legal diplomas:

- Decree-Law no. 158/2009, of 13 July, as rectified by Declaration of Rectification no. 67-B/2009, of 11 September, and as amended by Law no. 20/2010, of 23 August;
- Implementing Order no. 986/2009, of 7 September (Financial Statement Models);
- Notice no. 15652/2009, of 7 September (Conceptual Structure);
- Notice no 15655/2009, of 7 September (Accounting and Financial Reporting Standards);
- Notice no. 15654/2009, of 7 September (Interpretative Standards); and
- Implementing Order no. 1011/2009, of 9 September (Code of Accounts).

For all aspects related to recognition, measurement and disclosure were used the Accounting and Financial Reporting Standards (“NCRF”) which are an integral part of the SNC. The financial statements were prepared using the financial statement models established in article 1 of Implementing Order no. 986/2009, of 7 September, namely the balance sheet, income statement, statement of changes in equity, cash flow statement and notes.

The SNC standards were used to prepare the financial statements for the first time in 2010, and became the reference basis for subsequent periods.

Pursuant to the Annex to Decree-Law no. 158/2009, the Company supplementary applies the International Accounting Standards (“IAS”) adopted under Regulation (EC) no. 1606/2002 of the European Parliament and Council, the International Accounting and Financial Reporting Standards (“IAS/IFRS”) and their respective interpretations (“SIC/IFRIC”) of the IASB, in order to address any gaps or omissions relative to aspects of some transactions or particular situations that are not covered by the SNC.

During the years of 2015 and 2014, to which the present financial statements refer, there was no derogation of any provisions of the SNC which might have produced materially relevant effects and place in question the true and appropriate image of the information that was disclosed.

3. Significant accounting policies

The main accounting policies adopted by the Company in the preparation of these financial statements are described below and were applied consistently.

3.1. Tangible fixed assets

Tangible fixed assets (Note 7) are initially recorded at acquisition or production cost. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly imputable to the purchase, and (iii) the estimated costs of dismantlement, removal of the assets and restoration of the location (Notes 3.1.3 and 23). After their initial recognition, tangible fixed assets are measured at cost minus any accumulated depreciation and accumulated impairment losses, when applicable. Under the exception of NCRF3 – First-time Adoption of the Accounting Financial Reporting Standards, the reassessment of the tangible assets made, according with Portuguese legislation applying monetary indices, in the years prior to 1 January 2009, were kept, for the purposes of the NCRF, and the revalued amounts were referred to as “deemed cost”.

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

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

Land is not subject to depreciation.

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

On each reporting date, the Company assesses whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible fixed assets are subject to impairment tests, where any reserve of the carrying value relative to

the recoverable amount, should this exist, is recognised in income statement. The recoverable amount corresponds to the highest amount between the fair value of an asset minus the costs of selling it and its value in use.

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

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

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

3.2. Investment properties

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

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

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

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, the tangible fixed assets are measured at cost minus any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates are between 10 and 50 years.

The Company ensures the annual assessment of assets qualified as investment properties, in order to determine any impairment and perform the required fair value disclosure.

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

3.3. Concentration of corporate activities and Goodwill

Investments in subsidiaries, joint-ventures and associates are recorded at acquisition cost and subsequently measured by the equity method (Note 3.6).

At the date of acquisition of a subsidiary, jointly controlled entity or associate any excess of the acquisition cost compared with the identifiable fair value of the assets, liabilities and contingent liabilities of each acquired entity is considered goodwill (Note 9), in accordance with NCRF 14 – Business Combinations. Under the exception provided by NCRF 3 – First-time Adoption of the Accounting Financial Reporting Standards, the Company applied the provisions of NCRF 14 only to acquisitions occurred after 1 January 2009. The goodwill values corresponding to acquisitions before 1 January 2009 were kept, at the net amounts presented on that date.

Goodwill is not amortised, and its recoverable amount is assessed annually or whenever there is indication of an eventual loss of value. Impairment losses are recognised in the costs for the period. The recoverable amount is determined based on the value in use of the assets, and is calculated by using assessment methods based on cash flow discounting, considering market conditions, the time value and business risks. Impairment losses are not reversible.

In cases where the acquisition cost is less than the fair value of the acquired assets and liabilities, the difference is recorded as a financial gain in the income statement for the period when the acquisition takes place.

Whenever the cost of acquisition is less than the fair value of assets and liabilities acquired, the difference is recorded as financial gain in the income statement in the period in which the acquisition occurs after confirmation of the estimated fair value.

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

3.4. Intangible assets

Intangible assets (Note 10) are initially recorded at acquisition cost. After their initial recognition, intangible assets are measured at cost minus any accumulated amortisation and impairment losses, when applicable. Intangible assets are only recognised when it is probable that they will result in future economic benefits for the Company, and which can be measured reliably.

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

The cost of internally generated intangible assets comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended.

Intangible assets are amortised through the straight line method, as of the month when they are available for use, during their expected useful life, which is situated in a period varying between 3 and 20 years:

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

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

The Company performs impairment testing whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, being the difference, if any, recognised in the income statement. The recoverable amount is determined as the higher of its net selling price and value in use, which is calculated based on the present value of estimated future cash flows that are expected to be derived from continuing use of the asset and its disposal at the end of its useful life.

Gains or losses arising from the divestment of intangible assets are determined by the difference between the sales value and their carrying value on the date of the divestment, and are stated in the income statement as Other operating revenues or Other operating costs.

3.5. Foreign currency transactions and balances

Transactions in foreign currency (a currency different from the Company's functional currency) are recorded at the exchange rates in force on the transaction date. Monetary assets and liabilities in foreign currency for which there is no agreement on the determination of the exchange rate are converted to Euros at the exchange rates in effect at the reporting date. Non-monetary assets and liabilities recorded at historical cost, denominated in foreign currencies, are converted at the exchange rate of the transaction date.

Favourable and unfavourable currency conversion differences arising from differences between the exchange rates in force on the transaction dates and those in force on the collection, payment or reporting date are recorded as Other operating revenues or Other operating costs in the income statement for the period (Notes 31, 35, and 37). When a gain or a loss on a non-monetary item is recognised directly in equity, any exchange difference

included in that gain or loss is recognised directly in equity. When a gain or a loss on a non-monetary item is recognised in the income statement, any exchange difference included in that gain or loss is recognised in the income statement.

Positive currency conversion differences regarding financing activities are recorded in the income statement as Interest and similar income and negative differences as Interest and similar expenses (Notes 36 and 37).

The exchange rates used in the translation of the financial statements expressed in foreign currency are for the balance sheet, the closing exchange rates and, in the case of the income statement, the average exchange rate of the period.

The following exchange rates were used in the conversion of the balances and financial statements in foreign currency (X foreign currency for 1 Euro):

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

Source: Bank of Portugal.

3.6. Investments in subsidiaries, associates and other companies

Investments in which the Company holds control, usually represented by more than half the voting rights (subsidiary companies), in which it exercises a significant influence, usually where the investment represents between 20% and 50% of the voting rights (associated companies), or those it controls jointly with other entities, are recorded on the corporate statement of financial position in Investment in subsidiaries and associates companies, at acquisition cost and are measured subsequently by the equity method (Note 1.1).

Control is presumed to exist when the Company holds more than half of the voting rights or when it has the power to manage the financial and operating policies of an enterprise or an economic activity to obtain benefits from it, even if it has less than 50%.

The existence of significant influence is usually evidenced in one or more of the following ways:

- Representation on the Board of Directors or equivalent governing body of the investee;

- Participation in policy-making processes, including participation in decisions about dividends or other distributions;

- Material transactions between the Company and the investee;

- Interchange of the management team;

- Provision of essential technical information.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently, adjusted by the value corresponding to the investment in the income statement of the subsidiary, joint-ventures or associated companies, against Gains/losses from subsidiaries and associated companies, and through other changes in equity against Adjustments to financial assets in investments. Additionally, the investments may also be adjusted through the recognition of impairment losses. Whenever there are indicators that the assets may be impaired, assessments are carried out and the existing impaired losses are recorded as costs in the income statement.

The net income of subsidiaries, which have been acquired or disposed of during the period, are included in the income statement, from the date the Company holds control, significant influence or joint control until the date in which the company losses control, significant influence or joint control.

Whenever losses in associated or subsidiary companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the Company incurs in any legal or constructive obligation of assuming all those losses in the name of the associated or subsidiary company, in which case a provision is recorded (Note 23).

Dividends received from subsidiary and associated companies are recorded as a decrease in value of the Investment in subsidiaries and associates companies.

When the impairment losses recognised in prior years no longer exist are subject to reversal, with the exception of those related to goodwill.

The unrealised gains and losses on transactions with subsidiaries, jointly controlled entities and associates are eliminated in proportion to the Company's interest in subsidiary, jointly controlled entity or associate, against the investment in the subsidiary, jointly controlled entity or associate entity. Unrealised losses are eliminated similarly but only to the extent that the loss does not show that the transferred asset is impaired.

Financial investments are recorded in Investment in subsidiaries and associates companies at acquisition cost (Note 12). Whenever there are indicators that assets may be impaired, an assessment is carried out to these investments, and if there is an impairment loss, this is recorded as Impairment of others assets, net. Dividends received from companies thus classified are recorded in the income statement for the period when their distribution is decided and announced.

3.7. Impairment of tangible and intangible assets, except goodwill

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

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

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

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

3.8. Financial instruments

A financial instrument is an agreement which leads to a financial asset at an entity or a financial liability or equity instrument at another entity.

Financial assets, liabilities and equity instruments are recognised in the corporate statement of financial position when the Company becomes a party in the corresponding contractual provisions. A financial asset is any asset, whether money or a contractual right to receive money. A financial instrument is classified as a financial liability when there is a contractual obligation by the issuer to settle a principal amount and/or interest, by delivering cash or another financial asset, regardless of their legal form.

The Company's financial assets are basically its Customers and Other accounts receivable, Cash, and Cash equivalents. The financial liabilities are fundamentally its Debt and Suppliers and Other accounts payable. The financial assets and liabilities are measured on the reporting date at cost or amortized cost minus any impairment loss, or at fair value with the amendments to the fair value being recognised in the income statement. The Company measures the financial instruments at cost or amortized cost less impairment losses when they met the following conditions:

- The obligation is on demand or has a defined maturity date;
- The returns for the obligation holder are (i) of a fixed amount, (ii) of a fixed interest rate over the instrument's life, or of a variable rate that is indexed to a typical market for financing transactions (e.g.: Euribor), or includes a spread over the same index; and
- The obligation contains no contractual clause that would result in a face value loss and accrued interest loss for the holder (excluding the typical cases of credit risk).

At each financial reporting date an assessment is made as to whether there is objective evidence of impairment, namely of which an adverse effect may result on estimated future cash flows of the financial asset or group of financial assets, and whether it may be reliably measured at any time.

If there is objective evidence of impairment for the financial assets, the relating recoverable amount of the financial asset is determined, and the impairment loss is recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after their initial recognition.

An equity instrument is defined as any agreement which provides evidence of an interest in the Company's assets after subtraction of all the liabilities. Equity instruments are basically Company shares, supplementary and additional capital payments, whenever they comply with the concept of an equity instrument.

Accounts receivable

The balances of customers and other debtors constitute the accounts receivable derived from services rendered by the Company during normal business activity (Note 15). When it is expected that their collection will occur within one year or less, they are classified as current assets. Otherwise, they are classified as non-current assets.

Accounts receivable that are classified as current assets have no implicit interest and are stated at their respective nominal value, net of any impairment losses. Impairment losses identified are charged in income statement and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

Accounts receivable classified as non-current assets are measured at their respective amortised cost, determined in accordance with the effective interest rate method.

When there is evidence that they are impaired, the corresponding loss is recorded in income statement.

Their de-recognition only occurs when the contractual rights expire.

Financial assets at fair value through profit and loss

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

Cash and cash equivalents

The amounts included under the heading of cash and cash equivalents correspond to cash, sight deposits, time deposits and other cash investments which are repayable on demand with insignificant risk of change of value. These assets are measured at the amortised cost. Usually, their amortised cost does not differ from the nominal value.

For the purposes of the cash flow statement, the heading Cash and cash equivalents does not include the bank overdrafts reported in the corporate statement of financial position under Debt (Note 4).

Debt

Debt (Note 25) is recorded at cost or at amortized cost. They are expressed in current or non-current liabilities, depending on whether their maturity is less or more than a year, respectively. Their de-recognition only occurs when the obligations arising from contracts terminate, namely when their full payment, cancellation or expiry has taken place.

Financial charges are calculated according to the effective interest rate and stated through net income statement according to the accrual basis principle, and the due and unpaid amounts as at the reporting date are classified under Other accounts payable (Note 27).

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

Accounts payable

The balances of suppliers and other accounts payable (Note 27) are liabilities relative to the acquisition of goods or services by the Company during normal business activity. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Accounts payable classified as current liabilities are recorded at cost, which normally does not differ from their nominal value.

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

Their de-recognition only occurs when the obligations arising from agreements terminate, namely when their full payment, cancellation or expiry has taken place.

Equity instruments

An equity instrument is only recognised when it is issued and underwritten. If an equity instrument is issued and underwritten, and if the funds are not provided, the amount receivable is stated as a deduction from equity.

Should the Company acquire its own equity instruments, these instruments are recognised as a deduction from equity.

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

The costs related to an issue of equity which fails to be realised are recognised as expenditure in the income statement.

3.9. Inventories

Goods and raw materials, subsidiary materials and consumables (Note 14) are valued at the lowest cost between the acquisition cost and net realisable value, using the weighted average cost as the method of valuing warehouse outputs.

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

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

Whenever cost exceeds net realisable value, the difference is recorded in the operating cost under the caption Impairment of inventories (losses/reversals).

The inventory system used in the Company's perpetual inventory system.

3.10. Non-current assets available for sale and discontinued operations

Non-current assets, namely tangible fixed assets and equity holdings, are classified as available for sale (Note 17) if the corresponding value can be achieved through its sale and not its con-

tinuous use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) the Company has made a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as available for sale, are measured at the lowest value between the carrying value before this classification and fair value minus the expected sale costs. Whenever the fair value is less than the carrying value, the difference is recognised in Impairment of depreciable/amortisable assets, net or in Impairment of non-depreciable assets, net.

Non-current assets available for sale are presented on a specific line of the balance sheet.

Non-current assets are not, under any circumstances, subject to depreciation or amortisation.

If an asset no longer meets the requirements to be classified as held for sale, this classification must cease and its value must be stated as the lowest of: (i) the carrying value before the classification as available for sale, adjusted by any depreciation or amortisation that would be made if it had not been classified as such; and, (ii) the recoverable amount at the date of the later decision not to sell. Any adjustment is recognised through the income statement.

A discontinued operation is a component of the Company that has been sold or classified for sale, and (i) represents an important separate business line or operational geographic area, or (ii) is part of a single coordinated plan to sell an important separate business line or operational geographic area.

The earnings of discontinued operations are presented in a specific line, in the income statement, after the net income for the period.

3.11. Earnings per share

Earnings per share (Note 22) are calculated by dividing the profit attributable to the shareholders by the weighted number of ordinary shares in circulation during the period.

However if a change in the number of shares that does not imply the input or output of Company funds, the calculation of earnings per share will take into consideration the number of shares existing today.

3.12. Distribution of dividends

The distribution of dividends, when approved at the Annual General Meeting of the Company, and until the shareholders are paid, is recognised as a liability (Note 21).

3.13. Provisions and contingent liabilities

Provisions (Note 23) are recognised when, cumulatively: (i) the Company has a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest and similar expenses (Note 36).

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

Provision for financial investments

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

Restructuring provisions

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

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

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

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

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

Dismantling costs provisions

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

Provisions for litigations in progress

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

Provision for onerous contracts

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

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the Company discloses the events as contingent liabilities (Note 23). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporate economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

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

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

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

The Company does not recognise contingent assets and liabilities.

3.14. Leases

Leases are classified as financial or operating according to the substance of the transition and not the form of the contract. Leases are classified as financial whenever their terms imply the substantial transfer, to the lessee, of all the risks and advantages associated to the ownership of the asset (Note 25). All other leases are classified as operating (Note 24).

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

For operating leases, the instalments that are owed are recognised as a cost in the income statement, during the lease period (Note 32).

3.15. Employee benefits

The Company adopts the accounting policy for the recognition of its liability for the payment of post-retirement healthcare and other benefits, whose criteria are set out in NCRF 28 – Employee Benefits, namely using the projected unit credit method (Note 26).

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

The discount rate used is based on market rates associated to Company's high rating bonds, denominated in the currency in which benefits will be paid and a similar ending date of maturity plan's bonds.

The actuarial gains and losses resulting (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and (ii) changes in actuarial assumptions, are recognised in reserves, in accordance with the alternative method allowed by IAS 19 – Employee's Benefits, adopted by the original text Regulation (EC) of Commission no. 1126/2008, 3 November.

The Company recognise as an expense, in the financial statements, a net total value that includes (i) current service cost, (ii) interest cost and (iii) expected income from fund's assets.

Post-employment benefits – healthcare

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

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the Social Work Regulation while they remain bound to the Company by an individual employment contract, having no right to a pension, pre-retirement or retirement.

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

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

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

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

Other long term benefits

CTT also assumed a series of constructive obligations to certain groups of workers (Note 26), namely:

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

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

- Telephone subscription charges

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

- Pensions for work accidents

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

The Company also supports other liabilities arising from work accidents suffered by these workers.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma. Currently, because it is not considered as economically justifiable, no insurance policy has been taken out to meet these liabilities. As at 31 December 2015 and 31 December 2014 there were 64 beneficiaries, receiving this type of pension.

- Monthly life annuity

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

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT. As at 31 December 2015 there were 44 beneficiaries under these conditions (50 beneficiaries as at 31 December 2014), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Implementing Order of the Ministry of Finance and the Ministry on Labour and Social Security.

- Support for termination of professional activity

This benefit is granted to employees who retire with at least 5 years of seniority at the Company. Its amount depends on the seniority on the retirement date. As at 31 December 2012, the scheme in force determined a maximum amount of 1,847.16 Euros for 36 or more years of service. In 2012, the Board of Directors decided to discontinue the compensation awarded to the workers who have reached the end of their active life at the service of CTT. It has also ruled that, in situations of disconnection and retirement that may occur as a result of the requests for retirement submitted until 31 March 2013, the benefit referred to above would be maintained (Note 26).

Liabilities concerning Other long-term benefits towards employees are determined annually based on actuarial valuations prepared by an independent entity, in accordance with the actuarial methods and assumptions deemed appropriate and reasonable, and their stipulated values are recorded under the heading liabilities Employee benefits. The main financial and demographic assumptions used in calculating these liabilities, namely the discount rate, mortality and disability tables, are the same as those used in the actuarial assessment of the CTT healthcare plan.

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

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

This contribution falls into the definition of a defined contribution plan under NCRF 28 – Employee benefits. The accounting for defined contribution plans is straightforward because the reporting obligation for each period is determined by the amounts to be contributed for that period.

Consequently, no further actuarial assumptions to measure the obligation or the expense are needed and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except when they are not settled completely within twelve months after the end of the period in which the employees render the respective service.

3.16. Share-based payments

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

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

Since it is not possible to estimate reliably the fair value of the services received from the beneficiaries, their value is measured by reference to the fair value of equity instruments in accordance with their share price at the grant date.

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

3.17. Revenue

The revenue relative to sales, services rendered, royalties, interests and dividends (from investments not stated by the equity method), arising from the Company's normal business activity is measured at the fair value of the consideration that has been or will be received, which is defined as the sums established freely between the contractual parties on an independent basis, where, in relation to sales and services rendered, their fair value reflects any discounts granted and does not include Value Added Tax (Notes 30, 31, and 36).

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

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

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

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

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

Revenue for Post Office Boxes is recognised over the period of the respective contracts.

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

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

Revenue concerning royalties is recognised under to the accrual method, according to the substance of the respective contracts, provided it is probable that economic benefits will flow to the Company and their costs may be measured reliably.

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

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

Revenue from dividends, from investments not stated by the equity method, is recognised when the Company's right to receive the payment is determined, which usually occurs through deliberation of the shareholders company.

3.18. Subsidies obtained

Subsidies are recognised when there is reasonable assurance that they will be received and that the Company will comply with the conditions required for their assignment (Note 29).

Subsidies associated with the acquisition or production of tangible fixed assets or intangible assets are initially recognised in equity (Note 20), and are later recognised in the Income statement on a systematic basis as revenues of the period (Note 31), in a consistent and proportional way to the depreciation of the assets for which they were acquired. If the subsidies relate to non-depreciable assets with undefined useful life, the amounts will be kept in equity, except if they are necessary to offset any impairment loss.

Operating subsidies, namely those for the employees training, are recognised in the Income statement as income, for the periods necessary to balance them with the expenses incurred (Note 31), to the extent that these subsidies are not refundable.

3.19. Borrowings costs

Financial charges related to loans are recognised in net income, in which they are incurred (Note 36). Except interest, which is capitalised when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) in order to reach its intended use.

3.20. Taxes

Corporate income tax ("IRC")

Corporate income tax (Note 38) corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items stated directly under equity. In these cases, current and deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period, calculated in accordance with the tax laws in force on the reporting date. Taxable income differs from accounting income, since it excludes various costs and income which will only be deductible or taxable in other financial years, as well as costs and revenue that will never be deductible or taxable.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

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

The Company is covered by the Special Taxation Group Regime for groups of companies which includes all the companies that CTT holds, directly or indirectly, at least 90% of their share capital and are simultaneously resident in Portugal and subject to IRC, hence the estimated income tax and withholdings enforced by third parties are recorded in the balance sheet as accounts payable and receivable by CTT.

Value Added Tax ("VAT")

For purposes of VAT, CTT follows the monthly normal regime, in accordance with the provisions of paragraph a) of no. 1 of article 40 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method.

3.21. Accrual basis

Revenues and costs are recorded in accordance with the accrual basis, hence they are recognised as they generated or incurred, regardless of when they are received or paid.

Revenues and costs recognised in the Income statement which have not yet been invoiced or whose acquisition invoice has not yet been received are recorded against Accrued income or Accruals stated under the balance sheet headings Other accounts receivable and Other accounts payable, respectively (Notes 15 and 27). Deferred revenues and costs paid in advance are recorded against the Deferrals headings of the liabilities and assets, respectively (Note 16).

3.22. Judgements and estimates

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

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

(i) Tangible fixed and intangible assets/estimated useful lives (Note 3.1/Note 3.4/Note 7/Note 10)

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

(ii) Impairment of Goodwill (Note 9)

The Company tests the goodwill, at least once a year, for the purpose of verifying if it is impaired, in accordance with the accounting policy referred to in Note 3.3. The recoverable amounts of the cash generating units are determined based on the calculation of values in use involving the same judgments, residing substantially in the analysis of the Management based on past experience, as well as future expectations of evolution of the corresponding activity. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

(iii) Impairment of accounts receivable (Note 5)

Impairment losses relative to bad debt are based on the Company's assessment of the probability of recovery of the balances of customers and other accounts receivable. This assessment is made according to the period of time of default, the credit history

of the customer and other debtors, and the deterioration of the credit situation of the main customers and other debtors. Should the customers' financial conditions deteriorate, the impairment losses might be higher than that expected.

(iv) Deferred taxes (Note 38)

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

(v) Employee benefits (Note 3.15/Note 26)

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

(vi) Provisions (Note 3.13/Note 23)

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

3.23. Environmental matters

The Company is legally bound to prevent, reduce or repair environmental damages arising from its activities, and can incur in expenditures to assure full compliance with its obligations (Note 40).

However, the Company's activity is essentially non-industrial in nature, and the incorporation of material inputs in its process of rendering services is relatively reduced, therefore its direct ecological footprint is limited.

Based on an empirical comparative analysis, the environmental impact of the Company's activity is much smaller than its contribution to the generation of value to the national economic and social fabric.

In terms of environmental policy, CTT's priority is to cover and master all the aspects of legal compliance, and has taken on commitments to continuously improve its environmental performance, in particular regarding:

- (i) Pollution prevention;
- (ii) Compliance with the legislation;
- (iii) Communication and disclosure to all the stakeholders of the Company's environmental policy;
- (iv) Training and awareness raising of the employees;
- (v) Analyses of environmental impact arising from the Company's activity;
- (vi) Definition of environmental standards for suppliers and partners.

This subject is developed in greater depth in the 2015 "Sustainability Report".

3.24. Cash Flow Statement

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

	2015	2014
Cash	27,375,713	36,536,610
Sight deposits	61,926,006	119,105,308
Term deposits	470,241,000	494,047,000
Cash and cash equivalents (Balance sheet)	559,542,719	649,688,918
Cash and cash equivalents (Cash flow statement)	559,542,719	649,688,918

5. Changes to accounting policies, errors and estimates

During the year ended 31 December 2015 no changes to accounting policies occurred nor material errors were recognised relative to estimates made in the preparation of the financial statements of previous periods.

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

3.25. Subsequent events

Events which have occurred after the reporting date but before the date of approval of the financial statements by the Company's management body and, provided that they offer additional information on conditions which existed as at the reporting date, are reflected in the financial statements of the period. Events that occurred after the reporting date which are indicative of conditions that emerged after the reporting date (non-adjusting events) are disclosed in the notes to the financial statements, if considered of material relevance (Note 43).

4. Cash flow

The cash flow statement discloses the cash receipts and cash payments from operating, financing and investing activities.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax. Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

On 31 December 2015 and 31 December 2014, cash and cash equivalents includes cash, bank deposits repayable on demand and cash investments on the monetary market, net bank overdrafts and other equivalent short term financing, and is detailed as follows:

situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Alterations to estimates which occur after the date of the financial statements will be corrected in a prospective manner. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

6. Related parties

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

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

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

Subsidiary companies:

As at 31 December 2015 and 31 December 2014, the Company held investments in the following subsidiary companies:

Subsidiary	Head office	Percentage of Ownership	
		2015	2014
Post Contacto - Correio Publicitário, Lda.	Lisbon	-	100%
CTT - Expresso, S.A.	S. Julião do Tojal	100%	100%
CTT - Contacto, S.A. ^(a)	Lisbon	100%	100%
Payshop Portugal, S.A.	Lisbon	100%	100%
Mailtec Holding, SGPS, S.A.	Amadora	-	100%
Mailtec Comunicação, S.A.	Amadora	100%	-
Banco CTT, SA	Lisbon	100%	-
Escrita Inteligente, SA	Lisbon	100%	-
CORRE - Correio Expresso de Moçambique, S.A.	Maputo	50%	50%

^(a) Previously named CTT Gest, S.A..

In January 2015, a share capital increase occurred in Corre - Correio Expresso de Moçambique, S.A. in the amount of 670,030 Euros. This operation was accomplished through the incorporation of both shareholders' credits in Corre.

On 20 January 2015, but with effect as of 1 January 2015, the merger of Mailtec Holding, SGPS, S.A. into CTT was registered through the global transfer of the assets of Mailtec Holding, SGPS, S.A.. Following this merger, the shareholdings held by Mailtec Holding, SGPS, S.A. in Mailtec Comunicações, S.A., Mailtec Consultoria, S.A. and Mailtec Processos, Lda. are now held entirely by the parent company, CTT - Correios de Portugal, S.A..

On 10 August 2015, but with effect as of 1 January 2015, the merger of Post Contacto, Lda. and Mailtec Processos, Lda. into CTT Gest, S.A. was registered through the global transfer of the assets of Post Contacto, Lda. and Mailtec Processos, Lda.. Following this merger, the corporate name of CTT Gest, S.A. was changed to CTT Contacto, S.A..

On 28 December 2015, but with effect as of 1 January 2015, the merger of Mailtec Consultoria, S.A. into CTT through the global transfer of the assets of Mailtec Consultoria, S.A. was registered.

On 6 February 2015, as part of the process to incorporate the postal bank, the company CTT Serviços, S.A. was created. On 24 august 2015, the corporate name was changed to Banco CTT, S.A., as well as its main activity in order to accommodate the banking activity.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online".

Following the acquisition, the Company made an assessment of the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3 - Business Combinations, not having identified significant differences between the carrying amounts of assets and liabilities and their fair values.

The detail of the net assets of Escrita Inteligente and goodwill recorded related with this transaction as at 31 December 2015 is as follows:

	Book value
Assets acquired	63,469
Liabilities acquired	2,764
Net assets acquired	60,705
Goodwill (Note 9)	357,917
Acquisition value	418.622

During the first quarter of 2014, the investment in EAD was sold. Resulting from this sale a gain in the amount of 256,383 Euros was recorded under Gains/losses from subsidiaries and associated companies in the Corporate income statement.

During the first half of 2014 the participation in the subsidiary Tourline Express Mensajería, SLU was sold to CTT Expresso, S.A. as a result of the integration strategy of the Express & Parcels segment in Iberia, enabling the creation of value in Tourline. This transaction was done at net book value.

The acquisition by CTT of the 5 % participation held by CTT Expresso, S.A. in Post Contacto, Lda. also took place in 2014. Consequently, CTT now directly holds 100 % of Post Contacto, Lda.. The sale was made at the net book value.

Associated companies:

As at 31 December 2015 and 31 December 2014, the Company held the following investments in associated companies:

Associated company	Head office	Percentage of Ownership	
		2015	2014
Multicert - Serviços de Certificação Electrónica, S.A.	Lisbon	20%	20%
Mailtec Comunicação, S.A.	Amadora	-	17.70%
Mailtec Consultoria, S.A.	Amadora	-	10%

Joint-ventures:

As at 31 December 2015 and 31 December 2014, the Company held the following interests in joint-ventures:

	Head office	Percentage of Ownership	
		2015	2014
Ti-Post Prestação de Serviços Informáticos, ACE	Lisbon	49%	49%
NewPost, ACE ^(b)	Lisbon	49%	49%
PTP & F, ACE	Amadora	51%*	51%*

^(b) Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, A.C.E.

* Indirect investment.

Other companies of the ctt group:

As at 31 December 2015 and 31 December 2014, through indirect investments, the Company held the following interests in other companies of the Group:

	Head office	Percentage of Ownership	
		2015	2014
Payshop Moçambique, SARL	Mozambique	35%	35%
Mailtec Processos, Lda.	Amadora	-	100%*
Tourline Express Mensajería, SLU	Barcelona	100%*	100%*
Mafelosa, SL ^(a)	Spain	25%	25%
Urpacsur, SL ^(a)	Spain	30%	30%

^(a) Companies currently with no commercial activity

* Indirectly, CTT fully owns this entity.

The Company Payshop Moçambique, SARL is in a liquidation process.

During the years ended 31 December 2015 and 31 December 2014, the following transactions took place and the following balances existed with related parties:

2015								
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders								
Dividends	-	-	-	-	-	-	-	69,750,000
CTT Group companies								
Subsidiaries	7,509,804	10,041,220	2,965,125	1,613,945	30,769,481	12,380,647	283,466	-
Associated companies	11,579	-	21,592	-	18,841	55	-	-
Joint-ventures	136,855	-	-	-	15,575	1,317	-	-
Other related parties	2,690,121	-	(1,542)	-	1,297,272	3,780	-	-
Members of the								
Board of Directors	-	-	-	-	-	2,087,398	-	-
General Meeting	-	-	-	-	-	5,461	-	-
Audit Committee	-	-	-	-	-	200,786	-	-
Remuneration Board	-	-	-	-	-	37,440	-	-
	10,348,359	10,041,220	2,985,175	1,613,945	32,101,169	14,716,884	283,466	69,750,000

2014								
	Accounts receivable	Shareholders and Group companies (DB)	Accounts payable	Shareholders and Group companies (CB)	Revenues	Costs	Interest income	Dividends
Shareholders								
Dividends	-	-	-	-	-	-	-	60,000,000
CTT Group companies								
Subsidiaries	3,804,609	9,658,701	2,993,472	253,806	26,993,335	8,370,542	-	-
Associated companies	81,593	177,716	552,682	-	992,027	3,539,538	-	-
Joint-ventures	50,926	-	945	-	246,450	4,646	-	-
Other related parties	1,499,388	-	200,426	41,297	1,370,781	1,197,660	492,402	-
Members of the								
Board of Directors	-	-	-	-	-	2,003,280	-	-
General Meeting	-	-	-	-	-	-	-	-
Audit Committee	-	-	-	-	-	173,303	-	-
Remuneration Board	-	-	-	-	-	28,808	-	-
	5,436,516	9,836,417	3,747,525	295,103	29,602,593	15,317,775	492,402	60,000,000

The costs with the members of the Board of Directors, Audit Committee and Remuneration Board correspond to all the staff for the stated period.

As at 31 December 2015 and 31 December 2014, the nature and detail, by company of the CTT Group, of the main debit and credit balances was as follows:

2015						
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Banco CTT, S.A.	189,572	-	189,572	-	1,596,131	1,596,131
CTT Expresso, S.A.	5,920,444	9,634,255 ⁽¹⁾	15,554,699	1,789,877	-	1,789,877
Payshop Portugal, S.A.	114,755	199,578	314,333	455,610	-	455,610
CTT Contacto, S.A.	516,407	177,560	693,968	441,484	-	441,484
Mailtec Comunicação, S.A.	115,422	-	115,422	278,155	17,814	295,969
CORRE - Correio Expresso Moçambique, S.A.	653,203	-	683,031	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	11,579	-	11,579	21,592	-	21,592
Joint-ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	-	-	-
NewPost, ACE	135,077	-	135,077	-	-	-
Other related parties						
Tourline Express Mensajeria, S.A.	2,689,929	-	2,689,929	(1,542)	-	(1,542)
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
	10,348,359	10,041,220	20,389,579	2,985,175	1,613,945	4,599,120

⁽¹⁾ These amounts include the values related to loan contracts from CTT to the respective subsidiaries.

2014						
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries						
Post Contacto - Correio Publicitário, Lda.	583,596	-	583,596	191,257	179,546	370,803
CTT Expresso, S.A.	2,465,042	9,427,262 ⁽¹⁾	11,892,305	2,244,398	-	2,244,398
Payshop Portugal, S.A.	185,000	50,513	235,513	451,356	-	451,356
CTT Gestão de Serviços e Equipamentos Postais, S.A.	61,332	-	61,332	106,460	41,028	147,488
Mailtec SGPS, S.A.	-	-	-	-	33,233	33,233
CORRE - Correio Expresso Moçambique, S.A.	509,638	180,925 ⁽¹⁾	690,564	-	-	-
Associated companies						
Mailtec Consultoria, S.A.	910	103,631	104,541	148,636	-	148,636
Mailtec Comunicação, S.A.	77,782	74,084	151,867	403,820	-	403,820
Multicert - Serviços de Certificação Electrónica, S.A.	2,901	-	2,901	226	-	226
Joint-ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	945	-	945
Postal Network - Prestação de Serviços de Gestão	49,148	-	49,148	-	-	-
Other related parties						
Tourline Express Mensajeria, S.A.	1,485,714	-	1,485,714	78,297	-	78,297
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
Mailtec Processos, Lda.	13,482	-	13,482	122,130	41,297	163,427
	5,436,516	9,836,417	15,272,933	3,747,525	295,103	4,042,629

⁽¹⁾ These amounts include the values related to loan contracts from CTT to the respective subsidiaries.

During the years ended 31 December 2015 and 31 December 2014, the nature and detail, by company of the CTT Group, of the main transactions was as follows:

2015								
	Fixed assets acquired	Services to be reinvoiced	Fixed assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Interest Income
Subsidiaries								
Banco CTT, S.A.	-	-	-	166	196,572	-	-	-
CTT Expresso, S.A.	-	129,038	442,228	292,683	21,797,649	3,440,390	20,827	283,466
Payshop Portugal, S.A.	-	-	-	47,503	1,125,963	4,319,262	213	-
CTT Contacto, S.A.	-	108,824	-	4,139	5,348,220	2,567,969	-	-
Mailtec Comunicação S.A.	-	1,107,119	-	644,184	1,127,168	2,031,987	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	185,234	-	-	-
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	18,841	-	-	55	-
Joint-ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	15,575	1,317	-	-
NewPost, ACE	135,077	-	135,077	-	-	-	-	-
Other related parties								
Tourline Express Mensajeria, S.A.	84,441	9,869	-	15,207	1,282,065	3,780	-	-
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
	84,441	1,354,850	442,228	1,022,724	31,078,446	12,364,705	21,095	283,466

2014								
	Fixed assets acquired	Services to be reinvoiced	Fixed assets sold	Sales and services rendered	Other operating revenues	Supplies and external services	Other operating costs	Interest Income
Subsidiaries								
Post Contacto - Correio Publicitário, Lda.	-	137,913	-	5,562	5,266,469	336,643	-	-
CTT Expresso, S.A.	-	37,513	272,773	206,555	19,226,880	2,514,818	14,557	-
Payshop Portugal, S.A.	-	-	-	81,400	1,551,025	4,089,073	-	-
CTT Gestão de Serviços e Equipamentos Postais, S.A.	-	-	-	-	546,130	1,415,451	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	109,314	-	-	-
Associated companies								
Mailtec Consultoria, S.A.	28,003	38,024	-	-	4,378	1,421,645	-	-
Mailtec Comunicação, S.A.	-	1,027,629	-	199,983	769,617	2,033,592	-	-
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	18,048	-	84,300	-	-
Joint-ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	21,306	4,646	-	-
Postal Network - Prestação de Serviços de Gestão	-	-	-	-	225,145	-	-	-
Other related parties								
Tourline Express Mensajeria, S.A.	79,105	744	-	-	1,193,545	66,757	-	492,402
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
Mailtec Processos, Lda.	-	-	-	-	177,236	1,130,903	-	-
	107,108	1,241,823	272,773	511,548	29,091,045	13,097,828	14,557	492,402

7. Tangible fixed assets

During the years ended 31 December 2015 and 31 December 2014, the movements in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

2015									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers	Total
Tangible fixed assets									
Opening balance	35,014,836	315,616,144	113,261,739	1,645,511	46,543,817	20,574,950	1,737,799	264,291	534,659,087
Acquisitions	-	-	3,685,875	1,981	1,436,934	892,426	3,505,594	1,358,018	10,880,829
Disposals	(2,881)	(206,610)	(2,133,753)	-	(10,823)	-	-	-	(2,354,066)
Transfers and write-offs	477,748	7,288,834	(8,237,710)	831,755	(52,712)	(7,862)	(3,271,776)	(222,750)	(3,194,472)
Adjustments	-	-	(57,723)	-	(34,205)	(30,046)	-	(1,151)	(123,125)
Mergers	-	35,215	833,509	-	429,307	43,375	-	-	1,341,407
Closing balance	35,489,704	322,733,584	107,351,938	2,479,248	48,312,318	21,472,844	1,971,616	1,398,407	541,209,658
Accumulated depreciation									
Opening balance	3,888,711	174,091,789	99,782,739	1,593,991	41,734,094	16,385,542	-	-	337,476,866
Depreciation for the period	-	8,420,076	4,180,955	53,402	2,079,555	1,195,715	-	-	15,929,702
Disposals	(388)	(116,904)	(2,133,753)	-	(10,823)	-	-	-	(2,261,869)
Transfers and write-offs	-	2,047,352	(8,128,892)	721,745	(35,991)	-	-	-	(5,395,785)
Mergers	-	35,215	832,322	-	410,013	42,757	-	-	1,320,308
Closing balance	3,888,322	184,477,527	94,533,371	2,369,138	44,176,849	17,624,014	-	-	347,069,222
Accumulated impairment									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Impairment for the period	-	-	-	-	-	-	-	-	-
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	-	-	-	-	-	296,769	-	-	296,769
Net tangible fixed assets	31,601,381	138,256,056	12,818,567	110,110	4,135,469	3,552,061	1,971,616	1,398,407	193,843,668

2014									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advances to suppliers	Total
Tangible fixed assets									
Opening balance	35,740,806	319,723,303	117,680,370	2,117,321	73,659,820	22,428,688	54,193	754,041	572,158,541
Acquisitions	-	-	3,829,070	7,200	2,300,930	728,093	3,062,319	222,750	10,150,361
Disposals	-	-	(7,417)	-	(34,175)	(974)	-	-	(42,566)
Transfers and write-offs	-	1,360,821	(8,243,933)	(479,010)	(29,383,860)	(2,524,335)	(1,378,713)	(712,500)	(41,361,529)
Other variations	(725,970)	(5,467,980)	3,650	-	1,103	(56,523)	-	-	(6,245,720)
Closing balance	35,014,836	315,616,144	113,261,739	1,645,511	46,543,817	20,574,950	1,737,799	264,291	534,659,087
Accumulated depreciation									
Opening balance	3,899,830	168,523,276	105,152,324	2,043,608	69,707,937	16,932,252	-	-	366,259,227
Depreciation for the period	-	8,307,542	3,713,671	29,393	2,177,395	1,105,819	-	-	15,333,819
Disposals	-	-	(7,417)	-	(33,976)	(974)	-	-	(42,367)
Transfers and write-offs	-	-	(9,075,797)	(479,010)	(30,117,261)	(1,651,072)	-	-	(41,323,140)
Other variations	(11,119)	(2,739,030)	(41)	-	-	(483)	-	-	(2,750,672)
Closing balance	3,888,711	174,091,789	99,782,739	1,593,991	41,734,094	16,385,542	-	-	337,476,866
Accumulated impairment									
Opening balance	-	-	-	-	-	-	-	-	-
Impairment for the period	-	-	-	-	-	2,530	-	-	2,530
Other variations	-	-	-	-	-	417,953	-	-	417,953
Closing balance	-	-	-	-	-	420,483	-	-	420,483
Net tangible fixed assets	31,126,125	141,524,356	13,479,000	51,520	4,809,723	3,768,925	1,737,799	264,291	196,761,737

The balances of Land and Buildings and other constructions include 4,756,534 Euros (4,982,117 Euros as at 31 December 2014) related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the year ended 31 December 2015, CTT reclassified to tangible fixed assets one property, which became a part of the Company's activity in the amount of 4,517,053 Euros and respective accumulated depreciations of 2,047,352 Euros, as a result of the retail network's development model.

In the year ended 31 December 2014, CTT reclassified to investment properties nine properties that were no longer contributing to the Company's operating activities, of 6,627,890 Euros and respective accumulated depreciations of 2,950,936 Euros. One property, which became a part of the Company's activity was also reclassified to tangible fixed assets in the amount of 439,417 Euros and respective accumulated depreciations of 223,473 Euros.

According to the concession contract in force, after the latest amendments of 31 December 2013 (Note 1), at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported on CTT's accounting records and the Statement of Directorate General of Treasury and Finance ("Direção-Geral do Tesouro e Finanças"), responsible entity for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

During the year ended 31 December 2015, the most significant movements in Tangible fixed assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount regarding acquisitions mostly relates to the purchases of motorcycles, tricycles and quadricycles in the amount of 1,096 thousand Euros, trucks worth approximately 1,644 thousand Euro, trailers in the amount of 286 thousand Euros, pallet truck of 75,6 thousand Euros and the acquisition of scanners, monitors and scales of 222 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase computer equipment of medium and large and several computer equipment in a total value of 1,061 thousand Euros and the acquisition of administrative equipment in the amount of 369 thousand Euros.

Other tangible fixed assets:

The acquisitions essentially regards to the purchase of marketing equipment (60 thousand Euros) and prevention and safety equipment (714 thousand Euros).

Tangible fixed assets in progress:

The amounts under this heading are related to costs of improvements in own and third-party property.

In the year ended 31 December 2015, the amounts recorded under write-offs, with particular emphasis in Basic equipment and Office equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

The depreciations recorded during the year of 15,929,702 Euro (15,333,819 Euros in 2014), is booked under the heading Depreciation and amortisation, net of the Corporate statement income (Note 34).

Contractual commitments relative to Tangible fixed assets are detailed in Note 23.

8. Investment properties

As at 31 December 2015 and 31 December 2014, the Company has the following assets classified as investment properties:

2015			
	Land and natural resources	Buildings and other constructions	Total
Investment property			
Opening balance	7,716,058	45,722,963	53,439,021
Acquisitions	14,500	43,500	58,000
Disposals	(173,376)	(854,186)	(1,027,562)
Transfers and write-offs	(477,748)	(4,017,057)	(4,494,805)
Closing balance	7,079,434	40,895,220	47,974,654
Accumulated depreciation			
Opening balance	259,501	28,399,732	28,659,233
Depreciation for the period	-	752,365	752,365
Disposals	(20,075)	(435,235)	(455,310)
Transfers and write-offs	-	(2,047,352)	(2,047,352)
Closing balance	239,426	26,669,510	26,908,937
Accumulated impairment			
Opening balance	-	1,450,025	1,450,025
Impairment for the period	-	(167,403)	(167,403)
Closing balance	-	1,282,622	1,282,622
Net investment property	6,840,008	12,943,087	19,783,095

2014			
	Land and natural resources	Buildings and other constructions	Total
Investment property			
Opening balance	7,237,214	42,551,163	49,788,377
Disposals	(247,126)	(2,290,703)	(2,537,829)
Other variations	725,970	5,462,503	6,188,473
Closing balance	7,716,058	45,722,963	53,439,021
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	764,567	764,567
Disposals	(25,568)	(1,227,215)	(1,252,783)
Other variations	11,119	2,716,343	2,727,463
Closing balance	259,501	28,399,732	28,659,233
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairment for the period	-	(156,480)	(156,480)
Closing balance	-	1,450,025	1,450,025
Net investment property	7,456,557	15,873,206	23,329,763

These assets are not allocated to the operating activities of the Company, nor have a specific future use.

The market value of these fixed assets, which are classified as investment property, in accordance with the valuations recorded as at the end of the fiscal year 2015 which were conducted by independent entities, amounts to 29,425,470 Euros (35,978,503 Euros as at 31 December 2014).

During the year ended 31 December 2015, CTT reclassified to tangible fixed assets one property, which became a part of the Company's activity in the amount of 4,517,053 Euros and respective accumulated depreciations of 2,047,352 Euros, as a result of the retail network's development model.

In the year ended 31 December 2014, the Company reclassified to investment properties nine properties that are no longer contributing to the Company's operating activities of 6,627,890 Euros and

respective accumulated depreciations of 2,950,936 Euros. One property, which became a part of the Company's activity was reclassified to tangible fixed assets for 439,417 Euros and respective accumulated depreciations of 223,473 Euros.

For the years ended 31 December 2015 and 31 December 2014, the amounts of 752,365 Euros and 764,567 Euros, respectively, were recorded in Depreciation and amortisation, net related to depreciations (Note 34).

The impairment losses of the year in the amount of 167,403 Euros (156,480 Euros as at 31 December 2014) were accounted in heading Impairment of depreciable/amortisable assets, net (Note 34) and are explained by the market value reduction observed in same buildings.

9. Goodwill

As at 31 December 2015 and 31 December 2014, the composition of Goodwill was as follows:

	Year of acquisition	2015	2014
Subsidiary companies			
Mailtec Consultoria, S.A. (51%)	2004	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	69,767
Mailtec Holding, SGPS, S.A. (51%)	2004	-	582,970
Mailtec Holding, SGPS, S.A. (49%)	2005	-	6,641,901
Payshop Portugal, S.A.	2004	406,101	406,101
Escrita Inteligente, S.A.	2015	357,917	-
		8,058,656	7,705,457

As a result of the merger of Mailtec Holding, SGPS, S.A. into CTT, the Goodwill related to that company, held by CTT, was entirely allocated to Mailtec Comunicação, S.A.

During the years ended 31 December 2015 and 31 December 2014, the movements in Goodwill were as follows:

	2015	2014
Opening balance of the period	7,705,457	25,083,869
Acquisitions	357,917	-
Transfers/Adjustments	(4,718)	-
Disposals	-	(17,378,412)
Closing balance of the period	8,058,656	7,705,457

In the year ended 31 December 2015, the acquisitions concern the company Escrita Inteligente, S.A., with a corresponding Goodwill of 357,917 Euros.

The adjustments are related to the merger of Mailtec Consultoria, S.A. into CTT and the corresponding Goodwill.

The sale of the participations, during the year ended 31 December 2014, relates to the sale of the participations in the companies EAD and Tourline, which correspondent Goodwill of 786,164 Euros and 16,592,248 Euros, respectively, was eliminated.

Impairment

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flows techniques, considering the market conditions, the time value of money and business risks.

In order to determine the recoverable amount of its investments, CTT performed, with effect at 31 December 2015, impairment tests based on the following set of assumptions:

2015					
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Mailtec Comunicação, SA	Documental services	Equity Value/DCF	5 years	9.02%	0.5%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	9.85%	0.5%
2014					
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Growth rate in perpetuity
Mailtec Group	Documental services	Equity Value/DCF	5 years	10.80%	0.5%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	10.30%	0.5%

The decrease in the discount rate (WACC) for the year ended 31 December 2015 was a result of the decrease in yields' spreads of the Portuguese government bonds in relation to the free-risk bonds of the Eurozone.

The cash flow projections were based on the historical performance and on the medium and long term business plans, approved by the Board of Directors, and were prolonged in perpetuity. As a consequence of this impairment analysis, the Company concluded that as at 31 December 2015 and 31 December 2014 there were no impairment losses. Therefore, on 31 December 2015, the impairment losses regarding Goodwill (Note 1.8) were as follows:

2015								2014
Company	Year of acquisition	Initial value of goodwill	Impairment losses for the period	Accumulated impairment losses	Adjustments	Acquisitions	Carrying value	Carrying value
Mailtec Consultoria, S.A. (51%)	2004	4,718	-	-	(4,718)	-	-	4,718
Mailtec Comunicação, S.A. (51%)	2004	7,294,638	-	-	-	-	7,294,638	69,767
Mailtec Holding, SGPS, S.A. (51%)	2004	-	-	-	-	-	-	582,970
Mailtec Holding, SGPS, S.A. (49%)	2005	-	-	-	-	-	-	6,641,901
Payshop Portugal, S.A.	2004	406,101	-	-	-	-	406,101	406,101
Escrita Inteligente, S.A.	2015	-	-	-	-	357,917	357,917	-
		7,705,457	-	-	(4,718)	357,917	8,058,656	7,705,457

The impairment losses are recorded in the Corporate income statement under the heading Impairment of depreciable/amortisable investments (losses/reversals).

Sensitivity analyses were performed on the results of these impairment tests, namely regarding the following key variables: (i) growth perpetuity rate and (ii) discount rate.

The results of the sensitivity analyses for Payshop and the Mailtec Comunicação do not determine that there are indicators of impairment, according to the following tables:

Mailtec Comunicação						(thousand euros)
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment*	WACC					
	7.0%	8.0%	9.0%	10.0%	11.0%	
g	0.00%	19,394	15,774	12,959	10,707	8,866
	0.25%	20,224	16,385	13,424	11,070	9,154
	0.50%	21,117	17,037	13,915	11,451	9,457
	0.75%	22,082	17,733	14,437	11,854	9,774
	1.00%	23,127	18,479	14,991	12,278	10,108

* Impairment if negative.

Payshop						(thousand euros)
Variation of sovereign risk and variation of perpetuity growth (g)						
Impairment*	WACC					
	7,9%	8,9%	9,9%	10,9%	11,9%	
g	0.00%	77,071	68,358	61,415	55,752	51,045
	0.25%	79,242	70,029	62,735	56,817	51,920
	0.50%	81,562	71,799	64,125	57,933	52,833
	0.75%	84,044	73,679	65,591	59,105	53,788
	1.00%	86,708	75,678	67,140	60,336	54,786

* Impairment if negative.

10. Intangible assets

During the years ended 31 December 2015 and 31 December 2014, the movement occurred in the main categories of Intangible assets, as well as in the respective accumulated amortisation and accumulated impairment losses, were as follows:

2015					
	Development projects	Computer software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	28,465,655	3,223,072	4,710,797	40,116,850
Acquisitions	84,441	4,654,861	326,469	1,775,205	6,840,977
Transfers and write-offs	(84,441)	4,783,837	-	(4,476,645)	222,750
Merger	-	814,821	16,833	-	831,654
Closing balance	3,717,326	38,719,174	3,566,374	2,009,357	48,012,230
Accumulated amortisation					
Opening balance	3,685,169	24,541,759	2,955,835	-	31,182,763
Amortisation for the period	12,060	3,001,272	36,994	-	3,050,326
Transfers and write-offs	(2,413)	2,413	-	-	-
Merger	-	801,631	16,833	-	818,464
Closing balance	3,694,816	28,347,074	3,009,662	-	35,051,553
Net intangible assets	22,510	10,372,099	556,712	2,009,357	12,960,678

2014					
	Development projects	Computer software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,907,578	26,596,077	3,223,072	2,408,588	36,135,315
Acquisitions	-	230,973	-	2,626,864	2,847,837
Transfers and write-offs	(190,252)	1,638,605	-	(314,655)	1,133,698
Closing balance	3,717,326	28,465,655	3,223,072	4,710,797	40,116,850
Accumulated amortisation					
Opening balance	3,695,203	21,140,403	2,916,714	-	27,752,320
Amortisation for the period	9,647	2,247,976	39,121	-	2,296,744
Transfers and write-offs	(19,681)	1,153,380	-	-	1,133,699
Closing balance	3,685,169	24,541,759	2,955,835	-	31,182,763
Net intangible assets	32,157	3,923,896	267,237	4,710,797	8,934,087

The transfers occurred during the year ended 31 December 2015 from Intangible assets in progress to Computer Software refer to IT projects, which were completed during the year.

During the year ended 31 December 2015, the most significant movements in Intangible assets were the following:

Computer software:

The acquisitions relates essentially to the purchase of software "Information Automation centralization" in the amount of 483 thousand Euros, the acquisition of "SAP HANA" of 371 thousand Euros, the acquisition of software "SAP Financial Consolidation" in the amount of 90.5 thousand Euros, software to servers UNIX of 889.5 thousand Euros, software "Enterprise Application Integration" in the amount of 476 thousand Euros, software "SAP Hybris Billing" in the amount of 1,459 thousand Euros, software "Enterprise Content Management" in the amount of 239.8 thousand Euros and software "Business Process Management" in the amount of 476 thousand Euros.

The amounts of 306,256 Euros and 407,270 Euros, capitalized in computer software or in intangible assets in progress, as at 31 December 2015 and 31 December 2014, respectively, related to the staff costs incurred in the development of these projects.

Industrial property:

The amount of acquisitions regards essentially to the purchase of licenses "Forefront TMG" amount of 17.5 thousand Euros which has an indefinite useful life and of licenses "Biztalk" for 298 thousand Euros.

As at 31 December 2015 Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	2015
International (E-CIP)	452,485
Evolution NAVE	346,336
Mail products evolution	198,163
Performance evaluation - Software	134,259
Payment platform	121,093
Financial consolidation - software	105,120
Audit management - software	83,190
DOL - Treatment and generation of scales	79,906
Riposte migration	61,454
Extraterritorial virtual mailbox	58,808
	1,640,814

The amortisation for the year, amounting to 3,050,326 Euros (2,296,744 Euros in 2014) was recorded under Depreciation/ amortisation and impairment of investments, net (Note 34).

There are no Intangible assets whose title is restricted or given as a guarantee of liabilities.

Contractual commitments relative to Intangible assets are detailed in Note 23.

11. Investment in subsidiaries and associated companies

During the years ended 31 December 2015 and 31 December 2014, the movements occurred in Investment in subsidiaries and associates companies were as follows:

2015			
	Subsidiary companies	Associated companies	Total
Gross carrying value			
Opening balance	34,939,183	937,732	35,876,915
Equity method - proportion of net income	(4,087,062)	28,277	(4,058,785)
Distribution of dividends	(7,917,720)	-	(7,917,720)
Other	34,173,779	(710,795)	33,462,984
Closing balance	57,108,180	255,214	57,363,394

2014			
	Subsidiary companies	Associated companies	Total
Gross carrying value			
Opening balance	44,434,518	1,465,577	45,900,095
Equity method - proportion of net income	(18,650,689)	(278,286)	(18,928,975)
Provisions	306,162	-	306,162
Distribution of dividends	(15,142,737)	(249,559)	(15,392,296)
Other	23,991,928	-	23,991,928
Closing balance	34,939,183	937,732	35,876,915

As at 31 December 2015 and 31 December 2014, the detail by company of Investment in subsidiaries and associates companies was as follows:

2015					2014			
Corporate name	% held	Investment	Provision for investments	Proportion of net income	% held	Investment	Provision for investments	Proportion of net income
Subsidiaries:								
CORRE - Correio Expresso Moçambique, S.A.	50	143,827	-	5,352	50	-	306,162	(316,433)
EAD - Empresa de Arquivo de Documentação, S.A. ^(b)	-	-	-	-	-	-	-	46,710
Post Contacto - Correio Publicitário, Lda. ^(c)	-	-	-	-	100	1,739,985	-	1,179,545
CTT Expresso, S.A.	100	13,738,828	-	(6,752,166)	100	20,490,994	-	(23,260,120)
CTT Contacto, S.A.	100	3,177,049	-	2,167,192	100	1,233,561	-	873,561
Mailtec Holding, SGPS, S.A.	-	-	-	-	100	4,106,949	-	133,363
Payshop Portugal, S.A.	100	7,706,469	-	5,890,097	100	7,367,694	-	5,566,929
Mailtec Comunicação, S.A.	100	4,202,889	-	523,510	-	-	-	-
Escrita Inteligente, S.A.	100	60,344	-	(362)	-	-	-	-
Banco CTT, S.A.	100	28,078,775	-	(5,920,685)	-	-	-	-
Tourline Express Mensajeria, S.A. ^(b)	-	-	-	-	-	-	-	(2,874,244)
		57,108,180	-	(4,087,062)		34,939,183	306,162	(18,650,689)
Associated companies:								
Mailtec Consultoria S.A.	10	-	-	-	10	59,708	-	30,337
Mailtec Comunicação, S.A.	-	-	-	-	17,695	651,086	-	(61,023)
Multicert - Serviços de Certificação Electrónica, S.A. ^(a)	20	255,214	-	28,277	20	226,937	-	(247,599)
		255,214	-	28,277		937,732	-	(278,286)
Joint-ventures								
Ti-Post Prestação Serviços Informáticos, ACE	49	-	-	-	49	-	-	-
NewPost, ACE	49	-	-	-	49	-	-	-
		57,363,394	-	(4,058,785)		35,876,915	306,162	(18,928,975)

^(a) The amount of 2015 regards to the part of the 2014 amount which have not been reflected in that year. The amount of 2014 reflects the effect of the Equity method of 2013, and the September 2014 results.

^(b) The proportion in the results of Tourline and EAD, in 2014, corresponds to the results of these companies until the moment of the sale and consequent loss of control by CTT.

^(c) In the case of Post Contacto, were considered, in the proportion of the results, the 5% acquired in June 2014.

The corporate changes which occurred during the year ended 31 December 2015 are mentioned in note 6 – Related parties.

The main disclosure regarding the above mentioned companies was as follows:

2015					
Company	Assets	Liabilities	Sales and services rendered	Net income	Equity
Subsidiaries:					
CORRE - Correio Expresso Moçambique, S.A.	2,154,331	1,801,239	2,131,472	10,705	353,092
CTT Expresso, S.A.	48,851,852	35,113,025	76,633,372	(6,752,166)	13,738,828
CTT Contacto, S.A.	5,056,112	1,879,064	12,849,294	2,167,192	3,177,048
Payshop Portugal, S.A.	10,220,247	2,513,777	14,301,198	5,890,097	7,706,470
Mailtec Comunicaçã o, S.A.	6,845,863	2,642,975	10,609,442	523,510	4,202,889
Escrita Inteligente, S.A.	63,469	3,125	4,994	(10,639)	60,344
Banco CTT, S.A.	31,190,010	3,111,235	-	(5,920,685)	28,078,775
Associated companies:					
Multicert - Serviços de Certificação Electrónica, S.A. ^(a)	2,767,973	1,491,901	3,836,139	113,584	1,162,488
Joint-ventures					
Ti-Post Prestação Serviços Informáticos, ACE	N.A,	N.A,	-	-	-
NewPost, ACE ^(b)	644,541	644,541	535,245	-	-

^(a) Values of December 2014.

^(b) Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

2014					
Company	Assets	Liabilities	Sales and services rendered	Net income	Equity
Subsidiaries:					
CORRE - Correio Expresso Moçambique, S.A.	2,462,441	3,040,112	1,699,851	(632,867)	(577,671)
Post Contacto - Correio Publicitário. Lda.	2,987,558	1,247,574	11,425,205	1,206,683	1,739,984
CTT Expresso, S.A.	48,249,330	27,758,336	76,726,551	(23,260,120)	20,490,994
CTT Gestão de Serviços e Equipamentos Postais, S.A.	1,548,746	315,185	1,730,207	873,561	1,233,561
Mailtec Holding, SGPS, S.A.	4,126,080	19,131	270,000	133,363	4,106,949
Payshop Portugal, S.A.	9,395,798	2,028,104	15,544,280	5,566,929	7,367,694
Associated companies:					
Mailtec Consultoria, S.A.	1,333,598	736,561	3,127,738	303,367	597,037
Mailtec Comunicação, S.A.	6,864,797	3,185,418	11,349,579	(344,862)	3,679,379
Multicert - Serviços de Certificação Electrónica, S.A. ^(a)	3,300,404	2,165,716	3,122,809	(37,161)	1,134,687
Joint-ventures					
Ti-Post Prestação Serviços Informáticos, ACE ^(b)	281,036	281,036	1,231,306	-	-
Postal Network - Prestação de Serviços de Gestão	104,728	104,728	(210,265)	-	-

^(a) Values of September 2014.

^(b) Values of September 2014.

Equity method

For the years ended 31 December 2015 and 31 December 2014, the net income in subsidiary, associated and joint-ventures companies arising from the application of the equity method,

and stated under Gains/losses from subsidiaries, associated companies and joint-ventures of the Corporate income statement were recognised against the following items on the balance sheet:

	2015	2014
Investment in subsidiaries and associated companies		
CORRE - Correio Expresso Moçambique, S.A.	5,352	(10,271)
EAD - Empresa de Arquivo de Documentação, S.A.	-	46,710
Post Contacto - Correio Publicitário, Lda.	-	1,179,545
CTT Expresso, S.A.	(6,752,166)	(23,260,120)
CTT Contacto, S.A.	2,167,192	873,561
Payshop Portugal, S.A.	5,890,097	5,566,929
Tourline Express Mensajeria, S.A.	-	(2,874,244)
Mailtec Holding, SGPS, S.A.	-	133,363
Mailtec Comunicação, S.A.	523,510	(61,023)
Mailtec Consultoria, S.A.	-	30,337
Escrita Inteligente, S.A.	(362)	-
Banco CTT, S.A.	(5,920,685)	-
Multicert, Serviços de Certificação Electrónica, S.A.	28,277	(247,599)
	(4,058,785)	(18,622,813)
Provisions - Investment in subsidiaries and associated companies		
CORRE - Correio Expresso Moçambique, S.A.	-	(306,162)
	-	(306,162)

During the year ended 31 December 2014, the investments in EAD and Tourline were sold. The sale of Tourline was done at net book value. With the sale of EAD a gain in the amount of 256,383 Euros was recorded under Gains/losses from subsidiaries and associated companies in the Corporate income statement.

The amount of 28,277 Euros concerns the proportion of 2014 income that had not been recognised in that year. No additional movements occurred in the Multicert's participation since the company does not have more updated financial information.

The amount of (247,599) Euros concerns the proportion of 2013 income that had not been recognised in that year as well as the proportion of 2014 September's results.

12. Investment in other companies

For the years ended 31 December 2015 and 31 December 2014 the Investment in others companies balances are detailed as follows:

Company	Head office	2015	2014
IPC - International Post Corporation	Brussels - Belgium	6,157	6,157
Eurogiro Network	Copenhagen - Denmark	124,435	124,435
CEPT	Copenhagen - Denmark	237	237
Tagus Park	Lisbon - Portugal	975,982	975,982
		1,106,812	1,106,812

13. Financial risk management

The Company's activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the Company in a material and unexpected form. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the Company's financial performance.

The categories of financial assets and liabilities as at 31 December 2015 and 31 December 2014 are detailed as follows:

Financial assets	2015	2014
Accounts receivable	127,672,034	127,189,845
Cash and cash equivalents	559,542,719	649,688,918
	687,214,753	776,878,763
Financial liabilities		
Account payable	64,887,846	66,845,568
Other accounts payable	430,655,818	480,631,984
	495,543,664	547,477,552

Financial risk management integrates the Risk Management System of the Company reporting directly to the Executive Committee. CTT's departments of Finance and Risk Management and Accounting and Treasury ensure the centralised management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the Company and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, they are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the Company is exposed to.

The financial risks of particular importance include credit risk, market risks, namely the interest risk, the foreign currency exchange rate risk and liquidity risk.

Credit risk

Credit risk is essentially related to the risk that a third party fails on its contractual obligations, resulting in financial losses to the Company. At the Company, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activity.

The deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the Company's net income. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Credit risk management is based on a set of standards and guidelines, part of the Granting of credit to customers Regulation ("Regulamento de Concessão de Crédito a Clientes" (RCCC)) and comprised the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of CTT's Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the customer's capacity to comply with all its obligations on time and the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in accounts receivable is monitored on a regular basis by each business of the Company and monthly monitoring by the Credit Committee with the purpose of limiting the credit granted to customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted, and analysing the recoverability of the receivables.

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client.

The movement of impairment losses of accounts receivable is disclosed in Note 15. As at 31 December 2015, the Company believes that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made by the Company. With the purpose of reducing that risk, the Company uses a methodology of risk assessment of the counterparty in its treasury operations, providing a support tool in setting plafonds for financial entity, allowing the credit risk to be mitigated by diversifying their investments.

The Company's credit risk quality, as at 31 December 2015, related to these types of assets (Cash and cash equivalents as stated in Note 4, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating ⁽¹⁾	2015
A1	4,336
A2	120,006,242
B1	205,995,730
B2	117,775,652
Ba1	36,811,501
Baa1 ⁽³⁾	30,312,113
Ba3 ⁽²⁾	19,990,344
Caa2	1,155,051
Others ⁽⁴⁾	116,037
	532,167,006

⁽¹⁾ Rating assigned by Moody's.

⁽²⁾ Conversion of BB- rating by Standard & Poor's.

⁽³⁾ Conversion of BBB+ rating by Fitch.

⁽⁴⁾ Others with no rating.

Interest rate risk

Interest rate risk is essentially associated to the interest received from the investment of reserve liquidity and to the determination, through the impact on the discount rate, of the estimated liabilities related to employee benefits.

Gains arising from financial operations are important, hence alterations in interest rates have a direct impact on the Company's interest income.

In order to reduce the impact of interest rate risk, the Company monitors market trends on a regular and systematic basis, with a view to leveraging the period/rate relationship on the one hand and the risk/yield relationship on the other hand. The Treasury applications follow criteria of diversification of financial risks, both in terms of timing and institutions, and are reviewed and updated regularly.

In 2014, results from financial investments were adversely affected by the steep decline in rates in the money markets, in particular the Euribor rate, which limited the remuneration offered by the banking sector.

The cash surplus applications benefit from an interest income of, approximately, 1,912,543 Euros during the year of 2015 and 6,287,495 Euros in 2014 (Note 31).

If the interest rates had been lower by 0.25 b.p. during the year ended 31 December 2015, the interest received would be lower by 885 thousand Euros.

According to the actuarial study performed as at 31 December 2015, with a reduction of 0.5 per cent in the discount rate and keeping all other variables constant, the liabilities with employee benefits – healthcare would increase by approximately 18.2 million Euros (Note 26).

Foreign currency exchange rate risk

Exchange rate risks are related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with reference to previously defined objectives based on the evolution of the international business activities.

As at 31 December 2015 and 31 December 2014, the net exposure (assets minus liabilities) of the Company ascended, respectively, to 72,075 DTS (91,739 Euros at the exchange rate €/SDR 1.27283) and 7,715 DTS (9,206 Euros at the exchange rate €/SDR 1.19332).

Based in the sensitivity analysis for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2015 and 31 December 2014, assuming an increase/decrease in the exchange rate €/SDR of 10%, the impact on the results would be 9,174 Euros and 921 Euros, respectively.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financing operation do not match the Company's financing needs, such as operating and financing outflows for operating and financing activities and investments and shareholders remuneration. Based on the cash flow generated by operations and the available cash, the Company believes that it has the capacity to meet its obligations.

The main contractual obligations of the Company are related to the financing received (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following table details the expected contractual obligations and financial commitments of the Company as at 31 December 2015 and 31 December 2014:

2015	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial Liabilities				
Debt (Note 25)	462,968	724,845	-	1,187,813
Interest expenses (Note 25)	4,031	1,449	-	5,480
Accounts payable and Other accounts payable	494,355,851	-	-	494,355,851
Non-financial liabilities				
Operating leases (Note 24)	8,963,676	14,144,316	-	23,107,992
Non-contingent financial commitments ⁽¹⁾	696,558	-	-	696,558
Total contractual obligations	504,483,084	14,870,610	-	519,353,694

⁽¹⁾ As mentioned in Note 23, the non-contingent financial commitments are essentially related to contracts concluded with suppliers of tangible fixed assets.

2014	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial Liabilities				
Debt (Note 25)	460,098	1,187,975	-	1,648,073
Interest expenses (Note 25)	8,740	8,094	-	16,833
Accounts payable and Other accounts payable	545,829,479	-	-	545,829,479
Non-financial liabilities				
Operating leases (Note 24)	7,657,607	11,864,514	-	19,522,121
Non-contingent financial commitments ⁽¹⁾	430,553	-	-	430,553
Total contractual obligations	554,386,476	13,060,583	-	567,447,059

⁽¹⁾ As mentioned in Note 23, the non-contingent financial commitments are essentially related to contracts concluded with suppliers of tangible fixed assets.

14. Inventories

As at 31 December 2015 and 31 December 2014, the Company's Inventories are detailed as follows:

2015				2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Merchandise	4,080,012	1,367,422	2,712,591	4,678,616	1,489,626	3,188,990
Raw, subsidiary and consumable materials	2,340,692	509,968	1,830,724	2,437,601	656,380	1,781,221
Advances on purchases	128,394	-	128,394	32,698	-	32,698
	6,549,098	1,877,390	4,671,709	7,148,915	2,146,006	5,002,908

Cost of sales

During the years ended 31 December 2015 and 31 December 2014, the detail of Cost of sales was as follows:

2015			
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,678,616	2,437,601	7,116,217
Purchases	12,351,740	1,447,096	13,798,836
Inventory offers	(128,047)	(22,249)	(150,296)
Inventory adjustments	(217,275)	(252,182)	(469,457)
Closing balance	(4,080,012)	(2,340,692)	(6,420,704)
Cost of sales	12,605,022	1,269,574	13,874,596

2014			
	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,425,452	3,095,723	7,521,175
Purchases	12,898,984	2,116,031	15,015,015
Inventory offers	(39,334)	(24,807)	(64,141)
Inventory adjustments	(177,394)	(522,910)	(700,304)
Closing balance	(4,678,616)	(2,437,601)	(7,116,217)
Cost of sales	12,429,092	2,226,436	14,655,528

Impairment in inventories

For the years ended 31 December 2015 and 31 December 2014, the movement in Accumulated impairment losses (Note 18) was as follows:

2015				
	Closing balance	Increases	Reversals	Closing balance
Merchandise	1,489,626	-	(122,204)	1,367,422
Raw, subsidiary and consumable materials	656,380	-	(146,412)	509,968
	2,146,006	-	(268,616)	1,877,390

2014				
	Closing balance	Increases	Reversals	Closing balance
Merchandise	1,808,145	-	(318,519)	1,489,626
Raw, subsidiary and consumable materials	670,332	-	(13,952)	656,380
	2,478,477	-	(332,471)	2,146,006

For the years ended 31 December 2015 and 31 December 2014, impairment losses of inventories were recorded (net increases of reversals) amounting to (268,616) Euros and (332,471) Euros, respectively.

15. Accounts receivable and other accounts receivable

As at 31 December 2015 and 31 December 2014, the headings Accounts receivable and Other accounts receivable showed the following composition:

2015				2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Accounts receivable						
Current						
Third parties	57,951,733	4,390,348	53,561,385	59,476,827	4,791,624	54,685,203
Group companies (Note 6)	10,273,998	-	10,273,998	5,356,106	-	5,356,106
Postal operators	34,080,277	231,639	33,848,638	36,680,866	208,803	36,472,063
	102,306,008	4,621,987	97,684,021	101,513,799	5,000,427	96,513,372
Other accounts receivable						
Current						
Third parties	26,459,691	7,099,640	19,360,051	27,289,174	7,239,718	20,049,456
Group companies (Note 6)	-	-	-	-	-	-
Non-current	2,406,598	1,819,857	586,741	2,583,493	1,792,892	790,601
	28,866,289	8,919,497	19,946,792	29,872,667	9,032,610	20,840,057
	131,172,297	13,541,484	117,630,813	131,386,466	14,033,037	117,353,429

Accounts receivable

As at 31 December 2015 and 31 December 2014, the ageing of the gross amounts of Accounts receivable is detailed as follows:

2015					2014			
	Third parties	Postal operators	Group companies	Total	Third parties	Postal operators	Group companies	Total
Accounts receivable								
Non-overdue	42,491,008	3,726,564	4,059,975	50,277,547	39,135,695	2,543,508	2,867,770	44,546,972
Overdue ⁽¹⁾ :								
0-30 days	5,329,177	-	3,019,209	8,348,386	10,959,199	-	821,806	11,781,005
30-90 days	3,661,257	4,232,279	287,148	8,180,683	2,984,042	3,171,525	305,945	6,461,512
90-180 days	1,346,472	1,937,569	470,708	3,754,749	1,225,327	1,210,750	445,684	2,881,761
180-360 days	969,827	8,146,862	998,291	10,114,980	931,021	7,634,175	601,869	9,167,064
> 360 days	4,153,992	16,037,004	1,438,667	21,629,663	4,241,543	22,120,910	313,033	26,675,485
	57,951,733	34,080,277	10,273,998	102,306,008	59,476,827	36,680,866	5,356,106	101,513,799

⁽¹⁾ The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The gross amount of accounts receivable's balance overdue over 360 days was as follows:

	2015	2014
National accounts receivable	5,592,659	4,554,575
Foreign operators	16,037,004	22,120,910
Total	21,629,663	26,675,485
Foreign operators - payable (Note 27)	(16,026,493)	(21,335,993)

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of 22 months for the presentation of the accounts and, therefore, the foreign operators balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. Therefore, the credit risk is mitigated by the accounts payable balances related to these entities (Note 27).

2015				2014		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-current						
Advances to staff	466,086	-	466,086	512,079	-	512,079
Other amounts receivable from staff	1,558,326	1,472,836	85,490	1,699,523	1,421,001	278,522
INESC financing loan	347,021	347,021	-	371,891	371,891	-
Labour compensation fund	35,165	-	35,165	-	-	-
	2,406,598	1,819,857	586,741	2,583,493	1,792,892	790,601
Current						
Advances to staff	2,735,621	989,529	1,746,092	2,788,353	879,331	1,909,022
Postal financial services	6,372,503	313,438	6,059,065	12,352,806	680,427	11,672,379
Accrued income	4,251,090	-	4,251,090	1,735,296	-	1,735,296
Other current assets						-
Philatelic agents	45,486	-	45,486	50,029	-	50,029
Sundry invoicing CT	3,903,498	637,186	3,266,312	1,737,849	525,439	1,212,410
Caixa Geral de Aposentações - Social Work	11,598	-	11,598	302,004	-	302,004
INESC financing loan	49,740	49,740	-	49,740	49,740	-
Office for media	494,216	-	494,216	206,077	-	206,077
Debtors - escrow accounts	169,646	136,342	33,304	184,163	170,557	13,606
Sundry debtors	4,682,104	4,682,102	2	4,918,697	4,918,637	60
Other	3,744,189	291,303	3,452,886	2,964,160	15,587	2,948,573
	26,459,691	7,099,640	19,360,051	27,289,174	7,239,718	20,049,456

The amounts recorded in the heading Postal financial services refer to amounts receivable from redemption of savings products and the marketing of insurance.

The balance of national customers includes receivables of public entities, other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables is 1.0% for the year ended 31 December 2015.

	2015	2014
Advance deposits	647,495	894,069
Bank guarantees	43,663	83,753
Total	691,159	977,822

Other accounts receivable

As at 31 December 2015 and 31 December 2014, the carrying values in Other accounts receivable showed the following detail:

Accounts receivable and other accounts receivable impairments

For the years ended 31 December 2015 and 31 December 2014, the movement occurred in Accumulated impairment losses (Note 18) was as follows:

2015					
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	5,000,427	164,956	(300,472)	(242,923)	4,621,988
Other accounts receivable	9,032,609	379,305	(492,418)	-	8,919,496
	14,033,036	544,261	(792,890)	(242,923)	-
					13,541,484
2014					
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	3,777,378	1,607,492	(24,145)	(360,298)	5,000,427
Other accounts receivable	10,662,338	410,908	(2,040,637)	-	9,032,609
	14,439,716	2,018,400	(2,064,782)	(360,298)	-
					14,033,036

For the years ended 31 December 2015 and 31 December 2014, increases of impairment losses (net of reversals) were recorded in debts receivable for the amount of (248,629) Euro and (46,382) Euros, respectively.

16. Deferrals

As at 31 December 2015 and 31 December 2014, the headings Deferrals of the current assets and current and non-current liabilities had the following composition:

	2015	2014
Deferred assets		
Current		
Rents payable	1,025,319	1,044,942
Meal allowances	1,701,736	1,698,085
Company Agreement - Supplementary agreement compensation	1,457,575	-
Other	2,817,640	1,927,940
	7,002,270	4,670,967
Deferred liabilities		
Non-current		
Deferred capital gains	3,677,282	6,076,311
Deferred comissions	1,000,000	-
	4,677,282	6,076,311
Current		
Deferred capital gains	2,399,029	2,399,029
Prepaid Phone-ix	206,329	258,669
Deferred comissions	400,000	1,800,000
Altice agreement	6,388,889	-
Other	1,144,778	1,034,031
	10,539,025	5,491,729
	15,216,307	11,568,040

In prior years the Company sold certain property, which it subsequently leased. The gain on that sale was deferred and is being recognised over the period of the lease contracts.

During the years ended 31 December 2015 and 31 December 2014, the amount of 1,511,128 Euros was recognised under Other operating income in the Company's income statement, for both years, related to the above mentioned capital gains.

In 2014 CTT signed an agreement with Cetelem, according to which CTT received 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, regarding non-refundable fees, will be recognised over the period of the contract. As at 31 December 2015 1.4 million Euros related to this contract was deferred.

Following the Memorandum of understanding signed with Altice and the acquisition of PT Portugal being completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the Corporate income statement over the exclusive period for the negotiation of the partnerships. In the year ended 31 December 2015, the amount of 3,611,111 Euros, was recognised under Other operating revenues in the Corporate income statement, related to this contract.

17. Non-current assets available for sale and discontinued operations

As at 31 December 2015 and 31 December 2014, the Company did not have any non-current assets classified as available for sale.

18. Accumulated impairment losses

During the years ended 31 December 2015 and 31 December 2014, the following movements occurred in the impairment losses:

2015						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Goodwill (Note 9)	-	-	-	-	-	-
Tangible fixed assets (Note 7)	420,483	-	(123,714)	-	-	296,769
Investment properties (Note 8)	1,450,025	246,789	(414,192)	-	-	1,282,622
Inventories (Note 14)	2,146,006	-	(268,616)	-	-	1,877,390
Accounts receivable and other accounts receivable (Note 15)	14,033,037	544,261	(792,890)	(242,924)	-	13,541,484
	18,049,551	791,050	(1,599,412)	(242,924)	-	16,998,265

2014						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Goodwill (Note 9)	4,375,588	-	-	(4,375,588)	-	-
Tangible fixed assets (Note 7)	-	41,815	(39,284)	-	417,952	420,483
Investment properties (Note 8)	1,606,505	331,877	(488,357)	-	-	1,450,025
Inventories (Note 14)	2,478,477	-	(332,471)	-	-	2,146,006
Accounts receivable and other accounts receivable (Note 15)	14,439,716	2,018,400	(2,064,782)	(360,297)	-	14,033,037
	22,900,286	2,392,092	(2,924,894)	(4,735,885)	417,952	18,049,551

The use of Goodwill impairment, occurred during the year ended 31 December 2014, is explained by the sale of the financial participation of CTT in Tourline, for which accumulated impairment losses of 4,375,588 Euros had been recognised in prior years.

19. Equity

Share capital

As at 31 December 2014, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euro each. The share capital is fully underwritten and paid-up.

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

2015				
Shareholder	No. of shares	%	Nominal value	
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290	
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537	
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%	5,003,827
Manuel Carlos de Mello Champalimaud	33,785	0.023%	16,893	
Gestmin SGPS, S.A. ⁽²⁾	7,766,215	5.177%	3,883,108	
Manuel Carlos de Mello Champalimaud	Total	7,800,000	5.200%	3,900,000
Artemis Fund Managers Limited ⁽³⁾	7,433,817	4.956%	3,716,909	
Artemis Investment Management LLP	276,892	0.185%	138,446	
Artemis Investment Management LLP	Total	7,710,709	5.140%	3,855,355
Allianz Global Investors Europe GmbH (AGIE) ⁽⁴⁾	Total	7,552,637	5.035%	3,776,319
A.A. -FORTIS-ACTIONS PETITE CAP EUROPE ⁽⁵⁾	226,096	0.151%	113,048	
BNP PARIBAS A FUND European Multi-Asset Income ⁽⁵⁾	241,969	0.161%	120,985	
BNP PARIBAS B PENSION BALANCED ⁽⁵⁾	675,151	0.450%	337,576	
BNP PARIBAS B PENSION GROWTH ⁽⁵⁾	89,950	0.060%	44,975	
BNP PARIBAS B PENSION STABILITY ⁽⁵⁾	42,617	0.028%	21,309	
BNP PARIBAS L1 MULTI-ASSET INCOME ⁽⁵⁾	287,384	0.192%	143,692	
BNP PARIBAS SMALLCAP EUROLAND ⁽⁵⁾	1,569,016	1.046%	784,508	
Merck BNP Paribas European Small Cap ⁽⁵⁾	97,607	0.065%	48,804	
METROPOLITAN-RENTASTRO GROWTH ⁽⁵⁾	159,111	0.106%	79,556	
PARVEST EQUITY EUROPE SMALL CAP ⁽⁵⁾	3,863,880	2.576%	1,931,940	
PARWORLD TRACK EUROPE SMALL CAP ⁽⁵⁾	5,004	0.003%	2,502	
Stichting Bewaar ANWB – Eur Small Cap ⁽⁵⁾	149,732	0.100%	74,866	
Stichting Pensioenfonds Openbare Bibliotheken ⁽⁵⁾	130,657	0.087%	65,329	
BNP Paribas Investment Partners, Limited Company ⁽⁵⁾	Total	7,538,174	5.025%	3,769,087
Kames Capital plc ⁽⁶⁾	2,045,003	1.363%	1,022,502	
Kames Capital Management Limited ⁽⁶⁾	3,096,134	2.064%	1,548,067	
Aegon NV ⁽⁶⁾	Total	5,141,137	3.427%	2,570,569
Norges Bank	Total	3,143,496	2.096%	1,571,748
F&C Asset Management plc ⁽⁷⁾	3,124,801	2.083%	1,562,401	
Bank of Montreal ⁽⁷⁾	Total	3,124,801	2.083%	1,562,401
Henderson Global Investors Limited ⁽⁸⁾	3,037,609	2.025%	1,518,805	
Henderson Group plc ⁽⁸⁾	Total	3,037,609	2.025%	1,518,805
CTT, S.A. (own shares) ⁽⁹⁾	Total	200,177	0.133%	100,089
Other shareholders	Total	94,743,607	63.162%	47,371,804
Total	150,000,000	100.000%	75,000,000	

⁽¹⁾ Company held by Standard Life Investments (Holdings) Limited.

⁽²⁾ Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Mello Champallimaud.

⁽³⁾ Company held by Artemis Investment Management LLP.

⁽⁴⁾ Previously named Allianz Global Investors Europe GmbH.

⁽⁵⁾ The qualifying holding of BNP Paribas Investment Partners represents 5.025% of CTT share capital and 4.773% of the voting rights (see CTT press release of 18-12-2015). Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB – Eur Small Cap; Stichting Pensioenfonds Openbare Bibliotheken.

⁽⁶⁾ As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

⁽⁷⁾ This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.

⁽⁸⁾ Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a disclosure of 8 January 2016, Henderson Group plc ceased to hold a qualified holding in CTT.

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

2014			
Shareholder	No. of shares	%	Nominal value
Standard Life Investments Limited ⁽¹⁾	9,910,580	6.607%	4,955,290
Ignis Investment Services Limited ⁽¹⁾	97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	Total	10,007,653	6.672%
Kames Capital plc ⁽²⁾	2,045,003	1.363%	1,022,502
Kames Capital Management Limited ⁽²⁾	3,096,134	2.064%	1,548,067
Aegon NV ⁽³⁾	Total	5,141,137	3.427%
Allianz Global Investors Europe GmbH (AGIE) ⁽⁴⁾	Total	4,695,774	3.131%
UBS AG ⁽⁵⁾	3,705,257	2.470%	1,852,629
UBS Fund Management (Switzerland) AG ⁽⁵⁾	55,397	0.037%	27,699
UBS Fund Services (Luxembourg) AG ⁽⁵⁾	57,770	0.039%	28,885
UBS Global Asset Management (UK) Limited ⁽⁵⁾	8,330	0.006%	4,165
UBS Global Asset Management (Australia) Ltd ⁽⁵⁾	3,715	0.002%	1,858
UBS Group AG ⁽⁶⁾	Total	3,830,469	2.554%
Morgan Stanley & Co, International plc ⁽⁷⁾	3,553,396	2.369%	1,776,698
Morgan Stanley ⁽⁷⁾	Total	3,553,396	2.369%
Pioneer Funds – European Equity Target Income ⁽⁸⁾	613,645	0.409%	306,823
Pioneer Funds – Global Equity Target Income ⁽⁹⁾	170,047	0.113%	85,024
Pioneer Funds – ABS Return European Equities ⁽⁹⁾	95,475	0.064%	47,738
Pioneer Funds – European Potential ⁽⁹⁾	825,082	0.550%	412,541
Pioneer Funds – European Equity Value ⁽⁹⁾	764,953	0.510%	382,477
Pioneer Funds – European Equity Market Plus ⁽⁹⁾	15,876	0.011%	7,938
Pioneer Funds – European Research ⁽⁹⁾	643,204	0.429%	321,602
UniCredit S.p.A,	Total	3,128,282	2.086%
Artemis Fund Managers Limited ⁽¹⁰⁾	3,104,624	2.070%	1,552,312
Artemis Investment Management LLP	Total	3,104,624	2.070%
FMRC–FMR CO., INC. ⁽¹¹⁾	716,444	0.478%	358,222
FMR UK-FIDELITY MANAGEMENT & RESEARCH (U.K,) INC. ⁽¹⁰⁾	2,379,854	1.587%	1,189,927
FMR LLC	Total	3,096,298	2.064%
DSAM Partners LLP ⁽¹²⁾	3,096,079	2.064%	1,548,040
DSAM Cayman Ltd,	Total	3,096,079	2.064%
Goldman Sachs International ⁽¹³⁾			
Goldman Sachs Asset Management, L.P. ⁽¹³⁾			
Goldman Sachs Asset Management International ⁽¹³⁾			
The Goldman Sachs Group, Inc. ⁽¹³⁾	Total	3,019,750	2.013%
Other shareholders	Total	107,326,538	71.551%
Total		150,000,000	100.000%
			75,000,000

⁽¹⁾ Company held by Standard Life Investments (Holdings) Limited.

⁽²⁾ As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc.

⁽³⁾ This qualified shareholding is imputable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.

⁽⁴⁾ By virtue of the merger of Allianz Global Investors Luxembourg, S.A. (AGIL) into Allianz Global Investors Europe (AGIE), the qualified shareholding mentioned above became imputable to AGIE.

⁽⁵⁾ Subsidiary of the UBS Group AG.

⁽⁶⁾ As a result of the acquisition of UBS AG by UBS Group AG the shares of UBS AG were transferred to UBS Group AG. The UBS AG subsidiaries also became controlled by UBS Group AG.

⁽⁷⁾ The parent company is Morgan Stanley and the chain of companies between the parent company and the shareholder is: Morgan Stanley, Morgan Stanley International Holdings Inc, Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley Investments (UK) and Morgan Stanley & Co. International plc.

⁽⁸⁾ Fund managed by Pioneer Investments Kapitalgesellschaft GmbH, appointed by Pioneer Asset Management, S.A., which is fully owned by UniCredit S.p.A.

⁽⁹⁾ Fund managed by Pioneer Investments Management Limited Dublin, appointed by Pioneer Asset Management, S.A., which is entirely owned by UniCredit S.p.A.

⁽¹⁰⁾ Company held by Artemis Investment Management LLP.

⁽¹¹⁾ Company owned by FMR LLC.

⁽¹²⁾ The chain of undertakings between the parent company and the shareholder is: DSAM Cayman Ltd, DSAM Cayman LP, DSAM Capital Partners Ltd and DSAM Partners LLP. The holding is exclusively an economic long position resulting from an over the counter equity swap transaction with trade date 10 September 2014, settlement date 15 September 2014 and termination date 2 September 2015. The swap transaction referred to foresees cash settlement as the settlement option.

⁽¹³⁾ The chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held is as follows: The Goldman Sachs Group, Inc. (parent company); Goldman Sachs (UK) L.L.C. (Controlled by The Goldman Sachs Group, Inc.); Goldman Sachs Group UK Limited (Controlled by Goldman Sachs (UK) L.L.C.); Goldman Sachs International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management International (Controlled by Goldman Sachs Group UK Limited); Goldman Sachs Asset Management, L.P. (Controlled by The Goldman Sachs Group, Inc.). The holding includes 1.42% corresponding to 2,131,364 CTT shares and 0.59% held through economic long position via CFD and corresponding to 888,386 shares. The CFD details are as follows:

Expiration/Exercise/ Conversion Period/Date	No. of shares/voting rights that may be acquired if the instrument is exercised/converted	% of voting rights that may be obtained if the instrument is exercised/converted
25-Nov-2019	2,453	0.0016%
22-Nov-2019	1,278	0.0009%
4-Dec-2024	506,660	0.3378%
4-Dec-2024	4,869	0.0032%
9-Dec-2024	600	0.0004%
23-Sep-2024	11,502	0.0077%
26-Sep-2024	360,000	0.2400%
11-Nov-2024	1,024	0.0007%
Total Number of voting rights and percentage of voting rights	888,386	0.59%

20. Reserves and other equity items

Own shares

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

As at 31 December 2015, the company held 200,177 own shares, acquired in June 2015, which represented 0.133% of the Company's share capital.

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

In the year ended 31 December 2015, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9.357
Disposals	-	-	-
Balance at 31 December 2015	200,177	1,873,125	-

Legal reserves

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

As at 31 December 2015, this caption also includes the amount of 1,873,125 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

As at 31 December 2015 and 31 December 2014, the heading Legal reserves was detailed as follows:

	2015	2014
Opening balance	18,072,559	18,072,559
Own shares	1,873,125	-
Closing balance	19,945,684	18,072,559

The legal reserve is now fully incorporated, corresponding to over 20% of the share capital.

Other reserves

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

As at 31 December 2015 it also records the amount recognised in both years related to the Share Plan, that constitutes the long term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remunerations Board in the amount of 2,987,092 Euros.

As at 31 December 2015 and 31 December 2014, the movements of the heading Other reserves were as follows:

	2015	2014
Opening balance	13,701,407	12,325,000
Share Plan (Note 26)	1,610,685	1,376,407
Own shares	(1,873,125)	-
Closing balance	13,438,968	13,701,407

Retained earnings

For the years ended 31 December 2015 and 31 December 2014, the following movements were made in the heading Retained earnings:

	2015	2014
Opening balance	62,752,243	57,823,615
Application of the net profit of the previous period	77,171,128	61,016,067
Distribution of dividends (Note 22)	(69,750,000)	(60,000,000)
Net profit not attributed by subsidiaries and associated companies	2,698,427	3,921,530
Other	(2,381)	(8,969)
Closing balance	72,869,417	62,752,243

Adjustments in investments

This heading reflects the adjustments arising from the application of the equity method on equity terms other than the net income for the year. Its distribution only occurs when the subsidiary is sold.

Other changes in equity

The company recognises in this heading the subsidies related with the acquisition or production of non-current assets (subsidies to fixed assets), which were fully received and are non-refundable. These subsidies are subsequently allocated on a systematic basis as revenues of the period during the useful lives of the assets with which they are related, having been recognised revenues of 11,201 Euros in the year ended 31 December 2015 and 31 December 2014 (Note 31). The balance of this heading corresponds to the part of these subsidies that have not yet been allocated to revenues of the period.

Actuarial gains/losses associated with healthcare benefits, as well as the corresponding deferred income tax, are recognised in this heading.

Thus, for the years ended 31 December 2015 and 31 December 2014 the movements occurred in this heading were as follows:

	2015	2014
Opening balance	(18,526,395)	24,810,903
Allocation of subsidies to the financial year	(11,201)	(11,201)
Deferred income taxes related to the subsidies	2,381	8,969
Actuarial gains/losses - Health Care (Note 26)	114,181	(61,041,103)
Deferred income taxes actuarial gains/losses - Health Care (Note 38)	27,297	17,706,037
Closing balance	(18,393,737)	(18,526,395)

21. Dividends

According to the dividends distribution proposal included in the 2014 Annual Report, at the General Meeting of Shareholders, which took place on 5 May 2015, a dividend distribution of 69,750,000 Euros relative to the financial year ended 31 December 2014 was proposed and approved. The dividend was paid on 29 May 2015.

At the General Meeting of Shareholders held on 5 May 2014, the shareholders approved the distribution of a dividend of 0.40 Euros per share (which took into consideration the 150,000,000 shares existing at 31 December 2013) relative to the financial year ending on 31 December 2013 and a total dividend of 60,000,000 Euros was paid in May 2014.

22. Earnings per share

During the years ended 31 December 2015 and 31 December 2014, the earnings per share were calculated as follows:

	2015	2014
Net income for the year	72,065,283	77,171,128
Average number of ordinary shares	149,883,331	150,000,000
Earnings per share	0.48	0.51

The average number of shares is detailed as follows:

	2015
Shares issued in the beginning of the period	150,000,000
Own shares effect	116,669
Average number of shares during the period	149,883,331

As at 31 December 2015, the number of own shares held by the Company is 200,177, and its average number for the year ended 31 December 2015 is 116,669, reflecting the fact that the acquisition of own shares occurred in June 2015.

23. Provisions, guarantees provided, contingent liabilities and commitments

Provisions

During the years ended 31 December 2015 and 31 December 2014, the Provisions constituted by the Company showed the following movements:

2015						
	Opening balance	Increases	Reversals	Uses	Transfers	Closing balance
Non-current provisions						
Litigations	9,351,816	1,672,045	(2,523,272)	(1,600,929)	1,413,169	8,312,828
Other risks and charges	32,057,278	2,165,304	(1,560,798)	(2,836,141)	(1,413,169)	28,412,474
Investments in subsidiary companies	306,162	-	-	(306,162)	-	-
	41,715,256	3,837,349	(4,084,070)	(4,743,232)	-	36,725,302

2014						
	Opening balance	Increases	Reversals	Uses	Transfers	Closing balance
Non-current provisions						
Litigations	10,672,139	4,259,580	(3,905,765)	(3,099,948)	1,425,810	9,351,816
Other risks and charges	27,243,144	9,315,104	-	(2,657,208)	(1,843,762)	32,057,278
subtotal	37,915,283	13,574,684	(3,905,765)	(5,757,156)	(417,952)	41,409,094
Investments in subsidiary companies	-	306,162	-	-	-	306,162
	37,915,283	13,880,846	(3,905,765)	(5,757,156)	(417,952)	41,715,256

The provision for investments in subsidiary companies corresponds to the assumption by the Company of legal or constructive obligations regarding the subsidiary CORRE - Correio Expresso Moçambique, S.A..

The recognition of this provision is recorded against Expenses and losses in subsidiaries and associates. For this reason, the Provisions (increases/decreases) in the Corporate income statement of year ended 31 December 2014, relates only to the movements made in the provisions for Litigations and Other risks and charges.

The provisions for Other risks and charges includes mainly Labour contingencies, Onerous contracts and several other situations:

- Labour Contingencies

In the year ended 31 December 2015 and 31 December 2014, the provision to cover any contingencies related to employment litigation actions not included in the current court

proceedings, and are related to differences in the basis of calculating holidays, holiday pay and Christmas bonus required by workers, amounts 12,991,795 Euros (14,404,906 Euros as at 31 December 2014).

- Onerous Contracts

In the year ended 31 December 2015, the provision to cover the estimated of the net present value of the expenditure associated with onerous contracts was increased by 1,184,082 Euros. This value was obtained from the update of the assumptions used in 2014, namely the discount rate.

As at 31 December 2015 the amount provided for contracts is 13,899,390 Euro (15,943,847 Euros in 31 December 2014).

• Other Provisions

As at 31 December 2015, in addition to the previously mentioned situations, the provision for Other risks and charges also included:

- the amount of 204,480 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 981,272 Euro which arises from the assessment made by the management regarding the possibility of tax contingencies.

The net amount between increases and reversals of provisions was recorded in the Corporate income statement under the headings Provisions, net was 246,722 Euros and (9,668,919 Euros in 2014).

Guarantees provided

As at 31 December 2015 and 31 December 2014, the Company had undertaken commitments relative to guarantees provided to third parties of 13,729,244 Euros and 13,776,878 Euros, respectively.

The details of these guarantees were as follows:

Description	2015	2014
Bank guarantees in favour of courts	172,867	170,723
Bank guarantees requested by companies in favour of third parties:		
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174
EURO BRIDGE – Sociedade Imobiliária, Lda	2,944,833	2,944,833
PLANINOVA – Soc. Imobiliária, S.A.	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886
NOVIMOVESTE – Fundo de Investimento Imobiliário	1,523,201	1,523,201
LUSIMOVESTE – Fundo de Investimento Imobiliário	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000
Câmaras Municipais	183,677	154,677
Autoridade para as Condições de Trabalho (ACT)	59,395	67,638
Ana Aeroportos de Portugal, E.P.	34,000	34,000
Alfândega do Freixo	-	74,820
Secretaria Geral do Ministério da Administração Interna	-	16,000
Direção-Geral do Tesouro e Finanças	16,867	-
SPMS – Serviços Partilhados Ministério da Saúde	30,180	30,180
Portugal Telecom, S.A.	16,657	16,657
Instituto Gestão Financeira Segurança Social	12,681	12,681
Promodois – Investimentos Imobiliários	6,273	-
Estradas de Portugal, E.P.	5,000	5,000
Águas de Coimbra	870	-
Instituto de Infra Estruturas Rodoviárias	-	3,725
IFADAP	1,746	1,746
	13,729,244	13,776,878

Guarantees for Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, from the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand were provided.

These guarantees have already been issued and amount to 12.6 million Euros.

Contingent liabilities

As at 31 December 2015, the Company does not have contingent liabilities.

Commitments

For the years ended 31 December 2015 and 31 December 2014, during the normal course of its activity, the Company assumed purchase commitments as follows:

Description	2015	2014
Purchase commitments to:		
Suppliers of intangible assets	93,780	-
Suppliers of tangible fixed assets	602,778	430,553
	696,558	430,553

The tangible fixed assets commitments relate to the acquisition of security equipment in the amount of 438.1 thousand Euros, acquisition of safes and security doors in the amount of 121.1 thousand Euros and acquisition of scales amounting 4.5 thousand Euros.

Regarding the intangible assets, the commitments regards the new version of CTT's app in the amount of 93.8 thousand Euros.

The Company assumed financial commitments (comfort letters) before Banco Bilbao Vizcaya Argentaria, S.A. and regarding the subsidiary Tourline, SLU of 1,170,769 Euros, which are still active as at 31 December 2015.

As at 31 December 2015 the Company assumed commitments regarding the sponsoring of “Taça da Liga” (League Football Cup) in the amount of 1.5 million Euros.

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

24. Operating leases

As at 31 December 2015 and 31 December 2014, the Company maintained medium and long term liabilities in operating lease contracts of vehicles, with penalty clause in the case of cancellation. The total amount of the future payments of these operating leases is as follows:

	2015	2014
Due within 1 year	8,963,676	7,657,607
Due between 1 to 5 years	14,144,316	11,864,514
	23,107,992	19,522,121

During the years ended 31 December 2015 and 31 December 2014, the costs incurred with operating lease contracts of vehicles were 6,628,875 Euros and 6,258,419 Euros, respectively, and were recognised under Rents in the heading External supplies and services of the company income statement (Note 32).

The operating leases relates to leasing agreement of short duration, in which the lessor transfers the temporary use of the asset to a third party upon payment of an income or rental.

Lease payments are made monthly by equal amounts during the period of the lease agreement and the recognition of the rent is considered as an expense which will also be performed on a linear basis (straight-line basis).

There is no recognition of any leased asset, because the lease is a rental in substance and there is no evidence that demonstrate the lessee will obtain future economic benefits from the asset beyond the contract period.

The transfer of the legal ownership of the assets to the lessee at the end of the contract is not expected

25. Debt

As at 31 December 2015 and 31 December 2014, the heading Financing received was detailed as follows:

	2015	2014
Non-current liabilities		
Leasings	724,845	1,187,975
	724,845	1,187,975
Current liabilities		
Leasings	462,968	460,098
	462,968	460,098
	1,187,813	1,648,073

Leasings

As at 31 December 2015 and 31 December 2014, the Company's liabilities with leasing contracts presented the following plan of due dates:

2015			2014		
	Principal	Interest	Principal	Interest	Total
Due within 1 year	462,968	4,031	460,098	8,740	468,838
Due between 1 to 5 years	724,845	1,449	1,187,975	8,094	1,196,069
Total	1,187,813	5,480	1,648,073	16,833	1,664,906

As at 31 December 2015 and 31 December 2014, the Company has the following assets held under finance lease contracts:

2015				2014		
	Gross Amount	Depreciation/ accumulated impairment losses	Carrying value	Gross Amount	Depreciation/ accumulated impairment losses	Carrying value
Land and natural resources	7,798,567	815,990	6,982,577	7,798,567	815,990	6,982,577
Buildings and other constructions	81,701	30,162	51,539	81,701	26,706	54,995
	7,880,268	846,152	7,034,116	7,880,268	842,696	7,037,572

The company is the lessee under a leasing contract signed with IMOLEASING – Sociedade de locação financeira imobiliária, S.A., regarding a property in the municipality of Maia (Porto) where the Sorting Centre is located. The type of the lease contracts determines their classification as a financial lease.

There are neither contingent rents payable nor the imposition of any restrictions. There is an option to buy for a residual value of approximately 6% of the contract's value.

26. Employee benefits

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare, (ii) other long-term employee benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2015 and 31 December 2014, these liabilities presented the following movement:

2015					
Liabilities				Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	241,166,000	35,956,617	277,122,617	1,376,407	278,499,024
Movement of the period	(4,360,000)	(12,956,078)	(17,316,078)	1,610,685	(15,705,393)
Closing balance	236,806,000	23,000,540	259,806,540	2,987,092	262,793,632
2014					
Liabilities				Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	263,371,000	34,861,626	298,232,626	-	298,232,626
Movement of the period	(22,205,000)	1,094,991	(21,110,009)	1,376,407	(19,733,602)
Closing balance	241,166,000	35,956,617	277,122,617	1,376,407	278,499,024

The heading Other long-term benefits liabilities essentially refer to the Suspension of contracts, redeployment and release of employment programme.

The liabilities regarding Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

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

	2015	2014
Equity (Other reserves)	2,987,092	1,376,407
Non-current liabilities	241,306,773	255,527,808
Current liabilities	18,499,767	21,594,809
	262,793,632	278,499,024

The costs related to employee benefits recognised in the corporate income statement and the amount recognised directly in Other changes in equity were as follows:

	2015	2014
Costs for the period		
Healthcare	9,942,000	(68,905,327)
Other long-term employee benefits	(7,104,436)	7,591,332
Other long-term benefits statutory bodies	1,610,685	1,376,407
	4,448,249	(59,937,589)

	2015	2014
Other changes in equity		
Healthcare	114,181	(61,041,103)
	114,181	(61,041,103)

Healthcare

As mentioned in Note 3.15, CTT is responsible for financing the healthcare plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2015.

The main assumptions followed in the actuarial study were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries expected growth rate	2.25%	2.75%
Pensions growth rate	Law n.º 53-B/2006 (with Δ GDP < 2%)	Law n.º 53-B/2006 (with Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Health costs growth rate		
Inflation rate	1.50%	2.00%
Growth due to ageing	2.00%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Invalidity table	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating ("AA" or equivalent) at the date of the financial position and with a duration equivalent to that of the liabilities with healthcare.

The maintenance of the discount rate of 2.50% is motivated by the analysis performed by the Company of the evolution of the macroeconomic context taking into account a constant need to match the actuarial and financial assumptions to that reality.

The salaries expected growth rate is determined according to the salary policy defined by the Company.

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

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

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

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

	2015	2014	2013	2012	2011
Liabilities at the end of the period	236,806,000	241,166,000	263,371,000	252,803,000	272,102,000

For the years ended 31 December 2015 and 31 December 2014, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	2015	2014
Opening balance	241,166,000	263,371,000
Service costs of the period	4,042,000	3,825,000
Interest costs of the period	5,900,000	10,268,000
Plan amendment	-	(82,998,327)
Pensioners contributions	5,113,703	3,607,690
Payment of benefits	(18,654,596)	(16,894,342)
Other costs	(646,926)	(1,054,123)
Actuarial (gains)/losses	(114,181)	61,041,103
Closing balance	236,806,000	241,166,000

In February 2015 CTT signed with effect as from 31 December 2014, the revised Regulation of the Social Works (“RSW”) system, the internal healthcare and social protection system of CTT, with the eleven trade unions represented in the company. The revised RSW of CTT maintains a high but balanced protection level, while rationalising the use of benefits. Accordingly, the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments, while the all-encompassing feature of the system was maintained and some social support measures were strengthened.

The revised plan entailed a significant reduction in the estimate of CTT future healthcare expenses and therefore a corresponding reduction in past services liability as at 31 December 2014, which has been considered as an amendment to the plan was recognised in profit and loss.

For the years ended 31 December 2015 and 31 December 2014, the total costs related to healthcare were recognised as follows:

	2015	2014
Staff costs/employee benefits (Note 33)	3,395,074	(80,227,450)
Other operating costs	646,926	1,054,123
Interest expenses (Note 36)	5,900,000	10,268,000
Total costs for the period	9,942,000	(68,905,327)

The best estimate that Company has at this date for costs related to the healthcare plan, which it expects to recognise in the next year is 9,770 thousand Euro.

As at 31 December 2015, the actuarial (gains)/losses amounting to (114,181) Euros (61,041,103 Euros as at 31 December 2014) were recognised in equity under Other Changes in Equity, net of deferred taxes of 27,297 Euros (17,706,037 Euros as at 31 December 2014).

The sensitivity analysis performed for the healthcare plan, in the year ended 31 December 2015, leads to the following conclusions:

- (i) If there was an increase of 1 per cent in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 292,432 thousand Euros, increasing by approximately 23.5%.
- (ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 7.7%, amounting to 255,040 thousand Euros.
- (iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of health care plan liability of about 5.5% amounting to a total of 249,883 thousand Euros.

Other long-term benefits

As mentioned in Note 3.15, in certain situations, the Company has liabilities with the payment of salaries in situation of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is conducted by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable.

As at 31 December 2015, the Company requested an actuarial study from an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of these liabilities were:

	2015	2014
Financial assumptions		
Discount rate	2.50%	2.50%
Salaries expected growth rate	2.25%	2.75%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	Law nº. 53-B/2006 (com Δ GDP < 2%)
Inflation rate	1.50%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability rate	Swiss RE	Swiss RE

For the determination of the Company’s liabilities to employees in situations of Suspension of contracts, redeployment and release of employment, salary growth rates of 2.25% were considered for 2015 and following years. For the benefits Monthly life annuity and Pensions for work accidents the pensions growth rate was 1.50% since under an analysis performed to these benefits’ historical data it was concluded that updates were normally associated with the upgrades of the Portuguese Harmonised Index of Consumer Prices (HICP). Regarding the remaining benefits, Telephone subscription fee and Support for termination of professional activity no growth rate was considered.

For the years ended 31 December 2015 and 31 December 2014, the movement of liabilities with other long-term employee benefits was as follows:

	2015	2014
Suspension of contracts, redeployment and release of employment		
Opening balance	17,641,312	19,433,462
Interest cost of the year	374,291	687,152
Liabilities relative to new beneficiaries	-	393,318
Curtailment	(4,782,194)	-
(Payment of benefits)	(5,029,195)	(5,585,363)
Actuarial (gains)/losses	(8,788)	2,712,744
Closing balance	8,195,426	17,641,312
Telephone subscription fee		
Opening balance	4,832,775	4,800,195
Interest cost of the year	114,854	178,544
Curtailment	-	-
(Payment of benefits)	(216,939)	(303,781)
Actuarial (gains)/losses	(212,420)	157,817
Closing balance	4,518,270	4,832,775
Pension for work accidents		
Opening balance	8,161,400	7,004,370
Interest cost of the year	198,665	271,647
(Payment of benefits)	(472,298)	(437,324)
Actuarial (gains)/losses	(1,024,176)	1,322,707
Closing balance	6,863,591	8,161,400
Monthly life annuity		
Opening balance	5,282,395	3,544,784
Interest cost of the year	130,698	139,714
(Payment of benefits)	(97,925)	(112,271)
Actuarial (gains)/losses	(1,891,915)	1,710,168
Closing balance	3,423,253	5,282,395
Support for termination of professional activity		
Opening balance	38,735	78,815
Interest cost of the year	484	1,576
(Payment of benefits)	(35,285)	(57,602)
Actuarial (gains)/losses	(3,934)	15,946
Closing balance	-	38,735
Total closing balance	23,000,540	35,956,617

Following the renegotiation of the conditions related to workers in situations of Suspension of contracts, redeployment and release of employment, CTT recorded a liability reduction in the amount of 4,782,194 Euros.

As a result of the pensions growth rate's change applied to the benefits Monthly life annuity and Pensions for work accidents the related liability decreased significantly, which is reflected in results in the caption Staff costs.

In the year ended 31 December 2014, due to Law 11/2014, of 6 March, which establishes convergence mechanisms of the social protection system for civil servants to the general social security scheme by modifying the retirement schemes, the retirement age

changed from 65 to 66 years of age for employees covered by "Caixa Geral de Aposentações" ("CGA"). This change had a more significant impact on the liability related to the Suspension of contracts, redeployment and release of employment where the increase in the liability was about 2,137 thousand Euro.

As at 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit related to the Telephone subscription fee. Thus, from 1 January, 2014, the cash payment was replaced by a benefit in kind.

During the years ended 31 December 2015 and 31 December 2014, the composition of the costs related to other long-term benefits, recognised under the heading Staff costs and Interest and similar expenses, was as follows:

	2015	2014
Staff costs / employee benefits (Note 33)		
Suspension of contracts, redeployment and release of employment	(4,790,982)	3,106,062
Telephone subscription fee	(212,420)	157,817
Pension for work accidents	(1,024,176)	1,322,707
Monthly life annuity	(1,891,915)	1,710,168
Support for termination of professional activity	(3,934)	15,946
subtotal	(7,923,428)	6,312,700
Interest expenses (Note 36)	818,992	1,278,632
Total costs for the year	(7,104,436)	7,591,332

The best estimate that the Company has at this date for costs with other long-term benefits, which it expects to recognise in the next annual period is 529,495 Euros.

The sensitivity analysis performed on 31 December 2015 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 4.1%, increasing to 23,943 thousand Euros.

Other long-term benefits for the statutory bodies

CTT approved, with effect as from 31 December 2014, the Remuneration Regulations for Members of the Statutory Bodies, which defines the allocation of a long-term variable remuneration, to be paid in Company shares (Note 3.16). The number of shares allocated to members of the Executive Board of CTT is based on the performance evaluation results during the period of the term of office, until 31 December 2016, which consists in the comparison of the

recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (vesting conditions).

The evaluation period of CTT TSR performance compared to peers is 1 January 2014 to 31 December 2016. The long-term variable remuneration is paid on 31 January 2017, by allocating shares of the Company subject to a positive TSR of the shares of the Company at the end of the evaluation period, according to a maximum number of shares defined in the regulation and corrected by maximum limits for each member of the Executive Committee.

On 31 December 2014, the liability of this long-term remuneration was calculated, based on the fair value of the shares, by an independent expert and by using a Black-Scholes methodology through the production of a Monte Carlo model simulation.

Therefore, as at 31 December 2015 CTT recorded a cost of 1,610,685 Euro corresponding to the period from 1 January 2015 to 31 December 2015, booked against Other reserves.

27. Accounts payable and other accounts payable

Accounts payable

As at 31 December 2014 and 31 December 2013, the heading Accounts payable and Other accounts payable showed the following composition:

As at 31 December 2015 and 31 December 2014, the aging of the Accounts payable balance was as follows:

2015					2014				
	Group companies	Third parties	Postal operators	Total		Group companies	Third parties	Postal operators	Total
Accounts payable, current account:									
Non-overdue	1,401,483	9,791,689	5,542,514	16,735,686	2,244,955	5,006,201	3,213,302	10,464,458	
0-30 days	4,779	4,777,364	-	4,782,144	1,949	6,983,769	-	6,985,718	
30-90 days	-	5,248,751	6,508,123	11,756,875	-	4,171,490	3,926,838	8,098,329	
90-180 days	-	313,425	850,645	1,164,070	52	16,888	2,149,887	2,166,827	
180-360 days	-	108,113	7,695,154	7,803,267	-	-	7,295,339	7,295,339	
> 360 days ⁽¹⁾	-	-	16,026,493	16,026,493	-	13,140	21,335,993	21,349,133	
	1,406,263	20,239,343	36,622,929	58,268,535	2,246,956	16,191,489	37,921,359	56,359,804	
Accounts payable, invoices pending confirmation	46,878	6,572,433	-	6,619,311	-	10,485,764	-	10,485,764	
	1,453,141	26,811,776	36,622,929	64,887,846	2,246,956	26,677,253	37,921,359	66,845,568	

⁽¹⁾The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The current amount of accounts payable overdue over 360 days is as follows:

	2015	2014
National accounts payable	-	13,140
Foreign operators	16,026,493	21,335,993
Total	16,026,493	21,349,133
Foreign operators - receivables (Note 15)	(16,037,004)	(22,120,910)

The balances between Postal Operators are cleared by netting accounts. These amounts are related to the accounts receivable balances related to these entities (Note 15).

Other accounts payable

As at 31 December 2015 and 31 December 2014, the details of Other accounts payable were as follows:

	2015	2014
Current		
Advances from customers	3,027,486	2,980,402
Fixed assets suppliers		
Group companies	-	107,108
Third parties	10,166,448	7,233,244
Accruals		
Remunerations payable	39,055,397	40,623,915
Social contributions	6,558,617	6,553,315
Other	26,166,117	13,905,534
Centro Nacional de Pensões (CNP)	218,478,956	200,879,441
Other creditors		
Taxes	17,451,196	15,534,153
Money orders	17,967,883	17,326,284
Postal savings certificates	69,797,336	154,941,101
Cash-on-delivery services	5,934,466	8,110,817
Group companies	1,557,321	1,393,236
Other	11,692,839	9,100,258
	427,854,060	478,688,808

The increase in the heading Accruals - Other mainly regards the increase of the accrued costs following a transitory process adaptation situation by the new supplier of the Healthcare Plan management.

The increase in the caption Fixed assets suppliers is directly related to the investment in basic equipment, with particular emphasis in the acquisition of vehicles and office equipment.

The heading “Centro Nacional de Pensões” (CNP) refers to values received from the National Pensions Centre, whose payment date to the corresponding pensioners must occur in the month after the closing of the year.

The high amount in the caption Postal savings certificates as at 31 December 2014 is largely explained by the significant volume of subscription of savings/treasury certificates occurred in December 2014.

28. Taxes payable

As at 31 December 2015 and 31 December 2014, the heading Taxes Payable presented the following composition:

	2015	2014
Current assets		
Value added tax	2,502,186	-
	2,502,186	-
Current liabilities		
Corporate income tax	7,923,944	6,171,287
Personal income tax withholding	3,074,365	3,196,872
Value added tax	-	2,801,638
Social Security contributions	4,710,392	4,695,884
Caixa Geral de Aposentações	776,789	860,878
Local Authority taxes	515,275	521,000
Other taxes	577	20
	17,001,342	18,247,579

As at 31 December 2015, the information regarding community subsidies (Note 3.1.7) was as follows:

	2015	2014
Estimated income tax (Note 38)	24,882,795	19,846,209
Estimated Group companies' income tax	3,568,585	4,974,953
Payments on account	(19,332,653)	(16,127,982)
Withholding taxes	(1,194,783)	(2,521,893)
	7,923,944	6,171,287

29. Subsidies obtained

As at 31 December 2015, the information regarding community subsidies (Note 3.17) was as follows:

2015							
Subsidy	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used	Deferred tax adjustment	Net value to be used
FEDER	9,815,622	9,662,306	153,316	9,465,126	350,496	99,401	251,095
IEFP	70,864	70,864	-	70,864	-	-	-
	9,886,486	9,733,170	153,316	9,535,991	350,496	99,401	251,095

The amounts received from investment subsidies – FEDER – initially recognised in equity (Note 20), were transferred to the Corporate income statement, under the heading Other operating revenues, as the subsidised assets were amortised (Note 31).

The financial contribution of the Institute of Employment and Professional Training (“Instituto do Emprego e da Formação Profissional, I.P.” – “IEFP”), received under the Employment Internships Programme configures the typology of Grants related to income or operational expenses and is recognised as revenue in the same period of the related expense.

The amounts received were initially deferred (Note 16) and transferred to the Corporate income statement in the Operational Grants heading, to the extent that the expenses were recognised. During the years ended 31 December 2015 and 31 December 2014, the amounts of 8,119 Euros and 62,745 Euros, respectively, were recognised in the caption Operational Grants of the Corporate income statement.

30. Sales and services rendered

For the years ended 31 December 2015 and 31 December 2014, the significant categories of the Company’s revenue were as follows:

	2015	2014
Sales	22,892,730	21,606,200
Mail services rendered	461,183,181	456,798,816
Postal financial services	54,725,404	54,235,474
Electronic vehicle identification devices	6,054,633	5,381,947
Telecommunication services	1,283,540	2,217,736
Other services	4,839,931	4,620,514
	550,979,418	544,860,686

Other services fundamentally concern:

	2015	2014
Photocopies Certification	253,102	250,954
Reg. Aut. Madeira transport allowance	565,383	442,753
Others Philately	230,555	342,801
Costums presentation tax	784,426	704,685
Corfax	229,965	311,302
Non-addressed mail	262,800	248,119
Portugal Telecom services	165,762	202,171
Digital mailroom	330,015	285,418
Other services	2,017,925	1,832,310
	4,839,931	4,620,514

31. Other operating revenues

During the years ended 31 December 2015 and 31 December 2014, the composition of Other operating revenues was as follows:

	2015	2014
Amortisation of fixed assets subsidies (Notes 20 and 29)	11,201	11,201
Supplementary revenues	39,031,801	33,066,143
Prompt-payment discounts obtained	47,120	34,322
Gains in inventories	9,220	25,636
Sale of tangible fixed assets	1,728,185	2,110,446
Favourable exchange rate differences of assets and liabilities different from financing	1,654,988	1,756,540
Revenue from non-financial investments	325,155	412,838
VAT adjustments	6,409,103	77,136
Interest from deposits in credit institutions	1,912,543	6,287,495
Other interest and similar income	1,775	99,956
Other	167,311	3,396,618
	51,298,403	47,278,332

According to clarification 26 of the Commission of Accounting Standards of May/2012, Interest and similar income that do not directly derive from the entity’s funding shall affect the operating profit (before financing costs and taxes).

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

The caption Supplementary revenues fundamentally concerns:

	2015	2014
Royalties	500,000	500,000
Services rendered to subsidiary companies	30,656,478	27,787,754
Rental of spaces in urban buildings	2,706,780	2,833,657
Altice agreement	3,611,111	-
Other	1,557,432	1,944,733
	39,031,801	33,066,143

Following the Memorandum of understanding signed with Altice and being the acquisition of PT Portugal completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the Corporate income statement over the exclusive period for the negotiation of the partnerships.

32. External supplies and services

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading External supplies and services was as follows:

	2015	2014
Specialised services		
IT services ⁽ⁱ⁾	9,375,013	22,762,277
Group company services	8,630,861	10,211,503
Maintenance and repair ⁽ⁱⁱ⁾	13,534,616	13,119,959
Publicity and Advertising	3,665,144	2,726,283
Surveillance and security	2,292,751	2,263,119
Consulting	7,883,390	6,045,478
Other specialised services	6,968,121	6,491,784
Materials	1,735,039	1,549,879
Energy ⁽ⁱⁱⁱ⁾	12,641,773	12,864,043
Travel and hotels	860,853	671,132
Staff transportation	219,697	231,761
Transportation of goods ^(iv)	11,732,952	11,872,433
Sundry services		
Rents		
Vehicle operational lease (Note 24)	6,628,875	6,258,419
Other rental charge ^(v)	21,523,538	20,856,793
Communication	1,619,372	2,758,211
Other services	43,700,115	40,494,814
	153,012,109	161,177,888

- (i) IT services refer in particular to the outsourcing contracts for rendering the mentioned services;
(ii) Maintenance and repair concern to the maintenance of IT equipment;
(iii) Energy refer fundamentally to diesel for goods vehicles used in the operating process;
(iv) Transportation of goods refer to costs with the transportation of mail in several ways (sea, air, surface);
(v) Other rental charge mainly refer to costs with facilities leased from third-parties.

The breakdown of Other services is as follows:

	2015	2014
Litigation and notary	230,863	264,960
Uniforms	931,462	1,663,813
Insurance	2,198,994	2,182,369
Remuneration to postal agencies	4,519,705	4,496,988
Cleaning, hygiene and comfort	3,617,475	3,432,430
Services for Group companies	4,469,501	3,713,348
Delivery subcontracting	5,504,638	4,940,226
Postal operators	17,012,078	16,482,219
Other	5,215,399	3,318,460
	43,700,115	40,494,814

33. Staff costs

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading Staff Costs was as follows:

	2015	2014
Statutory bodies' remuneration (Note 6)	3,708,714	3,672,830
Staff remuneration	234,037,367	232,616,906
Employee benefits (Note 26)		
Healthcare	3,395,073	(80,227,450)
Other benefits	(7,923,428)	6,312,700
Defined contribution plan RSP	188,500	144,517
Long-term variable remuneration - Share Plan	1,610,685	1,376,407
Indemnities	4,030,742	2,147,960
Social Security charges	50,259,929	49,203,496
Occupational accidents and health insurance	1,958,618	1,492,249
Social welfare costs	6,069,367	10,020,331
	297,335,567	226,759,945

Remuneration of the Board of Directors

During the years ended 31 December 2015 and 31 December 2014, the fixed and variable remunerations attributed to the members of the Board of Directors of the Company were as follows:

	2015	2014
Board of Directors		
Fixed remuneration	2,087,398	2,003,280
Annual variable remuneration	1,373,129	1,427,228
Defined contribution plan RSP	188,500	144,517
Long term variable remuneration - Share Plan	1,610,685	1,376,407
	5,259,712	4,951,432

As a result of the company's privatisation process the Board Members are no longer subject to the remuneration limitations established for public managers. Bearing in mind the new reality of CTT as an entity of private capital and admitted to trading on a regulated market, the Remuneration Committee (elected by the General Meeting on 24 March 2014 and composed of independent members) defined the new remuneration model for the statutory bodies which followed a benchmark study performed by a specialised firm and is already considered under the caption Statutory bodies' remuneration.

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office in company shares, and the amount of 1,610,685 Euros corresponds to the expense to be recognised in

the period between 1 January 2015 and 31 December 2015 and was determined by an actuarial study performed by an independent entity. The annual variable remuneration will be determined and paid on an annual basis and was also defined by an actuarial study performed by an independent entity.

Staff remuneration

The variation in this heading is mainly a result of the update of the fixed salaries of 2% following the new Company Agreement that became effective on 1 January 2015.

Employee benefits

The variation in the caption Employee benefits reflects mainly the liability reduction related to workers in a situation of Suspension of contracts, redeployment and release of employment recorded in the year ended 31 December 2015 as well as the liability reduction related to the benefits Pension for work accidents and Monthly life annuity due to the update of the salaries' growth rate.

Indemnities

In the year ended 31 December 2015 this caption includes the amount of 2,805,544 Euros related to compensations paid for termination of employment contracts by mutual agreement.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the company with the active workers, as well as expenses related to Health and Safety at work. The decrease in this caption results from changes that took place in CTT's Healthcare Plan following the revised Regulation of the Social Works (RSW), according to which the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments. As at 31 December 2015 and 31 December 2014, this heading include the amounts of 3,204,441 Euros and 5,770,804 Euros, respectively, regarding the health costs active workers.

During the years ended 31 December 2015 and 31 December 2014 the heading Staff costs includes the amounts of 807,237 Euros and 828,060 Euros, respectively, related to expenses with workers' representative bodies.

During the years ended 31 December 2015 and 31 December 2014, the average number of staff of the Company was, respectively, 10,908 and 10,904 employees.

	2015	2014
Taxes and fees	1,682,678	1,451,763
Bad debts	11,025	416,881
Write-offs of tangible fixed assets	23,391	20,497
Losses in inventories	463,217	365,836
Concession rent	-	11,287
Unfavourable exchange rate differences of assets and liabilities		
different from financing	1,711,387	1,843,815
Donations	908,366	1,038,686
Subscriptions	754,109	709,824
Alienations	320,597	369,696
Indemnities	346,599	467,421
Banking services	953,814	829,103
Interest on arrears	67,698	14,651
Other costs	1,086,056	860,007
	8,328,937	8,399,468

34. Depreciation, amortisation and impairment

During the years ended 31 December 2015 and 31 December 2014, the detail of Depreciation and amortisation, net was as follows:

	2015	2014
Tangible fixed assets (Note 7)	15,929,702	15,333,819
Investment properties (Note 8)	752,365	764,567
Intangible assets (Note 10)	3,050,326	2,296,744
	19,732,394	18,395,130

Regarding the detail of Impairment of depreciable/amortisable assets, net during the years ended 31 December 2015 and 31 December 2014, it was as follows:

	2015	2014
Tangible fixed assets (Note 7)	(123,714)	2,530
Investment properties (Note 8)	(167,403)	(156,480)
	(291,117)	(153,950)

35. Other operations costs

During the years ended 31 December 2015 and 31 December 2014, the breakdown of Other operating costs was as follows:

36. Interest expenses and interest income

During the years ended 31 December 2015 and 31 December 2014, the heading Interest income was detailed as follows:

	2015	2014
Interest income		
Loans to Group companies	283,466	519,287
	283,466	519,287

During the years ended 31 December 2014 and 31 December 2013, the caption Interest expenses was detailed as follows:

	2015	2014
Interest expenses		
Bank overdrafts	5,749	14,595
Financial leases	8,084	14,491
Other interest	19,285	53,584
Interest expenses from employee benefits (Note 26)	6,718,992	11,546,632
Other interest expenses	22,594	-
	6,774,705	11,629,302

37. Exchange rate effects

During the years ended 31 December 2015 and 31 December 2014, the composition of the heading Staff Costs was as follows:

	2015	2014
Favourable exchange rate		
Operating activity		
Other income (Note 31)	1,654,988	1,756,540
	1,654,988	1,756,540
Unfavourable exchange rate		
Operating activity		
Other costs (Note 35)	1,711,387	1,843,815
	1,711,387	1,843,815

38. Income tax for the period

The company is subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21% (23% in 2014), whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and the State surcharge is 3% of the taxable profit above 1,500,000 Euros, the 5% of taxable profit above 7,500,000 Euros up to for 35,000,000 Euros and 7% on taxable profit exceeding 35,000,000 Euros.

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

Reconciliation of the income tax rate

During the years ended 31 December 2015 and 31 December 2014, the reconciliation between the amount arising from the application of the nominal income tax rate to earnings before taxes and the cost of income tax was as follows:

	2015	2014
Earnings before taxes	100,813,654	124,302,361
Nominal income tax rate	21.0%	23.0%
Expected tax income	21,170,867	28,589,543
Permanent differences		
Tax benefits	(190,773)	(225,536)
Accounting capital gains	21,899	(51,010)
Tax capital gains	(396,402)	(291,684)
Equity method	879,222	4,294,696
Provisions not considered in the calculation of deferred taxes	19,167	13,633
Impairment losses and reversals	(23,754)	(33,123)
Other situations, net	(339,381)	354,219
Autonomous taxation	1,571,866	543,060
Municipal Surcharge	1,189,739	961,817
State Surcharge	4,657,116	3,593,478
Extraordinary investment tax credit	-	-
Impact of the change in income tax rate (deferred tax)	(574,330)	4,303,929
Excess estimated and refunded income tax	(121,616)	(131,507)
Other effects, net	884,751	5,209,718
Income taxes for the period	28,748,371	47,131,233
Effective income tax rate	28.52%	37.92%
Income taxes for the period		
Current tax	24,882,794	19,846,209
Deferred tax	3,987,193	27,416,531
Excess estimated income tax	(121,616)	(131,507)
	28,748,371	47,131,233

Deferred taxes

As at 31 December 2015 and 31 December 2014, the balance of deferred tax assets and liabilities was composed as follows:

	2015	2014
Deferred tax assets		
Employee benefits - healthcare	67,158,181	67,864,112
Employee benefits - other long-term benefits	6,522,953	10,118,192
Deferred accounting capital gains	1,723,242	2,384,961
Impairment losses and provisions	8,280,788	9,295,624
Impairment losses in tangible fixed assets	405,373	497,237
Stock purchase plan	847,140	387,321
Land and buildings	1,392,924	-
	86,330,601	90,547,447
	2015	2014
Deferred tax liabilities		
Revaluation reserves	3,562,520	3,793,815
Suspended capital gains	971,679	994,953
Fixed assets subsidies	99,401	101,782
	4,633,600	4,890,550

During the years ended 31 December 2015 and 31 December 2014, the movement occurred under the deferred tax headings was as follows:

	2015	2014
Deferred tax assets		
Opening balance	90,547,447	100,849,449
Movements of the period - effect on net profit		
Employee benefits - healthcare	(733,228)	(28,063,112)
Employee benefits - other long-term benefits	(3,595,239)	(234,885)
Impairment losses and provisions	(1,014,836)	799,499
Impairment losses in tangible fixed assets	(91,864)	44,378
Deferred accounting capital gains	(661,719)	(844,727)
Adjustments new GAAP - derecognition of inventories	-	(77,821)
Adjustments new GAAP - value deducted from staff debts	-	(18,692)
Stock purchase plan	459,819	387,321
Land and buildings	1,392,924	-
Movements of the period - effect on equity		
Employee benefits - healthcare	27,297	17,706,037
Closing balance	86,330,601	90,547,447
	2015	2014
Deferred tax liabilities		
Opening balance	4,890,550	5,482,058
Movements of the period		
Revaluation reserves	(231,295)	(495,037)
Suspended capital gains	(23,274)	(87,502)
Fixed assets subsidies	(2,381)	(8,969)
Closing balance	4,633,600	4,890,550

As at 31 December 2015, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 4,417,224 Euros and 256,950 Euros, respectively.

The sensitivity analysis performed allow to the conclusion that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the year of about 2.6 million Euro.

SIFIDE

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

Relating the expenses incurred with R&D during 2013, of 33,987 Euros, the Company had the possibility of benefiting from a tax deduction in income tax estimated at 9,519 Euros. According to the notification dated 16 January 2015 of the Certification Commission a tax credit of 8,337 Euros was attributed to CTT.

Regarding the expenses incurred with R&D during 2014, of 736,033 Euros, the Company had the possibility of benefiting from a tax deduction in income tax estimated at 514,753 Euros. According to the notification dated 18 January 2016 of the Certification Commission it was attributed to CTT a tax credit of 268,898 Euros.

For the year ended 31 December 2015, the expenses incurred with R&D, of 1,437,765 Euros, the Company would have the possibility of benefiting from a tax deduction in income tax estimated at 996,844 Euros.

Other information

Pursuant to the legislation in force, income tax returns are subject to review and correction by the tax administration for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or objections are underway, in which cases, depending on the circumstances, these periods are extended or suspended. Therefore, the Company's income tax returns from 2012 (remain open and inclusive) may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authority of these income tax returns will not have a significant effect on the financial statements.

39. Fees and services of the auditors

The information concerning the fees and services provided by the Company's external auditors is detailed in items 46 and 47 of the corporate governance report.

40. Information on environmental matters

The environment is one of the relevant topic identified in the course of materiality and CTT's stakeholder mapping and integrate a Sustainability strategy of the Company, in a perspective of risks and opportunities management. This approach and the related commitments assumed are expressed in statements and in CTT's management standards, as showed in the Environment Policy, Policy of Energy, Carbon and Climate Change Management, Responsible Purchasing Policies and Code of Conduct (intern) or Business&Biodiversity, Caring for Climate from United Nations and COP 21 Principals (external).

CTT actively interferes in a wide range of environmental descriptors such as the energy efficiency, carbon and climate change management, certified environmental management systems, sustainable mobility and alternative fleets, biodiversity, waste management, responsible purchases or sustainable marketing, having been recognised with awards, both national and international. The campaigns carried out and achievements are deeply developed in the "Sustainability Report of CTT".

In order to ensure the coverage of environmental liabilities arising from the Decree-Law no. 147/2008 of 29 July (Law of Environmental Responsibility), as amended by Decree-Law no. 245/2009 of 22 September, by Decree-Law no. 29A/2011 of 1 March and Decree-Law no. 60/2012 of 14 March, which establish the legal regime of liability for environmental damage, CTT took out an insurance to cover civil liability in the amount of 1,000,000 Euros per sinister and ensured period.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

41. Provision of insurance mediation service

In accordance to the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the Company discloses the relevant information regarding the activity of insurance mediation according to article 4 of the above mentioned Regulatory Standard.

- a) Description of the accounting policies adopted for the recognition of revenue

The insurance agent recognises revenue in accordance with the rules in force, i.e. when the mediator closes accounts with the Insurance companies. The issuance and repayment insurance are recorded on each Post Office accounting document and allocated to the respective account, according to the respective nature.

- b) Indication of total revenue received disaggregated by nature

By nature	2015	2014
In cash	3,542,063	2,042,531
In kind		
Total	3,542,063	2,042,531

By type	2015	2014
Commissions	3,542,063	2,042,531
Fees		
Other remuneration		
Total	3,542,063	2,042,531

- c) Indication of total revenues relating to insurance contracts intermediated by itself disaggregated Branch Life and Non-Life

	2015	
By entity	Branch Life	Branch Non-Life
Insurance companies	3,296,455	245,608
Other mediators		
Customers (other)		
Total	3,296,455	245,608

- d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal greater than 25% of total remuneration earned by the portfolio

By entity	2015	2014
Insurance companies		
FIDELIDADE	90.05%	80.53%
Other mediators		
Customers (other)		

- e) Values of customers' accounts, at the beginning and end of the year, as well as the volume handled in the year applicable to insurance intermediaries that handle funds related to insurance contracts

Accounts 'Customers'	2015	2014
Open balance	-	-
Closing balance	-	-
Volume handled		
Debt	289,194,305	513,739,965
Credit	87,855,030	204,059,254

- f) Accounts receivable and payable broken down by source

	Accounts receivable		Accounts payable	
By entity	2015	2014	2015	2014
Policyholders, insureds or beneficiaries				
Insurance companies	334,004	8,062,535	51,355	47,009
Reinsurance undertakings				
Other mediators				
Customers (other)				
Total	334,004	8,062,535	51,355	47,009

- g) Indication of the aggregate amounts included in accounts receivable and payable

	Accounts receivable		Accounts payable	
By entity	2015	2014	2015	2014
Funds received in order to be transferred to insurance companies for payment of insurance premiums	87,855,030	204,059,254	84,479,529	195,042,406
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums				
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	285,915,932	501,015,634	289,194,305	513,739,965
Remuneration in respect of insurance premiums already collected and to be collected				
Other mediators				
Total	373,770,961	705,074,888	373,673,834	708,782,371

Note: The remaining paragraphs of the standard do not apply.

42. Other information

Postal Bank

The year 2015 allows the monitoring and update the results of several market studies carried out by CTT and also allowed several visits to postal banks in Europe, having developed an in-depth knowledge of international postal banking models and strategies in terms of offer and growth processes.

Simultaneously, and throughout the year 2015, the market and the behaviour of the main indicators was continuously monitored and the Bank's strategy was being updated in line with the requirements and surrounding context, leading to a gradual adjustment of the economic and financial model.

The project and its strategic framework were reiterated and presented to investors/shareholders of CTT in the Capital Markets Day, held on 19 November, where it was possible to detail the value offer, positioning and some of the indicators.

Banco CTT is a banking project that is positioned in the mass market/retail with strong gains in solid balance sheet, in simplicity and proximity, leveraging the existing resources structure.

After the submission of the process which supported the Special Registry with the Bank of Portugal, in early July, and following the interactions with the regulator, it was possible to safeguard all the requirements set by the Bank of Portugal, and in October 2015 Banco CTT was authorized to complete its special registration process, and start the implementation of the applicable regulatory requirements, particularly regarding anti-money laundering and terrorist financing policies.

Banco CTT initiated its activity on 27 November, by opening the head agency in a soft opening, which allowed systems, processes and banking practices to be tested in a controlled environment before opening to the general public, scheduled for the first quarter of 2016.

Memorandum of understanding with Altice Portugal, S.A.

In November 2014, CTT signed a Memorandum of Understanding with Altice, which was at the time bidding to acquire PT Portugal S.A., aiming at concluding a Framework Agreement to maximise the joint synergies of CTT and PT Portugal.

Upon the acquisition of PT Portugal by Altice, CTT has already received, in June 2015, the initial payment, established by contract.

During the second semester, several interactions have been developed regarding the definition of the specific business partnerships which should generate value for both companies, in particular the joint optimisation of the retail networks, taking

advantage of the scale and capillarity of the CTT Retail Network, and the development of joint-ventures in the area of e-commerce, physical-digital convergence as well as the value creation within the Financial Services of CTT and Banco CTT. However, due to MEO's priorities following the acquisition, no specific partnership has yet been materialised.

Escrita Inteligente, S.A.

On 17 December 2015, CTT acquired the company Escrita Inteligente, S.A., a start-up company in the digital area dedicated to the development of the solution named "Recibos Online". The solution in question allows electronic invoicing, permitting retailers and other entities, to eliminate the traditional paper printing through a digital version with equal legal value, and consumers to have a platform to gather their expenses (useful for personal income tax purposes).

43. Subsequent events

Postal services prices update

CTT – Correios de Portugal, S.A. updated the prices with effect from 1 February 2016 onwards. These updated prices correspond to an average increase of 1.3% of the basket of letter mail, editorial mail and parcels services (which does not cover the universal service offer to bulk mailers who benefit from the special price scheme).

The new prices were defined in accordance with the Criteria for the Formulation of the Universal Service Prices laid down by ICP-Autoridade Nacional de Comunicações, the regulator of the communications sector (ANACOM) under article 14(3) of Law no. 17/2012, of 26 April, amended by Decree-Law no. 160/2013, of 19 November.

In accordance with the pricing policy of the company for 2016, the current update corresponds to an average annual price variation of 1.1%, which also takes into account the updated prices of reserved services (summons and postal notifications) and of the bulk mail.

Following the pricing policy for the year 2016, CTT, as the universal service provider, will provide an offer for the access to the universal service network by other operators, pursuant to article 38 of the Postal Law (Law No. 17/2012 of 26 April).

Banco CTT – General public opening

The opening of Banco CTT to the general public will occur on 18 March 2016, through the opening of Banco CTT branches in 52 CTT post offices, ensuring the bank's presence in all the country's districts including the islands of Madeira and the Azores. Being a

natural evolution of the Financial Services segment, the opening of the bank will be initiated in CTT's post offices that have the greatest potential in this business area.

The activity of Banco CTT in these post offices will be developed according to two distinct models: dedicated spaces in almost all the post offices concerned, and dedicated counters, allowing for a clear identification and communication of the presence and enhancing the start of the banking activity.

Adequacy of the Express & Parcels business unit corporate structure

Following the analysis of Tourline's ongoing restructuring process results and of the decision to integrate the Express & Parcels network in the mail network, the most suitable corporate structure to meet the proposed strategic goals was analysed.

The integration strategy of the operations in Iberia has proven to be difficult to apply due to the different operational models and was therefore rejected in favour of the network integration in Portugal given the evident synergies and economies of scale observed. In this sense, on 15 March 2016 the Board of Directors approved the acquisition, by CTT, of the participation in Tourline from CTT Expresso.

The financial statements for the year ended 31 December 2015 were approved by the Board of Directors of the Company and authorised for issue on 15 March 2016. However, they are still subject to the approval of the General Meeting of Shareholders under the terms of the commercial legislation in force in Portugal.

