CONSOLIDATED RESULTS

1st Quarter 2014

CTT – Correios de Portugal, S.A.
Sociedade Aberta
Avenida D. João II, Lote 1.12.03
1999-001 LISBOA
Capital social EUR 75.000.000,00
NIPC 500 077 568 CRC Lisboa

3 month report
2014

Consolidated accounts

CTT – Correios de Portugal, S.A.
Sociedade Aberta
Avenida D. João II, Lote 1.12.03
1999-001 LISBOA
Capital social EUR 75.000.000,00
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CONSOLIDATED ACCOUNTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014 AND 31 DECEMBER 2013

Euro

	NOTES	31.03.2014	31.12.2013
ASSETS			
Non-current assets			
Tangible fixed assets	4	217,302,015	225,364,429
Investments properties	6	21,568,683	21,761,886
Intangible assets	5	12,836,957	13,049,308
Goodwill	8	24,297,705	25,083,869
Investments in associated companies		475,018	710,723
Other investments		1,106,812	130,829
Other non-current assets		502,591	1,951,139
Deferred tax assets	17	102,972,305	103,645,256
Total non-current assets		**381,062,086**	**391,697,439**
Current assets			
Inventories		5,807,327	5,993,971
Accounts receivable		140,944,416	135,589,645
Deferrals		4,624,985	4,875,139
Other current assets		28,647,076	17,102,436
Cash and cash equivalents		545,294,349	544,875,803
Total current assets		**725,318,153**	**708,436,994**
Total assets		**1,106,380,239**	**1,100,134,433**
EQUITY AND LIABILITIES			
Equity			
Share capital		75,000,000	75,000,000
Reserves	11	30,397,559	30,397,559
Retained earnings	11	144,383,531	83,367,465
Other changes in equity	11	24,262,118	24,548,756
Net profit attributable to equity holders of parent company		18,077,405	61,016,067
Non-controlling interests		1,684	1,604,372
Total equity		**292,122,297**	**275,934,219**
Liabilities			
Non-current liabilities			
Medium and long term debt		2,657,297	3,282,126
Employee benefits	14	277,697,645	278,638,868
Provisions	15	38,138,315	38,501,835
Deferrals		8,234,480	8,837,037
Deferred tax liabilities	17	5,391,903	5,481,878
Total non-current liabilities		**332,119,640**	**334,741,744**
Current liabilities			
Accounts payable		373,333,013	391,958,039
Employee benefits	14	19,911,373	19,904,186
Income taxes payable		5,639,758	93,968
Short term debt		4,372,055	3,716,557
Deferrals		3,884,473	4,103,751
Other current liabilities		74,997,630	69,681,969
Total current liabilities		**482,138,302**	**489,458,470**
Total liabilities		**814,257,942**	**824,200,214**
Total equity and liabilities		**1,106,380,239**	**1,100,134,433**

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED INCOME STATEMENT FOR THE PERIODS ENDED 31 MARCH 2014 AND 31 MARCH 2013

Euro

	NOTES	31.03.2014	31.03.2013
Revenue		**176,426,775**	**176,930,246**
Sales and services rendered		171,774,077	173,895,665
Other operating income		4,652,698	3,034,581
Operating costs		**(150,205,614)**	**(152,673,416)**
Cost of sales		(3,848,374)	(4,062,275)
External supplies and services		(55,798,574)	(57,206,918)
Staff costs	16	(81,896,030)	(82,342,692)
Impairment of inventories and accounts receivable, net		(102,256)	(450,316)
Provisions, net		(1,010,990)	(380,090)
Depreciation/amortisation and impairment of investments, net		(5,383,026)	(5,999,311)
Other operating costs		(2,166,364)	(2,231,814)
Profit before financial income and taxes		**26,221,161**	**24,256,830**
Financial results		**(1,366,788)**	**(744,207)**
Interest expenses		(2,987,031)	(3,002,878)
Interest income		1,317,150	2,258,671
Gains/losses in associated companies		303,093	-
Profit before income tax		**24,854,373**	**23,512,623**
Income tax for the period	17	(6,785,556)	(5,630,336)
Net profit for the period		**18,068,817**	**17,882,287**
Net profit for the period attributable to:			
Equity holders of parent company		18,077,405	17,851,566
Non-controlling interests		(8,588)	30,721
Earnings per share of the parent company		0.12	0.12

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2014 AND 31 MARCH 2013

Euro

	NOTES	31.03.2014	31.12.2013
Net profit for the period		**18,068,817**	**17,882,287**
Adjustments from application of the equity method (not reclassified to profit or loss)	11	-	-
Employee benefits (not reclassified to profit or loss)	14	(407,736)	(467,057)
Deferred tax/Employee benefits (not reclassified to profit or loss)	17	121,098	135,447
Other changes in equity	11	(1,594,100)	132,019
Other comprehensive income for the period after taxes		**(1,880,738)**	**(199,591)**
Comprehensive income for the period		**16,188,079**	**17,682,696**
Attributable to non-controlling interests		(1,602,688)	162,740
Attributable to shareholder of CTT		17,790,767	17,519,956

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2014 AND 31 DECEMBER 2013

Euro

	NOTES	Share capital	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2013		**87,325,000**	**28,628,508**	**33,079,577**	**87,105,292**	**35,735,268**	**1,607,508**	**273,481,153**
Share capital reduction		(12,325,000)	12,325,000	-	-	-	-	-
Appropriation of net profit for the year of 2012		-	-	-	35,735,268	(35,735,268)	-	-
Dividends	12	-	(10,555,949)	-	(39,444,053)	-	(64,174)	(50,064,175)
		(12,325,000)	**1,769,051**	**-**	**(3,708,784)**	**(35,735,268)**	**(64,174)**	**(50,064,175)**
Other movements		-	-	-	-	-	(28,181)	(28,181)
Actuarial gains/losses - Health Care	11	-	-	(8,530,821)	-	-	-	(8,530,821)
Adjustments from the application of the equity method	11	-	-	-	(29,043)	-	-	(29,043)
Net profit for the period		-	-	-	-	61,016,067	89,218	61,105,285
Comprehensive income for the period		**-**	**-**	**(8,530,821)**	**(29,043)**	**61,016,067**	**61,038**	**52,517,240**
Balance on 31 December 2013		**75,000,000**	**30,397,559**	**24,548,756**	**83,367,465**	**61,016,067**	**1,604,372**	**275,934,218**
Balance on 1 January 2014		**75,000,000**	**30,397,559**	**24,548,756**	**83,367,465**	**61,016,067**	**1,604,372**	**275,934,218**
Share capital reduction		-	-	-	-	-	-	-
Appropriation of net profit for the year of 2013		-	-	-	61,016,067	(61,016,067)	-	-
Dividends	12	-	-	-	-	-	-	-
		-	**-**	**-**	**61,016,067**	**(61,016,067)**	**-**	**-**
Other movements		-	-	-	-	-	(1,594,100)	(1,594,100)
Actuarial gains/losses - Health Care	11	-	-	(286,638)	-	-	-	(286,638)
Adjustments from the application of the equity method		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	18,077,405	(8,588)	18,068,817
Comprehensive income for the period		**-**	**-**	**(286,638)**	**-**	**18,077,405**	**(1,602,688)**	**16,188,079**
Balance on 31 March 2014		**75,000,000**	**30,397,559**	**24,262,118**	**144,383,531**	**18,077,405**	**1,684**	**292,122,297**

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

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CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS ENDED 31 MARCH 2014 AND 31 MARCH 2014

Euro

	NOTES	31.03.2014	31.03.2013
Operating activities			
Collections from customers		166,673,218	164,202,351
Payments to suppliers		(62,550,154)	(73,263,041)
Payments to employees		(68,926,189)	(73,238,768)
Cash flow generated by operations		35,196,875	17,700,542
Payments/receivables of income taxes		(862,133)	(827,748)
Other receivables/payments		(33,942,311)	38,260,955
Cash flow from operating activities (1)		392,431	55,133,749
Investing activities			
Receivables resulting from:			
Financial investments		2,007,665	20,725
Interest income		1,073,797	1,120,681
Payments resulting from:			
Tangible fixed assets		(2,871,876)	(2,056,172)
Cash flow from investing activities (2)		209,586	(914,766)
Financing activities			
Receivables resulting from:			
Loans obtained		950,000	1,685,366
Payments resulting from:			
Loans repaid		(1,990)	(6,837,238)
Interest expenses		(180,908)	(196,674)
Finance leases		(253,651)	(243,674)
Cash flow from financing activities (3)		513,451	(5,592,219)
Net change in cash and cash equivalents (1+2+3)		1,115,468	48,626,764
Changes in the consolidation perimeter		(696,922)	-
Cash and equivalents at the beginning of the period		544,875,803	489,303,463
Cash and cash equivalents at the end of the period		545,294,349	537,930,227

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated financial statements
(Amounts expressed in Euro)

TABLE OF CONTENTS

1. INTRODUCTION

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

CTT – Correios de Portugal, S. A. – Sociedade Aberta ("CTT", "Parent Company" or "Company"), with head Office at Avenida D. João II, Lote 01.12.03, 1999-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" a government department and its present legal form is the result of successive re-organizations carried out by the Portuguese state business sector in the Communications area.

Decree-Law 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 Dispatch No. 2468/12 – SETF, 28 December determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October2013, the registered capital of CTT was reduced from 87,325,000 Euros to 75,000,000 Euros, being from that date forward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

For the period ended 31 December 2013 CTT's capital was opened to the private sector. Thus, and supported by Decree-Law No. 129/2013 of 6 September and the Resolution of the Council of Ministers ("RCM") No. 62-A/2013, 10 October, RCM No. 62-B/2013 of 10 October and RCM No. 72-B/2013, 14 November, on 5 December, 2013 the first phase of the privatization of CTT's capital took place. On this date, 63.64% of the shares of CTT (95.5 million shares) were transferred to the private sector, of which 14% (21 million shares) were sold in Public Offering and 49.64% (74.5 million shares) by an Institutional Direct Sale. On 31 December, 2013 the Portuguese State, through Parpública – Participações Públicas, SGPS, S.A. held 30.00% by direct ownership and 6.36% by attribution, of the shares of CTT.

On 31 March, 2014 Parpública – Participações Públicas, SGPS, S.A., holds 31.503% of CTT's share capital.

The shares of CTT are listed on Euronext Lisbon.

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

These consolidated financial statements were approved by the Board of Directors on 7 May, 2014.

1.2. Activity

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

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

Following the amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, it was transposed into national law in 2012 through the adoption of Law No. 17/2012, of 26 April ("new Postal Law"), with the amendments introduced in 2013 by Decree-Law No. 160/2013, of 19 November, revoking 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.

Thus, as from the entry into force of the new Postal Law, the postal market in Portugal has been fully open to competition, eliminating areas within the universal service that were still reserved for the provider of the universal postal service CTT – Correios de Portugal, SA ("CTT"). However, on the grounds of the general interest, the following activities and services remained reserved: placement of mailboxes on public roads for the acceptance of mail, issuance and sale of postage stamps with the word "Portugal" and registered mail used in legal or administrative proceedings.

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

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

As a result of the new Postal Law, the Portuguese Government revised the basis of the concession, through the publication of Decree-Law No. 160/2013 of 19 November, after which the fourth amendment to the concession Contract of the Universal Postal Service was made on 31 December 2013.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The 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 the going concern basis and are prepared under the historical cost basis, in accordance with the International Financial Reporting Standards, as adopted by the European Union as of 31 March 2014.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), or the IAS issued by the International Accounting Standards Committee ("IASC"), as well as 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 2014 and which are set out in the accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2013 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 became mandatory in the year starting on 1 January 2014.

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:

- The CTT Group adopted, in the year ended on 31 December 2012, IAS 19 - Employee benefits (revised) issued by the International Accounting Standards Board (IASB) in June 2011, and adopted by the European Union through Regulation no. 475/2012 of the European Commission, such that the impact of the adoption was recorded in those financial statements.

- The CTT Group early adopted, on 1 January 2013, IFRS 11 - 'Joint arrangements' issued by IASB in May 2011 and adopted by the European Union through Regulation No. 1254/2012 of the European Commission. IFRS 11 focuses on the rights and obligations of the joint arrangements rather than their legal form. Joint arrangements can be joint operations (rights to the assets and obligations) or joint ventures (rights to net assets, through the equity method). Proportional consolidation of joint venture is no longer allowed.

- IAS 1 (amendment), 'Presentation of financial statements'. This amendment changes the disclosure of items presented in other comprehensive income (OCI), requiring entities to separate items in OCI based on whether or not they may be reclassified to profit and loss in the future and the related tax amount if OCI items presented before tax. This amendment was taken into account when the consolidated statement of comprehensive income was prepared.

- IFRS 7 (amendment) 'Disclosures - Offsetting Financial Assets and Financial Liabilities'. This amendment is part of the IASB offsetting project which introduces new disclosure requirements about an entity's right to offset (assets and liabilities), the amounts offset, and the effects of these on credit exposure. The adoption of this amendment had no impact on the consolidated financial statements.

- IFRS 13 (new), 'Fair value measurement and disclosure'. IFRS 13 aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement, as well as disclosure requirements for use across IFRSs. The adoption of this standard had no impact on the consolidated financial statements.

- IFRIC 20 (new),'Stripping costs in the production phase of a surface mine'. This interpretation refers to the accounting of overburden waste removal costs in the production phase of a surface mine, such as an asset, considering that the waste removal generates two potential benefits: immediate extraction of mineral resources and improved access to further quantities of mineral resources to be extracted in the future. The adoption of this interpretation had no impact on the consolidated financial statements.

- Improvements to IFRSs 2009 – 2011, The 2009-2011 annual improvements affects: IFRS 1 (second adoption of IFRS 1 and exemptions), IAS 1 (presentation of additional financial statements when a change of accounting policy is mandatory or voluntary), IAS16 (classification of spare parts and servicing equipment when the definition of PP&E is met), IAS 32 (tax impact classification when related to transactions involving equity or dividends) and IAS 34 (exemption of total assets and liabilities disclosure by segment). The adoption of these amendments had no impact on the consolidated financial statements.

- IAS 32 (tax impact classification when related to transactions involving equity or dividends) and IAS 34 (exemption of total assets and liabilities disclosure by segment). The adoption of these amendments had no impact on the consolidated financial statements.
  The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.
  The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.
  The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement. The adoption of this amendment had no impact on the consolidated financial statements.

- IAS 27 (Revised) - Separate Financial Statements - The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December. Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements. The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent. The previous version required the disclosure of the country of incorporation or residence of such entities. On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).The adoption of this amendment had no impact on the consolidated financial statements.

- IFRS 10 - "Consolidated Financial Statements". The IASB, issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014. IFRS 10, withdraw one part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated. The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investor controls an investee when it is exposed, or has rights, to variability of returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).
  The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure to the variability of returns may change over the time.
  Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).
  The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements that are carried forward from IAS 27 to this new standards and ii) enhanced disclosures requirements, including specific disclosures for consolidated and unconsolidated structured entities.

- IFRS 12 – "Disclosure of Interests in Other Entities". The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.
  The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.
  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

- Amendment to IFRS 10, IFRS 12 and IAS 27 – "Investment entities" (to be applied to financial years that begin on or after 1 January 2014, at the latest). This amendment is still subject to the adoption process of the European Union. This amendment includes the definition of Investment Entity and introduces the exception regime with regards to the obligation to consolidate, for Investment Entities that qualify, since all investments will be measured at fair value. Specific disclosures are required by IFRS 12. This standard will not impact the CTT Group as it does fulfil the definition of investment entity.
- IAS 28 (revised 2011),'Investments in associates and joint ventures' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). IAS 28 was revised after the issuance of IFRS 11 and prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of equity method. The Group will apply the revised standard in the period it becomes effective, however no significant impact is expected in the consolidated financial statements.

- IAS 36 (amendment) 'Recoverable Amount Disclosures for Non-Financial Assets' (to be applied in financial years beginning on or after 1 Jan 2014). This amendment aims to change the requirements of IFRS 13 according to which the recoverable amount of each Cash-Generating Unit (CGU) to which goodwill or intangible assets with an undetermined useful life had been allocated had to be disclosed. With these amendments, the recoverable amount must be disclosed only when an impairment loss has been recorded or reversed. This adoption will not impact the consolidated financial statements of the CTT Group.

- IAS 39 (amendment) Novation of derivatives and Continuation of Hedge Accounting (to be applied in financial years beginning on or after 1 January 2014). This alteration introduces an exception to the obligation for derecognition of hedge accounting, according to IAS 39 and IFRS 9, under the circumstances in which hedge accounting is required to be continued with a central counterpart, as a result of laws and regulations. This adoption will not impact the consolidated financial statements of the CTT Group.

- IFRIC 21 (new interpretation), 'Levies' (to be applied in financial years beginning on or after 1 January 2014). This interpretation is still awaiting adoption by the European Union. This interpretation aims to clarify the treatment given to certain "taxes" defined by governmental entities, namely regarding the moment at which the liability must be recognised. This adoption will not impact the consolidated financial statements of the CTT Group.

2.1.2. New standards, amendments and interpretations issued, but without effective application to years starting on 1 January 2013 and not early adopted

In 2014, the European Union endorsed the following standards and amendments to the International Accounting Standards issued by the IASB and the interpretations issued by the IFRIC:

Description	Effective date*
New effective standards	
IFRS 9 - Financial instruments: Phase 1 - classification and measurement	indeterminate
Amendments to the standards	
Annual improvements 2010-2012	1 July 2014
Annual improvements 2011-2013	1 July 2014

* Effective date: date of mandatory application to the financial years begininng after the date mentioned by IASB.

These new standards and amendments to the standards and interpretations are effective for years starting on or after the referred date, and were not applied during the preparation of these consolidated financial statements. With the exception of IFRS 9, IFRIC 21 and Improvements 2010-2012/2011-2013, all the amendments and interpretations were adopted by the European Union.

The main changes arising from the adoption of the standards, amendments and interpretations described above will be:

IFRS 9 (new), Financial instruments - classification and measurement (effective date not determined). This standard is still awaiting adoption by the European Union. This is the first phase of IFRS 9, which foresees two categories of measurement: Amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only when the entity holds it to receive contractual cash-flows and these cash-flows represent the nominal value and interest. Otherwise, financial instruments are valued at fair value through results. CTT Group will apply IFRS 9 in the financial year in which it becomes effective.

Annual Improvements 2010-2012, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The Entity will apply 2010-2012 annual improvements in the period in which it becomes effective, however no significant impact is expected in the consolidated financial statements.

Annual Improvement 2011 - 2013, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by the European Union. The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. The Entity will apply 2011-2013 annual improvements in the period in which it becomes effective, except for IFRS 1 because the Entity already reports under IFRS. No significant impact is expected in the consolidated financial statements.

2.2. Consolidation principles

Investments in companies in which the Group holds, directly or indirectly, more than 50% of their voting rights in shareholders' general meetings and/or has the power to control their financial and operating policies were consolidated in these financial statements. The companies consolidated are shown in Note 7.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated balance sheet and income statement in the caption "Non-controlling interests". The gains and losses attributable to non-controlling interests are allocated to these.

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 directly in the 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 income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to be in accordance with the Group's accounting policies. Transactions (including unrealized 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. An associate 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 impaired losses are recorded as cost 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 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 income statement caption "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 will be 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, 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 the "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 mean 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 profit and losses, 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 impaired losses are recorded as costs in the consolidated income statements.

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 mean 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. On 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 revaluated.

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

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

	31.03.2014		31.12.2013		31.03.2013	
	Fecho	Médio	Close	Average	Fecho	Médio
Mozambican Metical (MZM)	41.82000	41.66333	41.24000	39.66750	38.92000	39.59667
United States Dollar (USD)	1.37880	1.36973	1.37910	1.32815	1.28050	1.32037
Special Drawing Right (SDR)	1.12100	1.12504	1.11732	1.14440	1.16987	1.15287

Source: Bank of Portugal

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 that period.

2.5. Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, less 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 2.19 and 15). Under the exception of IFRS1 – 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 revaluated amounts were referred to as "deemed cost" for IFRS purposes and were included in Retained earnings.

The depreciation of tangible assets, less their residual estimated value, is calculated in accordance with the straight line method, as of the month when the assets are available for use, during their useful lives, which is 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 property, plant and equipment	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 indications exist, the tangible fixed assets are subject to impairment tests, and 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 are in condition to be used for their intended purpose.

Costs related to maintenance and repair of a current nature are recorded as costs in the period they are incurred. Major repairs which lead to increased benefits or 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 are defined by the difference between the sale proceeds and the carrying amount of the assets and are 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
Computer programes	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 undefined 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 income statement. The recoverable amount is the higher of net selling price and value in use, the latter being calculated at 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 intangible assets, determined by the difference between the sales proceeds and the respective carrying value on the date of the divestment, are stated in the income statement under the heading "Other operating revenues" or "Other operating costs".

2.7. Investment Properties

Investment property is property (land or buildings) held by the Group to earn rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or

b) sale in the ordinary course of business.

Investment property comprises mainly buildings that the Group did not allocate 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 property is measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation useful lifes considered rates are between 10 and 50 years.

The Group ensures the annual assessment of assets qualified as investment property, in order to determine any impairment and disclose their fair value.

Costs incurred in relation to investment property, namely with maintenance, repairs, insurance and property taxes are recognised as costs for the period in which they 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 higher of (i) its fair value less costs to sell and (ii) its value in use. The fair value is the price that would be received, for the sale of an asset, in a transaction between market participants at the measurement date. The value in use arises from the estimated future 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 reflects the WACC before taxes ("Weighted Average Cost of Capital") of the CTT Group for the business segment to which the cash flow generating unit belongs. 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 at initial recognition.

<u>Loans and receivables</u>
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.

<u>Available-for-sale financial assets</u>
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.

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. 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 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".

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 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 indications that the debtors or a group of debtors is 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 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, less 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 on 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 lower of acquisition cost and net realizable value, using the weighted average cost method.

Net realizable 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 realizable value, the difference is recorded in the operating cost 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 deduced form selling costs. Whenever the fair value is less than the carrying value, the difference is recognised in item "Depreciation / amortisation and impairment of investments, net" in the Consolidated income statement.

Non-current assets held for sale are presented on a separated 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 General Annual Meeting of the Company, is recognised as a liability.

2.18. Employee benefits

The Group adopts the accounting policy for the recognition of its responsibility for the payment of post-retirement health care and other benefits, whose criteria are set out in IAS 19, namely using the Projected unit credit method (Note 14).

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 defined benefit obligation" is recorded as a liability in the item "Employee benefits".

As at 31 December 2012, CTT, SA early adopted the amendments set out in IAS 19, and, as a result, with respect to post-employment benefits, actuarial gains and losses are fully recognised, in Equity, contrary to the procedure that occurred in previous years, when these were deferred and amortised for the estimated average period of future services provided by the employees until their retirement age. In the case of actuarial gains and losses relative to other long-term benefits, not post-employment, these are recognized in the income statement as they occur.

IAS 19 does not specify whether interest expense in respect of defined benefit obligations should be presented as staff costs or financial costs. Most European postal operators present interest expense as financial costs, and accordingly CTT, as at 31 December 2012, reclassified interest expense in respect of defined benefit obligations, to financial costs in order to ensure comparability with the majority of its peers.

Retirement pensions of the staff integrated in State Pension Scheme ("CGA")

Decree-Law no. 246/2003 of 8 October transferred to CGA, as of 1 January 2003, the liability for retirement pensions due to retired and current personnel covered by that entity, and so, this Decree-Law extinguished the CTT, S.A. Personnel Pension Fund. Upon extinction of the fund, as determined by the same law, the Company transferred to CGA and to the General Directorate of the Treasury, the value of the respective assets, reported to 1 January 2003, plus the respective incomes until the date of its effective delivery, in December 2003.

Post-employment benefits - health care

Workers who are integrated in 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 health care benefits established in the CTT Social Work Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or if they 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 right to a pension, pre-retirement or retirement.

Health care 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 Work Regulation.

The funding of the post-retirement health care plane is ensured mostly by the Company, and the remaining costs are covered by the fees paid by the beneficiaries.

The right to the post-retirement health plan requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 1.5% of the respective pension. For each family member enrolled a fee is also paid, corresponding to 1.5% or 2% of the pension, depending on the percentage of the amount of the pension. In certain special situations, an exemption from the payment of the fee may be granted to the beneficiaries or their family members.

The management of the health care plan is ensured by the IOS – Instituto das Obras Sociais, which in turn, hired Portugal Telecom – Associação de Cuidados de Saúde ("PT-ACS") to manage health care services.

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 and release of employment

The liability for the payment of salaries to employees released from their positions, with suspended labour contracts, pre-retirement or equivalent is fully recognised in the consolidated income statement at the time they accept those conditions.

- Telephone subscription charge

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (7,648 beneficiaries as at 31 March 2014, 7,680 beneficiaries as at 31 December 2013), of the telephone subscription charge, amounting to 15.30 Euros per month.
During the year ended on 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January, 2014, the cash payment will be replaced by a benefit in kind.

- Pensions for accidents at work

This essentially corresponds to the liability for the payment of pensions for accidents at work, relative to workers who are integrated in state pension scheme (CGA).

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

According to the legislation in force concerning employees integrated in CGA, the Group 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 handicap 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 March 2014, there were 67 beneficiaries receiving this type of pension (67 as at 31 December 2013).

- 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 Decree-Law no. 341/99 of 25 August and Decree-Law no. 250/2001 of 21 September.

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 SA. As at 31 March 2014 there were 47 beneficiaries under these conditions, (48 beneficiaries as at 31 December 2013), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Order of the Ministry of Finance and the Ministry of Solidarity and Social Security.

- **Support for cessation of professional activity**

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

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 health care plan.

2.19. Provisions and contingent liabilities

Provisions are recognised whenever: (i) the Group has a present obligation (legal or implicit) 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. Whenever any of these conditions is not met, the Group discloses the events as contingent liability, unless the probability of a cash outflow is remote.

The amount of the provisions corresponds to the present value of the obligation, with the financial unwinding being recorded as a financial cost under the heading "Interest and similar costs paid".

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

When losses in associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of further losses is discontinued, except to the extent that the Group has incurred in a legal or constructive obligation to assume these losses on behalf of an associate, in which case a provision is recorded for the investments in associated companies.

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the Board of Directors and it has been launched or publicly disclosed.

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 or when there is a contractual commitment to restore the locations rented by third parties. A provision is recorded for on-going legal costs, whenever there is a reliable estimation of the costs to be incurred with the actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the Group's lawyers.

Whenever any of the conditions for the recognition of provisions is not met, the Company discloses the events as contingent liabilities (Note 15). 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.

2.20. Revenues

Revenues are measured at the fair value of the consideration that has been or will be received.

The revenue relative to sales, services rendered, royalties, interests and dividends (from investments not stated at 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 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 the 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 from PO Boxes and the custody of archives 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 indices agreed with the corresponding postal administrations, are recognised in provisional accounts in the month that the traffic occurs. Differences between the estimated and final amounts determined in agreement with these services, which are not usually significant, are recognised in the 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 flows.

2.21. 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 assignment.

Capex 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 grants.

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.

2.22. 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 advantages associated to the ownership of the asset. All other leases are classified as operating.

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 funding 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 the amortisation of tangible fixed assets are 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.

2.23. 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.

2.24. 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 through 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 accounting purposes 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 in 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 Portugal VAT Code, with the exemption to various operations in its activity that fall under the provisions of article 9 of the Portugal VAT Code, as well as non-exemption to other operations which are subject to VAT, and for this reason, using the effective allocating method and the *pro rata* method.

2.25. 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.

2.26. 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. 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 consolidated financial statements arise in the following:

(i) Tangible fixed and intangible assets / estimated useful lives
Depreciation/amortisation is calculated on the acquisition cost using the straight line method, as of 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. Changes in assumptions can have impacts on results and on the consequent recording of impairments.

(iii) Impairment of accounts receivable
Impairment losses relative to bad debt 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 that expected.

(iv) Deferred taxes
The recognition of deferred taxes assumes the existence of future net profit and taxable amount. 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 health care 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 14, will have impact on 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 appraise 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, real 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.

2.27. Consolidated 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.

2.28. 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. SEGMENT REPORTING

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

The Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.
In 2014 the Business Solutions segment, which existed in 2013, became part of the Mail segment.
With the sale in the first quarter of 2014 of the 51% EAD's participation, held by CTT, S.A., this company was excluded from the scope of the Mail segment in 2014.

The business of CTT is organized in the following segments:

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

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

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

Besides the abovementioned segments, there are two sales channels, which are crosswide 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 captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

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

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

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

With the allocation of all costs, earnings before depreciation, provisions, impairments, financial results and taxes by segment are defined as follows:

31.03.2014							
€	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	134,638,220	31,247,432	16,153,590	28,698,697	(34,311,164)	-	176,426,775
Sales and services rendered	126,646,322	30,861,771	15,381,865	-	(1,115,881)	-	171,774,077
Sales	4,616,281	285,995	-	-	(1,402)	-	4,900,874
Services rendered	122,030,041	30,575,776	15,381,865	-	(1,114,479)	-	166,873,203
Operating revenues external customers	3,737,912	385,661	750,753	5,830,333	(6,051,961)	-	4,652,698
Internal services rendered	4,253,986	-	20,972	17,803,313	(22,078,271)	-	0
Allocation central CTT structure	-	-	-	5,065,051	(5,065,051)	-	-
Operating costs	111,581,764	29,797,429	7,942,616	28,698,697	(34,311,164)	-	143,709,342
External supplies and services	24,165,394	23,475,757	2,506,883	12,811,094	(7,160,554)	-	55,798,574
Staff Costs	60,861,993	5,854,634	860,113	14,319,290	-	-	81,896,030
Other costs	4,155,075	467,038	102,316	1,297,598	(7,288)	-	6,014,738
Internal services rendered	17,373,146	-	4,434,410	270,716	(22,078,271)	-	(0)
Allocation to central CTT structure	5,026,156	-	38,895	-	(5,065,051)	-	0
EBITDA[(1)]	**23,056,456**	**1,450,003**	**8,210,974**	**-**	**-**	**-**	**32,717,433**
Depreciation/amortisation and impairment of investments, net	(3,790,941)	(566,740)	(139,770)	(692,373)	-	(193,203)	(5,383,026)
Impairment of inventories and accounts receivable, net							(102,256)
Impairment of non-depreciable assets							-
Provisions net							(1,010,990)
Interest expenses							(2,987,031)
Interest income							1,317,150
Gains/losses in associated companies							303,093
Earnings before taxes							**24,854,373**
Income tax for the year							(6,785,556)
Net profit for the year							**18,068,817**
Non-controlling interests							(8,588)
Equity holders of parent company							**18,077,405**

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

	31.03.2013						
€	Mail	Express & Parcels	Financial Services	Central CTT Structure	Intragroup eliminations	Others non allocated	Total
Revenues	140,655,379	30,114,272	13,468,127	27,119,106	(34,426,637)	-	176,930,246
Sales and services rendered	132,934,775	29,844,398	12,592,666	-	(1,476,174)	-	173,895,665
Sales	4,419,023	313,055	-	-	(1,807)	-	4,730,271
Services rendered	128,515,752	29,531,343	12,592,666	-	(1,474,367)	-	169,165,394
Operating revenues external customers	3,354,749	269,874	874,865	3,953,369	(5,418,275)	-	3,034,581
Internal services rendered	4,365,855	-	596	16,608,369	(20,974,820)	-	(0)
Allocation central CTT structure	-	-	-	6,557,368	(6,557,368)	-	-
Operating costs	116,456,739	28,758,991	7,935,502	27,119,106	(34,426,637)	-	145,843,699
External supplies and services	27,441,453	22,372,478	2,360,231	11,920,219	(6,887,462)	-	57,206,918
Staff Costs	61,848,069	5,858,553	722,450	13,913,621	-	-	82,342,692
Other costs	4,575,656	527,960	84,372	1,113,088	(6,987)	-	6,294,089
Internal services rendered	16,085,576	-	4,717,067	172,177	(20,974,820)	-	(0)
Allocation to central CTT structure	6,505,986	-	51,383	-	(6,557,368)	-	-
EBITDA[1]	**24,198,640**	**1,355,281**	**5,532,625**	**-**	**-**	**-**	**31,086,547**
Depreciation/amortisation and impairment of investments, net	(4,148,981)	(650,313)	(173,931)	(1,025,758)	-	(328)	(5,999,311)
Impairment of inventories and accounts receivable, net							(450,316)
Impairment of non-depreciable assets							-
Provisions net							(380,090)
Interest expenses							(3,002,878)
Interest income							2,258,671
Gains/losses in associated companies							-
Earnings before taxes							**23,512,623**
Income tax for the year							(5,630,336)
Net profit for the year							**17,882,287**
Non-controlling interests							30,721
Equity holders of parent company							**17,851,566**

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

The revenues are detailed as follows:

€ Thousand	**31.03.2014**	**31.03.2013**
Mail	134,638	140,655
Transactional mail	103,580	107,086
Press mail	3,741	3,567
Parcels (USO)	1,704	1,645
Advertising mail	7,909	9,094
Retail	3,928	4,158
Philately	1,583	1,317
Business Solutions	2,946	4,515
Other	9,247	9,273
Express & Parcels	31,247	30,114
Financial Services	16,154	13,468
Central CTT Struture	28,699	27,119
Intragroup eliminations	(34,311)	(34,427)
	176,427	**176,930**

The assets by segment are detailed as follows:

Assets	Mail	Express & Parcels	Financial Services	Central CTT Structure	Non allocated assets	Total
	31.03.2014					
Intagible assets	2,781,951	3,291,664	211,822	3,774,078	2,777,443	12,836,957
Tangible fixed assets	186,624,254	11,756,957	751,594	16,361,362	1,807,847	217,302,015
Investments properties					21,568,683	21,568,683
Goodwill	7,299,356	16,592,248	406,101			24,297,705
Deferred tax assets					102,972,305	102,972,305
Account receivable					140,944,416	140,944,416
Other assets					41,163,809	41,163,809
Cash and cash equivalents					545,294,349	545,294,349
	196,705,561	**31,640,869**	**1,369,517**	**20,135,440**	**856,528,852**	**1,106,380,239**

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

Debt by segment is detailed as follows:

Other information	Mail	Express & Parcels	Financial Services	Central CTT Struture	Total
	31.03.2014				
Medium and long term debt	**1,553,442**	**1,103,854**	**-**	**-**	**2,657,296**
Bank loans					0
Leasings	1,553,442	1,103,854			2,657,296
Short term debt	**437,101**	**3,934,954**	**-**	**-**	**4,372,055**
Bank loans		503,707			503,707
Leasings	437,101	3,431,247			3,868,348
	1,990,543	**5,038,809**	**-**	**-**	**7,029,352**

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

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

€ Thousand	31.03.2014	31.03.2013
Revenue - Portugal	152,037	154,817
Revenue - other countries	19,737	19,079
	171,774	173,896

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

4. TANGIBLE FIXED ASSETS

During the period ended on 31 March 2014 and year ended on 31 December 2013, the movement which occurred in the carrying value of the "Tangible fixed assets", as well as the respective accumulated depreciation, was as follows:

	31.03.2014								
	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	-	44,487	382,004	-	63,563	54,780	209,495	-	754,329
Disposals	-	(23,210)	(514)	(4,144)	(13,989)	(1,437)	-	-	(43,293)
Transfers and write-offs	-	120,090	124,467	-	(282,028)	(107,504)	(120,090)	-	(265,065)
Adjustments	-	2,920	303,755	(280,939)	(17,082)	(54,317)	-	-	(45,663)
Other changes	(982,877)	(3,079,671)	(2,881,147)	(230,355)	(617,644)	-	-	-	(7,791,694)
Closing balance	37,557,678	334,505,338	146,589,544	3,091,895	80,879,742	24,254,144	263,688	754,041	627,896,071
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	-	2,262,297	1,215,763	16,361	670,408	280,829	-	-	4,445,658
Disposals	-	(23,210)	-	-	(8,456)	(74)	-	-	(31,740)
Transfers and write-offs	-	-	(180,892)	(4,144)	(84,455)	(1,431)	-	-	(270,922)
Adjustments	-	608	217,912	(210,994)	(10,123)	(1,174)	-	-	(3,771)
Other changes	-	(611,746)	(2,041,810)	(219,443)	(595,199)	-	-	-	(3,468,198)
Closing balance	3,899,830	177,779,438	130,268,659	2,969,051	76,656,109	19,020,968	-	-	410,594,055
Net Tangible fixed assets	33,657,848	156,725,900	16,320,885	122,844	4,223,633	5,233,176	263,688	754,041	217,302,015

	31.12.2013								
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Total
Tangible fixed assets									
Opening balance	44,445,963	379,539,356	148,886,925	3,603,033	80,895,249	23,433,801	230,108	150,174	681,184,609
Acquisitions	393,899	3,865,339	2,771,881	5,037	861,425	1,169,866	166,995	712,500	9,946,942
Disposals	(376,886)	(3,443,845)	(1,256,101)	-	(50,122)	(1,030)	-	-	(5,127,984)
Transfers and write-offs	(19,706)	(34,538)	(1,741,726)	(8,823)	50,094	(189,454)	(222,820)	(111,684)	(2,278,657)
Adjustments	-	(80)	-	-	(8,913)	(33,919)	-	3,051	(39,861)
Other changes	(5,902,715)	(42,485,510)	-	8,086	(811)	(16,642)	-	-	(48,397,592)
Closing 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
Accumulated depreciation									
Opening balance	4,200,150	194,808,481	128,603,899	3,243,403	73,670,810	17,581,154	-	-	422,107,897
Depreciation for the period	-	9,199,355	5,569,980	167,315	3,176,149	1,168,689	-	-	19,281,488
Disposals	(26,370)	(2,019,718)	(1,256,101)	-	(49,689)	(203)	-	-	(3,352,081)
Transfers and write-offs	-	(2,226)	(1,860,092)	(8,823)	(107,664)	(6,869)	-	-	(1,985,674)
Adjustments	-	-	-	-	(5,862)	-	-	-	(5,862)
Other changes	(273,950)	(25,834,403)	-	(14,624)	190	47	-	-	(26,122,740)
Closing balance	3,899,830	176,151,489	131,057,686	3,387,271	76,683,934	18,742,818	-	-	409,923,028
Net Tangible fixed assets	34,640,725	161,289,233	17,603,293	220,062	5,062,988	5,619,804	174,283	754,041	225,364,429

As at 31 March 2014 and 31 December 2013, Land and natural resources and Buildings and other constructions include 5,149,392 Euros and 5,205,814 Euros, respectively, related to land and property in co-ownership with PT Comunicações, S.A..

In the period ended on 31 March 2014, the other changes in tangible fixed assets include the balances of the company EAD that was sold during the 1st quarter of 2014.

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

During the period ended on 31 March 2014, the most significant movements in Tangible Fixed Assets were the following:

Land and natural resources:

The movements associated to additions and disposals relate mostly of works to the capitalization of third party buildings of CTT Expresso and Tourline.

Basic equipment:

The amount of additions respects to acquisitions of bikes and trailers in the approximate amount of 320 thousand Euros.

The amount related to transfers and disposals, mostly relates to the reclassification of PDT's CTT Expresso as Basic equipment instead of Office Equipment, 381,427 Euros, and the write-off of 3 sorting machines with a value 240,896 Euros.

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

Office equipment:
The amount of transfers / write-offs (282,028 Euros) is related to the warehouse outputs, mostly concerning the acquisition of computer equipment (about 103 thousand Euros) and the reclassification of CTT Expresso PDT's to Basic equipment (381,427) Euros.

Tangible fixed assets in progress:
The amounts under this heading are related to maintenance and preservation works on own property.

The depreciation recorded amounting to 4,445,658 Euros (4,991,866 Euros on 31 March 2013), is stated in the heading "Depreciation/amortisation and impairment of investments, net".

Contractual commitments relative to Tangible Fixed Assets are as follows:

(i) Basic equipment
These commitments relate to the acquisition of improvements in OCR System in the amount of 210,000 euros, transportation vans with a value of 64,900 Euros, Electric vans (67,000 Euros), for a parallel system for labelling machines TOP in the amount of 47,900 Euros, of sequencing by CP7 in MARS (44,300 Euros), internal containers for tray holders in the amount of 41,800 Euros, notebooks and docking stations in the amount of 55,100 Euros and Tags Rfid in the amount of 38,700 Euros.

5. INTANGIBLE ASSETS

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

	31.03.2014						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Acquisitions	-	10,735	-	-	529,388	-	540,123
Transfers and write-offs	-	92,636	-	-	(92,636)	-	-
Adjustments	-	-	1,618	-	-	-	1,618
Other changes	-	(316,797)	(60,846)	-	-	-	(377,643)
Closing balance	4,372,922	36,330,791	11,659,692	444,739	3,045,833	-	55,853,977
Accumulated amortisation							
Opening balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Amortisation for the period	2,412	635,545	98,013	8,195	-	-	744,165
Adjustments	(19,681)	(39,676)	(92)	-	-	-	(59,449)
Other variations	-	(316,797)	(50,829)	-	-	-	(367,626)
Closing balance	4,333,530	30,758,733	7,519,706	405,051	-	-	43,017,020
Net intangible assets	39,392	5,572,058	4,139,986	39,688	3,045,833	-	12,836,957

	31.12.2013						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,325,692	33,546,260	11,687,619	-	2,925,511	22,366	52,507,448
Acquisitions	47,230	961,720	10,554	-	2,027,086	-	3,046,590
Transfers and write-offs	-	2,032,613	(28,086)	-	(2,356,239)	(22,366)	(374,078)
Adjustments	-	-	-	444,739	75,706	-	520,445
Other changes	-	-	48,833	-	-	-	48,833
Closing balance	4,372,922	36,540,593	11,718,920	444,739	2,672,064	-	55,749,238
Accumulated amortisation							
Opening balance	4,325,692	26,795,624	7,031,072	-	-	-	38,152,388
Amortisation for the period	25,107	3,684,037	440,712	396,856	-	-	4,546,712
Other variations	-	-	830	-	-	-	830
Closing balance	4,350,799	30,479,661	7,472,614	396,856	-	-	42,699,930
Net intangible assets	22,123	6,060,932	4,246,306	47,883	2,672,064	-	13,049,308

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

The transfers occurred on 31 March 2014 in Intangible Assets in progress refer to IT projects, which were completed during the period.

The amounts of 75,591 Euros and 295,915 Euros, capitalized in IT software on intangible assets in progress as at 31 March 2014 and 31 December 2013, respectively, relates to the staff costs incurred in the development of these projects.

As at 31 March 2014 intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	31.03.2014
New GRH application	796,294
Information management software	273,314
Certification of invoices	375,676
Approval of invoices	110,604
SAP Archives	115,982
Sales force automation	169,406
Automatic address processing software	69,006
	1,910,282

The amortisation, amounting to 744,165 Euros (1,007,117 Euros at 31 March 2013) was recorded in the heading "Depreciation / amortisation and impairment of investments, net".

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

Contractual commitments relative to Intangible Assets are as follows:

(i) Computer Programmes

The purchase commitments relate to developments the Project Business Intelligence (42,400 Euros) and developments in software for Litigation and Legal Advisory in the amount of 30,100 Euros.

6. INVESTMENT PROPERTIES

As at 31 March 2014 and 31 December 2013, the Group has the following assets classified as investment properties:

	31.03.2014		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	7,237,214	42,551,163	49,788,377
Transfers/Adjustments	-	-	-
Closing balance	7,237,214	42,551,163	49,788,377
Accumulated depreciation			
Opening balance	273,950	26,146,036	26,419,986
Depreciation for the period	-	193,203	193,203
Closing balance	273,950	26,339,239	26,613,189
Accumulated impairment			
Opening balance	-	1,606,505	1,606,505
Impairment losses for the period	-	-	-
	-	1,606,505	1,606,505
Net Investment properties	6,963,264	14,605,419	21,568,683

	31.12.2013		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	1,334,499	65,653	1,400,152
Write-offs			
Transfers/Adjustments	5,902,715	42,485,510	48,388,225
Closing balance	7,237,214	42,551,163	49,788,377
Accumulated depreciation			
Opening balance	-	31,209	31,209
Depreciation for the period	-	782,537	782,537
Transfers/Adjustments	273,950	25,332,290	25,606,240
Closing balance	273,950	26,146,036	26,419,986
Accumulated impairment			
Opening balance	-	-	-
Impairment losses	-	1,104,392	1,104,392
Transfers/Adjustments	-	502,113	502,113
	-	1,606,505	1,606,505
Net Investment properties	6,963,264	14,798,622	21,761,886

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

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

The Group owns a number of properties, classified as Investment Properties, regarding which there is indication that they might be impaired due to the economic crisis in the real estate market. Therefore it was necessary to determine the recoverable amount of the assets (fair value less costs to sell). During the year ended on 31 December 2013, the Group conducted a review of the properties' value, performed by an external entity, and concluded there was an impairment loss amounting to 1,104,392 Euros which resulted from the unfavourable market conditions in the geographical areas of the assets.

Depreciation for the period, amounting to 193,203 Euros (328 Euros on 31 March 2013) were recorded in the caption "Depreciation / amortisation and impairment of investments (losses / reversals)".

7. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

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

		31.03.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Parent company:							
CTT - Correios de Portugal, S.A.	Rua de S. José, 20 1166-001 Lisboa	-	-	-	-	-	-
Subsidiaries:							
PostContacto - Correio Publicitário, Lda. ("PostContacto")	Rua de S. José, 20 1166-001 Lisboa	95	5	100	95	5	100
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Av. D. João II lote 01.12,03 1999-001 Lisboa	100	-	100	100	-	100
CTT GEST - Gestão de Serviços e Equipamentos Postais, S.A. ("CTT Gest")	Rua de S. José, 20 1166-001 Lisboa	100	-	100	100	-	100
Mailtec Holding, SGPS, S.A. ("Mailtec SGPS")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	100	-	100	100	-	100
Mailtec Comunicação , S.A. ("Mailtec TI")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	17.7	82.3	100	17.7	82.3	100
Mailtec Consultoria , S.A. ("Mailtec CON")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	10	90	100	10	90	100
Mailtec Processos, Lda. ("EQUIP")	Estrada Casal do Canas, Edificio Mailtec, 2720-092 Amadora	-	100	100	-	100	100
Tourline Express Mensajería, SLU. ("TourLine")	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908)- Barcelona	100	-	100	100	-	100
EAD - Empresa de Arquivo de Documentação, S.A. ("EAD")	Parque Industrial Mata Lobos, Lote 2 Apartado 151 2950- 901Palmela	-	-	-	51	-	51
Correio Expresso de Moçambique, S.A. ("CORRE")	Av. Zedequias Manganhela, 309 Maputo - Moçambique	50	-	50	50	-	50

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

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

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

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

Joint ventures

As at 31 March 2014 and 31 December 2013 the Group held the following interests in joint ventures, registered through the equity method:

		31.03.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	Direct	Indirect	Total	Direct	Indirect	Total
Ti-Post Prestção de Serviços informáticos, ACE (" Ti-Post")	R. do Mar da China, Lote 1.07.2.3 Lisbon	49	-	49	49	-	49
Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE	Av. Fontes Pereira de Melo, 40 Lisbon	49	-	49	49	-	49
PTP & F, ACE	Estrada Casal do Canas Amadora	-	51	51	-	51	51

Associated companies

As at 31 March 2014 and 31 December 2013, the Group held the following interests in associated companies registered through the equity method:

		31.03.2014			31.12.2013		
		Percentage of ownership			Percentage of ownership		
Company name	Head office	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
Urpacksur, SL (b)	Málaga Espanha	-	30	30	-	30	30

(a) Associated companies by Payshop Portugal, S.A.

(b) Associated companies by pela Tourline Mensajeria S.A.

Changes in the consolidation perimeter

During the period ended on 31 March 2014, the consolidation perimeter was changed due to the sale of EAD's participation.
Following this transfer a gain in the amount of 256,383 Euros was recorded under the caption "Gains / losses in associates" in the consolidated income statement.

During the periods ended on 31 December 2013 due to the early adoption of IFRS 11 the proportional consolidation was no longer allowed in the measurement of jointly controlled entities, thus being applied the equity method.

8. GOODWILL

As at 31 March 2014 and 31 December 2013, the Goodwill was detailed as follows:

	Year of acquisition	31.03.2014	31.12.2013
Mailtec Holding SGPS, S.A. (51%)	2004	582,970	582,970
Mailtec Consultoria, S.A.	2004	4,718	4,718
Mailtec Comunicação, S.A. (51%)	2004	69,767	69,767
Payshop Portugal, S.A.	2004	406,101	406,101
Mailtec Holding SGPS, S.A. (49%)	2005	6,641,901	6,641,901
Tourline Express Mensajería, SLU	2005	16,592,248	16,592,248
EAD - Empresa de Arquivo de Documentação, S.A.	2006	-	786,164
		24,297,705	25,083,869

During the periods ended on 31 March 2014 and year ended on 31 December 2013, the movements in Goodwill were as follows:

	31.03.2014	31.12.2013
Opening balance	25,083,869	25,528,608
Transfer / adjustments	-	(444,739)
Disposals	(786,164)	-
Closing balance	24,297,705	25,083,869

In the period ended 31 March 2014, following the sale of the participation in the company EAD, the Goodwill in the amount of 786,164 Euros, was eliminated.

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

Goodwill impairment assessment

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

As at 31 December 2013, CTT Group performed an impairment test, based in the following set of assumptions to determine the recoverable amount of the investments made:

		2013			
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetutiy rate growth
Tourline Express Mensajeria, SLU	CEP and Logistics	Equity Value/DCF	5 years	10.20%	2.00%
EAD - Empresa de Arquivo de Documentação, S.A.	Custody and archive management	Equity Value/DCF	5 years	11.72%	2.00%
Mailtec Group	Documental services	Equity Value/DCF	5 years	11.98%	2.00%
Payshop Portugal, SA	Management of payment points network	Equity Value/DCF	5 years	12.73%	2.00%

The decrease in the discount rate (WACC) for the periods ended 31 December 2013 was a result of the decrease in the risk premium of the international market combined with the decrease in yields of Portuguese and Spanish government bonds.

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 2013 there were no impairment losses.

As at 31 March 2014 and 31 December 2013, the impairment losses registered were as follows:

Company	Year of acquisition	31.03.2014 Initial value	Impairment losses for the period	Accumulated impairment losses	Carrying value
Tourline Express Mensajería, SLU	2005	20,671,985	-	4,079,737	16,592,248
Payshop Moçambique, S.A. (a)	2008	235,946	-	235,946	-
		20,907,931	-	4,315,683	16,592,248

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

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

Sensitivity analyses were performed, at 31 December 2013, 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, EAD and Mailtec Group do not indicate impairment. Regarding Tourline, the results of the sensitivity analyses conclude that a 1% increase in the sovereign risk, which impacts the discount rate, would lead to an impairment loss in 2013 amounting to 726,048 Euros, according to the following tables:

Variation of perpetuity growth

Tourline	-0.5%	0.0%	0.5%
g (Growth perpetuity rate)	1.5%	2.0%	2.5%
Equity Assessment	19,851,365	21,306,513	22,950,737
Test: impairment (if negative)	1,702,779	3,157,926	4,802,150

Mailtec	-0.5%	0.0%	0.5%
g (Growth perpetuity rate)	1.5%	2.0%	2.5%
Equity Assessment	21,750,862	22,391,930	23,100,607
Test: impairment (if negative)	8,277,363	8,918,432	9,627,109

EAD	-0.5%	0.0%	0.5%
g (Growth perpetuity rate)	1.5%	2.0%	2.5%
Equity Assessment	8,498,968	8,913,393	9,372,791
Test: impairment (if negative)	1,842,857	2,054,214	2,288,507

Payshop	-0.5%	0.0%	0.5%
g (Growth perpetuity rate)	1.5%	2.0%	2.5%
Equity Assessment	56,842,272	58,359,658	60,025,418
Test: impairment (if negative)	49,277,949	50,795,334	52,461,094

Variation of sovereign risk

Tourline	-1%	0%	1%
WACC	9.29%	10.20%	11.11%
Equity Assessment	26,156,402	21,306,513	17,422,538
Test: impairment (if negative)	8,007,815	3,157,926	-726,048

Mailtec	-1%	0%	1%
WACC	10.98%	11.98%	12.98%
Equity Assessment	24,694,401	22,391,930	20,511,681
Test: impairment (if negative)	11,220,902	8,918,432	7,038,182

EAD	-1%	0%	1%
WACC	10.79%	11.72%	12.64%
Equity Assessment	10,216,957	8,913,393	7,837,799
Test: impairment (if negative)	2,719,032	2,054,214	1,505,661

Payshop	-1%	0%	1%
WACC	11.73%	12.73%	13.73%
Equity Assessment	63,383,221	58,359,658	54,191,160
Test: impairment (if negative)	55,818,897	50,795,334	46,626,836

9. ACCUMULATED IMPAIRMENT LOSSES

During the period ended on 31 March 2014 and year ended on 31 December 2013, the following movements occurred in the impairment losses:

	31.03.2014					
	Opening balance	Increases	Reversals	Utilization	Changes in the consolidation perimeter	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,296,044	220,863	-	-	-	1,516,907
INESC loan	1,397,613	-	(988,417)	-	-	409,196
	2,693,657	220,863	(988,417)	-	-	1,926,103
Customers and Other current assets (Notes 14 and 18)						
Customers	24,361,985	624,357	(255,858)	(11,583)	(66,377)	24,652,524
Other accounts receivable	9,098,933	579,763	(195,065)	-	-	9,483,631
INESC loan	49,740	-	-	-	-	49,740
	33,510,658	1,204,120	(450,923)	(11,583)	(66,377)	34,185,895
Inventories (Note 13)						
Merchandise	1,812,893	53,724	(4,967)	-	-	1,861,650
Raw, subsidiary and consumable	685,925	67,856	-	-	-	753,781
	2,498,818	121,580	(4,967)	-	-	2,615,431
	38,703,133	1,546,563	(1,444,307)	(11,583)	(66,377)	38,727,429

	31.12.2013					
	Opening balance	Increases	Reversals	Utilization	Transfers	Closing balance
Other non-current assets (Note 18)						
Other accounts receivable	1,123,171	172,873	-	-	-	1,296,044
INESC loan	1,455,643	-	(58,030)	-	-	1,397,613
	2,578,814	172,873	(58,030)	-	-	2,693,657
Customers and Other current assets (Notes 14 and 18)						
Customers	22,313,026	4,413,997	(1,505,980)	(859,058)	-	24,361,985
Other accounts receivable	8,924,866	730,691	(147,512)	(84,410)	(324,702)	9,098,933
INESC loan	49,740	-	-	-	-	49,740
	31,287,632	5,144,688	(1,653,492)	(943,468)	(324,702)	33,510,658
Inventories (Note 13)						
Merchandise	1,903,511	4,906	(95,524)	-	-	1,812,893
Raw, subsidiary and consumable	715,248	28,623	(13,846)	(44,100)	-	685,925
	2,618,759	33,529	(109,370)	(44,100)	-	2,498,818
	36,485,205	5,351,090	(1,820,892)	(987,568)	(324,702)	38,703,133

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

10. EQUITY

As at 31 December 2013, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

At the General Meeting held on 30 October, 2013, the registered capital of CTT was reduced from 87,325,000 to 75,000,000 Euros, being from that date forward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value of 4.99 Euros to 0.50 Euros. The amount of 12,325,000 Euros related to the reduction of the capital was transferred to "Other reserves" (Note 11).

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

Shareholder	31.03.2014 Nr shares	%	Nominal value
Parpública - Participações Públicas (SGPS), SA [1]	47,253,834	31.503%	23,626,917
Goldman Sachs International [2]	7,496,479	4.998%	3,748,240
Pioneer Asset Management, S.A. [3]	3,128,282	2.086%	1,564,141
BlackRock, Inc. [4]	3,059,021	2.039%	1,529,511
Remaining shareholders	89,062,384	59.375%	44,531,192
Total	**150,000,000**	**100.000%**	**75,000,000**

(1) Shares held by Parpública - Participações Públicas (SGPS), S.A., which in turn is fully owned by the Portuguese State.
(2) Shares held by Goldman Sachs International, indirectly controlled by The Goldman Sachs Group, Inc.
(3) Participation of several funds indirectly managed by Pioneer Asset Management, S.A., owned by UniCredit S.p.A.
(4) Participation of several companies controlled by BlackRock, Inc.

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

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

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

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

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

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

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

11. RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS

Reserves

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

	31.03.2014	31.12.2013
Legal reserves	18,072,559	18,072,559
Other reserves	12,325,000	12,325,000
	30,397,559	30,397,559

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 the other reserves have been depleted, or incorporated in 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.

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

The value of 12,325,000 Euros refers to the amount of reduction of the share capital and was transferred to this caption (Note 10).

Retained earnings

During the period ended on 31 March 2014 and year ended on 31 December 2013, the following movements were made in the heading “Retained earnings”:

	31.03.2014	31.03.2013
Opening balance	83,367,465	87,105,292
Application of net profit of the prior year	61,016,067	35,735,268
Distribution of dividends (Note 12)	-	(39,444,051)
Adjustments from the application of the equity method	-	(29,044)
Closing balance	144,383,531	83,367,465

During the year ended 31 December 2013, the amount of 2,818,861 Euros in the distribution of the net profit for the previous period corresponds to the effect of the restatement, in which the net income for the year 2012, initially of 38,554,129 Euros, was reduced to 35,735.268 Euros. As mentioned in Note 12 the net income was fully paid as dividend to the shareholder.

Other changes in equity

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

Thus, for the period ended on 31 March 2014 and year ended 31 December 2013 the movements occurred in this heading were as follows:

	31.03.2014	31.12.2013
Opening balance	24,548,756	33,079,577
Actuarial gains/losses	(407,736)	(11,680,870)
Tax effect	121,098	3,150,049
Closing balance	24,262,118	24,548,756

12. DIVIDENDS

According to the dividends distribution proposal included in the 2013 Annual Report, at the General Assembly, which will take place the next 5 May 2014, will be proposed a dividend distribution of 60,000,000 Euros.

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

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

13. EARNINGS PER SHARE

During the periods ended on 31 March 2014 and 31 March 2013, the earnings per share were calculated as follows:

	31.03.2014	31.03.2013
Net profit for the period	18,077,405	17,851,566
Average number of ordinary shares	150,000,000	150,000,000
Earnings per share:		
Basic	0.12	0.12
Diluted	0.12	0.12

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

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

There are no dilutive factors of earnings per share.

14. EMPLOYEE BENEFITS

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

	31.03.2014		
	Health care	Other long term benefits	Total
Opening balance	263,371,000	35,172,054	298,543,054
Movement of the period	184,250	(1,118,286)	(934,036)
Closing balance	263,555,250	34,053,768	297,609,018

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

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

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

	31.03.2014	31.12.2013
Non-current liabilities	277,697,645	278,638,868
Current liabilities	19,911,373	19,904,186
	297,609,018	298,543,054

As at the periods ended on 31 March 2014 and 31 March 2013, 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:

	31.03.2014	31.03.2013
Costs for the period		
Health care	3,523,250	3,436,750
Other long term benefits	449,202	979,333
	3,972,452	4,416,083
Other changes in equity		
Health care	(407,736)	(467,057)
	(407,736)	(467,057)

<u>Health care</u>

As mentioned in Note 2.18, CTT is responsible for financing the health care plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is made by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, having, as at 31 December March 2013, elaborated an actuarial study.

As at 31 December 2013, the Company requested an actuarial study to an independent entity to assess the liabilities at the reporting date.

The main assumptions used in the actuarial study performed on 31 December 2013 were kept, since the Company considered that these were not significantly changed:

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

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

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

The salaries expected growth rate 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 health care 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 health care plan has been as follows:

	31.03.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Liabilities at the end of the period	263,555,250	263,371,000	252,803,000	272,102,000	272,123,000

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

	31.03.2014	31.12.2013
Opening balance	263,371,000	252,803,000
Service costs of the period	956,250	3,882,000
Interest cost of the period	2,567,000	9,865,000
Pensioners contributions	905,161	3,552,478
(Payment of benefits)	(4,363,147)	(17,249,738)
(Other costs)	(288,750)	(1,162,610)
Actuarial (gains)/losses	407,736	11,680,870
Closing balance	263,555,250	263,371,000

During the periods ended on 31 March 2014 and 31 March 2013, the total costs for the period are recognised as follows:

	31.03.2014	31.03.2013
Staff costs/employee benefits (Note 16)	667,500	672,750
Other costs	288,750	297,750
Interest expenses	2,567,000	2,466,250
	3,523,250	3,436,750

On 31 March 2014 the actuarial gains / (losses) amounting to (407,736) Euros ((11,680,870) Euros as at 31 December 2013) were recognised in equity under the caption "Other changes in equity", net of deferred taxes amounting to 121,098 Euros (3,150,049 Euros as at 31 December 2013).

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

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

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

Other long term benefits

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, and also prepared an actuarial study to an independent entity to assess the liabilities at the reporting date.

The main assumptions used in the actuarial study performed on 31 December 2013 were kept, since the Company considered that these were not significantly changed:

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

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

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

	31.03.2014	31.12.2013
Suspension of contracts, redeployment and release of employment		
Opening balance	19,743,891	24,084,448
Interest cost of the period	172,551	844,267
Liabilities relative to new beneficiaries	275,987	1,914,115
(Payment of benefits)	(1,336,696)	(7,459,833)
Actuarial (gains)/losses	(53,061)	360,894
Closing balance	18,802,673	19,743,891
Telephone subscription charge		
Opening balance	4,800,195	14,242,125
Interest cost of the period	44,636	451,814
Curtailment	-	(8,211,129)
(Payment of benefits)	(81,092)	(1,445,398)
Actuarial (gains)/losses	(89,793)	(237,217)
Closing balance	4,673,946	4,800,195
Pension for accidentes at work		
Opening balance	7,004,370	7,563,939
Interest cost of the period	67,912	293,948
(Payment of benefits)	(93,692)	(422,708)
Actuarial (gains)/losses	(14,296)	(430,809)
Closing balance	6,964,294	7,004,370
Monthly life annuity		
Opening balance	3,544,784	3,691,640
Interest cost of the period	34,929	145,503
(Payment of benefits)	(28,507)	(108,120)
Actuarial (gains)/losses	2,540	(184,239)
Closing balance	3,553,746	3,544,784
Support for cessation of professional activity		
Opening balance	78,814	931,208
Interest cost of the period	-	18,624
(Payment of benefits)	(27,502)	(871,064)
Actuarial (gains)/losses	7,798	46
Closing balance	59,111	78,814
Total closing balaces	34,053,768	35,172,054

During the periods ended on 31 March 2014 and 31 March 2013, the total costs for the period were recognised as follows:

	31.03.2014	31.03.2013
Staff costs/employee benefits (Note 16)		
Suspension of contracts, redeployment and release of employment	222,926	620,481
Telephone subscription charge	(89,793)	2,747
Pension for accidents at work	(14,296)	(17,984)
Monthly life annuity	2,540	(999)
Support for cessation of professional activity	7,798	(72,093)
subtotal	129,175	532,153
Interest expenses	320,027	447,180
	449,202	979,333

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

In the year ended 31 December 2013, the Board of Directors of CTT, decided to substitute the payment from 01 January 2014, the rate phone subscription, an equivalent measure to retired workers and surviving spouses who translated his benefit in replacing the financial support of a benefit in kind.

The sensitivity analysis done at 31 December 2013 for the “Other long term benefits” plans leads to the conclusion that, if the discount rate was reduced by 50bps, keeping everything else constant, this would give rise to an increase of liabilities for past services of approximately 3.1%, increasing to 36,262 thousand Euros.

15. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the period ended on 31 March 2014 and year ended on 31 December 2013, in order to face legal proceedings and other liabilities arising from past events, the Group recognised provisions, which showed the following movement:

	31.03.2014					
	Opening balance	Increases	Reversals	Reduction	Transfers	Closing balance
Non-current provisions						
Litigations	10,868,975	2,242,911	(1,527,290)	(754,810)	412,314	11,242,100
Investments in associated companies	213,840	-	-	-	-	213,840
Onerous contracts	12,643,714	273,476	-	(852,954)	221,975	12,286,211
Other provisions	14,775,306	21,892	-	(1,927)	(399,107)	14,396,164
	38,501,835	2,538,279	(1,527,290)	(1,609,691)	235,182	38,138,315

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

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

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

Onerous Contracts

During the period ended 31 March 2014 the provision to cover the estimate of the net present value of the expenditure associated with onerous contracts was increased by 273,476 Euros (1,844,338 Euros at 31 December 2013).

This value was obtained from the update of the parameters used in the 31 December 2013 that look into consideration the following:

- Following the move to the Edifício Báltico, CTT released a set of 4 properties with long-term binding lease contracts vacant without operating occupancy. For the property located in Praça D. Luís was negotiated between the owner and CTT the early termination of the lease contract, and CTT agreed to pay 50% of the discounted lease payments;

- For the remaining buildings (Avenida Casal Ribeiro, Praça dos Restauradores and Rua do Conde Redondo), we estimated the present value of the unavoidable costs to meet the obligations under the contract terms;

- The increase in liabilities, in 2013, follows the update of the 2012 assumptions, including the discount rate.

As at 31 March 2014 the amount provided for onerous contracts is 12,286,211 Euros (12,643,714 Euros at 31 December 2013).

Other provisions

As at 31 March 2014 this provision amounts to 12,099,879 Euros (12,512,193 Euros at 31 December 2013).

During the period ended 31 March 2014, in addition to the previously mentioned situations, this heading also included:

- the amount of 301,095 Euros for coverage of costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the location.

- the amount of 439,845 Euros for tangible fixed assets in storage.

- the amount of 890,000 Euros, which arises from the assessment made by the management regarding the possibility of the enforcement of tax contingencies.

The net amount between increases and reversals of provisions was recorded in the Consolidated income statement under the headings “Provisions, net” and amounted to 1,010,990 Euros and 380,090 Euros as at 31 March 2014 and 2013, respectively.

Guarantees provided

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

Description	31.03.2014	31.12.2013
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,000,469	-
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	-
LandSearch, Compra e Venda de Imóveis	1,775,310	-
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,508,269	-
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,261,863	-
Tribunais	703,785	754,399
Autoridade Tributária e Aduaneira	390,000	390,000
Lisboagás, S.A.	190,000	190,000
Sofinsa	91,618	91,618
Solred	80,000	80,000
Parc Logistics Zona Franca	77,969	77,969
Alfândega do Porto	74,820	74,820
Secretaria Geral do Ministério da Administração Interna	62,000	14,000
ACT Autoridade Condições Trabalho	62,077	45,733
PT PRO - Serv Adm Gestao Part, S.A.	50,000	50,000
DRCAL Direcção Regional Contencioso Administrativo Lisb	-	49,880
Record Rent a Car (Cataluña, Levante)	40,000	40,000
SetGás, S.A.	30,000	30,000
Santa Casa da Misericórdia de Lisboa	86,917	86,917
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000
Ministério Educação	23,700	38,700
EPAL - Empresa Portuguesa de Águas Livres	21,433	21,433
Natur Import (nave Barbera)	18,096	18,096
Portugal Telecom, S.A.	16,658	16,657
SPMS - Serviços Partilhados do Ministério da Saúde	16,092	16,092
Poczta Polska Uslugi Cyfrowe Sp	-	257,783
Petrogal, S.A.	10,774	10,774
Alquiler Nave Tarragona	7,155	7,155
TNT Express Worldwide	6,010	6,010
SMAS Torres Vedras	4,001	4,001
Infarmed IP	8,223	8,223
Instituto do emprego e formação profissional	3,718	3,718
Controlplan S.L	3,400	3,400
Inmobiliaria Ederkin	7,800	7,800
Instituto Infra-Estruturas Rodoviárias	3,725	3,725
Estradas de Portugal, EP	5,000	5,000
ARM - Águas e Resíduos da Madeira , SA	4,752	4,752
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	1,863
Martinez Estevez	3,000	3,000
Gexploma	3,000	3,000
Consejeria Salud	6,433	6,433
Universidad Sevilha	4,237	4,237
Fonavi, Nave Hospitalet	40,477	40,477
Outras entidades	7,693	2,735
	12,009,541	2,734,022

Guarantees for Contracts

According to the determinations in some lease contracts of the buildings occupied by the Company's services, having the Portuguese State ceased to hold the majority of the share capital of CTT- Correios de Portugal, S.A., bank guarantees on first demand must be provided. These guarantees have already been issued in the amount of 9,579,493 Euros with the exception of the guarantee related to the Conde Redondo building, whose landlord has not requested the mentioned guarantee at this stage.

Contingent liabilities

According to the analysis made in the subsidiary Payshop, there are some potential risks associated with the activity and procedures implemented by the Company between 2010 and January 2013. It is our understanding that the risk associated with these contingencies is not probable, therefore no provision was recognised.

Commitments

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

16. STAFF COSTS

During the periods ended on 31 March 2014 and 31 March 2013, the composition of the heading "Staff Costs" was as follows:

	31.03.2014	31.03.2013
Board of Directors and Audit Board remuneration (Note 18)	313,012	307,337
Staff remuneration	62,833,069	63,030,923
Employee benefits	796,675	1,204,903
Indemnities	806,588	92,958
Social security charges	13,398,203	13,487,529
Occupational accident and disease insurance	645,775	776,326
Social welfare costs	3,085,648	3,055,451
Other staff costs	17,060	387,267
	81,896,030	82,342,692

The variation in the heading "Staff remuneration" is mainly a result of the reduction in the average number of employees working for the Company.

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

During the period ended 31 March 2014 the caption "Indemnities" includes the amount of 166,259 Euros related to compensations paid in proceedings for termination of employment contracts by mutual agreement.

During the periods ended 31 March 2014 and 31 March 2013 the heading "Staff costs" includes the amounts of 165,811 Euros and 131,655 Euros, respectively, related to expenses with workers' representative bodies.

For the periods ended on 31 March 2014 and 31 March 2013, the average number of staff of the Group was 12,253 and 12,956 employees, respectively.

Remuneration of the statutory bodies

In the periods ended 31 March 2014 and 31 March 2013, the fixed and variable remunerations attributed to the members of the Statutory bodies of the different companies of the Group were as follows:

	31.03.2014			
	Executive Board of Directors	Audit Board / Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	273,225	39,786	-	313,012
Variable remuneration	-	-	-	-
	273,225	39,786	-	313,012

	31.03.2013			
	Board of Directors	Audit Board / Statutory Accountant	General Meeting of Shareholders	Total
Fixed remuneration	266,632	40,705	-	307,337
Variable remuneration	-	-	-	-
	266,632	40,705	-	307,337

17. INCOME TAX FOR THE YEAR

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

Corporate income tax (IRC) is levied on the Group and its subsidiaries Postcontacto – Correio Publicitário, Lda., CTT – Expresso, S.A., Mailtec Holding, SGPS, S.A., Mailtec Comunicação, S.A., Mailtec Consultoria, S.A., Mailtec Processos, Lda., Payshop Portugal, S.A. (“Payshop”), and CTT GEST – Gestão de Serviços e Equipamentos Postais, S.A. (“CTT Gest”), through the Special Regime for the Taxation of Groups of Companies (“RETGS”). The remaining companies are taxed individually.

Reconciliation of the income tax rate

In the periods ended on 31 March 2014 and 31 March 2013, the reconciliation between the nominal rate and the effective income tax rate was conducted as follows:

	31.03.2014	31.03.2013
Profit before taxes	24,854,374	23,512,622
Nominal tax rate	23.0%	25.0%
	5,716,506	**5,878,156**
Tax Benefits	(64,656)	(82,409)
Accounting capital gains	(163)	(1,159)
Tax capital gains	103	(579)
Equity method	-	2,300
Provisions not considered in the calculation of deferred taxe	62,899	-
Impairment losses and reversals	(88,057)	(1,267,162)
Other situations, net	(83,457)	(17,749)
Adjustments related with - autonomous taxation	170,079	140,568
Adjustments related with - Municipal Surcharge	340,437	317,060
Adjustments related with - State Surcharge	736,029	687,677
Excess estimated income tax	(4,164)	(26,366)
Income tax for the períod	6,785,556	5,630,336
Effective tax rate	27.30%	23.95%
Income tax for the períod		
Current tax	6,093,089	6,429,652
Deferred tax	696,631	(772,950)
Excess estimated income tax	(4,164)	(26,366)
	6,785,556	5,630,336

Deferred taxes

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

	31.03.2014	31.12.2013
Deferred tax assets		
Employee benefits - health care	78,275,909	78,221,187
Employee benefits - other long term benefits	10,102,365	10,433,440
Deferred accounting capital gains	3,051,560	3,229,688
Impairment losses and provisions	8,472,538	8,651,941
Conversion adjustments - derecognition of inventories	58,366	77,821
Conversion adjustments - value deducted from staff debts	9,346	18,692
Tax losses carried forward	2,432,702	2,432,702
Impairment losses in tangible fixed assets	445,363	452,859
Other	124,156	126,926
	102,972,305	103,645,256

	31.03.2014	31.12.2013
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	4,207,969	4,288,852
Suspended capital gains	1,073,363	1,082,455
Other	110,571	110,571
	5,391,903	5,481,878

As at 31 March 2014, expected deferred tax assets and liabilities to be settled within 12 months amount to 2,764,977 Euros and 359,900 Euros, respectively.

During the period ended on 31 March 2014 and year ended on 31 December 2013, the movements which occurred under the deferred tax headings were as follows:

	31.03.2014	31.12.2013
Deferred tax assets		
Opening balances	103,645,256	102,228,537
Effect on net profit		
Employee benefits - health care	(66,376)	1,757,201
Employee benefits - other long term benefits	(331,076)	(4,354,755)
Deferred accounting gains	(178,128)	(667,578)
Impairment losses and provisions	(179,402)	(105,163)
Impairment losses in tangible fixed assets	(7,496)	307,246
Derecognition of inventories	(19,455)	(79,395)
Value deducted from debts	(9,346)	(19,069)
Tax losses carried forward	-	1,358,869
Other	(2,770)	69,314
Effect on equity		
Employee benefits - health care	121,098	3,150,049
Closing balance	102,972,305	103,645,256

	31.03.2014	31.12.2013
Deferred tax liabilities		
Opening balances	5,481,878	5,740,233
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(80,883)	(240,583)
Suspended capital gains	(9,092)	(14,067)
Other	-	(3,705)
Closing balance	5,391,903	5,481,878

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

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

SIFIDE

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

Regarding the expenses incurred with R&D during 2012, approximately amounting to 97,792, the Group would have the possibility of benefiting from a tax deduction in IRC estimated as 8,913 Euros. According to the notification dated 16 January 2014 of the Certification Commission a tax credit of 3,885 Euros was attributed to CTT.

Regarding the expenses incurred with R&D during 2013, amounting approximately to 33,987 Euros, the Group will have the possibility of benefiting from a tax deduction in IRC estimated at 9,519 Euros.

Other information

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

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 March 2014.

18. RELATED PARTIES

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

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

During the periods ended on 31 March 2014 and 31 March 2013, the following transactions took place and the following balances existed with related parties:

	31.03.2014				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Parpública, SGPS (a)	-	-	-	-	-
Other Group companies					
Associated companies	-	195	4,958	-	4
Jointly controlled	72,953	-	53,844	-	28,953
Members of the					
Executive Board of Directors	-	-	-	-	273,225
General Meeting	-	-	-	-	-
Audit Board	-	-	-	-	39,786
	72,953	195	58,803	-	341,968

	31.03.2013				
	Accounts receivable	Accounts payable	Revenues	Dividends	Costs
Parpública, SGPS (a)	-	-	-	-	-
Other Group companies					
Associated companies	-	11,320	5,956	-	-
Jointly controlled	39,840	16,508	60,024	-	49,042
Members of the					
Board of Directors	-	-	-	-	266,632
General Meeting	-	-	-	-	-
Statutory Audit Board	-	-	-	-	40,705
	39,840	27,828	65,980	-	356,378

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

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

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

19. SUBSEQUENT EVENTS

On 7 April, 2014 the new prices of universal service (relating to mail and parcels) as well as the new discount policy applicable to those services were updated.

As regards the rules applicable to the special prices for postal services included in the provision of the universal service (ordinary mail service in quantity, both domestic and international, also referred to as bulk mail), the updated took place on 1 January 2014, having implemented a second phase of this pricing upgrade applied to large mailers on 7 April (covering only the review of the price of the first weight step of the Zone B of the ordinary national bulk mail), in line with the upgrade of the remaining prices of the universal postal service.