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Financial Statements

Consolidated and Individual Financial Statements

CTT – CORREIOS DE PORTUGAL, S.A.

Consolidated and individual statement of financial position as at 31 december 2016 and 31 december 2015

Euros		Group		Company		
	Notes	31.12.2016	31.12.2015	31.12.2016	Restated 31.12.2015	Restated 01.01.2015
ASSETS						
Non-current assets						
Tangible fixed assets	5	208,921,781	209,940,886	192,866,766	193,843,668	196,761,737
Investment properties	7	9,291,983	19,783,095	9,291,983	19,783,095	23,329,763
Intangible assets	6	38,916,723	27,624,015	14,803,744	12,960,678	8,934,087
Goodwill	9	7,700,739	8,058,656	-	-	-
Investments in subsidiary companies	10	-	-	102,976,700	65,166,836	42,644,640
Investments in associated companies	11	296,260	255,695	295,779	255,214	937,732
Other investments	13	1,503,572	1,106,812	1,503,572	1,106,812	1,106,812
Investments held to maturity	14	93,986,115	-	-	-	-
Shareholders	51	-	-	5,125,000	6,750,000	9,103,098
Other non-current assets	24	1,306,148	601,103	1,110,991	586,741	790,601
Financial assets available for sale	15	4,473,614	-	-	-	-
Deferred tax assets	50	86,220,762	87,535,941	85,578,604	86,330,601	90,547,447
Total non-current assets		**452,617,698**	**354,906,203**	**413,553,139**	**386,783,645**	**374,155,917**
Current assets						
Inventories	18	5,407,685	5,455,115	4,721,728	4,671,709	5,002,908
Accounts receivable	19	122,113,270	124,355,641	94,323,683	97,684,021	96,513,372
Credit to bank clients	20	7,103,905	-	-	-	-
Shareholders	51	-	-	3,722,399	3,291,221	733,318
Income taxes receivable	37	3,587,614	-	3,569,641	-	-
Deferrals	21	6,128,931	8,168,589	4,937,995	7,002,270	4,670,967
Investments held to maturity	14	1,108,428	-	-	-	-
Other current assets	24	30,033,571	22,936,943	27,784,833	21,862,237	20,049,456
Financial assets available for sale	15	1,973,711	-	-	-	-
Other banking financial assets	16	59,054,303	-	-	-	-
Cash and cash equivalents	23	618,811,099	603,649,717	475,068,122	559,542,719	649,688,918
		855,322,515	**764,566,004**	**614,128,399**	**694,054,177**	**776,658,939**
Non-current assets held for sale	22	8,756,999	-	8,756,999	-	-
Total current assets		**864,079,515**	**764,566,004**	**622,885,398**	**694,054,177**	**776,658,939**
Total assets		**1,316,697,213**	**1,119,472,208**	**1,036,438,537**	**1,080,837,822**	**1,150,814,856**

Euros		Group		Company		
	Notes	31.12.2016	31.12.2015	31.12.2016	Restated 31.12.2015	Restated 01.01.2015
EQUITY AND LIABILITIES						
Equity						
Share capital	26	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Own shares	27	(5,097,536)	(1,873,125)	(5,097,536)	(1,873,125)	-
Reserves	27	34,891,671	33,384,112	34,878,197	33,384,652	31,773,966
Retained earnings	27	93,589,211	91,727,994	93,602,685	91,727,994	84,374,563
Other changes in equity	27	(27,137,824)	(18,644,832)	(27,137,824)	(18,644,832)	(18,786,310)
Net profit		62,160,395	72,065,283	62,160,395	72,065,283	77,171,128
Equity attributable to equity holders		233,405,918	251,659,432	233,405,918	251,659,972	249,533,347
Non-controlling interests	30	(79,135)	175,322	-	-	-
Total equity		**233,326,782**	**251,834,754**	**233,405,918**	**251,659,972**	**249,533,347**
LIABILITIES						
Non-current liabilities						
Accounts payable	34	375,379	-	375,379	-	-
Medium and long term debt	31	127,145	1,035,522	-	724,845	1,187,975
Employee benefits	32	250,445,608	241,306,773	250,445,608	241,306,773	255,527,808
Provisions	33	14,127,483	40,732,332	20,327,302	36,725,302	41,715,256
Deferrals	21	334,191	5,016,576	328,093	5,016,576	6,076,311
Deferred tax liabilities	50	4,123,146	4,576,598	4,086,530	4,534,199	4,788,768
Total non-current liabilities		**269,532,952**	**292,667,801**	**275,562,913**	**288,307,695**	**309,296,118**
Current liabilities						
Accounts payable	34	444,863,700	435,891,677	426,559,977	420,406,149	484,451,611
Banking client deposits and other loans	35	253,944,840	-	-	-	-
Shareholders	51	-	-	7,341,360	1,613,944	295,103
Employee benefits	32	17,390,573	18,538,572	17,390,573	18,499,767	21,594,809
Income taxes payable	37	-	7,922,942	-	7,923,944	6,171,287
Short term debt	31	9,679,829	7,078,155	724,749	462,968	460,098
Deferrals	21	4,177,609	13,745,430	4,169,848	10,550,227	5,853,426
Other current liabilities	36	82,562,725	91,792,877	71,283,201	81,413,156	73,159,057
Other banking financial liabilities	16	1,218,205	-	-	-	-
Total current liabilities		**813,837,479**	**574,969,653**	**527,469,707**	**540,870,155**	**591,985,391**
Total liabilities		**1,083,370,431**	**867,637,454**	**803,032,619**	**829,177,850**	**901,281,509**
Total equity and liabilities		**1,316,697,213**	**1,119,472,208**	**1,036,438,537**	**1,080,837,822**	**1,150,814,856**

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

CTT – CORREIOS DE PORTUGAL, S.A.
Consolidated and individual income statement for the twelve month periods ended
31 december 2016 and 31 december 2015

Euros		Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
	Notes	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	Restated 31.12.2015	31.12.2016	Restated 31.12.2015
Revenues		**696,821,564**	**727,179,760**	**177,995,598**	**189,104,907**	**581,972,346**	**600,888,329**	**145,777,234**	**156,826,015**
Sales and services rendered	4/40	669,668,571	705,168,863	172,407,094	178,208,284	531,057,316	550,979,418	134,466,373	138,165,711
Financial margin	41	26,051	-	57,443	-	-	-	-	-
Other operating income	42	27,126,942	22,010,897	5,531,061	10,896,623	50,915,030	49,908,911	11,310,861	18,660,303
Operating costs		**(605,938,692)**	**(617,247,815)**	**(157,474,393)**	**(158,923,053)**	**(479,459,501)**	**(490,922,262)**	**(123,541,799)**	**(127,202,343)**
Cost of sales	18	(13,906,199)	(16,316,346)	(3,644,134)	(4,501,124)	(10,974,792)	(13,874,596)	(2,778,799)	(3,802,546)
External supplies and services	43	(232,037,064)	(233,084,139)	(61,967,575)	(62,361,438)	(147,577,382)	(153,012,109)	(38,080,515)	(39,730,090)
Staff costs	45	(338,387,481)	(331,772,879)	(91,027,468)	(82,782,296)	(301,774,716)	(297,029,310)	(81,609,379)	(76,500,933)
Impairment of accounts receivable, net	46	(45,623)	(1,410,434)	19,735	(415,306)	547,695	517,245	182,638	295,402
Impairment of non-depreciable assets	9	-	623,123	-	623,123	(2,402,186)	-	-	-
Provisions, net	33	16,343,680	(277,313)	8,877,961	(285,526)	13,805,988	246,722	6,738,555	(60,022)
Depreciation/amortisation and impairment of investments, net	47	(27,468,094)	(23,573,001)	(7,562,231)	(6,887,234)	(22,479,167)	(19,441,277)	(6,148,896)	(5,831,377)
Other operating costs	48	(10,437,910)	(11,436,825)	(2,170,681)	(2,313,251)	(8,604,940)	(8,328,937)	(1,845,404)	(1,572,777)
Earnings before financial income and taxes		**90,882,873**	**109,931,945**	**20,521,205**	**30,181,854**	**102,512,845**	**109,966,067**	**22,235,435**	**29,623,672**
Financial results		**(5,638,167)**	**(5,321,964)**	**(1,658,727)**	**(1,408,300)**	**(16,612,738)**	**(9,152,413)**	**(3,691,998)**	**(1,838,776)**
Interest expenses	49	(6,540,106)	(6,861,401)	(1,737,672)	(1,710,418)	(6,466,598)	(6,774,705)	(1,718,438)	(1,693,146)
Interest income	49	671,599	1,485,163	78,945	276,121	733,475	1,681,077	95,628	316,406
Gains/losses in associated companies	10/11/12	230,340	54,274	-	25,997	(10,879,615)	(4,058,785)	(2,069,188)	(462,036)
Earnings before taxes		**85,244,706**	**104,609,981**	**18,862,478**	**28,773,554**	**85,900,107**	**100,813,654**	**18,543,437**	**27,784,896**
Income tax for the period	50	(23,347,639)	(32,539,346)	(2,761,819)	(7,345,753)	(23,739,712)	(28,748,371)	(2,417,717)	(6,354,569)
Net profit for the period		**61,897,067**	**72,070,635**	**16,100,659**	**21,427,801**	**62,160,395**	**72,065,283**	**16,125,720**	**21,430,327**
Net profit for the period attributable to:									
Equity holders		62,160,395	72,065,283	16,125,720	21,430,326				
Non-controlling interests	30	(263,328)	5,352	(25,061)	(2,525)				
Earnings per share:	29	0.42	0.48	0.11	0.14	0.42	0.48	0.11	0.14

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

CTT – CORREIOS DE PORTUGAL, S.A.
Consolidated and individual statement of comprehensive income for the twelve month periods ended 31 december 2016 and 31 december 2015

Euros		Group				Company			
		Twelve months ended		Three months ended		Twelve months ended		Three months ended	
	Notes	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	Restated 31.12.2015	31.12.2016	Restated 31.12.2015
Net profit for the period		**61,897,067**	**72,070,635**	**16,100,659**	**21,427,801**	**62,160,395**	**72,065,283**	**16,125,720**	**21,430,327**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	27	19,820	444,637	19,820	109,622	19,820	-	19,820	-
Changes to fair value reserves	27	14,014	-	3,820	-	-	-	-	-
Employee benefits (non re-classifiable adjustment to profit and loss)	32	(11,827,990)	114,181	(11,827,990)	3,290,351	(11,827,990)	114,181	(11,827,990)	3,290,351
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	50	3,334,998	27,297	3,334,998	(866,477)	3,334,998	27,297	3,334,998	(866,477)
Other changes in equity	27/30	49,777	(18,661)	(24,738)	(145,681)	54,380	(67,697)	(18,459)	(36,059)
Other comprehensive income for the period after taxes		**(8,409,381)**	**567,454**	**(8,494,090)**	**2,387,815**	**(8,418,792)**	**73,781**	**(8,491,631)**	**2,387,815**
Comprehensive income for the period		**53,487,686**	**72,638,089**	**7,606,569**	**23,815,616**	**53,741,603**	**72,139,064**	**7,634,089**	**23,818,142**
Attributable to non-controlling interests		(254,457)	499,025	(27,519)	(2,525)				
Attributable to shareholders of CTT		53,742,143	72,139,064	7,634,089	23,818,141				

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

CTT – CORREIOS DE PORTUGAL, S.A.

Consolidated statement of changes in equity as at 31 december 20 16 and 31 december 2015

Euros	Notes	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 1 January 2015		**75,000,000**	**-**	**31,773,967**	**(18,786,310)**	**84,374,563**	**77,171,128**	**(323,703)**	**249,209,645**
Appropriation of net profit for the year of 2014		-	-	-	-	77,171,128	(77,171,128)	-	-
Dividends	28/30	-	-	-	-	(69,750,000)	-	-	(69,750,000)
Acquisition of own shares	27	-	(1,873,125)	-	-	-	-	-	(1,873,125)
Share plan	27/30	-	-	1,610,685	-	-	-	-	1,610,685
			(1,873,125)	**1,610,685**	**-**	**7,421,128**	**(77,171,128)**	**-**	**(70,012,440)**
Other movements	27/30	-	-	-	-	(177,319)	-	158,658	(18,661)
Actuarial gains/losses – Health Care, net from deferred taxes	27	-	-	-	141,478	-	-	-	141,478
Changes to fair value reserves	27	-	-	(540)	-	-	-	-	(540)
Adjustments from the application of the equity method	27	-	-	-	-	109,622	-	335,015	444,637
Net profit for the period		-	-	-	-	-	72,065,283	5,352	72,070,635
Comprehensive income for the period		**-**	**-**	**(540)**	**141,478**	**(67,697)**	**72,065,283**	**499,025**	**72,637,549**
Balance on 31 December 2015		**75,000,000**	**(1,873,125)**	**33,384,112**	**(18,644,832)**	**91,727,994**	**72,065,283**	**175,322**	**251,834,754**
Balance on 1 January 2016		**75,000,000**	**(1,873,125)**	**33,384,112**	**(18,644,832)**	**91,727,994**	**72,065,283**	**175,322**	**251,834,754**
Appropriation of net profit for the year of 2015		-	-	-	-	72,065,283	(72,065,283)	-	-
Dividends	28/30	-	-	-	-	(70,264,792)	-	-	(70,264,792)
Acquisition of own shares	27	-	(3,224,411)	-	-	-	-	-	(3,224,411)
Share plan	27/30	-	-	1,493,546	-	-	-	-	1,493,546
		-	**(3,224,411)**	**1,493,546**	**-**	**1,800,491**	**(72,065,283)**	**-**	**(71,995,658)**
Other movements	27/30	-	-	-	-	40,906	-	8,871	49,777
Actuarial gains/losses – Health Care, net from deferred taxes	27	-	-	-	(8,492,992)	-	-	-	(8,492,992)
Changes to fair value reserves	27	-	-	14,014	-	-	-	-	14,014
Adjustments from the application of the equity method	27	-	-	-	-	19,820	-	-	19,820
Net profit for the period		-	-	-	-	-	62,160,395	(263,328)	61,897,067
Comprehensive income for the period		**-**	**-**	**14,014**	**(8,492,992)**	**60,726**	**62,160,395**	**(254,457)**	**53,487,686**
Balance on 31 December 2016		**75,000,000**	**(5,097,536)**	**34,891,671**	**(27,137,824)**	**93,589,211**	**62,160,395**	**(79,135)**	**233,326,782**

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

CTT – CORREIOS DE PORTUGAL, S.A.

Individual statement of changes in equity as at 31 december 2016 and 31 december 2015

Euros	Notes	Share capital	Own shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 1 January 2015		**75,000,000**	**-**	**31,773,967**	**(18,786,310)**	**84,374,563**	**77,171,128**	**249,533,347**
Appropriation of net profit for the year of 2014		-	-	-	-	77,171,128	(77,171,128)	-
Dividends	28	-	-	-	-	(69,750,000)	-	(69,750,000)
Acquisition of own shares	27	-	(1,873,125)	-	-	-	-	(1,873,125)
Share plan	27	-	-	1,610,685	-	-	-	1,610,685
		-	**(1,873,125)**	**1,610,685**	**-**	**7,421,128**	**(77,171,128)**	**(70,012,440)**
Other movements	27	-	-	-	-	(67,697)	-	(67,697)
Actuarial gains/losses – Health Care, net from deferred taxes	27	-	-	-	141,478	-	-	141,478
Net profit for the period		-	-	-	-	-	72,065,283	72,065,283
Comprehensive income for the period		**-**	**-**	**-**	**141,478**	**(67,697)**	**72,065,283**	**72,139,064**
Balance on 31 December 2015		**75,000,000**	**(1,873,125)**	**33,384,652**	**(18,644,832)**	**91,727,994**	**72,065,283**	**251,659,972**
Balance on 1 January 2016		**75,000,000**	**(1,873,125)**	**33,384,652**	**(18,644,832)**	**91,727,994**	**72,065,283**	**251,659,972**
Appropriation of net profit for the year of 2015		-	-	-	-	72,065,283	(72,065,283)	-
Dividends	28	-	-	-	-	(70,264,792)	-	(70,264,792)
Acquisition of own shares	27	-	(3,224,411)	-	-	-	-	(3,224,411)
Share plan	27	-	-	1,493,545	-	-	-	1,493,545
		-	**(3,224,411)**	**1,493,545**	**-**	**1,800,491**	**(72,065,283)**	**(71,995,658)**
Other movements	27	-	-	-	-	54,380	-	54,380
Actuarial gains/losses – Health Care, net from deferred taxes	27	-	-	-	(8,492,992)	-	-	(8,492,992)
Adjustments from the application of the equity method	27	-	-	-	-	19,820	-	19,820
Net profit for the period		-	-	-	-	-	62,160,395	62,160,395
Comprehensive income for the period		**-**	**-**	**-**	**(8,492,992)**	**74,200**	**62,160,395**	**53,741,603**
Balance on 31 December 2016		**75,000,000**	**(5,097,536)**	**34,878,197**	**(27,137,824)**	**93,602,685**	**62,160,395**	**233,405,918**

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

CTT – CORREIOS DE PORTUGAL, S.A.

Consolidated and individual cash flow statement for the twelve month periods ended 31 december 2016 and 31 december 2015

Euros		Group		Company	
	Notes	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Operating activities					
Collections from customers		635,704,808	696,039,358	528,435,377	563,510,468
Payments to suppliers		(248,660,942)	(230,578,621)	(162,807,260)	(158,179,087)
Payments to employees		(320,864,833)	(328,407,436)	(286,160,731)	(297,169,839)
Banking customer deposits and other loans		253,545,420	-	-	-
Credit to bank clients		(7,103,546)	-	-	-
Cash flow generated by operations		**312,620,906**	**137,053,302**	**79,467,386**	**108,161,542**
Payments/receivables of income taxes		(29,664,480)	(26,881,091)	(25,009,386)	(22,257,569)
Other receivables/payments		(14,738,983)	(77,340,046)	(13,506,804)	(67,832,724)
Cash flow from operating activities (1)		**268,217,444**	**32,832,164**	**40,951,196**	**18,071,249**
Investing activities					
Receivables resulting from:					
Tangible fixed assets		1,739,510	515,316	1,739,510	515,316
Investment properties		5,944,750	-	5,944,750	-
Financial investments		-	24,870	-	24,870
Financial assets available for sale		28,916,956	-	-	-
Investments held to maturity		19,579,730	-	-	-
Other banking financial assets		136,480,000	-	-	-
Interest income		994,839	2,283,289	858,239	2,168,561
Dividends		-	-	7,930,641	7,500,373
Loans granted		-	-	9,649,364	-
Payments resulting from:					
Tangible fixed assets		(13,347,974)	(16,689,137)	(10,680,428)	(10,814,488)
Intangible assets		(16,165,688)	(11,254,311)	(5,428,345)	(1,574,138)
Financial investments		-	(418,622)	(52,726,000)	(34,418,622)
Financial assets available for sale		(35,421,240)	-	-	-
Investments held to maturity		(115,350,055)	-	-	-
Demand deposits at Bank of Portugal		(3,792,333)	-	-	-
Other banking financial assets		(195,180,000)	-	-	-
Loans granted		-	-	(8,024,364)	-
Cash flow from investing activities (2)		**(185,601,505)**	**(25,538,595)**	**(50,736,632)**	**(36,598,129)**

Euros		Group		Company	
	Notes	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Financing activities					
Receivables resulting from:					
Loans obtained		8,343,271	9,031,873	-	-
Payments resulting from:					
Loans repaid		(5,480,000)	(3,800,884)	-	-
Interest expenses		(805,675)	(853,263)	(736,893)	(583,121)
Finance leases		(988,800)	(984,955)	(463,064)	(460,260)
Acquisition of own shares	27	(3,224,411)	(1,873,125)	(3,224,411)	(1,873,125)
Dividends	28	(70,264,792)	(69,750,000)	(70,264,792)	(69,750,000)
Cash flow from financing activities (3)		**(72,420,408)**	**(68,230,355)**	**(74,689,161)**	**(72,666,506)**
Net change in cash and cash equivalents (1+2+3)		10,195,531	(60,936,786)	(84,474,597)	(91,193,388)
Changes in the consolidation perimeter		-	16,758	-	-
Merger		-	-	-	1,047,189
Cash and equivalents at the beginning of the period		603,649,717	664,569,744	559,542,719	649,688,918
Cash and cash equivalents at the end of the period	23	613,845,248	603,649,717	475,068,122	559,542,719

Cash and cash equivalents at the end of the period	**613,845,248**	**603,649,717**
Sight deposits at Bank of Portugal	3,792,334	-
Outstanding checks of Banco CTT / Checks clearing of Banco CTT	1,173,518	-
Cash and cash equivalents (Balance sheet)	**618,811,099**	**603,649,717**

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

Table of contents

CTT – CORREIOS DE PORTUGAL, S.A.
Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

1. Introduction

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

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

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

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

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

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

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

The shares of CTT are listed on Euronext Lisbon.

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

These financial statements were approved by the Board of Directors and authorised for issue on 9 March 2017.

1.2. Business

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies

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

2.1. Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2016.

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

In addition to the standards that became effective as of 1 January 2016, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2016 and described in Note 2.2 through Note 2.30, 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 2016.

2.1.1. New standards or amendments adopted by the Group

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

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

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

  – <u>IFRS 2 – Definition of vesting condition</u> - The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-Based Payment by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear

  – <u>IFRS 3 – Accounting for contingent consideration in a business combination</u> - The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

  – <u>IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets</u> - The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

  – <u>IFRS 13 – Short-term receivables and payables</u> - IASB amends the basis of conclusion in order to clarify that, by deleting AG79 from IAS39, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest that should be discount if such discount is material. It is worth noting that IAS 8.8 already permits entities not to apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

  – <u>IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization</u> - In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 clarify that: (i) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

  – <u>IAS 24 – Related Party Transactions – Key management personal services</u> - In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17. The **Group** and the **Company** had no impact from the adoption of their amendments on its financial statements.

- **Improvements to IFRS (2012-2014)** – The annual improvements cycle 2012-2014, issued by IASB on 25 September 2014, introduced amendments, with effective date on or after, 1 January 2016, to the standards IFRS 5, IFRS 7, IAS19 and IAS 34. These amendments were endorsed by EU Commission Regulation no.2343/2015 of 15 December 2015.

  – <u>IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method</u> - The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

  – <u>IFRS 7 Financial Instruments: Disclosures: Servicing contracts</u> - The amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

  – <u>IFRS 7 Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements</u> - The amendment to IFRS 7 clarifies that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

  – <u>IAS 19 Employee Benefits: Discount rate: regional market issue</u> - The amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

  – <u>IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'</u> - The amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.The amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The **Group** and the **Company** had no impact from the adoption of their amendments on its financial statements.

- **IAS 27: Equity Method in Separate Financial Statements** - The IASB issued on 12 August 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1 January 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements. These amendments were endorsed by EU Commission Regulation no. 2441/2015 of 18 December 2015. The **Company** adopted this option in its separate accounts.

- **Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)** - The IASB, issued on 18 December 2014, with an effective date of application for periods beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception. The application exemption on consolidation is permitted to investment companies that comply with certain requirements. These amendments were endorsed by EU Commission Regulation no. 1703/2016 of 22 September 2016. These amendments are not applicable to the **Group**.

- **Other Amendments -** It was also issued by IASB in 2014, with an effective date of application for periods beginning on or after 1 January 2016, the following amendments:

  – <u>Amendments to IAS 16 and IAS 41:</u> Bearer Plants (issued on 30 June 2014 and endorsed by EU Commission Regulation no. 2113/2015 of 23 November)

  – <u>Amendments to IAS 16 and IAS 38:</u> Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and endorsed by EU Commission Regulation no. 2231/2015 of 2 December)

  – <u>Amendments to IFRS 11:</u> Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and endorsed by EU Commission Regulation no. 2173/2015 of 24 November)

  – <u>Amendments to IAS 1:</u> Disclosure Initiative (issued on 18 December 2014 and was endorsed by EU Commission Regulation no. 2406/2015 of 18 December)

  – The **Group** and the **Company** had no impact from the adoption of these amendments on their financial statements.

2.1.2. New standards, amendments and interpretations issued, but without effective application to years starting on 1 January 2016 or not early adopted

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

- **IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)** - IFRS 9 was endorsed by EU Commission Regulation no. 2067/2016 of 22 December 2016 (with an effective date of application for periods beginning on or after 1 January 2018). IFRS 9 (2009 and 2010) introduces new requirements for the classification and measurement of financial assets and financial liabilities. Under this new approach, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IASB published IFRS 9 (2013) addressing the new requirements for hedge accounting. It was also published IFRS 9 (2014) that introduced limited amendments to the classification and measurement requirements of IFRS 9 (including enlarge the instruments measured at fair value with the changes present in other comprehensive income, from some investments in equity instruments to other investments such as bonds) and added new requirements to address the impairment of financial assets, under the expected loss model. The mandatory effective date of IFRS 9 is 1 January 2018 (with option for early application). The **Group** and the **Company** have not carry out a full analysis of the application of the impact of the standard yet. Considering the reformulation in the treatment of financial instruments, namely with Banco CTT's operation, a material impact could occur in future financial statements of the Group.

- **IFRS 15 – Revenue from Contracts with Customers** - The IASB, issued on 28 May 2014, IFRS 15 - Revenue from Contracts with Customers, which was endorsed by EU Commission Regulation no. 1905/2016 of 22 September 2016, with an effective date of application for periods beginning on or after 1 January 2018. An early applications is allowed. This standard will revoke IAS 11 - Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised: (i) At a time when the control of the goods or services is transferred to the customer; or (ii) Over the period, to the extent that represents the performance of the entity. The **Group** and the **Company** are still evaluating the impact from the adoption of this standard.

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

- **IFRIC 22 – Foreign Currency Translations and Advance Consideration** - It has been issued on 8 December 2016, IFRIC 22, being effective for annual periods beginning on or after 1 January 2018. This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date). The **Group** and the **Company** do not expect a significant impact form this interpretation.

- **IFRS 16 – Leases** - The IASB, issued on 13 January 2016, IFRS 16 - Leases, effective for annual periods beginning on or after 1 July 2019. The early application is possible if IFRS 15 is applied at the same time. This new standard replaces IAS 17 - Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. The **Group** and the **Company** are carrying out a full analysis of the impacts of the application of this standard, which are estimated to be significant.

- **Other Amendments** - It was also issued by IASB:

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide information that helps the investors to better understand changes in a company's debt.

- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IFRS 2 on Classification and Measurement of Share-based Payment Transactions.

- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IAS 40 on Transfers of Investment Property to clarify whether an entity should transfer property under construction or development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40.

- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 1 (deletion of short-term exemption for first-time adopters) and IAS 28 (measuring an associate or joint venture at fair value) and amendments, with effective date on, or after, 1 January 2017 to IFRS 12 (clarification of the scope of the Standard).

- The **Group** and the **Company** expect no impact from the adoption of this amendment on their financial statements.

2.2. Consolidation principles

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

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

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

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

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

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

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

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** and **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

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

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

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

	2016		2015	
	Close	**Average**	**Close**	**Average**
Mozambican Metical (MZM)	74.54000	69.82333	49.29000	43.53417
United States Dollar (USD)	1.05430	1.10661	1.08870	1.10963
Special Drawing Right (SDR)	1.27534	1.25621	1.27283	1.26147

Source: Bank of Portugal

2.5. Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.20 and 33). Under the exception of IFRS 1 – First-time Adoption of the International Financial Reporting Standards, the revaluation of tangible assets made in accordance with the Portuguese legislation applying monetary indices, for the years up to 1 January 2009, was maintained, and the revalued amounts were referred to as "deemed cost" for IFRS purposes and were included under Retained earnings.

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

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

Land is not depreciated.

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

On each reporting date, the **Group** and the **Company** assess whether there is any indication that an asset might be impaired. Whenever such indicators exist, the tangible fixed assets are subject to impairment tests, where any excess of the carrying value relative to the recoverable amount, should this exist, is recognised in the consolidated income statement. The recoverable amount corresponds to the highest amount between the fair value of an asset minus the costs of selling it and its value in use. Tangible fixed assets in progress correspond to tangible assets that are still under construction/production, and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

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

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

2.6. Intangible assets

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

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

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

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

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

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

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

2.7. Investment properties

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

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

b) sale in the ordinary course of business.

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

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

The depreciation rates are between 10 and 50 years.

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

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

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

The **Group** and the **Company** carry 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 recoverable amount of the asset is estimated in order to measure the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the 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 and individual 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 and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in the previous years.

2.9. Goodwill

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

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

Impairment losses are not reversible.

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

2.10. Concentration of corporate activities

Subsidiary and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual balance sheet by the equity method (Note 10 and 11).

A subsidiary company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, having control or joint control, usually represented by more than half the voting rights.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** 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 subsidiary and associated companies against Gain/losses in subsidiary and associated companies, and by other changes in equity in Other comprehensive income. Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

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

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

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

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

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

Joint Ventures

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

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

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

2.11. Financial assets

2.11.1. Classification

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

Loans and receivables

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

Financial assets at fair value through profit and loss

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

Financial assets available for sale

The financial assets available for sale are non-derivative financial assets which: (i) are designated as available for sale on initial recognition; or (ii) are not included in the remaining financial assets categories. These are recognised as non-current assets, except if there is the intention to sell within 12 months of the balance sheet date.

These financial assets are initially recognised at acquisition value. After initial recognition, the financial assets available for sale are subsequently carried at fair value, by reference to their market value at the balance sheet date, without any deduction of transaction costs which may be incurred until the sale. Whenever these investments are non-listed equity investments, and is not possible to estimate reliably the corresponding fair value, they are stated at cost net of any impairment losses.

Unrealised capital gains and losses are recognised directly in equity, until the financial asset is sold, received, or disposed of in any way, at which time the accumulated gain or loss previously recognised in equity is recognised in the net profit for the period.

Investments held to maturity

The investments classified as held to maturity are non-derivative assets with defined or determinable payment dates and fixed maturity, which the **Group** and the **Company** both intend and have the capacity to hold until maturity and which are not designated, on initial recognition, as assets at fair value through profit or loss or as financial assets available for sale.

The investments held to maturity are measured at amortised cost, according to the effective interest rate method and are net from impairment losses.

The impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate. These investments are presented in the balance sheet net of impairment losses. If the asset is a floating interest rate's asset, the discount rate to use in the determination of the correspondent impairment losses should be the effective interest rate, determined in accordance with each contract rules. Regarding the investments held to maturity, if, in a subsequent period, the amount of the impairment loss decreases, and this decrease can be objectively associated to an event that occurred after the recognition of the impairment loss, the previously recognised impairment loss is reversed through the income of the period.

2.11.2. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the **Group** and the **Company** commit 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 have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with the variation's counterpart of the fair value being presented in comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.12. 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.

2.13. 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 income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of Accounts payable (Note 34).

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

Accounts payable

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

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

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, 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.

2.14. Offsetting financial instruments

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

2.15. Impairment of financial assets

Assets carried at amortised cost

The **Group** and **Company** assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

Assets classified as available for sale

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

2.16. Inventories

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

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

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

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.17. 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) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

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

Non-current assets held for sale are presented in a separate caption in the 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 income statement, after Income tax and before net profit for the year.

Whenever the **Group** and **Company** are 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** and **Company** still keep a residual interest in the subsidiary.

2.18. Distribution of dividends

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

2.19. Employee benefits

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 32).

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

Post-employment benefits - healthcare

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

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

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

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

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

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

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

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

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

– Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,724 beneficiaries as at 31 December 2016 and 7,326 beneficiaries as at 31 December 2015), of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January, 2014, the cash payment was replaced by a benefit in kind.

– Pensions for work accidents

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

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2016 and 31 December 2015 there were 67 and 64 beneficiaries, respectively, receiving this type of pension.

– Monthly life annuity

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

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

As at 31 December 2016 there were 44 beneficiaries under these conditions (44 beneficiaries as at 31 December 2015), receiving a monthly amount of 176.76 Euros, 12 months a year. This value is updated by Implementing Order of the Ministry of Finance and the Ministry of Labour and Social Security.

– Support for termination of professional activity

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

The last amounts regarding this benefit were paid up until 31 December 2015 and thus there are no liabilities associated to this benefit.

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

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

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

2.20. Share-based payments

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

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

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

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

2.21. Provisions and contingent liabilities

Provisions (Note 33) are recognised when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 49).

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

Provision for financial investments

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

Restructuring provisions

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

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

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

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

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

Dismantling costs provisions

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

Provisions for litigations in progress

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

Provision for onerous contracts

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

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 33). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the Company's control, or (ii) present obligations which arise from past events, but which are not recognised because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

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

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

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

The Company does not recognise contingent assets and liabilities.

2.22. Revenue

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

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

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

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

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

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

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

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

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

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

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

2.23. Subsidies obtained

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

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

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

2.24. Leases

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

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

For operating leases, the instalments that are owed are recognised as a cost in the income statement over the lease period (Note 44).

2.25. 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.

2.26. Taxes

Corporate income tax ("IRC")

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

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

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for 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 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 Company follows the normal monthly regime, in accordance with the provisions of paragraph a) of no. 1 of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. The other Group companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph a) of no. 1 of article 41 of the Portuguese VAT Code, practicing mostly non-exempted operations, thus being subject to VAT.

2.27. Accrual basis

Revenues and costs are recorded according to the accrual 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.

2.28. Judgements and estimates

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

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

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

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

(ii) Impairment of Goodwill

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

(iii) Impairment of accounts receivable

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

(iv) Deferred taxes

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

(v) Employee benefits

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 32, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

(vi) Provisions

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

2.29. 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.

The cash flow statement discloses the cash receipts and cash payments from operating, financing and investing activities.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax. Investment activities namely include acquisitions and divestments in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

2.30. Subsequent events

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

3. Changes to accounting policies, errors and estimates

In the year ended 31 December 2016 the Group adopted the International Financial Reporting Standards (IFRS) in the individual accounts for CTT and for the subsidiaries on national territory. Until 31 December 2015 the Company prepared, approved and disclosed, for the purpose of complying with the current commercial legislation, the individual financial statements in accordance with the generally accepted accounting principles in Portugal until that date as established in Sistema de Normalização Contabilística (SNC) and other complementary legislation.

Therefore, the statement of financial position as at 31 December of 2015, the income statement and the statement of changes in equity, as well as the related notes (to the individual financial statements) regarding the year ended 31 December 2015, presented for comparative purposes, were adjusted in accordance with IFRS. The adjustments/reclassifications made with effect as at 1 January 2015, the transition date, were made in accordance with the provisions of IFRS 1 – First-time adoption of International Financial Reporting Standards.

The main differences, following the adoption of the IFRS, with impact on the individual statement of financial position as of 1 January 2015 are the following:

Statement of financial position - 01.01.2015

		Adjustments	Reclassifications								
Caption	**Reported amount**	**Investment subsidies [1]**	**Investments in associated companies [2]**	**Investments in subsidiary companies [3]**	**Other current assets [4]**	**Reserves [5]**	**Retained earnings [6]**	**Accounts payable [7]**	**Income taxes payable [8]**	**Other current liabilities [9]**	**Restated amount**
Investment in subsidiaries and associated companies	35,876,915	-	(937,732)	(34,939,183)	-	-	-	-	-	-	-
Goodwill	7,705,457	-	-	(7,705,457)	-	-	-	-	-	-	-
Investments in subsidiary companies	-	-	-	42,644,640	-	-	-	-	-	-	42,644,640
Investments in associated companies	-	-	937,732	-	-	-	-	-	-	-	937,732
Other accounts receivable	20,049,456	-	-	-	(20,049,456)	-	-	-	-	-	-
Other current assets	-	-	-	-	20,049,456	-	-	-	-	-	20,049,456
Other assets' captions	1,087,183,028	-	-	-	-	-	-	-	-	-	1,087,183,028
Total assets	**1,150,814,856**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,150,814,856**
Other equity instruments	(18,526,395)	(259,915)	-	-	-	-	-	-	-	-	(18,786,310)
Legal reserves	18,072,559	-	-	-	-	(18,072,559)	-	-	-	-	-
Other reserves	13,701,407	-	-	-	-	(13,701,407)	-	-	-	-	-
Reserves	-	-	-	-	-	31,773,966	-	-	-	-	31,773,966
Adjustments in investments	21,622,320	-	-	-	-	-	(21,622,320)	-	-	-	-
Retained earnings	62,752,243	-	-	-	-	-	21,622,320	-	-	-	84,374,563
Other equity's captions	152,171,128	-	-	-	-	-	-	-	-	-	152,171,128
Total equity	**249,793,262**	**(259,915)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**249,533,347**
Deferrals	11,568,040	361,697	-	-	-	-	-	-	-	-	11,929,737
Deferred tax liabilities	4,890,550	(101,782)	-	-	-	-	-	-	-	-	4,788,768
Accounts payble	66,845,568	-	-	-	-	-	-	(66,845,568)	-	-	-
Portuguese State and other public entities	18,247,579	-	-	-	-	-	-	-	(6,171,287)	(12,076,292)	-
Other accounts payable	478,688,808	-	-	-	-	-	-	(417,606,043)	-	(61,082,765)	-
Accounts payable	-	-	-	-	-	-	-	484,451,611	-	-	484,451,611
Income taxes payable	-	-	-	-	-	-	-	-	6,171,287	-	6,171,287
Other current liabilities	-	-	-	-	-	-	-	-	-	73,159,057	73,159,057
Other liabilities' captions	320,781,049	-	-	-	-	-	-	-	-	-	320,781,049
Total liabilities	**901,021,594**	**259,915**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**901,281,509**

[1] Acording to IAS 20 - Accounting for Government Grants the investment subsidies are recorded as deferred income.
[2] The investments in associated companies are reclassifed to a specific caption.
[3] The investments in subsidiary companies are reclassifed to a specific caption. Goodwill is included in the investment's value.
[4] The balances are now presented in the caption "Other current assets".
[5] The balances are now presented in the caption "Reserves".
[6] The balances are now presented in the caption "Retained earnings".
[7] The caption "Accounts payble" includes accounts payable and part of caption "Other accounts payable" (except the accrual's amount considered as "Other current liabilities" as referred in note (9)).
[8] The caption "Income taxes payable" include the Income tax.
[9] The "Other current liabilities" includes withholding income tax, social security contributions and other taxes (except the amount of Income tax considered as "Income taxes payable" as referred in note (8)) and the accruals.

The impacts on the individual statement of financial position and income statement as of 31 December 2015 are as follows:

Statement of financial position – 31.12.2015

		Adjustments	Reclassifications								
Caption	**Reported amount**	**Investment subsidies [1]**	**Investments in associated companies [2]**	**Investments in subsidiary companies [3]**	**Other current assets [4]**	**Reserves [5]**	**Retained earnings [6]**	**Accounts payable [7]**	**Income taxes payable [8]**	**Other current liabilities [9]**	**Restated amount**
Investment in subsidiaries and associated companies	57,363,394	–	(255,214)	(57,108,180)	–	–	–	–	–	–	–
Goodwill	8,058,656	–	–	(8,058,656)	–	–	–	–	–	–	–
Investments in subsidiary companies	–	–	–	65,166,836	–	–	–	–	–	–	65,166,836
Investments in associated companies	–	–	255,214	–	–	–	–	–	–	–	255,214
Portuguese State and other public entities	2,502,186	–	–	–	(2,502,186)	–	–	–	–	–	–
Other accounts receivable	19,360,051	–	–	–	(19,360,051)	–	–	–	–	–	–
Other current assets	–	–	–	–	21,862,237	–	–	–	–	–	21,862,237
Other assets' captions	993,553,535	–	–	–	–	–	–	–	–	–	993,553,535
Total assets	**1,080,837,822**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,080,837,822**
Other equity instruments	(18,393,737)	(251,095)	–	–	–	–	–	–	–	–	(18,644,832)
Legal reserves	19,945,684	–	–	–	–	(19,945,684)	–	–	–	–	–
Other reserves	13,438,968	–	–	–	–	(13,438,968)	–	–	–	–	–
Reserves	–	–	–	–	–	33,384,652	–	–	–	–	33,384,652
Adjustments in investments	18,858,577	–	–	–	–	–	(18,858,577)	–	–	–	–
Retained earnings	72,869,417	–	–	–	–	–	18,858,577	–	–	–	91,727,994
Other equity's captions	145,192,158	–	–	–	–	–	–	–	–	–	145,192,158
Total equity	**251,911,067**	**(251,095)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**251,659,972**
Deferrals	15,216,307	350,496	–	–	–	–	–	–	–	–	15,566,803
Deferred tax liabilities	4,633,600	(99,401)	–	–	–	–	–	–	–	–	4,534,199
Accounts payble	64,887,846	–	–	–	–	–	–	(64,887,846)	–	–	–
Portuguese State and other public entities	17,001,342	–	–	–	–	–	–	–	(7,923,944)	(9,077,398)	–
Other accounts payable	427,854,061	–	–	–	–	–	–	(355,518,303)	–	(72,335,758)	–
Accounts payable	–	–	–	–	–	–	–	420,406,149	–	–	420,406,149
Income taxes payable	–	–	–	–	–	–	–	–	7,923,944	–	7,923,944
Other current liabilities	–	–	–	–	–	–	–	–	–	81,413,156	81,413,156
Other liabilities' captions	299,333,599	–	–	–	–	–	–	–	–	–	299,333,599
Total liabilities	**828,926,755**	**251,095**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**829,177,850**

[1] Acording to IAS 20 – Accounting for Government Grants the investment subsidies are recorded as deferred income.
[2] The investments in associated companies are reclassifed to a specific caption.
[3] The investments in subsidiary companies are reclassifed to a specific caption. Goodwill is included in the investment's value.
[4] The balances are now presented in the caption "Other current assets".
[5] The balances are now presented in the caption "Reserves".
[6] The balances are now presented in the caption "Retained earnings".
[7] The caption "Accounts payble" includes accounts payable and part of caption "Other accounts payable" (except the accrual's amount considered as "Other current liabilities" as referred in note (9)).
[8] The caption "Income taxes payable" include the Income tax.
[9] The "Other current liabilities" include withholding income tax, social security contributions and other taxes (except the amount of Income tax considered as "Income taxes payable" as referred in note (8) and the accurals mentioned in note (7).

Income Statement – 31.12.2015

Caption	Reported amount	Reclassifications: Staff costs [10]	Reclassifications: Impairment of inventories and accounts receivable, net [11]	Reclassifications: Depreciation/amortisation and impairment of investments, net [12]	Reclassifications: Other operating income [13]	Reclassifications: Interest income [14]	Restated amount
Own work capitalised	306,257	(306,257)	-	-	-	-	-
Staff costs	(297,335,567)	306,257	-	-	-	-	(297,029,310)
Impairment of inventories, net	268,616	-	(268,616)	-	-	-	-
Impairment of accounts receivable, net	248,629	-	(248,629)	-	-	-	-
Impairment of inventories and accounts receivable, net	-	-	517,245	-	-	-	517,245
Depreciation and amortisation, net	(19,732,394)	-	-	19,732,394	-	-	-
Impairment of depreciable/amortisable assets, net	291,117	-	-	(291,117)	-	-	-
Depreciation/amortisation and impairment of investments, net	-	-	-	(19,441,277)	-	-	(19,441,277)
Grants - Operation subsidies	8,119	-	-	-	(8,119)	-	-
Other operating revenues	51,298,403	-	-	-	(40,900,792)	(1,397,611)	-
Other operating income	-	-	-	-	49,908,911	-	49,908,911
Interest and similar income received	283,466	-	-	-	-	(283,466)	-
Interest income	-	-	-	-	-	1,681,077	1,681,077
Other captions	336,428,637	-	-	-	-	-	336,428,637
Net profit for the period	**72,065,283**	**-**	**-**	**-**	**-**	**-**	**72,065,283**

(10) Staff costs are presented net of own work capitalised.
(11) Impairment of inventories and impairment of accounts receivable are jointly presented.
(12) Depreciation and amortisation are jointly presented with Impairment of depreciable/amortisable assets, net.
(13) Operating subsidies and other operating revenues not considered as Interest income, are presented as "Other operating income".
(14) "Interest income" include interest and similar income received, except the interest arising from financial float which are presented in caption "Other operating income".

The impacts on the individual income statement regarding the three months ended 31 December 2015 were as follows:

Income Statement – Three months ended 31.12.2015

Caption	Reported amount	Reclassifications: Staff costs [1]	Reclassifications: Impairment of inventories and accounts receivable, net [2]	Reclassifications: Depreciation/amortisation and impairment of investments, net [3]	Reclassifications: Other operating income [4]	Reclassifications: Interest income [5]	Restated amount
Own work capitalised	115,303	(115,303)	-	-	-	-	-
Staff costs	(76,616,236)	115,303	-	-	-	-	(76,500,933)
Impairment of inventories, net	347,441	-	(347,441)	-	-	-	-
Impairment of accounts receivable, net	(52,039)	-	52,039	-	-	-	-
Impairment of inventories and accounts receivable, net	-	-	295,402	-	-	-	295,402
Depreciation and amortisation, net	(5,698,056)	-	-	5,698,056	-	-	-
Impairment of depreciable/amortisable assets, net	(133,321)	-	-	133,321	-	-	-
Depreciation/amortisation and impairment of investments, net	-	-	-	(5,831,377)	-	-	(5,831,377)
Grants - Operation subsidies	18,906,806	-	-	-	(18,660,303)	(246,503)	-
Other operating revenues	-	-	-	-	18,660,303	-	18,660,303
Other operating income	69,904	-	-	-	-	(69,904)	-
Interest and similar income received	-	-	-	-	-	316,406	316,406
Interest income	84,490,525	-	-	-	-	-	84,490,525
Other captions	21,430,327	-	-	-	-	-	21,430,327
Net profit for the period	**21,430,327**	**-**	**-**	**-**	**-**	**-**	**21,430,327**

(1) Staff costs are presented net of own work capitalised.
(2) Impairment of inventories and impairment of accounts receivable are jointly presented.
(3) Depreciation and amortisation are jointly presented with Impairment of depreciable/amortisable assets, net.
(4) Operating subsidies and other operating revenues not considered as Interest income, are presented as "Other operating income".
(5) "Interest income" include interest and similar income received, except the interest arising from financial float which are presented in caption "Other operating income".

The adjustments made, with impact in individual Equity, reported as of 1 January and 31 December 2015, for the purposes of conversion into IFRS purposes, were as follows:

Equity		
	31.12.2015	**01.01.2015**
Individual equity - SNC	**251,911,067**	**249,793,262**
Reserves (Investment Subsidies)	(251,095)	(259,915)
Individual equity - IFRS	**251,659,972**	**249,533,347**

Additionally, no material errors were identified relative to estimates made in preparing the financial statements of prior years.

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

4. Segment reporting

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

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

The business of CTT is organised in the following segments:

- Mail – CTT, S.A. excluding financial services, but including retail network and business solutions, CTT Contacto, Mailtec Comunicação and Escrita Inteligente, S.A.;
- Express & Parcels – includes CTT Expresso, Tourline and CORRE;
- Financial Services – PayShop and CTT, S.A. Financial Services; and
- Banco CTT – Banco CTT, S.A.

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

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

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

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

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

The income statement for each business segment is based 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 its income and costs by the various operating segments. The Internal Services Rendered refers to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices.

Initially, CTT, S.A. operating costs are affected to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, cost relating to corporate and support areas (Central Structure CTT) previously unallocated, are allocated among the 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, the earnings before depreciation, provisions, impairments, financial results and taxes by segment in the year of 2016 and 2015 are analysed as follows:

	2016							
Euros	**Mail**	**Express & Parcels**	**Financial Services**	**Banco CTT**	**CTT Central Structure**	**Intragroup eliminations**	**Others non allocated**	**Total**
Revenues	533,586,673	120,809,947	70,760,726	961,734	108,910,984	(138,208,500)	-	696,821,564
Sales and services rendered	490,837,845	115,956,403	65,944,099	-	11,030	(3,080,807)	-	669,668,571
Sales	19,247,627	837,524	-	-	-	(2,893)	-	20,082,259
Services rendered	471,590,218	115,118,878	65,944,099	-	11,030	(3,077,914)	-	649,586,312
Financial Margin	-	-	-	26,051	-	-	-	26,051
Operating revenues external customers	26,390,268	4,853,544	4,733,667	935,682	17,651,463	(27,437,682)	-	27,126,942
Internal services rendered	16,358,560	-	82,960	-	40,060,406	(56,501,927)	-	-
Allocation to CTT central structure	-	-	-	-	51,188,085	(51,188,085)	-	-
Operating costs	448,411,842	116,302,249	32,948,637	26,403,442	108,910,984	(138,208,500)	-	594,768,654
External supplies and services	100,938,902	92,749,459	9,830,286	16,439,019	42,561,221	(30,481,823)	-	232,037,064
Staff costs	242,375,793	21,363,008	4,601,590	9,626,317	60,420,774	-	-	338,387,481
Other costs	15,673,374	2,189,782	1,365,657	338,106	4,813,856	(36,666)	-	24,344,109
Internal services rendered	38,588,353	-	16,798,440	-	1,115,133	(56,501,927)	-	-
Allocation to CTT central structure	50,835,421	-	352,664	-	-	(51,188,085)	-	-
EBITDA (1)	**85,174,831**	**4,507,698**	**37,812,090**	**(25,441,708)**	**-**	**-**	-	**102,052,910**
Depreciation/ amortisation and impairment of investments, net	(15,698,721)	(2,736,099)	(354,204)	(1,541,550)	(6,683,109)	-	(454,412)	(27,468,094)
Impairment of accounts receivable, net								(45,623)
Provisions net								16,343,680
Interest expenses								(6,540,106)
Interest income								671,599
Gains/losses in associated companies								230,340
Earnings before taxes								**85,244,706**
Income tax for the period								(23,347,639)
Net profit for the period								**61,897,067**
Non-controlling interests								(263,328)
Equity holders of parent company								**62,160,395**

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

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

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

The revenues are detailed as follows:

Thousand Euros	**2016**	**2015**
Mail	**533,587**	**554,637**
Transactional mail	403,684	416,806
Editorial mail	15,952	15,738
Parcels (USO)	6,608	6,892
Advertising mail	29,596	31,712
Retail	17,758	19,505
Philately	7,480	8,155
Business Solutions	9,960	11,524
Other	42,549	44,305
Express & Parcels	**120,810**	**131,256**
Financial Services	**70,761**	**75,315**
Banco CTT	**962**	**-**
CTT Central Structure	**108,911**	**105,477**
Intragroup eliminations	**(138,208)**	**(139,507)**
	696,822	**727,180**

The assets by segment are detailed as follows:

	2016						
Assets (Euros)	**Mail**	**Express & Parcels**	**Financial Services**	**Banco CTT**	**CTT Central Structure**	**Non allocated assets**	**Total**
Intagible assets	2,688,799	3,989,255	383,266	18,455,823	7,853,454	5,546,126	38,916,723
Tangible fixed assets	172,040,917	13,822,493	711,568	59,727	14,920,468	7,366,608	208,921,781
Investment properties						9,291,983	9,291,983
Goodwill	7,294,638		406,101				7,700,739
Deferred tax assets						86,220,762	86,220,762
Accounts receivable						122,113,270	122,113,270
Credit to bank clients				7,103,905			7,103,905
Investments held to maturity				95,094,543			95,094,543
Financial assets available for sale				6,447,325			6,447,325
Other banking financial assets				59,054,303			59,054,303
Other assets						48,263,780	48,263,780
Cash and cash equivalents						618,811,099	618,811,099
Non-current assets held for sale						8,756,999	8,756,999
	182,024,355	**17,811,748**	**1,500,934**	**186,215,627**	**22,773,922**	**906,370,627**	**1,316,697,213**

			2015				
Assets (Euros)	**Mail**	**Express & Parcels**	**Financial Services**	**Banco CTT**	**CTT Central Structure**	**Non allocated assets**	**Total**
Intagible assets	2,884,879	3,663,322	245,408	9,716,701	9,104,348	2,009,357	27,624,015
Tangible fixed assets	174,902,447	13,727,659	549,351	60,642	17,579,075	3,121,711	209,940,886
Investment properties						19,783,095	19,783,095
Goodwill	7,652,555		406,101				8,058,656
Deferred tax assets						87,535,941	87,535,941
Accounts receivable						124,355,641	124,355,641
Other assets						38,524,257	38,524,257
Cash and cash equivalents						603,649,717	603,649,717
	185,439,881	**17,390,982**	**1,200,860**	**9,777,343**	**26,683,423**	**878,979,718**	**1,119,472,208**

Debt by segment is detailed as follows:

			2016			
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services**	**Banco CTT**	**CTT Central Struture**	**Total**
Medium and long-term debt	**-**	**127,145**	**-**	**-**	**-**	**127,145**
Bank loans	-	87,202	-	-	-	87,202
Leasings	-	39,943	-	-	-	39,943
Short-term debt	**724,749**	**8,955,080**	**-**	**-**	**-**	**9,679,829**
Bank loans	-	8,726,161	-	-	-	8,726,161
Leasings	724,749	228,919	-	-	-	953,668
	724,749	**9,082,224**	**-**	**-**	**-**	**9,806,973**

			2015			
Other information (Euros)	**Mail**	**Express & Parcels**	**Financial Services**	**Banco CTT**	**CTT Central Struture**	**Total**
Medium and long-term debt	**724,845**	**310,677**	**-**	**-**	**-**	**1,035,522**
Bank loans	-	95,241	-	-	-	95,241
Leasings	724,845	215,436	-	-	-	940,281
Short-term debt	**462,968**	**6,615,187**	**-**	**-**	**-**	**7,078,155**
Bank loans	-	6,028,197	-	-	-	6,028,197
Leasings	462,968	586,990	-	-	-	1,049,958
	1,187,813	**6,925,864**	**-**	**-**	**-**	**8,113,677**

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

Thousand Euros	**2016**	**2015**
Revenue - Portugal	594,380	624,709
Revenue - other countries	75,289	80,406
	669,669	**705,169**

5. Tangible fixed assets

During the years ended 31 December 2016 and 31 December 2015, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

				2016					
Group	**Land and natural resources**	**Buildings and other constructions**	**Basic equipment**	**Transport equipment**	**Office equipment**	**Other tangible fixed assets**	**Tangible fixed assets in progress**	**Advance payments to suppliers**	**Total**
Tangible fixed assets									
Opening balance	37,306,577	337,982,013	138,002,341	3,273,327	54,961,400	23,252,352	1,971,616	1,398,408	598,148,034
Acquisitions	-	313,458	6,625,240	9,719	4,156,018	1,937,614	8,381,884	2,888,955	24,312,888
Disposals	(526,637)	(3,885,980)	(1,503,859)	-	(52,919)	-	-	-	(5,969,395)
Transfers and write-offs	123,778	675,516	(2,289,200)	(8,174)	51,751	(115,897)	(5,337,034)	(812,692)	(7,711,951)
Adjustments	-	(175,240)	(399,323)	(5,800)	(94,314)	(36,644)	-	(123,265)	(834,586)
Closing balance	**36,903,717**	**334,909,766**	**140,435,200**	**3,269,073**	**59,021,936**	**25,037,425**	**5,016,467**	**3,351,405**	**607,944,989**
Accumulated depreciation									
Opening balance	3,888,322	192,743,987	118,629,681	3,154,422	50,187,217	19,306,751	-	-	387,910,380
Depreciation for the period	-	9,180,124	7,410,835	66,457	2,621,487	1,111,546	-	-	20,390,450
Disposals	(36,827)	(2,390,937)	(1,481,994)	-	(52,919)	-	-	-	(3,962,677)
Transfers and write-offs	-	(2,172,820)	(2,533,931)	(8,174)	(487,515)	(173,533)	-	-	(5,375,973)
Adjustments	-	(604)	(89,968)	(3,709)	(12,465)	(5,280)	-	-	(112,027)
Closing balance	**3,851,494**	**197,359,750**	**121,934,624**	**3,208,996**	**52,255,806**	**20,239,484**	**-**	**-**	**398,850,154**
Accumulated impairment									
Opening balance	-	-	-	-	-	296,769	-	-	296,769
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	**-**	**-**	**-**	**-**	**-**	**173,055**	**-**	**-**	**173,055**
Net Tangible fixed assets	**33,052,223**	**137,550,016**	**18,500,576**	**60,077**	**6,766,130**	**4,624,886**	**5,016,467**	**3,351,405**	**208,921,781**

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

The depreciation recorded in the **Group** amounting to 20,390,450 Euros (19,278,804 Euros on 31 December 2015), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 47).

During the years ended 31 December 2016 and 31 December 2015, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

2016									
Company	**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	35,489,705	322,733,582	107,351,937	2,479,246	48,312,318	21,472,842	1,971,617	1,398,407	541,209,656
Acquisitions	-	-	5,552,134	-	3,444,701	1,918,240	8,376,038	2,032,080	21,323,193
Disposals	(526,637)	(3,885,980)	(1,492,276)	-	-	-	-	-	(5,904,894)
Transfers and write-offs	123,778	669,671	(2,070,172)	-	94,512	40,006	(5,331,188)	(812,692)	(7,286,085)
Adjustments	-	(172,289)	(146,612)	-	(67,780)	(19,984)	-	(123,265)	(529,930)
Closing balance	**35,086,846**	**319,344,985**	**109,195,010**	**2,479,246**	**51,783,751**	**23,411,104**	**5,016,467**	**2,494,530**	**548,811,940**
Accumulated depreciation									
Opening balance	3,888,321	184,477,527	94,533,371	2,369,138	44,176,849	17,624,015	-	-	347,069,221
Depreciation for the period	-	8,747,815	5,417,745	62,589	2,246,253	1,076,778	-	-	17,551,180
Disposals	(36,827)	(2,390,937)	(1,470,411)	-	-	-	-	-	(3,898,175)
Transfers and write-offs	-	(2,172,819)	(2,314,904)	-	(445,217)	(17,167)	-	-	(4,950,106)
Adjustments	-	-	-	-	-	-	-	-	-
Closing balance	**3,851,494**	**188,661,587**	**96,165,800**	**2,431,726**	**45,977,885**	**18,683,626**	**-**	**-**	**355,772,119**
Accumulated impairment									
Opening balance	-	-	-	-	-	296,769	-	-	296,769
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	**-**	**-**	**-**	**-**	**-**	**173,055**	**-**	**-**	**173,055**
Net Tangible fixed assets	**31,235,351**	**130,683,399**	**13,029,209**	**47,520**	**5,805,866**	**4,554,423**	**5,016,467**	**2,494,530**	**192,866,766**

2015									
Company	**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	35,014,836	315,616,144	113,261,739	1,645,511	46,543,817	20,574,950	1,737,799	264,291	534,659,087
Acquisitions	-	-	3,685,875	1,981	1,436,934	892,426	3,505,594	1,358,018	10,880,829
Disposals	(2,881)	(206,610)	(2,133,753)	-	(10,823)	-	-	-	(2,354,067)
Transfers and write-offs	477,748	7,288,834	(8,237,710)	831,755	(52,712)	(7,862)	(3,271,776)	(222,750)	(3,194,473)
Adjustments	-	-	(57,723)	-	(34,205)	(30,046)	-	(1,151)	(123,125)
Mergers	-	35,215	833,509	-	429,307	43,375	-	-	1,341,406
Closing balance	**35,489,704**	**322,733,584**	**107,351,938**	**2,479,248**	**48,312,318**	**21,472,844**	**1,971,616**	**1,398,407**	**541,209,658**
Accumulated depreciation									
Opening balance	3,888,711	174,091,789	99,782,739	1,593,991	41,734,094	16,385,542	-	-	337,476,866
Depreciation for the period	-	8,420,076	4,180,955	53,402	2,079,555	1,195,715	-	-	15,929,703
Disposals	(388)	(116,904)	(2,133,753)	-	(10,823)	-	-	-	(2,261,868)
Transfers and write-offs	-	2,047,352	(8,128,892)	721,745	(35,991)	-	-	-	(5,395,786)
Mergers	-	35,215	832,322	-	410,013	42,757			1,320,307
Closing balance	**3,888,322**	**184,477,527**	**94,533,371**	**2,369,138**	**44,176,849**	**17,624,014**	**-**	**-**	**347,069,222**
Accumulated impairment									
Opening balance	-	-	-	-	-	420,483	-	-	420,483
Other variations	-	-	-	-	-	(123,714)	-	-	(123,714)
Closing balance	**-**	**-**	**-**	**-**	**-**	**296,769**	**-**	**-**	**296,769**
Net Tangible fixed assets	**31,601,381**	**138,256,056**	**12,818,567**	**110,110**	**4,135,469**	**3,552,061**	**1,971,616**	**1,398,407**	**193,843,668**

The depreciation recorded in the **Company** amounting to 17,551,181 Euros (15,929,703 Euros on 31 December 2015), is booked under the heading Depreciation/amortisation and impairment of investments, net (Note 47).

In the **Group** and the **Company,** as at 31 December 2016, Land and natural resources and Buildings and other constructions include 650,717 Euros (4,756,534 Euros as at 31 December 2015), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During 2016, an exchange with MEO – Serviços de Comunicações e Multimédia, S.A. was performed and were accounted gains in the amount of 485,134 Euros.

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

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

In the year ended 31 December 2015, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company Escrita Inteligente, S.A. acquired in December 2015.

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

Buildings and other constructions:

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

It also includes the exchange made with MEO – Serviços de Comunicações e Multimédia, S.A., of 4 properties that were in joint ownership.

Basic equipment:

The amount of additions relates to the acquisition of motorcycles, tricycles and quadricycles in the amount of 912 thousand Euros, vans and trucks worth approximately 1,867 thousand Euros, tractors and trailers in the amount of 234 thousand Euros, pallet trucks for 35 thousand Euros, ATMs amounting to 336 thousand Euros, several operational equipment for a total amount of 40 thousand Euros, IT equipment worth 1,158 thousand Euros, scales amounting to 42 thousand Euros, postal containers in the amount of 90 thousand Euros and upgrades to mail sorting machines in the amount of 643 thousand Euros by CTT. CTT Expresso has recognised the upgrade to parcel sorting machines worth about 371 thousand Euros and the purchase of pallet truck of 76 thousand Euro. Payshop acquired 839 payment terminals in the amount of 155 thousand Euros and 1,250 scanners in the amount of 88 thousand Euros.

Office equipment:

The amount of acquisitions relates essentially to the purchase of safes and security doors totalling 729 thousand Euros, various office equipment worth about 1,003 thousand Euros, medium and large size equipment for about 1,161 thousand Euros and the acquisition of several micro-computing equipment for approximately 537 thousand Euros by CTT. CTT Expresso acquired a system of file and virtualization backup in a total value of 308 thousand Euros. In Tourline the acquisitions refer to several office equipment worth about 27 thousand Euros.

Other tangible fixed assets:

The amount of acquisitions relates essentially to the acquisition of prevention and safety equipment in the amount of 1,653 thousand Euros, essentially regarding the **Company**.

Tangible fixed assets in progress:

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

The amounts recorded under write-offs, in the year ended 31 December 2016, with particular emphasis in Basic equipment, are mainly due to the write-offs of CTT assets that were fully depreciated.

In the **Group** and in the **Company**, as at 31 December 2016, the amount recorded under transfers of Land and natural resources and Buildings and other constructions include the total amount, net of depreciations, of 2,344,233 Euros regarding the transfer of real estate to non-current assets held for sale (Note 22).

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets, are as follows:

	Group	Company
Servers upgrades	18,450	18,450
Shelving equipment	46,740	46,740
Scale, digitizer and micrometer	5,235	5,235
Upgrades to mail sorting machines	11,754	11,754
Desktops and monitors	2,260	2,260
Safes and security doors	100,072	100,072
Pallets	18,770	18,770
	203,280	**203,280**

6. Intangible assets

During the years ended 31 December 2016 and 31 December 2015, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortisation, were as follows:

	2016						
Group	**Development projects**	**Computer Software**	**Industrial property**	**Other intangible assets**	**Intangible assets in progress**	**Advance payments to suppliers**	**Total**
Intangible assets							
Opening balance	4,372,923	48,455,024	12,004,296	444,739	12,175,413	-	77,452,395
Acquisitions	-	7,715,502	17,573	-	10,114,453	-	17,847,528
Disposals	-	(15,490)	-	-	-	-	(15,490)
Transfers and write-offs	-	13,235,156	1,893	-	(13,419,588)	-	(182,539)
Adjustments	-	(15,640)	(301,202)	-	-	-	(316,843)
Other movements	-	357,918	-	-	-	-	357,918
Closing balance	**4,372,923**	**69,732,469**	**11,722,559**	**444,739**	**8,870,277**	**-**	**95,142,968**
Accumulated amortisation							
Opening balance	4,350,412	36,912,898	8,120,329	444,739	-	-	49,828,379
Amortisation for the period	9,647	6,277,006	336,578	-	-	-	6,623,231
Disposals	-	(15,490)	-	-	-	-	(15,490)
Transfers and write-offs	-	(150,959)	(454)	-	-	-	(151,413)
Adjustments	-	(2,289)	(56,173)	-	-	-	(58,463)
Closing balance	**4,360,060**	**43,021,166**	**8,400,280**	**444,739**	**-**	**-**	**56,226,245**
Net intangible assets	**12,863**	**26,711,303**	**3,322,280**	**-**	**8,870,277**	**-**	**38,916,723**

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

The amortisation in the **Group**, for the year ended 31 December 2015, amounting to 6,623,231 Euros (3,832,949 Euros as at 31 December 2015) was recorded under Depreciation / amortisation and impairment of investments, net (Note 47).

During the years ended 31 December 2016 and 31 December 2015, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortisation, were as follows:

Company	2016 Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	3,717,326	38,719,172	3,566,374	-	2,009,357	48,012,229
Acquisitions	-	679,023	17,573	-	5,664,626	6,361,222
Disposals	-	-	-	-	-	-
Transfers and write-offs	-	2,094,837	1,893	-	(2,127,856)	(31,126)
Adjustments	-	(15,640)	-	-	-	(15,640)
Closing balance	**3,717,326**	**41,477,392**	**3,585,840**	**-**	**5,546,126**	**54,326,686**
Accumulated amortisation						
Opening balance	3,694,816	28,347,075	3,009,661	-	-	35,051,552
Amortisation for the period	9,647	4,423,323	40,604	-	-	4,473,575
Disposals						
Tramsfers and write-offs						
Adjustments	-	(2,289)	105	-	-	(2,184)
Closing balance	**3,704,463**	**32,768,108**	**3,050,370**	**-**	**-**	**39,522,942**
Net intangible assets	**12,863**	**8,709,284**	**535,470**	**-**	**5,546,126**	**14,803,744**

Company	2015 Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	3,717,326	28,465,655	3,223,072	-	4,710,797	40,116,850
Acquisitions	84,441	4,654,861	326,469	-	1,775,205	6,840,977
Transfers and write-offs	(84,441)	4,783,837	-	-	(4,476,645)	222,750
Mergers	-	814,821	16,833	-	-	831,654
Closing balance	**3,717,326**	**38,719,174**	**3,566,374**	**-**	**2,009,357**	**48,012,230**
Accumulated amortisation						
Opening balance	3,685,169	24,541,759	2,955,835	-	-	31,182,763
Amortisation for the period	12,060	3,001,272	36,994	-	-	3,050,326
Transfers and write-offs	(2,413)	2,413	-	-	-	-
Mergers	-	801,631	16,833	-	-	818,464
Closing balance	**3,694,816**	**28,347,074**	**3,009,662**	**-**	**-**	**35,051,553**
Net intangible assets	**22,510**	**10,372,099**	**556,712**	**-**	**2,009,357**	**12,960,678**

The amortisation in the **Company**, for the year ended 31 December 2015, amounting to 4,473,575 Euros (3,050,326 Euros as at 31 December 2015) was recorded under Depreciation / amortisation and impairment of investments, net (Note 47).

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

The transfers occurred in the year ended 31 December 2016 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 798,888 Euros and 306,256 Euros were capitalised in computer software or in intangible assets in progress as at 31 December 2016 and 31 December 2015, respectively, related to **Company** staff costs incurred in the development of these projects.

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

Computer software:

The amount of acquisitions relates essentially to the purchase of software "IBM Datacap" in the amount of 118 thousand Euros, the acquisition of "SAFT-T Viewer" for 53 thousand Euros, "Management information software" in the amount of 207 thousand Euros and software "IBM Websphere (WSRR)" in the amount of 59 thousand Euros by CTT. In Banco CTT the acquisitions relate to software "TLM Corona" in the amount of 147 thousand Euros, software "SAC - Card management system" in the amount of 81 thousand Euros, "Reg Pro – Banking reports system" in the amount of 257 thousand Euros, "App account opening" in the amount of 416 thousand Euros and upgrades to "CBS – Core Banking System" in the amount of 4,113 thousand Euros.

As at 31 December 2016 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
SGEE - System Management Express Shipping	1,473,116	-
Management information - Software	1,061,580	727,776
International (E-CIP)	728,084	728,084
CBS - Core banking system	444,927	-
OPICS - Treasury mangement	631,122	-
NAVE evolution	380,583	380,583
Mail products evolution	349,801	349,801
Digital platform - advertising mail	455,995	455,995
RAID - Software	163,131	163,131
Financial consolidation - Software	150,431	150,431
Audit management - software	102,150	-
DOL - Treatment and generation of scales	90,038	90,038
CIA - New portal of treatment	97,049	97,049
Mobility - Application Software	104,626	104,626
CTT Mobile	109,647	109,647
Virtualization platform	122,901	122,901
Setup Fujitsu	361,351	361,351
Simple Finance	468,377	468,377
Reg Pro - Banking report system	46,296	-
	7,341,205	**4,309,789**

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

Contractual commitments relative to the **Group** and the **Company** Intangible assets are as follows:

	Group	Company
CBS - Core Banking System	7,078,870	-
Card management system	35,566	-
APP Mobile CTT Expresso	9,970	-
Videoconferencing upgrade	29,608	29,608
SADIP - Dynamics Change Plans	18,670	18,670
	7,172,684	**48,278**

7. Investment properties

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** have the following assets classified as investment properties:

	2016					
	Group			Company		
	Land and natural resources	Buildings and other constructions	Total	Land and natural resources	Buildings and other constructions	Total
Investment properties						
Opening balance	7,079,433	40,895,219	47,974,653	7,079,433	40,895,219	47,974,653
Additions	-	-	-	-	-	-
Disposals	(890,140)	(8,088,615)	(8,978,754)	(890,140)	(8,088,615)	(8,978,754)
Transfers and write-offs	(2,268,245)	(14,433,825)	(16,702,070)	(2,268,245)	(14,433,825)	(16,702,070)
Closing balance	**3,921,049**	**18,372,780**	**22,293,828**	**3,921,049**	**18,372,780**	**22,293,828**
Accumulated depreciation						
Opening balance	239,427	26,669,509	26,908,936	239,427	26,669,509	26,908,936
Depreciation for the period	-	569,250	569,250	-	569,250	569,250
Disposals	(25,824)	(5,432,025)	(5,457,848)	(25,824)	(5,432,025)	(5,457,848)
Transfers and write-offs	(3,506)	(10,306,485)	(10,309,991)	(3,506)	(10,306,485)	(10,309,991)
Closing balance	**210,097**	**11,500,249**	**11,710,347**	**210,097**	**11,500,249**	**11,710,347**
Accumulated impairment						
Opening balance	-	1,282,622	1,282,622	-	1,282,622	1,282,622
Transfers/Adjustments	-	8,876	8,876	-	8,876	8,876
Closing balance	**-**	**1,291,498**	**1,291,498**	**-**	**1,291,498**	**1,291,498**
Net Investment properties	**3,710,951**	**5,581,032**	**9,291,983**	**3,710,951**	**5,581,032**	**9,291,983**

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

These assets are not allocated to the **Group** and **Company** operating activities, nor have a specific future use.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2016 which were conducted by independent entities, amounts to 13,190,970 Euros (29,425,470 Euros as at 31 December 2015).

In the year ended 31 December 2016, the amount of disposals in the **Company** relates to the sale of six properties having the corresponding gains, of 1.2 million Euros, been recorded in the caption Other operating income.

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

In the **Group** and in the **Company**, as at 31 December 2016, the amount recorded under transfers of Land and natural resources and Buildings and other constructions include the total amount, net of depreciations, of 6,412,766 Euros regarding the transfer of real estate to non-current assets held for sale (Note 22).

Depreciation for the year, of 569,250 Euro (752,365 Euros on 31 December 2015) was recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals) (Note 47).

Impairment losses of the Company for the period amounting to 8,876 Euros (167,403 Euros on 31 December 2015) were recorded in the caption Depreciation / amortisation and impairment of investments (losses / reversals) (Note 47) and are explained by the market value reduction observed in same buildings.

8. Companies included in the consolidation

Subsidiary companies

As at 31 December 2016 and 31 December 2015, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:

			2016			2015		
			Percentage of ownership			Percentage of ownership		
Company name	**Place of business**	**Head office**	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Lugar do Quintanilho 2664-500 São Julião do Tojal	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Contacto, S.A. (a) ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Mailtec Comunicação , S.A. ("Mailtec TI")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Pedrosa C, 38-40 Hospitalet de Llobregat (08908) Barcelona - Spain	100	-	100	-	100	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. Zedequias Manganhela, 309 Maputo - Mozambique	50	-	50	50	-	50
Escrita Inteligente , S.A. ("RONL")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 11 1999-001 Lisboa	100	-	100	100	-	100

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

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

On 17 March 2016, CTT Expresso, S.A. sold to CTT – Correios de Portugal, S.A., 100% of the shareholding in the subsidiary Tourline Express Mensajería, SLU. This transaction had no impact on the consolidation perimeter.

Tourline Express Mensajeria, SLU, was, on 5 May 2015, subject to a share capital increase of 1,000,000 Euros.

On 16 May 2016 and 24 October 2016, the share capital of Banco CTT, S.A. has been increased by 26,000,000 Euros and 25,000,000 Euros, respectively, currently totalling 85,000,000 Euros.

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

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

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

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

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

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

Joint ventures

As at 31 December 2016 and 31 December 2015, the Group held the following interests in joint ventures, registered through the equity method:

			2016			2015		
			Percentage of ownership			Percentage of ownership		
Company name	**Place of business**	**Head office**	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Ti-Post Prestção de Serviços informáticos, ACE (" Ti-Post")	Portugal	R. do Mar da China, Lote 1.07.2.3 Lisboa	49	-	49	49	-	49
NewPost, ACE (a)	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas, Amadora	-	51	51	-	51	51

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

Associated companies

As at 31 December 2016 and 31 December 2015, the Group held the following interests in associated companies accounted for by the equity method:

			2016			2015		
			Percentage of ownership			Percentage of ownership		
Company name	**Place of business**	**Head office**	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	R. do Centro Cultural, 2, Lisboa	20	-	20	20	-	20
Payshop Moçambique, S.A. (a)	Mozambique	R. da Sé, 114-4º, Maputo - Mozambique	-	35	35	-	35	35
Mafelosa, SL (b)	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacksur, SL (b)	Spain	Málaga - Spain	-	30	30	-	30	30

(a) Company held by Payshop Portugal, S.A., which is currently under liquidation.

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

Changes in the consolidation perimeter

During the year ended 31 December 2016, there were no changes in the consolidation perimeter.

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

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

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

Following the acquisition, the Group made an assessment of the fair value of the assets acquired and liabilities assumed in accordance with IFRS 3 - Business Combinations, and no significant differences between the carrying amounts of assets and liabilities and their fair values were identified.

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

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

During the year ended 31 December 2016 and following a new assessment of the fair value of the assets acquired and in accordance with IFRS 3 - Business Combinations, the initial Goodwill recognition of the purchase of Escrita Inteligente SA was adjusted, having been totally allocated to the IT platform "Recibos Online", as shown below:

	Book value
Assets acquired	421,386
Liabilities acquired	2,764
Net assets acquired	**418,622**
Goodwill (Note 9)	**-**
Acquisition value	**418,622**

9. Goodwill

As at 31 December 2016 and 31 December 2015, the **Group** Goodwill was made up as follows:

	Group		
	Year of acquisition	2016	2015
Mailtec Comunicação, S.A.	2004	7,294,638	7,294,638
Payshop Portugal, S.A.	2004	406,101	406,101
Escrita Inteligente, S.A.	2015	-	357,917
		7,700,739	**8,058,656**

During the years ended 31 December 2016 and 31 December 2015, the movements in Goodwill were as follows:

	Group	
	2016	2015
Opening balance	8,058,656	7,705,457
Acquisitions	-	357,917
Adjustments	-	(4,718)
Final measurement of goodwill	(357,917)	-
Closing balance	**7,700,739**	**8,058,656**

During the year ended 31 December 2016 in accordance with IFRS 3 - Business Combinations, the initial Goodwill recognition of the purchase of Escrita Inteligente, SA was revised based on information that allowed that amount to be fully assigned to the fair value of the "Recibos Online" computer platform. As a result, the amount of 357,917 Euros was reclassified to Intangible Assets - Computer Programmes.

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

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

Goodwill impairment assessment

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

During the year ended 31 December 2016, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2016 and 31 December 2015 based on the following assumptions:

2016					
Company	Activity	Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	10.00%	0.50%
Payshop Portugal, S.A.	Management of payment points network	Equity Value/DCF	5 years	10.82%	0.50%

2015					
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	10.00%	0.50%
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.02%	0.50%
Payshop Portugal, S.A.	Management of payment points network	*Equity Value/DCF*	5 years	9.85%	0.50%

The increase in the discount rate (WACC) for the year ended 31 December 2016 was a result of the increase in the country's risk premium, measured by the yields' spreads of the Portuguese government bonds in relation to the free-risk bonds of the Eurozone.

The cash flow projections were based on the historical performance and the medium and long-term business plans, approved by the Board of Directors. As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2016 there were no impairment losses.

As at 31 December 2016 and 31 December 2015, the impairment losses registered in the **Group** are as follows:

2016						
Company name	Year of acquisition	Initial value of Goodwill	Impairment losses for the period	Accumulated impairment losses	Disposals	Carrying value
Tourline Express Mensajería. SLU	2005	20,671,985	-	20,671,985	-	-
Payshop Moçambique. S.A. [(a)]	2008	235,946	-	235,946	-	-
		20,907,931	**-**	**20,907,931**	**-**	**-**

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

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

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

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

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

Mailtec Comunicação						(thousand euros)
		Variation of sovereign risk and variation of perpetuity growth (g)				
Impairment *				WACC		
		8.0%	9.0%	**10.0%**	11.0%	12.0%
	0.00%	16,431	13,356	10,898	8,889	7,217
	0.25%	17,089	13,855	11,286	9,198	7,467
g	**0.50%**	17,790	14,384	**11,696**	9,522	7,728
	0.75%	18,540	14,944	12,127	9,861	8,001
	1.00%	19,343	15,539	12,582	10,218	8,286

* impairment if negative

Payshop						(thousand euros)
		Variation of sovereign risk and variation of perpetuity growth (g)				
Impairment *				WACC		
		8.8%	9.8%	**10.8%**	11.8%	12.8%
	0.00%	72,569	64,720	58,330	53,030	48,563
	0.25%	74,471	66,221	59,541	54,024	49,391
g	**0.50%**	76,488	67,803	**60,811**	55,062	50,253
	0.75%	78,629	69,472	62,143	56,146	51,151
	1.00%	80,907	71,236	63,543	57,281	52,086

* impairment if negative

10. Investments in subsidiary companies

During the years ended 31 December 2016 and 31 December 2015, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	Company	
	2016	**2015**
Opening balance	65,166,836	42,644,640
Equity method - proportion of net income	(4,669,220)	(4,087,062)
Distribution of dividends	(8,580,799)	(7,917,720)
Other	51,059,883	34,526,978
Closing balance	**102,976,700**	**65,166,836**

The caption Other include the Banco CTT's share capital increases, occurred on 16 May 2016 and 24 October 2016, in the total amount of 51,000,000 Euros.

As at 31 December 2016 and 31 December 2015, the detail by company of Investments in subsidiary of the **Company** was as follows:

				2016					
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
Company									
CTT Expresso, S.A.	100%	42,644,543	19,083,962	23,560,581	9,821,754	-	23,560,581	-	9,821,754
CTT Contacto, S.A.	100%	4,536,738	2,081,835	2,454,903	1,445,047	-	2,454,903	-	1,445,047
Payshop Portugal, S.A.	100%	9,644,371	2,375,635	7,268,736	5,452,364	406,101	7,268,736	-	5,452,364
Mailtec Comunicação, S.A.	100%	6,686,450	2,761,244	3,925,206	245,828	7,294,638	3,925,206	-	245,828
CORRE - Correio Expresso Moçambique, S.A.	50%	1,799,265	1,640,994	(158,271)	(526,656)	-	-	79,135	(184,193)
Escrita Inteligente, S.A.	100%	164,691	95,975	68,716	(11,448)	-	412,316	-	(11,448)
Banco CTT, S.A.	100%	318,633,790	260,979,572	57,654,218	(21,438,570)	-	57,654,218	-	(21,438,570)
Tourline Express Mensajería, SLU	100%	18,724,316	23,851,162	(5,126,846)	(7,833,694)	-	-	6,833,694	-
						7,700,739	**95,275,961**	**6,912,830**	**(4,669,220)**

As referred in Note 8, on 17 March 2016, CTT Expresso, S.A. sold to CTT – Correios de Portugal, S.A., 100% of the shareholding in the subsidiary Tourline Express Mensajería, SLU..

				2015					
	% held	Assets	Liabilities	Equity	Net profit	Goodwill	Investments	Provisions	Proportion of net profit
Company									
CTT Expresso, S.A.	100%	48,851,852	35,113,025	13,738,828	(6,752,166)	-	13,738,828	-	(6,752,166)
CTT Contacto, S.A.	100%	5,056,112	1,879,064	3,177,048	2,167,192	-	3,177,049	-	2,167,192
Payshop Portugal, S.A.	100%	10,220,247	2,513,777	7,706,470	5,890,097	406,101	7,706,469	-	5,890,097
Mailtec Comunicação S.A.	100%	6,845,863	2,642,975	4,202,889	523,510	7,294,638	4,202,889	-	523,510
CORRE - Correio Expresso Moçambique, S.A.	50%	2,154,331	1,801,239	353,092	10,705	-	143,827	-	5,352
Escrita Inteligente, S.A.	100%	63,469	3,125	60,344	(10,639)	357,917	60,344	-	(362)
Banco CTT, S.A.	100%	31,190,010	3,111,235	28,078,775	(5,920,685)	-	28,078,775	-	(5,920,685)
						8,058,656	**57,108,180**	**-**	**(4,087,062)**

For the years ended 31 December 2016 and 31 December 2015, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses from subsidiaries, associated companies and joint ventures in the Income statement were recognised against the following items on the balance sheet:

	Company	
	2016	**2015**
Investment in subsidiaries		
CTT Expresso, S.A.	9,821,754	(6,752,166)
CTT Contacto, S.A.	1,445,047	2,167,192
Payshop Portugal, S.A.	5,452,364	5,890,097
Mailtec Comunicação S.A.	245,828	523,510
CORRE - Correio Expresso Moçambique, S.A.	(184,193)	5,352
Escrita Inteligente, S.A.	(25,765)	(362)
Banco CTT, S.A.	(21,438,570)	(5,920,685)
Tourline Express Mensajería, SLU	-	-
	(4,683,537)	**(4,087,062)**
Provisions - Investment in subsidiaries		
CORRE - Correio Expresso Moçambique, S.A.	79,135	-
Tourline Express Mensajería, SLU	6,833,694	-
	6,912,830	**-**

11. Investments in associated companies

For the years ended 31 December 2016 and 31 December 2015, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2016	2015	2016	2015
Gross carrying value				
Opening balance	255,695	227,418	255,214	937,732
Equity method - proportion of net income	40,565	28,277	40,565	28,277
Other	-	-	-	(710,795)
Closing balance	**296,260**	**255,695**	**295,779**	**255,214**

As at 31 December 2016 and 31 December 2015, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2016	2015	2016	2015
Multicert, S.A.	295,779	255,214	295,779	255,214
Urpacksur, SL	481	481	-	-
	296,260	**255,695**	**295,779**	**255,214**

2016	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Group								
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	2,796,735	1,317,841	1,478,894	202,821	295,779	-	40,565
Payshop Moçambique, S.A. [b]	35%	n.d.	n.d.	n.d.	n.d.	-	-	n.d.
Mafelosa, SL [c] [d]	25%	n.d.	n.d.	n.d.	n.d.	-	-	n.d.
Urpacksur [c] [d]	30%	n.d.	n.d.	n.d.	n.d.	481	-	n.d.
						296,260	**-**	**40,565**

[a] Data reported as at December 2015.
[b] Company held by Payshop Portugal, which is in liquidation process.
[c] Companies held by Tourline Express Mensajeria.
[d] Companies without activity.

2015	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Group								
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	2,767,973	1,491,901	1,162,488	113,584	255,214	-	28,277
Payshop Moçambique, S.A. [b]	35%	n.a.	n.a.	n.a.	n.a.	-	189,775	n.a.
Mafelosa, SL [c] [d]	25%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Urpacksur [c] [d]	30%	n.a.	n.a.	n.a.	n.a.	481	-	n.a.
						255,695	**189,775**	**28,277**

[a] Data reported as at December 2014.
[b] Company held by Payshop Portugal, which is in liquidation process.
[c] Companies held by Tourline Express Mensajeria.
[d] Companies without activity.

2016	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Company								
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	2,796,735	1,317,841	1,478,894	202,821	295,779	-	40,565
						295,779	**-**	**40,565**

[a] Data reported as at December 2015.

2015	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Company								
Multicert - Serviços de Certificação Electrónica, S.A. [a]	20%	2,767,973	1,491,901	1,162,488	113,584	255,214	-	28,277
						255,214	**-**	**28,277**

[a] Data reported as at December 2014.

The amount of 40,565 Euros, recorded in the year ended 31 December 2016 relates to the portion of 2015 income that had not been recognised in that year regarding Multicert, S.A.. No additional movements occurred in this participation since the company does not have updated financial information.

For the years ended 31 December 2016 and 31 December 2015, the net income in associated companies arising from the application of the equity method, and stated under Gains/losses from subsidiaries, associated companies and joint ventures in the Income statement were recognised against the following items on the balance sheet:

	Group		Company	
	2016	2015	2016	2015
Investments in associated companies				
Multicert, S.A.	295,779	255,214	295,779	255,214
Urpacksur, S.L.	481	481	-	-
	296,260	**255,695**	**295,779**	**255,214**

12. Investments in joint ventures

As at 31 December 2016 and 31 December 2015, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

	2016							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Group								
PTP & F. ACE	51%	1,230	1,230	-	-	-	-	-
Ti-Post Prestação Serviços Informáticos. ACE [a]	-	-	-	-	-	-	-	-
NewPost. ACE [b]	49%	343,360	343,360	-	-	-	-	-
						-	-	-

[a] The joint-venture has been dissolved during the year 2016.
[b] Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

	2015							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Group								
PTP & F, ACE	51%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
Ti-Post Prestação Serviços Informáticos, ACE	49%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
NewPost, ACE [a]	49%	644,541	644,541	n.a.	n.a.	-	-	n.a.
						-	-	-

[a] Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

	2016							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Company								
Ti-Post Prestação Serviços Informáticos. ACE [a]	-	-	-	-	-	-	-	-
NewPost. ACE [b]	49%	343,360	343,360	-	-	-	-	-
						-	-	-

[a] The joint-venture has been dissolved during the year 2016.
[b] Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

	2015							
	% held	Assets	Liabilities	Equity	Net profit	Investments	Provisions	Proportion of net profit
Company								
Ti-Post Prestação Serviços Informáticos, ACE	49%	n.a.	n.a.	n.a.	n.a.	-	-	n.a.
NewPost, ACE [a]	49%	644,541	644,541	n.a.	n.a.	-	-	n.a.
						-	-	-

[a] Previously named Postal Network - Prestação de Serviços de Gestão de Infra-Estruturas de Comunicações, ACE.

13. Other investments

The other investments include non-listed capital instruments whose fair value cannot be reliably measured. The amounts of these instruments recognised at cost as at 31 December 2016 and 31 December 2015, in the **Group** and the **Company**, were as follows:

		Group and Company	
Company	**Head office**	**2016**	**2015**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Eurogiro Network	Copenhagen - Denmark	124,435	124,435
Tagus Park	Lisbon - Portugal	1,372,743	975,982
CEPT	Copenhagen - Denmark	237	237
		1,503,572	**1,106,812**

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

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

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

14. Investments held to maturity

As at 31 December 2016 and 31 December 2015, the **Group** Investments held to maturity included in current and non-current assets showed the following composition:

	Group	
	2016	**2015**
Non-current		
Debt securities and other fixed-income securities		
Public issuers	78,863,164	-
Other issuers	15,122,951	-
	93,986,115	**-**
Current		
Debt securities and other fixed-income securities		
Public issuers	878,115	-
Other issuers	230,313	-
	1,108,428	**-**
	95,094,543	**-**

The analysis of the residual maturity of the investments held to maturity as at 31 December 2016, is detailed as follows:

	2016					
	Current		Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public issuers	878,115	-	12,256,862	66,606,302	-	79,741,279
Other issuers	22,818	207,495	-	15,122,951	-	15,353,264
	900,933	**207,495**	**12,256,862**	**81,729,253**	**-**	**95,094,543**

15. Financial assets available for sale

As at 31 December 2016 and 31 December 2015, the composition of the **Group** heading Financial assets available for sale is as follows:

	2016	2015
Non-current		
Debt securities and other fixed-income securities		
Public issuers	540,400	-
Other issuers	3,933,214	-
	4,473,614	**-**
Current		
Debt securities and other fixed-income securities		
Public issuers	139,180	-
Other issuers	1,834,531	-
	1,973,711	**-**
	6,447,325	**-**

The analysis of the Financial assets available for sale and the corresponding residual maturity is detailed as follows:

	2016				
	Cost [(1)]	Fair value reserve		Impairment losses	Total
		Positive	Negative		
Debt securities and other fixed-income securities					
Public-debt securities					
National	679,406	174	-	-	679,580
Foreign	-	-	-	-	-
Other issuers					
National	-	-	-	-	-
Foreign	5,754,445	13,300	-	-	5,767,745
	6,433,851	**13,474**	**-**	**-**	**6,447,325**

[(1)] Acquisition cost regarding shares and other equity instruments and amortised cost regarding debt securities.

	2016					
	Current		Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Undetermined	
Debt securities and other fixed-income securities						
Public-debt securities						
National	14,866	124,314	-	540,400	-	679,580
Foreign	-	-	-	-	-	-
Other issuers						
National	-	-	-	-	-	-
Foreign	562,258	1,272,273	3,614,529	318,685	-	5,767,745
	577,124	**1,396,587**	**3,614,529**	**859,085**	-	**6,447,325**

16. Other banking financial assets

As at 31 December 2016 and 31 December 2015, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	2016	2015
Current assets		
Investments in credit institutions	58,718,171	-
Other	336,132	-
	59,054,303	**-**
Current liabilities		
Other	1,218,205	-
	1,218,205	**-**

Regarding the caption Investments in credit institutions, the scheduling by maturity is as follows:

	2016	2015
Up to 3 months	42,111,692	-
From 3 to 6 months	4,500,135	-
From 6 to 12 months	12,106,344	-
	58,718,171	**-**

17. Financial risk management

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

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

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment / return by line of business.

In this context, it is relevant to monitor and control the main types of financial risks - credit, market, liquidity and operational – to which the Bank's activity is subject to.

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

Credit risk

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

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

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

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

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

Regarding Banco CTT, it was defined and implemented an impairment model based on IAS 39 and the respective reference criteria of the Bank of Portugal defined in Circular Letter no. 2/2014. In addition, the model takes into account definitions and criteria that have been published by EBA and future IFRS 9 standards.

The monitoring of Banco CTT's credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Risk Committee. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

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

The movement of impairment losses of accounts receivable is disclosed in Notes 25 and 46. As at 31 December 2016, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

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

The **Group** and the **Company** credit risk quality, as at 31 December 2016, related to these types of assets (Cash and cash equivalents as stated in Note 23, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating [1]	Group	Company
A1	4,874	4,874
A3	43,509	0
B [2]	2,106	0
B1	119,114,463	113,913,008
B1-	12,739,433	12,429,735
B3	79,947,082	76,643,947
Ba1	56,565,353	30,241,344
Ba3	25,303,595	7,065,504
Baa1	12,418,210	464,426
Baa2	127,593,758	110,455,595
Baa3	35,937,968	8,172,264
BB- [3]	10,001,263	10,001,263
BBB+ [4]	768,763	768,763
Caa1	73,842,770	63,202,377
Others [5]	8,721,809	285,636
	563,004,956	**433,648,736**

[1] Rating assigned by Moody's.
[2] Conversion of B rating by Fitch.
[3] Conversion of BB- rating by Standard & Poor's.
[4] Conversion of BBB+ rating by Fitch.
[5] Others with no rating.

As at 31 December 2016, the **Group** and the **Company** caption Cash and cash equivalents included term deposits of 385,211,431 Euros and 374,203,045 Euros, respectively (508,153,791 Euros and 470,241,000 Euros as at 31 December 2015) (Note 23).

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Non-current				
Investments held to maturity	93,986,115	-	-	-
Otherassets	1,306,148	601,103	1,110,991	586,741
Financial assets available for sale	4,473,614	-	-	-
Current				
Accounts receivable	122,113,270	124,355,641	94,323,683	97,684,021
Credit to bank clients	7,103,905	-	-	-
Investments held to maturity	1,108,428	-	-	-
Other assets	19,660,308	12,590,310	18,226,686	12,056,248
Financial assets available for sale	1,973,711	-	-	-
Other banking financial assets	59,054,303	-	-	-
Cash and cash equivalents	563,004,956	576,218,894	433,648,736	532,167,006
	873,784,759	**713,765,948**	**547,310,095**	**642,494,016**

Interest rate risk

Interest rate risk is essentially related to the interest obtained from the application of surplus liquidity and to the determination, through the impact of the discount rate, of the estimate of employee benefit liabilities. Gains arising from financial operations are important, therefore changes in interest rates have a direct impact on the **Group** and the **Company** Interest income.

In order to leverage the period/rate relationship on one hand and the risk/yield relationship on the other hand, the **Group** and the **Company** monitor the market trends on a regular and systematic basis. Cash investments follow criteria of financial risk diversification, both at term and institution levels, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2016 and 31 December 2015, generated interest income of 671,599 Euros and 1,483,388 Euros, respectively (Note 49). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2016 and 2015, amounting to 334,714 Euros and 516,707 Euros, respectively (Note 42).

In the **Company** the investment of surplus liquidity, on 31 December 2016 and 31 December 2015, generated interest income of 923,633 Euros and 1,912,543 Euros, respectively (Note 49). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2016 and 2015, amounting to 334,714 Euros and 516,707 Euros, respectively (Note 42).

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

If the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2016, the effect in the interest would have been 544 thousand Euros in the **Group** and 708 thousand Euros in the **Company** (742 thousand Euros and 885 thousand Euros as at 31 December 2015, respectively).

Foreign currency exchange rate risk

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

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2016 and 31 December 2015, the net exposure (assets minus liabilities) of the **Group** amounted to 3,351,568 SDR (4,274,389 Euros at the exchange rate €/SDR 1.27534), and 988,959 SDR (1,258,777 Euros at the exchange rate €/SDR 1.27283), respectively.

As far as the **Company** is concerned, as at 31 December 2016 and 31 December 2015, the net exposure (assets minus liabilities) amounted to 1,902,678 SDR (2,426,561 Euros at the exchange rate €/SDR 1.27534), and 72,075 SDR (91,739 Euros at the exchange rate €/SDR 1.27283), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2016 and 31 December 2015, assuming an increase / decrease in the exchange rate € / SDR of 10%, the **Group's** profit and losses would have been higher by 427,439 Euros and lower by 125,878 Euros, respectively. The impact on the **Company's** profit and losses would have been higher by 242,656 Euros and lower by 9,174 Euros, respectively.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the Group's financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

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

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2016 and 31 December 2015 for the **Group** and the **Company** and do not reconcile with the balance sheet:

	2016			
Group	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	9,688,092	137,072	-	9,825,163
Accounts payable	434,568,171	-	-	434,568,171
Banking client deposits and other loans	253,944,840	-	-	-
Other current liabilities	24,036,928	-	-	24,036,928
Non-financial liabilities				
Operating leases (Note 44)	10,401,717	11,439,870	-	21,841,587
Non-contingent financial commitments [1]	7,375,965	-	-	7,375,965
	740,015,712	**11,576,941**	**-**	**497,647,814**

	2015			
Group	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	7,088,293	1,037,265	-	8,125,558
Accounts payable	426,809,193	-	-	426,809,193
Other current liabilities	30,650,178	-	-	30,650,178
Non-financial liabilities				
Operating leases (Note 44)	10,434,899	16,618,420	-	27,053,319
Non-contingent financial commitments [1]	9,906,104	-	-	9,906,104
	484,888,667	**17,655,685**	**-**	**502,544,352**

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

	2016			
Company	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	725,593	-	-	725,593
Accounts payable	416,423,188	-	-	416,423,188
Other current liabilities	18,631,427	-	-	18,631,427
Non-financial liabilities				
Operating leases (Note 44)	8,776,335	8,239,453	-	17,015,788
Non-contingent financial commitments [1]	251,559	-	-	251,559
	444,808,102	**8,239,453**	**-**	**453,047,555**

	2015			
Company	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	469,999	726,294	-	1,196,293
Accounts payable	413,516,024	-	-	413,516,024
Shareholders	1,613,944	-	-	1,613,944
Other current liabilities	26,166,116	-	-	26,166,116
Non-financial liabilities				
Operating leases (Note 44)	8,963,676	14,144,316	-	23,107,992
Non-contingent financial commitments [1]	696,588	-	-	696,588
	451,426,347	**14,870,610**	**-**	**466,296,957**

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

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

During the years ended 31 December 2016 and 2015, the **Group** and the **Company** maintained their high solvency ratio.

The solvency ratios at 31 December 2016 and 31 December 2015 were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Equity	233,326,782	251,834,754	233,405,918	251,659,972
Liabilities	1,080,977,768	867,637,454	803,032,619	829,177,850
Amounts of third parties	323,505,539	324,650,604	323,505,539	324,650,604
Adjusted solvency ratio [1]	**30.8%**	**46.4%**	**48.7%**	**49.9%**

[1] Equity / (Liabilities - Amounts of third parties in Cash and cash quivalents)

The **Group's** solvency ratio, during the year ended 31 December 2016, was significantly impacted by Banco CTT's liabilities, namely by the caption Credit to banking clients, which justifies the reduction observed in this ratio. Therefore, if the effect of Banco CTT had not been considered the solvency ratio would be 46.3% and 46.5% in the years ended 31 December 2016 and 2015, respectively.

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT has developed and formalised its methodology for the Internal Capital Assessment Adequacy Process (ICAAP), in order to ensure that the risks to which it is exposed are adequately assessed and that the internal capital it has is adequate in view of its risk profile. The methods and procedures adopted are based on the assessment and quantification of internal capital and the risks through quantitative and qualitative methods.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above 8.625% (which includes capital preservation buffer), corresponding to the legal minimum as set out in Directive no. 2013/36 / EU and EU Regulation no. 575 / 2013, adopted on 26 June 2013 by the European Parliament and the Council.

The referred EU Regulation no. 575 / 2013 comprises a set of transitional provisions allowing the phased application of the requirements, providing the possibility for credit institutions to gradually accommodate the new requirements both at the level of own funds and at the level of minimum capital ratios .

18. Inventories

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** Inventories are detailed as follows:

2016						
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	4,561,582	1,565,187	2,996,395	4,048,936	1,483,947	2,564,990
Raw, subsidiary and consumable materials	2,944,342	579,327	2,365,015	2,642,023	531,560	2,110,463
Advances on purchases	46,275	-	46,275	46,275	-	46,275
	7,552,199	**2,144,514**	**5,407,685**	**6,737,234**	**2,015,507**	**4,721,728**

2015						
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	4,618,877	1,397,098	3,221,779	4,080,012	1,367,422	2,712,591
Raw, subsidiary and consumable materials	2,670,454	565,513	2,104,940	2,340,692	509,968	1,830,724
Advances on purchases	128,395	-	128,395	128,394	-	128,394
	7,417,726	**1,962,611**	**5,455,115**	**6,549,098**	**1,877,390**	**4,671,709**

Cost of sales

During the years ended 31 December 2016 and 31 December 2015, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

2016						
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	4,618,877	2,670,454	7,289,331	4,080,012	2,340,692	6,420,704
Purchases	10,736,297	3,492,295	14,228,592	9,970,637	1,453,672	11,424,309
Offers	(33,177)	(19,695)	(52,872)	(33,177)	(19,695)	(52,872)
Adjustments	(122,069)	(142,439)	(264,508)	(122,068)	(142,439)	(264,507)
Impariment of inventories	197,765	13,814	211,579	116,525	21,592	138,117
Closing balance	(4,561,581)	(2,944,342)	(7,505,924)	(4,048,936)	(2,642,023)	(6,690,959)
Cost of sales	**10,836,112**	**3,070,087**	**13,906,199**	**9,971,173**	**1,003,619**	**10,974,792**

2015						
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	5,240,512	2,716,730	7,957,242	4,678,616	2,437,601	7,116,217
Purchases	13,256,802	3,206,079	16,462,881	12,351,740	1,447,096	13,798,836
Offers	(128,047)	(22,249)	(150,296)	(128,047)	(22,249)	(150,296)
Adjustments	(358,796)	(305,354)	(664,150)	(217,275)	(252,182)	(469,457)
Closing balance	(4,618,877)	(2,670,454)	(7,289,331)	(4,080,012)	(2,340,692)	(6,420,704)
Cost of sales	**13,391,594**	**2,924,752**	**16,316,346**	**12,605,022**	**1,269,574**	**13,874,596**

Impairment

During the years ended 31 December 2016 and 31 December 2015, the movements in the **Group** Accumulated impairment losses (Note 25) were as follows:

	2016				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,397,098	198,203	(438)	(29,676)	1,565,187
Raw, subsidiary and consumable materials	565,513	21,592	(7,778)	-	579,327
	1,962,611	**219,795**	**(8,216)**	**(29,676)**	**2,144,514**

	2015				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Merchandise	1,527,827	36,874	(129,402)	(38,201)	1,397,098
Raw, subsidiary and consumable materials	676,836	35,091	(146,414)	-	565,513
	2,204,663	**71,965**	**(275,816)**	**(38,201)**	**1,962,611**

For the years ended 31 December 2016 and 31 December 2015, impairment losses of inventories were recorded in the **Group** net of reversals amounting to 211,579 Euros and (203,851) Euros, respectively, in the caption Cost of sales.

In relation to the **Company**, during the years ended 31 December 2016 and 31 December 2015, the movements in Accumulated impairment losses (Note 25) were as follows:

			2016		
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Merchandise	1,367,422	116,525	-	-	1,483,947
Raw, subsidiary and consumable materials	509,968	21,592	-	-	531,560
	1,877,390	**138,117**	**-**	**-**	**2,015,507**

			2015		
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Closing balance**
Merchandise	1,489,626	-	(122,204)	-	1,367,422
Raw, subsidiary and consumable materials	656,380	-	(146,412)	-	509,968
	2,146,006	**-**	**(268,616)**	**-**	**1,877,390**

For the years ended 31 December 2016 and 31 December 2015, impairment losses of inventories were recorded in the **Company** net of reversals amounting to 138,117 Euros and (268,616) Euros, respectively, in the caption Cost of sales.

19. Accounts receivable

As at 31 December 2016 and 31 December 2015 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Third parties	78,612,864	87,340,805	48,007,420	53,561,385
Postal operators	43,391,679	36,877,789	40,070,049	33,848,638
Group companies [(1)]	108,726	137,047	6,246,214	10,273,998
	122,113,270	**124,355,641**	**94,323,683**	**97,684,021**

[(1)] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2016 and 31 December 2015, the ageing of accounts receivable is detailed as follows:

			2016			
	Group			Company		
	Gross amount	**Accumulated impairment losses**	**Net amount**	**Gross amount**	**Accumulated impairment losses**	**Net amount**
Accounts receivable						
Non-overdue	62,406,680	111,575	62,295,105	45,285,440	111,575	45,173,865
Overdue [(1)]						
0-30 days	11,116,694	90,023	11,026,671	7,144,634	90,023	7,054,611
30-90 days	10,764,588	193,049	10,571,539	6,883,729	192,643	6,691,086
90-180 days	2,268,369	476,384	1,791,984	985,243	468,907	516,335
180-360 days	17,090,040	693,249	16,396,791	16,822,857	495,752	16,327,105
> 360 days	48,776,423	28,745,244	20,031,180	21,618,284	3,057,603	18,560,681
	152,422,794	**30,309,524**	**122,113,270**	**98,740,186**	**4,416,504**	**94,323,683**

			2015			
	Group			Company		
	Gross amount	**Accumulated impairment losses**	**Net amount**	**Gross amount**	**Accumulated impairment losses**	**Net amount**
Accounts receivable						
Non-overdue	68,617,967	-	68,617,967	50,277,547	-	50,277,547
Overdue [(1)]						
0-30 days	10,721,851	-	10,721,851	8,348,386	-	8,348,386
30-90 days	11,622,753	-	11,622,753	8,180,683	-	8,180,683
90-180 days	5,308,371	-	5,308,371	3,754,749	-	3,754,749
180-360 days	11,320,671	875,685	10,444,986	10,114,980	24,923	10,090,057
> 360 days	48,501,197	30,861,483	17,639,714	21,629,663	4,597,065	17,032,598
	156,092,809	**31,737,168**	**124,355,641**	**102,306,008**	**4,621,987**	**97,684,021**

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

The net amount of the accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Other accounts receivable	412,718	396,387	443,695	1,227,234
Foreign operators	18,350,981	17,243,327	16,849,505	15,805,365
Total	**18,763,699**	**17,639,714**	**17,293,200**	**17,032,599**
Foreign operators - payable (Note 34)	**(22,974,682)**	**(16,456,906)**	**(22,469,414)**	**(16,026,493)**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries. These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators balances reflect the expected trend of this specific business.

Regarding UPU regulations, the accounts between Foreign Operators are cleared by netting accounts. The credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 34).

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

For the national customers, the bank guarantees and advance deposits coverage over the customers receivables increased from 0.8% at the end of 2015 to 2.3% on 31 December 2016, in the **Group** and from 1.0% on 31 December 2015 to 2.9% at the end of 2016 in the **Company**.

	Group		Company	
	2016	2015	2016	2015
Advance deposits	1,483,105	647,495	1,466,813	647,495
Bank guarantees	314,478	43,663	81,253	43,663
Total	**1,797,583**	**691,159**	**1,548,066**	**691,159**

Impairment losses

During the years ended 31 December 2016 and 31 December 2015, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

	2016				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	31,737,169	2,875,921	(2,267,005)	(2,036,561)	30,309,524
	31,737,169	**2,875,921**	**(2,267,005)**	**(2,036,561)**	**30,309,524**

	2015				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	30,498,785	4,625,870	(2,025,960)	(1,361,526)	31,737,169
	30,498,785	**4,625,870**	**(2,025,960)**	**(1,361,526)**	**31,737,169**

For the years ended 31 December 2016 and 31 December 2015, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 608,918 Euros and 2,599,910 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

During the years ended 31 December 2016 and 31 December 2015, the movement in Accumulated impairment losses caption (Note 25) of the **Company** was as follows:

	2016				
Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	4,621,988	352,246	(310,637)	(247,093)	4,416,504
	4,621,988	**352,246**	**(310,637)**	**(247,093)**	**4,416,504**

	2015				
Company	Opening balance	Increases	Reversals	Utilisations	Closing balance
Accounts receivable	5,000,427	164,956	(300,472)	(242,923)	4,621,988
	5,000,427	**164,956**	**(300,472)**	**(242,923)**	**4,621,988**

For the years ended 31 December 2016 and 31 December 2015, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 41,609 Euros and (135,516) Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

20. Credit to banking clients

As at 31 December 2016 and 31 December 2015, the **Group** caption Credit to banking clients was detailed as follows:

	Group	
	2016	2015
Domestic credit	**7,104,322**	**-**
Overdrafts	69,498	-
Factoring	7,034,824	-
Credit risk impairment	**(417)**	**-**
	7,103,905	**-**

Impairment losses

During the year ended 31 December 2016, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

	2016				
Group	Opening balance	Increases	Reversals	Utilisations	Closing balance
Credit to banking clients	-	417	-	-	417
	-	**417**	**-**	**-**	**417**

For the year ended 31 December 2016, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 417 Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

21. Deferrals

As at 31 December 2016 and 31 December 2015, the Deferrals included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Assets deferrals				
Current				
Rents payable	1,293,963	1,293,761	1,101,070	1,025,319
Meal allowances	1,668,745	1,701,736	1,668,745	1,701,736
Company Agreement - Supplementary agreement compensation	-	1,457,575	-	1,457,575
Other	3,166,223	3,715,517	2,168,180	2,817,640
	6,128,931	**8,168,589**	**4,937,995**	**7,002,270**
Liabilities deferrals				
Non-current				
Deferred capital gains	-	3,677,282	-	3,677,282
Deferred commissions	-	1,000,000	-	1,000,000
Investment subsidy	334,191	339,294	328,093	339,294
	334,191	**5,016,576**	**328,093**	**5,016,576**
Current				
Deferred capital gains	2,143,378	2,399,029	2,143,378	2,399,029
Phone-ix top ups	158,698	206,329	158,698	206,329
Deferred comissions	799,062	400,000	799,062	400,000
Investment subsidy	17,299	11,201	11,201	11,201
Altice agreement	-	9,583,333	-	6,388,889
Other	1,059,172	1,145,538	1,057,509	1,144,779
	4,177,609	**13,745,430**	**4,169,848**	**10,550,227**
	4,511,800	**18,762,007**	**4,497,941**	**15,566,803**

* Restated values: see note 3

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

During the years ended 31 December 2016 and 31 December 2015, the amounts of 3,394,833 Euros and 1,511,128 Euros, respectively, were recognised under Other operating income in the income statement, in each year, related to the above-mentioned gains.

The amount recognised in the year ended 31 December 2016 includes 1,725,642 Euros regarding Conde Redondo building as a result of the lease contract termination.

In 2014 CTT signed an agreement with Cetelem, according to which CTT received an amount of 3 million Euros on the signing date. An amount of 1 million Euros, related to an entry fee was recognised at the beginning of the contract and the remaining 2 million Euros, for the non-refundable fees will be recognised over the period of the contract. As at 31 December 2016 an amount of 799,062 Euros related to this contract was deferred.

Following the Memorandum of understanding signed with Altice and the acquisition of PT Portugal being completed by Altice, CTT received from Altice the agreed initial payment, which is being recognised in the income statement over the exclusive period for the negotiation of the partnerships. In the year ended 31 December 2016, the amounts of 9,583,333 Euros and 6,388,889 Euros, were recognised under Other operating income of the **Group** and the **Company**, respectively, related to this contract.

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

As at 31 December 2016, the amount of 8,756,999 Euros accounted in the caption Non-current assets held for sale relates to real estate located in Rua de S. José, subject to a promissory share-purchase agreement in December 2016 which states the operation's completion within 12 months and were, according to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, reclassified to this caption.

As described in the referred standard, the associated depreciations of the real estate have ceased.

As at 31 December 2016 and 31 December 2015, there were no operations classified as discontinued operations.

23. Cash and cash equivalents

As at 31 December 2016 and 31 December 2015, Cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Cash	55,806,142	27,430,823	41,419,386	27,375,713
Slight deposits	67,627,214	67,920,196	59,445,691	61,926,006
Deposits in other credit institutions	106,373,978	-	-	-
Slight deposits in Banco of Portugal	3,792,334	15,847	-	-
Financial assets avaiable for sale	-	129,060	-	-
Term deposits	385,211,431	508,153,791	374,203,045	470,241,000
Cash and cash equivalents (Balance sheet)	**618,811,099**	**603,649,717**	**475,068,122**	**559,542,719**
Bank overdrafts	-	-	-	-
Sight deposits at Bank of Portugal	(3,792,334)	-	-	-
Outstanding checks / checks clearing	(1,173,518)	-	-	-
Cash and cash equivalents (Cash flow statement)	**613,845,248**	**603,649,717**	**475,068,122**	**559,542,719**

24. Other non-current and current assets

As at 31 December 2016 and 31 December 2015, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Non-current				
Advances to staff	420,140	466,086	420,140	466,086
Other receivables from staff	2,136,596	1,558,326	2,136,596	1,558,326
INESC loan	-	347,021	-	347,021
Labour compensation fund	157,157	49,527	107,674	35,165
Other non-current assets	340,541	191,853	-	-
Impairment	(1,748,286)	(2,011,710)	(1,553,419)	(1,819,857)
	1,306,148	**601,103**	**1,110,991**	**586,741**
Current				
Advances to suppliers	426,429	31,205	413,045	17,859
Advances to staff	4,000,289	2,736,705	4,004,036	2,735,621
INESC loan	-	49,740	-	49,740
Postal financial services	8,611,516	6,372,504	8,611,516	6,372,504
State and other public entities	308,834	2,523,671	124	2,502,186
Debtors by accrued revenues	8,143,083	4,784,068	7,232,076	4,251,090
Amounts collected on CTT behalf	1,258,411	1,211,810	1,381,321	1,458,432
Guaranteed	223,370	232,289	-	-
CGA reimbursements	-	11,598	-	11,598
Advances to lawyers	150,041	143,603	-	-
Debtors by asset disposals	111,294	124,734	111,294	124,734
Philatelic agents	-	45,486	-	45,486
Payshop agents	447,961	456,001	-	-
Mobility allowances for Autonomous Regions	3,559,130	2,824,438	3,559,130	2,824,438
Office for media	1,602,406	494,216	1,602,406	494,216
Compensations	84,588	100,588	-	-
Sundry debtors	227,969	169,646	227,969	169,646
Other current assets	9,051,927	9,104,698	7,418,691	7,904,327
Impairment	(8,173,677)	(8,480,056)	(6,776,775)	(7,099,641)
	30,033,571	**22,936,943**	**27,784,833**	**21,862,237**

* Restated values: see note 3

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

Debtors by accrued revenues

As at 31 December 2016 and 31 December 2015, the debtors by accrued revenues refer to accrued interest, amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts.

Impairment

For the years ended 31 December 2016 and 31 December 2015, the movement in the Group Accumulated impairment losses (Note 25) was as follows:

	2016					
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Other current and non-current assets	10,095,004	524,261	(691,210)	(6,092)	-	9,921,963
INESC loan	396,761	-	(396,761)	-	-	-
	10,491,765	**524,261**	**(1,087,971)**	**(6,092)**	**-**	**9,921,963**

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

For the years ended 31 December 2016 and 31 December 2015, impairment losses (increases net of reversals) of Other current and non-current assets amounted to (563,710) Euros and (985,625) Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 46).

Regarding the **Company**, during the years ended 31 December 2016 and 31 December 2015, the movement in the Accumulated impairment losses caption (Note 25) was as follows:

	2016					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Other current and non-current assets	8,522,736	459,471	(652,013)	-	-	8,330,194
INESC loan	396,761	-	(396,761)	-	-	-
	8,919,497	**459,471**	**(1,048,774)**	**-**	**-**	**8,330,194**

	2015					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Other current and non-current assets	8,610,979	379,305	(467,548)	-	-	8,522,736
INESC loan	421,631	-	(24,870)	-	-	396,761
	9,032,610	**379,305**	**(492,418)**	**-**	**-**	**8,919,497**

For the years ended 31 December 2016 and 31 December 2015, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to (589,303) Euros and (113,113) Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

25. Accumulated impairment losses

During the years ended 31 December 2016 and 31 December 2015, the following movements occurred in the **Group**'s impairment losses:

	2016					
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	296,769	-	(123,714)	-	-	173,055
Investment properties	1,282,622	12,491	(3,615)	-	-	1,291,498
	1,579,391	12,491	(127,329)	-	-	1,464,553
Other non-current assets	1,472,836	83,597	-	-	191,853	1,748,286
INESC loan	347,021	-	(347,021)	-	-	-
	1,819,857	83,597	(347,021)	-	191,853	1,748,286
	3,399,248	**96,088**	**(474,350)**	**-**	**191,853**	**3,212,839**
Current assets						
Accounts receivable	31,737,169	2,875,921	(2,267,005)	(2,036,561)	-	30,309,524
Credit to bank clients	-	417	-	-	-	417
Other current assets	8,622,168	440,664	(691,210)	(6,092)	(191,853)	8,173,677
INESC loan	49,740	-	(49,740)	-	-	-
	40,409,077	3,317,002	(3,007,955)	(2,042,653)	(191,853)	38,483,618
Merchandise	1,397,098	198,203	(438)	(29,676)	-	1,565,187
Raw, subsidiary and consumable	565,513	21,592	(7,778)	-	-	579,327
	1,962,611	219,795	(8,216)	(29,676)	-	2,144,514
	42,371,688	**3,536,797**	**(3,016,171)**	**(2,072,329)**	**(191,853)**	**40,628,132**
	45,770,936	**3,632,885**	**(3,490,521)**	**(2,072,329)**	**-**	**43,840,971**

	2015					
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	420,483	-	(123,714)	-	-	296,769
Investment properties	1,450,025	246,789	(414,192)	-	-	1,282,622
	1,870,508	246,789	(537,906)	-	-	1,579,391
Other non-current assets	1,421,001	51,835	-	-	-	1,472,836
INESC loan	371,891	-	(24,870)	-	-	347,021
	1,792,892	51,835	(24,870)	-	-	1,819,857
	3,663,400	**298,624**	**(562,776)**	**-**	**-**	**3,399,248**
Current assets						
Accounts receivable	30,498,785	4,625,870	(2,025,960)	(1,361,526)	-	31,737,169
Other current assets	9,461,922	487,981	(1,500,571)	(9,530)	182,366	8,622,168
INESC loan	49,740	-	-	-	-	49,740
	40,010,447	5,113,851	(3,526,531)	(1,371,056)	182,366	40,409,077
Merchandise	1,527,827	36,874	(129,402)	(38,201)	-	1,397,098
Raw, subsidiary and consumable	676,836	35,091	(146,414)	-	-	565,513
	2,204,663	71,965	(275,816)	(38,201)	-	1,962,611
	42,215,110	**5,185,816**	**(3,802,347)**	**(1,409,257)**	**182,366**	**42,371,688**
	45,878,510	**5,484,440**	**(4,365,123)**	**(1,409,257)**	**182,366**	**45,770,936**

Regarding the **Company**, during the years ended 31 December 2016 and 31 December 2015, the movement in the Accumulated impairment losses was as follows:

	2016					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	296,769	-	(123,714)	-	-	173,055
Investment properties	1,282,622	119,559	(110,683)	-	-	1,291,498
	1,579,391	119,559	(234,397)	-	-	1,464,553
Other non-current assets	1,472,836	80,582	-	-	-	1,553,418
INESC loan	347,021	-	(347,021)	-	-	-
	1,819,857	80,582	(347,021)	-	-	1,553,418
	3,399,248	**200,141**	**(581,418)**	**-**	**-**	**3,017,971**
Current assets						
Accounts receivable	4,621,988	352,246	(310,637)	(247,093)	-	4,416,504
Other current assets	7,049,900	378,889	(652,013)	-	-	6,776,776
INESC loan	49,740	-	(49,740)	-	-	-
	11,721,628	731,135	(1,012,390)	(247,093)	-	11,193,280
Merchandise	1,367,422	116,525	-	-	-	1,483,947
Raw, subsidiary and consumable	509,968	21,592	-	-	-	531,560
	1,877,390	138,117	-	-	-	2,015,507
	13,599,018	**869,252**	**(1,012,390)**	**(247,093)**	**-**	**13,208,787**
	16,998,266	**1,069,393**	**(1,593,808)**	**(247,093)**	**-**	**16,226,758**

	2015					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current assets						
Tangible fixed assets	420.483	-	(123.714)	-	-	296.769
Investment properties	1.450.025	246.789	(414.192)	-	-	1.282.622
	1.870.508	246.789	(537.906)	-	-	1.579.391
Other non-current assets	1.421.001	51.835	-	-	-	1.472.836
INESC loan	371.891	-	(24.870)	-	-	347.021
	1.792.892	51.835	(24.870)	-	-	1.819.857
	3.663.400	**298.624**	**(562.776)**	**-**	**-**	**3.399.248**
Current assets						
Accounts receivable	5.000.427	164.956	(300.472)	(242.923)	-	4.621.988
Other current assets	7.189.978	327.470	(467.548)	-	-	7.049.900
INESC loan	49.740	-	-	-	-	49.740
	12.240.145	492.426	(768.020)	(242.923)	-	11.721.628
Merchandise	1.489.626	-	(122.204)		-	1.367.422
Raw, subsidiary and consumable	656.380	-	(146.412)		-	509.968
	2.146.006	-	(268.616)	-	-	1.877.390
	14.386.151	**492.426**	**(1.036.636)**	**(242.923)**	**-**	**13.599.018**
	18.049.551	**791.050**	**(1.599.412)**	**(242.923)**	**-**	**16.998.266**

26. Equity

As at 31 December 2016, the Company share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2016 and 31 December 2015 the Company's shareholders with greater than or equal to 2% shareholdings were as follows:

		2016		
Shareholder		**No. of shares**	**%**	**Nominal value**
Gestmin SGPS, S.A. [1]		14,576,115	9.717%	7,288,058
Manuel Carlos de Melo Champalimaud		284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud	**Total**	**14,861,000**	**9.907%**	**7,430,500**
Standard Life Investments Limited [2]		9,910,580	6.607%	4,955,290
Ignis Investment Services Limited [2]		97,073	0.065%	48,537
Standard Life Investments (Holdings) Limited	**Total**	**10,007,653**	**6.672%**	**5,003,827**
Allianz Global Investors GmbH [3]	**Total**	**7,552,637**	**5.035%**	**3,776,319**
BNP Paribas Investment Partners Belgium S.A. [4]			0.833%	
BNP Paribas Investment Partners Luxembourg S.A. [4]			2.972%	
BNP Paribas Asset Management SAS [4]			1.197%	
BNP Paribas Investment Partners S.A.	**Total**	**7,502,430**	**5.002%**	**3,751,215**
Norges Bank	**Total**	**7,422,099**	**4.948%**	**3,711,050**
BlackRock, Inc. [5]	**Total**	**4,961,965**	**3.308%**	**2,480,983**
F&C Asset Management plc [6]		3,124,801	2.083%	1,562,401
Banco de Montreal [6]	**Total**	**3,124,801**	**2.083%**	**1,562,401**
Kames Capital PLC [7]	**Total**	**3,022,170**	**2.015%**	**1,511,085**
Wilmington Capital, S.L. [8]		3,020,368	2.014%	1,510,184
Indumenta Pueri, S.L. [8]	**Total**	**3,020,368**	**2.014%**	**1,510,184**
CTT, S.A. (own shares) [9]	**Total**	**600,531**	**0.400%**	**300,266**
Other shareholders	**Total**	**87,924,346**	**58.616%**	**43,962,173**
Total		**150,000,000**	**100.000%**	**75,000,000**

[1] Shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
[2] Company held by Standard Life Investments (Holdings) Limited.
[3] Previously, Allianz Global Investors Europe GmbH.
[4] Companies controlled by BNP Paribas Investment Partners S.A..
[5] The full chain of BlackRock, Inc. controlled undertakings through which the voting rights and/or financial instruments are effectively held may be consulted at the attachments of the qualifying holding press releases, available at: http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1#panel2-1
[6] This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
[7] Kames Capital PLC is acting as investment manager for Scottish Equitable PLC, Royal County of Berkshire Pension Fund, Kames Capital Investment Company (Ireland) PLC and Kames Capital ICVC and is the nominated holder of the voting rights and custodian of the shares to which voting rights are attached.
[8] Wilmington Capital, S.L. is controlled by Indumenta Pueri, S.L..
[9] The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Portuguese Companies Code.

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

[1] Company held by Standard Life Investments (Holdings) Limited.
[2] Shareholding directly and indirectly attributable to Mr. Manuel Carlos de Melo Champallimaud.
[3] Company held by Artemis Investment Management LLP.
[4] Previously, Allianz Global Investors Europe GmbH.
[5] The qualifying holding of BNP Paribas Investment Partners represents 5.025% of CTT share capital and 4.773% of the voting rights (see CTT press release of 18-12-2015). Shareholding held through the following funds managed by BNP Paribas Investment Partners: A.A.-FORTIS-ACTIONS PETITE CAP EUROPE; BNP PARIBAS A FUND European Multi-Asset Income; BNP PARIBAS B PENSION BALANCED; BNP PARIBAS B PENSION GROWTH; BNP PARIBAS B PENSION STABILITY; BNP PARIBAS L1 MULTI-ASSET INCOME; BNP PARIBAS SMALLCAP EUROLAND; Merck BNP Paribas European Small Cap; METROPOLITAN-RENTASTRO GROWTH; PARVEST EQUITY EUROPE SMALL CAP; PARWORLD TRACK EUROPE SMALL CAP; Stichting Bewaar ANWB - Eur Small Cap; Stichting Pensioenfonds Openbare Bibliotheken.
[6] As of 1 January 2015, as a result of a group corporate restructuring the client portfolios managed by Kames Capital Management Limited (a subsidiary of Kames Capital plc) have been transferred and are currently managed by Kames Capital plc. This qualified shareholding is attributable to the following chain of entities: (i) Kames Capital Holdings Limited, which holds 100% of Kames Capital plc; (ii) Aegon Asset Management Holding BV, which holds 100% of Kames Capital Holdings Limited; and (iii) Aegon NV, which holds 100% of Aegon Asset Management Holding BV.
[7] This qualified shareholding is imputable to F&C Asset Management plc, as the entity with whom each of F&C Management Limited, F&C Investment Business Limited and F&C Managers Limited are in a dominion relationship. F&C Asset Management plc is under the dominion of BMO Global Asset Management (Europe) Limited which in turn is under the dominion of the Bank of Montreal.
[8] Henderson Group plc is the parent company of Henderson Global Investors Limited. All voting rights are attributable to Henderson Global Investors Limited. According to a disclosure of 8 January 2016, Henderson Group plc ceased to hold a qualified holding in CTT.
[9] The voting rights inherent to own shares held by the Company are suspended pursuant to article 324 of the Portuguese Companies Code.

27. Own shares, reserves, other changes in equity and retained earnings

Own shares

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

As at 31 December 2016, the Company held 600,531 own shares, acquired in June 2015 and in March and August 2016, which represented 0.400% of the Company's share capital.

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

In the years ended 31 December 2016 and 31 December 2015, the movements that occurred in this caption were as follows:

	Quantity	Value	Average price
Balance at 31 December 2015	200,177	1,873,125	9,357
Acquisitions	400,354	3,224,411	8,054
Disposals	-	-	-
Balance at 31 December 2016	**600,531**	**5,097,536**	**8,488**

	Quantity	Value	Average price
Balance at 31 December 2014	-	-	-
Acquisitions	200,177	1,873,125	9,357
Disposals	-	-	-
Balance at 31 December 2015	**200,177**	**1,873,125**	**9,357**

Reserves

As at 31 December 2016 and 31 December 2015, the **Group**'s and **Company**'s heading Reserves showed the following composition:

	2016				
	Group				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	1,873,125	(540)	13,438,968	33,384,112
Own shares acquisitions	-	3,224,411	-	(3,224,411)	-
Assets fair value	-	-	14,014	-	14,014
Share Plan	-	-	-	1,493,546	1,493,546
Closing balance	**18,072,559**	**5,097,536**	**13,474**	**11,708,102**	**34,891,671**

	2015				
	Group				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	-	-	13,701,408	31,773,967
Own shares acquisitions	-	1,873,125	-	(1,873,125)	-
Assets fair value	-	-	(540)	-	(540)
Share Plan	-	-	-	1,610,685	1,610,685
Closing balance	**18,072,559**	**1,873,125**	**(540)**	**13,438,968**	**33,384,112**

	2016				
	Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	1,873,125	-	13,438,968	33,384,652
Own shares acquisitions	-	3,224,411	-	(3,224,411)	-
Assets fair value	-	-	-	-	-
Share Plan	-		-	1,493,546	1,493,546
Closing balance	**18,072,559**	**5,097,536**	**-**	**11,708,102**	**34,878,197**

	2015*				
	Company				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	18,072,559	-	-	13,701,408	31,773,967
Own shares acquisitions	-	1,873,125	-	(1,873,125)	-
Assets fair value	-	-	-	-	-
Share Plan	-	-	-	1,610,685	1,610,685
Closing balance	**18,072,559**	**1,873,125**	**-**	**13,438,968**	**33,384,652**

*Restated values: see note 3

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 31 December 2016, this caption includes the amount of 5,097,536 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

As at 31 December 2016 and 31 December 2015 and 2014, this heading also records the amount recognised in these years related to the Share Plan that constitutes the long-term variable remuneration to be paid to the executive members of the Board of Directors under the new remuneration model of the Statutory Bodies defined by the Remuneration Committee in the total amount of 4,480,638 Euros.

Retained earnings

During the years ended 31 December 2016 and 31 December 2015, the following movements were made in the **Group** and the **Company** heading Retained earnings:

	Group		Company	
	2016	2015	2016	Restated 2015*
Opening balance	91,727,994	84,374,563	91,727,994	84,374,563
Application of the net profit of the prior year	72,065,283	77,171,128	72,065,283	77,171,128
Distribution of dividends (Note 28)	(70,264,792)	(69,750,000)	(70,264,792)	(69,750,000)
Adjustments from the application of the equity method	19,820	109,622	19,820	109,622
Other movements	40,906	(177,319)	54,380	(177,319)
Closing balance	**93,589,211**	**91,727,994**	**93,602,685**	**91,727,994**

* Restated values: see note 3

Other changes in equity

The Actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognised in this heading (Note 32).

Thus, for the years ended 31 December 2016 and 31 December 2015, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group and company	
	2016	Restated 2015*
Opening balance	(18,644,832)	(18,786,310)
Actuarial gains/losses - Healthcare (Note 32)	(11,827,990)	114,181
Tax effect - Healthcare (Note 50)	3,334,998	27,297
Closing balance	**(27,137,824)**	**(18,644,832)**

* Restated values: see note 3

28. Dividends

At the General Meeting of Shareholders held on 28 April 2016, a dividend distribution of 70,500,000 Euros was approved, corresponding to a dividend per share of 0.47 Euros, for the financial year ended 31 December 2015. The dividend was paid on 25 May 2016. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 235,208 Euros.

Assigned dividends	70,500,000
Dividends assigned to own shares	(235,208)
Dividends paid	**70,264,792**

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

29. Earnings per share

During the years ended 31 December 2016 and 31 December 2015, the earnings per share were calculated as follows:

	2016	2015
Net income for the period	62,160,395	72,065,283
Average number of ordinary shares	149,527,101	149,883,331
Earnings per share		
Basic	0.42	0.48
Diluted	0.42	0.48

The average number of shares is detailed as follows:

	2016	2015
Shares issued at begining of the period	150,000,000	150,000,000
Own shares effect	472,899	116,669
Average number of shares during the period	149,527,101	149,883,331

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

As at 31 December 2016, the number of own shares held is 600,531 and its average number for the year ended 31 December 2016 is 472,899, reflecting the fact that the acquisition of own shares occurred in June 2015, March and August 2016.

There are no dilutive factors of earnings per share.

30. Non-controlling interests

During the years ended 31 December 2016 and 31 December 2015, the following movements occurred in non-controlling interests:

	2016	2015
Opening balance	175,322	(323,703)
Net profit for the year attributable to non-controlling interest	(263,328)	5,352
Other movements	8,871	493,673
Closing balance	**(79,135)**	**175,322**

As at 31 December 2016 and 31 December 2015, non-controlling interests related to the following companies:

	2016	2015
Correio Expresso de Moçambique. S.A.	(79,135)	175,222
	(79,135)	**175,222**

31. Debt

As at 31 December 2016 and 31 December 2015, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2016	2015	2016	2015
Non-current liabilities				
Bank loans	87,202	95,241	-	-
Leasing	39,943	940,281	-	724,845
	127,145	**1,035,522**	**-**	**724,845**
Current liabilities				
Bank loans	8,726,161	6,028,197	-	-
Leasing	953,668	1,049,958	724,749	462,968
	9,679,829	**7,078,155**	**724,749**	**462,968**
	9,806,974	**8,113,677**	**724,749**	**1,187,813**

As at 31 December 2016, the interest rates applied to finance leases were between 0.23% and 0.51% (31 December 2015: between 0.60% and 0.83%) and the interest rates applied to other loans were between 1.09% and 2.25% (31 December 2015: 0.06% and 2.10%).

Bank loans and other loans

As at 31 December 2016 and 31 December 2015, the details of the **Group** bank loans were as follows:

Group	2016			2015		
	Limit	Amount used		Limit	Amount used	
Financing entity		Current	Non-current		Current	Non-current
Bank loans						
Banco Sabadell (Spain)	400,000	-	-	400,000	-	-
BBVA (Spain)	500,000	-	-	500,000	-	-
Millennium BCP	9,750,000	8,726,161	-	9,750,000	5,991,565	-
BIM - (Mozambique)	218,270	-	-	218,270	-	-
BIM - (Mozambique)	131,873	-	87,202	131,873	36,632	95,241
Other loans						
Millennium BCP	-	-	-	5,400,000	-	-
BIM - (Mozambique)	77,861	-	-	77,861	-	-
Moza Banco (Mozambique)	25,954	-	-	25,954	-	-
	11,103,958	**8,726,161**	**87,202**	**16,503,958**	**6,028,197**	**95,241**

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

Leasings

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** have the following assets under finance leases:

	2016					
	Group			Company		
	Gross amount	Depreciation/ accumulated impairment losses	Carrying amount	Gross amount	Depreciation/ accumulated impairment losses	Carrying amount
Land	9,425,895	815,990	8,609,905	7,798,567	815,990	6,982,577
Buildings and other constructions	4,963,685	1,498,212	3,465,473	81,701	33,616	48,085
Transport equipment	19,371	18,854	517	-	-	-
	14,408,951	**2,333,056**	**12,075,895**	**7,880,268**	**849,606**	**7,030,662**

	2015					
	Group			Company		
	Gross amount	Depreciation/ accumulated impairment losses	Carrying amount	Gross amount	Depreciation/ accumulated impairment losses	Carrying amount
Land	9,425,895	815,990	8,609,905	7,798,567	815,990	6,982,577
Buildings and other constructions	4,963,685	1,397,118	3,566,567	81,701	30,162	51,539
Transport equipment	19,371	18,854	517	-	-	-
	14,408,951	**2,231,962**	**12,176,989**	**7,880,268**	**846,152**	**7,034,116**

The key contracts are the following:

CTT, S.A. is the lessee, under a leasing contract signed with IMOLEASING – Sociedade de Locação Financeira Imobiliária, S.A., of a property in the municipality of Maia (Porto) where the Mail Sorting Centre is located. The type of lease contract determines its classification as a lease, namely the fact there is an option to buy it for a residual value of approximately 6% of the contract value considered significantly lower than the estimated market value at the end of the contract. There are no contingent rents payable nor any restrictions.

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

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

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

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** liabilities with financial lease contracts presented the following plan of due dates:

	2016					
	Group			Company		
	Capital	Interest	Total	Capital	Interest	Total
Due within 1 year	953,668	8,263	961,931	724,749	844	725,593
Due between 1 to 5 years	39,943	9,927	49,870	-	-	-
Over 5 years	-	-	-	-	-	-
	39,943	9,927	49,870	-	-	-
	993,611	**18,190**	**1,011,801**	**724,749**	**844**	**725,593**

	2015					
	Group			Company		
	Capital	Interest	Total	Capital	Interest	Total
Due within 1 year	1,049,958	9,996	1,059,954	462,968	4,031	466,999
Due between 1 to 5 years	940,281	1,742	942,023	724,845	1,449	726,294
Over 5 years	-	-	-	-	-	-
	940,281	1,742	942,023	724,845	1,449	726,294
	1,990,239	**11,738**	**2,001,977**	**1,187,813**	**5,480**	**1,193,293**

For the years ended 31 December 2016 and 31 December 2015, the values paid by the **Group** in relation to leasing interest amounted to 7,014 Euros and 18,201 Euros, respectively. In the **Company**, for the same periods, the amounts paid were 2,958 Euros and 8,084 Euros, respectively.

32. Employee benefits

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

During the years ended 31 December 2016 and 31 December 2015, the **Group** and the **Company** liabilities presented the following movement:

	2016									
	Group					Company				
	Liabilities			Equity		Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	236,806,000	23,039,344	259,845,344	2,987,092	262,832,436	236,806,000	23,000,540	259,806,540	2,987,092	262,793,632
Movement of the period	12,304,199	(4,313,362)	7,990,837	1,493,546	9,484,383	12,304,199	(4,274,558)	8,029,641	1,493,546	9,523,187
Closing balance	**249,110,199**	**18,725,982**	**267,836,181**	**4,480,638**	**272,316,819**	**249,110,199**	**18,725,982**	**267,836,181**	**4,480,638**	**272,316,819**

2015										
	Group					Company				
	Liabilities			Equity		Liabilities			Equity	
	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total	Healthcare	Other long-term employee benefits	Total	Other long-term benefits statutory bodies	Total
Opening balance	241,166,000	36,125,547	277,291,547	1,376,407	278,667,954	241,166,000	35,956,617	277,122,617	1,376,407	278,499,024
Movement of the period	(4,360,000)	(13,086,203)	(17,446,203)	1,610,685	(15,835,518)	(4,360,000)	(12,956,078)	(17,316,078)	1,610,685	(15,705,393)
Closing balance	**236,806,000**	**23,039,344**	**259,845,344**	**2,987,092**	**262,832,436**	**236,806,000**	**23,000,540**	**259,806,540**	**2,987,092**	**262,793,632**

The heading Other long-term benefits essentially refers to the on-going staff reduction programme and to the benefit Pensions for work accidents.

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

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

	Group		Company	
	2016	2015	2016	2015
Equity (Other reserves)	4,480,638	2,987,092	4,480,638	2,987,092
Non-current liabilities	250,445,608	241,306,773	250,445,608	241,306,773
Current liabilities	17,390,573	18,538,572	17,390,573	18,499,767
	272,316,819	**262,832,437**	**272,316,819**	**262,793,632**

As at 31 December 2016 and 31 December 2015, the costs related to employee benefits recognised in the consolidated and individual income statement and the amount recognised directly in Other changes in equity were as follows:

	Group		Company	
	2016	2015	2016	2015
Costs for the period				
Healthcare	10,439,535	9,942,000	10,439,535	9,942,000
Other long-term employee benefits	(873,135)	(7,075,980)	(878,989)	(7,104,436)
Other long-term benefits statutory bodies	1,493,546	1,610,685	1,493,546	1,610,685
	11,059,946	**4,476,705**	**11,054,092**	**4,448,249**
Other changes in equity				
Healthcare	(11,827,990)	114,181	(11,827,990)	114,181
	(11,827,990)	**114,181**	**(11,827,990)**	**114,181**

Healthcare

As mentioned in Note 2.19, CTT is responsible for financing the healthcare plan applicable to certain employees. In order to obtain the estimate of the liabilities and costs to be recognised for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2016.

The main assumptions followed in the **Group** and the **Company** actuarial study were:

	2016	2015
Financial assumptions		
Discount rate	2.00%	2.50%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (with Δ GDP <2%)	Law no. 53-B/2006 (with Δ GDP <2%)
Inflation rate	1.50%	1.50%
Health costs growth rate		
- Inflation rate	1.50%	1.50%
- Growth due to ageing	2.00%	2.00%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability table	Swiss RE	Swiss RE

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

The decrease of the discount rate to 2.00% is motivated by the **Group** and the **Company** 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** and the **Company**.

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

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

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

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

	2016	2015	2014	2013	2012
Liabilities at the end of the period	249,110,199	236,806,000	241,166,000	263,371,000	252,803,000

For the years ended 31 December 2016 and 31 December 2015, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plan was as follows:

	Group and Company	
	2016	2015
Opening balance	236,806,000	241,166,000
Service cost of the year	3,977,000	4,042,000
Interest cost of the year	5,793,000	5,900,000
Plan amendment	1,369,535	-
Pensioners contributions	4,985,801	5,113,703
(Payment of benefits)	(14,980,969)	(18,654,596)
(Other costs)	(668,158)	(646,926)
Actuarial (gains)/losses	11,827,990	(114,181)
Closing balance	**249,110,199**	**236,806,000**

Under the human resources optimisation process (Note 45) some employees are no longer considered in the IOS healthcare plan ("*Instituto das Obras Sociais*") being from that date onwards covered by an insurance policy with the same coverages of the IOS healthcare plan and the same monthly contributions and co-payments in the existing terms. This revised plan has been considered as an amendment to the plan and therefore recognised in profit and loss under the caption Staff costs.

The total costs for the period were recognised as follows:

	Group and Company	
	2016	**2015**
Staff costs/employee benefits (Note 45)	3,978,377	3,395,074
Other costs	668,158	646,926
Interest expenses (Note 49)	5,793,000	5,900,000
	10,439,535	**9,942,000**

As at 31 December 2016, the actuarial (gains)/losses in the amount of 11,827,990 Euros ((114,181) Euros as at 31 December 2015) were recognised in equity under Other changes in equity, net of deferred taxes of 3,334,998 Euros ((27,297) Euros as at 31 December 2015).

In this respect, the amount of the actuarial (gains)/losses accounted in 31 December 2016 regard to the change of discount rate and to the revision of the healthcare costs.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognise in the next annual period is 9,415 thousand Euros.

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

(i) If there was an increase of 1 per cent in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 310,253 thousand Euros, increasing by approximately 24.5%.

(ii) If the discount rate was reduced 0.5 per cent and keeping all the remaining variables constant, the liabilities would increase by approximately 8.2%, amounting to 269,537 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 5.2% amounting to a total of 261,942 thousand Euros.

Other long-term employee benefits

As mentioned in Note 2.19, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognised for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2016, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2016	**2015**
Financial assumptions		
Discount rate	2.00%	2.50%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	TV 88/90	TV 88/90
Disability rate	Swiss RE	Swiss RE

For the determination of the Group's liabilities to employees in situations of Suspension of contracts, redeployment and release of employment, salary growth rates of 2.25% were considered for 2015 and following years. For the benefits Monthly life annuity and Pensions for work accidents the pensions growth rate was 1.50% since under an analysis performed to these benefits' historical data it was concluded that updates were normally associated with the upgrades of the Portuguese Harmonised Index of Consumer Prices (HICP). Regarding the remaining benefits, Telephone subscription fee and Support for termination of professional activity, no growth rate was considered since these benefits are not updated.

For the years ended 31 December 2016 and 31 December 2015, the movement of **Group** and the **Company** liabilities with other long-term employee benefits was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Suspension of contracts, redeployment and release of employment				
Opening balance	8,234,231	17,810,243	8,195,426	17,641,312
Interest cost of the period	171,857	379,359	171,614	374,291
Liabilities relative to new beneficiaries	774,529	-	774,529	-
Curtailment	(616,318)	(4,782,194)	(616,318)	(4,782,194)
(Payment of benefits)	(3,505,008)	(5,187,776)	(3,460,349)	(5,029,195)
Actuarial (gains)/losses	435,541	14,599	429,930	(8,788)
Closing balance	**5,494,833**	**8,234,231**	**5,494,833**	**8,195,426**
Telephone subscription fee				
Opening balance	4,518,270	4,832,775	4,518,270	4,832,775
Interest cost of the period	107,145	114,854	107,145	114,854
Plan amendment	(1,513,395)	-	(1,513,395)	-
(Payment of benefits)	(173,293)	(216,939)	(173,293)	(216,939)
Actuarial (gains)/losses	(832,898)	(212,420)	(832,898)	(212,420)
Closing balance	**2,105,828**	**4,518,270**	**2,105,828**	**4,518,270**
Pension for work accidents				
Opening balance	6,863,591	8,161,400	6,863,591	8,161,400
Interest cost of the period	166,338	198,665	166,338	198,665
(Payment of benefits)	(436,651)	(472,298)	(436,651)	(472,298)
Actuarial (gains)/losses	756,028	(1,024,176)	756,028	(1,024,176)
Closing balance	**7,349,306**	**6,863,591**	**7,349,306**	**6,863,591**
Monthly life annuity				
Opening balance	3,423,253	5,282,395	3,423,253	5,282,395
Interest cost of the period	84,398	130,698	84,398	130,698
(Payment of benefits)	(97,352)	(97,925)	(97,352)	(97,925)
Actuarial (gains)/losses	365,716	(1,891,915)	365,716	(1,891,915)
Closing balance	**3,776,015**	**3,423,253**	**3,776,015**	**3,423,253**
Support for cessation of professional activity				
Opening balance	-	38,734	-	38,735
Interest cost of the period	-	484	-	484
(Payment of benefits)	-	(35,284)	-	(35,285)
Actuarial (gains)/losses	-	(3,934)	-	(3,934)
Closing balance	-	-	-	-
Total	**18,725,982**	**23,039,344**	**18,725,982**	**23,000,540**

During the years ended 31 December 2016 and 31 December 2015, the total costs for the year were recognised as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Staff costs/employee benefits (Note 45)				
Suspension of contracts, redeployment and release of employment	(178,324)	(4,767,595)	(183,935)	(4,790,982)
Telephone subscription fee	(2,346,293)	(212,420)	(2,346,293)	(212,420)
Pension for work accidents	756,028	(1,024,176)	756,028	(1,024,176)
Monthly life annuity	365,716	(1,891,915)	365,716	(1,891,915)
Support for cessation of professional activity	-	(3,934)	-	(3,934)
subtotal	**(1,402,873)**	**(7,900,040)**	**(1,408,484)**	**(7,923,428)**
Interest expenses (Note 49)	529,738	824,060	529,495	818,992
	(873,135)	**(7,075,980)**	**(878,989)**	**(7,104,436)**

In the year ended 31 December 2016, following the analysis of the historical data of the monthly medical costs per beneficiary and the number of beneficiaries of the Telephone subscription fee performed by the independent expert, a liability reduction was recorded in the amount of 2,369,824 Euros in the heading Staff costs since it related to long-term employee benefits.

Following the renegotiation of the conditions related to workers in situations of Suspension of contracts, redeployment and release of employment, CTT recorded a liability reduction in the amount of 616,318 Euros and 4,782,194 Euros, respectively, as at 31 December 2016 and 31 December 2015.

Under the referred human resources optimisation process, the **Company** recognised an increase of the liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment in the amount of 774,529 Euros related to a number of suspension of contracts agreements.

The actuarial losses regarding long-term employee benefits recognised as at 31 December 2016 mainly relates to the decrease of the discount rate which, according to IAS 19 – Employee benefits, were recognised in the caption Staff costs in the income statement.

As a result of the pensions growth rate change applied to the benefits Monthly life annuity and Pensions for work accidents the related liability decreased significantly, in the year ended 31 December 2015, which is reflected in results in Staff costs.

The best estimate that the Company has at this date for costs with other long-term benefits, which it expects to recognise in the next year is 343,841 Euros.

The sensitivity analysis performed on 31 December 2016 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 50 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 5.00%, increasing to 19,662 thousand Euros.

Other long-term benefits for the Statutory Bodies

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

The evaluation period of CTT TSR performance compared to peers is from 1 January 2014 to 31 December 2016. The long-term variable remuneration is paid on 31 January 2017, by allocating shares of the Company, subject to a positive TSR of the shares of the Company at the end of the evaluation period, according to a maximum number of shares defined in the Regulation and corrected by maximum limits for each member of the Executive Committee.

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

Therefore, as at 31 December 2016, CTT recorded a cost of 1,493,546 Euros corresponding to the period from 1 January 2016 to 31 December 2016, booked against Other reserves.

33. Provisions, guarantees provided, contingent liabilities and commitments

Provisions

For the years ended 31 December 2016 and 31 December 2015, in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognised provisions, which showed the following movement:

	2016					
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current provisions						
Litigations	9,102,699	1,929,078	(5,715,244)	(2,093,786)	1,615,805	4,838,552
Onerous contracts	14,358,103	139,058	(6,613,918)	(7,883,243)	-	-
Other provisions	17,035,233	180,942	(6,263,597)	(47,842)	(1,615,805)	9,288,931
	40,496,035	**2,249,078**	**(18,592,759)**	**(10,024,871)**	**-**	**14,127,483**
Investments in subsidiary and associated companies	189,775	-	(189,775)	-	-	-
Restructuring	46,522	-	-	(46,522)	-	-
	40,732,332	**2,249,078**	**(18,782,534)**	**(10,071,393)**	**-**	**14,127,483**

	2015					
Group	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current provisions						
Litigations	9,907,427	1,942,805	(2,556,840)	(1,603,861)	1,413,169	9,102,700
Onerous contracts	16,854,955	1,291,580	(670,798)	(3,117,634)	-	14,358,103
Other provisions	18,693,363	1,212,339	(941,773)	(515,527)	(1,413,169)	17,035,233
	45,455,745	**4,446,724**	**(4,169,411)**	**(5,237,022)**	**-**	**40,496,036**
Investments in subsidiary and associated companies	215,772	-	-	-	(25,997)	189,775
Restructuring	-	1,880,000	(167,398)	(1,666,081)	-	46,521
	45,671,517	**6,326,724**	**(4,336,809)**	**(6,903,103)**	**(25,997)**	**40,732,332**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 16,343,680 Euros and (277,313) Euros as at 31 December 2016 and 2015, respectively.

	2016					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current provisions						
Litigations	8,312,828	1,661,889	(4,346,619)	(2,057,169)	915,662	4,486,591
Onerous contracts	13,899,390	139,058	(6,607,600)	(7,430,848)	-	-
Other provisions	14,513,084	-	(4,652,716)	(16,825)	(915,662)	8,927,881
	36,725,302	**1,800,947**	**(15,606,935)**	**(9,504,842)**	**-**	**13,414,472**
Investments in subsidiary and associated companies	-	6,912,830	-	-	-	6,912,830
	36,725,302	**8,713,777**	**(15,606,935)**	**(9,504,842)**	**-**	**20,327,302**

	2015					
Company	**Opening balance**	**Increases**	**Reversals**	**Utilisations**	**Transfers**	**Closing balance**
Non-current provisions						
Litigations	9,351,816	1,672,045	(2,523,272)	(1,600,929)	1,413,169	8,312,828
Onerous contracts	15,943,847	1,184,032	(670,798)	(2,557,691)	-	13,899,390
Other provisions	16,113,431	981,272	(890,000)	(278,450)	(1,413,169)	14,513,084
	41,409,094	**3,837,349**	**(4,084,070)**	**(4,437,070)**	**-**	**36,725,302**
Investments in subsidiary and associated companies	306,162	-	-	(306,162)	-	-
	41,715,256	**3,837,349**	**(4,084,070)**	**(4,743,232)**	**-**	**36,725,302**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to 13,805,988 Euros and (246,722) Euros as at 31 December 2016 and 2015, respectively.

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits.

Onerous Contracts

Following the termination of the Conde Redondo building lease contract, CTT recorded, in the first quarter of 2016, a reversal of the provision for onerous contracts regarding the lease contract of this building, in the amount of 2,913,557 Euros.

The utilisations relate to the payment of rents due during the period as well as part of the outstanding rents of the Conde Redondo building.

The increases regard the update of the assumptions used in 2015, namely the discount rate.

As a result of the restructuring of CTT retail network and the new sublease contracts, the associated profitability now exceeds the amount of the rents paid under the lease contracts in force, therefore, these contracts are no longer considered as onerous contracts.

Consequently, as at 31 December 2016 there are no amounts, at **Group** or **Company** level, recognised as onerous contracts. As at 31 December 2015 these amounts to 14,358,103 Euros and 13,899,390 Euros, respectively.

Other provisions

As at 31 December 2016 the provision, in the **Group** and the **Company**, to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 8,130,479 Euros (15,142,991 Euros and 12,991,795 Euros as at 31 de December de 2015, respectively).

The reversals recognised in CTT, S.A. include the result of the review of the calculation methodology associated with this provision through the incorporation of additional historical data, namely, information regarding the outcome of the legal proceedings.

At CTT Expresso, S.A., as a result of the favourable outcome of the court actions, in 2016, the probability of the provision was revised and the total amount of the provision, amounting to 2.1 million Euros, was reversed. Therefore, in 2016, these proceedings become to be considered as contingent liabilities.

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

- the amount of 187,654 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 278,381 Euros in the **Group** and 274,210 Euros in the **Company**, which arise from the assessment made by the management regarding the possibility of tax contingencies.

Investments in subsidiary and associated companies

The provision for investments in associated companies corresponds to the assumption by the **Group** of legal or constructive obligations regarding the associated company PayShop Moçambique, S.A.. The reversal recorded on 31 December 2016 results from the **Group** assessment in which it concluded that the previously existing obligations are no longer maintained.

The provision for investments in subsidiary companies corresponds to the assumption by the **Company** of legal or constructive obligations regarding the subsidiaries CORRE – Correio Expresso Moçambique, S.A. and Tourline Express Mensajería, SLU.

Restructuring

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

Guarantees provided

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

	Group		Company	
Description	2016	2015	2016	2015
FUNDO DE PENSÕES DO BANCO SANTANDER TOTTA	3,030,174	3,030,174	3,030,174	3,030,174
PLANINOVA - Soc. Imobiliária, S.A.	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis	1,792,886	1,792,886	1,792,886	1,792,886
NOVIMOVESTE - Fundo de Investimento Imobiliário	1,523,201	1,523,201	1,523,201	1,523,201
LUSIMOVESTE - Fundo de Investimento Imobiliário	1,274,355	1,274,355	1,274,355	1,274,355
Autoridade Tributária e Aduaneira	590,000	590,000	590,000	590,000
Lisboagás, S.A.	190,000	190,000	-	-
Autarquias	183,677	183,677	183,677	183,677
Courts	167,107	200,087	145,887	172,867
Solred	80,000	80,000	-	-
ACT Autoridade Condições Trabalho	58,201	59,395	58,201	59,395
TIP - Transportes Intermodais do Porto, ACE	50,000	50,000	-	-
INCM - Imprensa Nacional da Casa da Moeda	46,167	-	-	-
Fonavi, Nave Hospitalet	40,477	40,477	-	-
Record Rent a Car (Cataluña, Levante)	40,000	40,000	-	-
ANA - Aeroportos de Portugal	34,000	34,000	34,000	34,000
SPMS - Serviços Partilhados do Ministério da Saúde	30,180	30,180	30,180	30,180
SetGás, S.A.	30,000	30,000	-	-
Other entities	29,992	7,694	-	-
EPAL - Company Portuguesa de Águas Livres	21,433	21,433	-	-
EMEL, S.A.	19,384	19,384	-	-
Direção Geral do Tesouro e Finanças	16,867	16,867	16,867	16,867
Portugal Telecom, S.A.	16,658	16,657	16,658	16,657
Instituto de Gestão Financeira Segurança Social	16,406	-	16,406	12,681
Águas do Porto, E.M	10,720	10,720	-	-
SMAS Torres Vedras	9,909	2,808	7,101	-
Inmobiliaria Ederkin	7,998	7,800	-	-
Promodois	6,273	6,273	6,273	6,273
TNT Express Worldwide	6,010	6,010	-	-
Estradas de Portugal, EP	5,000	5,000	5,000	5,000
Consejeria Salud	4,116	6,433	-	-
Instituto do emprego e formação profissional	3,718	3,718	-	-
IFADAP	1,746	1,746	1,746	1,746
Águas de Coimbra	870	870	870	870
EURO BRIDGE-Sociedade Imobiliária, Lda	-	2,944,833	-	2,944,833
PT PRO - Serv Adm Gestao Part, S.A.	-	50,000	-	-
ARM - Águas e Resíduos da Madeira , SA	-	12,681	-	-
REN Serviços, S.A.	-	9,818	-	-
Universidad Sevilha	-	4,237	-	-
	11,371,107	**14,336,996**	**10,767,064**	**13,729,244**

Guarantees for lease Contracts

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

These guarantees amount to 9,654,198 Euros as at 31 December 2016 (12,599,031 Euros as at 31 December 2015) in the **Group** and the **Company**. The decrease in the value of the guarantees provided is mainly explained by the termination of the lease contract of the Conde Redondo building, the guarantee of which amounted to 2,944,833 Euros.

Commitments

As at 31 December 2016 and 31 December 2015, the **Group** subscribed promissory notes amounting to approximately 40.2 thousand Euros and 60.9 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the subsidiary Tourline and regarding the subsidiary Corre in the amount of 87,202 Euros, which are still active as at 31 December 2016.

As at 31 December 2015, the **Group** and the **Company** assumed commitments regarding the sponsoring of "Taça da Liga" (League Football Cup) in the amount of 1.4 million Euros.

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

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

34. Accounts payable

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** heading Accounts payable showed the following composition:

	Group		Company	
	2016	2015	2016	Restated 2015*
Non-current				
Other accounts payable	375,379	-	375,379	-
	375,379	**-**	**375,379**	**-**
Current				
Advances from customers	3,039,657	3,043,051	3,025,041	3,027,486
CNP money orders	200,238,100	218,478,956	200,238,100	218,478,956
Suppliers	65,044,068	67,989,193	56,763,575	58,268,535
Invoices pending confirmation	8,559,890	9,834,805	5,188,920	6,619,310
Fixed assets suppliers	13,684,684	6,717,094	9,853,992	4,855,181
Invoices pending confirmation (fixed assets)	6,206,806	5,311,267	5,975,153	5,311,267
Values collected on behalf of third parties	8,955,667	5,881,304	6,524,493	5,881,304
Postal financial services	131,878,955	112,544,152	131,878,955	112,544,152
Customers deposits	-	52,422	-	-
Other accounts payable	7,255,873	6,039,433	7,111,748	5,419,959
	444,863,700	**435,891,677**	**426,559,977**	**420,406,149**
	445,239,079	**435,891,677**	**426,935,356**	**420,406,149**

* Restated values: see note 3

CNP money orders

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

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders. The increase in this caption as at 31 December 2016 is largely explained by the significant volume of subscription of savings/treasury certificates occurred in December 2016.

Suppliers and fixed assets suppliers

As at 31 December 2016 and 31 December 2015 the **Group** and the **Company** heading Suppliers showed the following composition:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Other suppliers	24,775,505	30,016,791	15,350,811	20,239,343
Postal operators	40,255,896	37,972,402	39,112,081	36,622,929
Group companies [(1)]	12,667	-	2,300,683	1,406,263
	65,044,068	**67,989,193**	**56,763,575**	**58,268,535**

[(1)] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2016 and 31 December 2015, the ageing of the **Group** and the **Company** balance of the headings Suppliers and Fixed assets suppliers is detailed as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Suppliers				
Non-overdue	21,756,069	22,897,539	16,568,629	16,735,686
Overdue [(1)]:				
0-30 days	4,836,160	6,425,563	3,069,261	4,782,144
30-90 days	3,238,063	12,499,262	3,010,650	11,756,875
90-180 days	1,266,746	1,423,112	930,853	1,164,070
180-360 days	10,097,799	8,255,781	9,941,867	7,803,267
> 360 days	23,849,230	16,487,936	23,242,315	16,026,493
	65,044,068	**67,989,193**	**56,763,575**	**58,268,535**

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Fixed assets suppliers				
Non-overdue	11,894,436	6,325,283	8,431,578	4,609,702
Overdue:				
0-30 days	1,295,524	241,226	1,212,583	169,914
30-90 days	311,145	42,735	86,847	41,677
90-180 days	54,198	-	54,198	-
180-360 days	70,948	-	30,167	-
> 360 days	58,432	107,850	38,619	33,887
	13,684,684	**6,717,094**	**9,853,992**	**4,855,181**

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Other suppliers	874,548	31,030	772,902	-
Foreign operators	22,974,682	16,456,906	22,469,414	16,026,493
Total	**23,849,230**	**16,487,936**	**23,242,315**	**16,026,493**
Foreign operators - receivable (Note 19)	**(18,350,981)**	**(17,243,327)**	**(16,849,505)**	**(15,805,365)**

The balances between Foreign Operators are cleared by netting accounts. These amounts are related to the accounts receivable balances related to these entities (Note 19).

35. Banking client deposits and other loans

As at 31 December 2016 and 31 December 2015, the composition of the heading Banking client deposits and other loans in the **Group** is as follows:

	Group	
	2016	**2015**
Sight deposits	114,041,001	-
Term deposits	131,417,483	-
Savings deposits	8,486,356	-
	253,944,840	**-**

The above mentioned amounts relate to Banco CTT clients' deposits. As at 31 December 2016, the residual maturity of banking client deposits and other loans, is detailed as follows:

	2016					
	In cash	**Due within 3 months**	**Over 3 months and less than 1 year**	**Over 1 year and less than 3 years**	**Over 3 years**	**Total**
Sight deposits	114,041,001	-	-	-	-	114,041,001
Term deposits	-	73,693,366	57,724,117	-	-	131,417,483
Savings deposits	-	8,486,356	-	-	-	8,486,356
	114,041,001	**82,179,722**	**57,724,117**	**-**	**-**	**253,944,840**

As at 31 December 2015, the deposits from Banco CTT's clients in the amount of 52,422 Euros were recognised under the caption Accounts payable.

36. Other current liabilities

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** heading Other current liabilities showed the following composition:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Current				
Estimated holiday pay, holiday subsidy and other remunerations	43,661,282	49,152,091	39,083,054	45,614,014
Estimated supplies and external services	24,036,928	30,650,178	18,631,427	26,166,116
Staff	58,708	-	16,690	-
State and other public entities	-	-	-	-
Value Added Tax	2,460,642	1,405,729	1,806,370	-
Personal income tax withholdings	3,251,340	3,367,641	2,929,183	3,074,365
Social Security contributions	5,191,423	5,139,856	4,702,091	4,710,392
Caixa Geral de Aposentações	751,533	776,789	740,839	776,789
Local Authority taxes	554,515	515,275	554,515	515,275
Other taxes	8,534	577	143	577
Other	2,587,820	784,739	2,818,889	555,628
	82,562,725	**91,792,877**	**71,283,201**	**81,413,156**

* Restated values: see note 3

The decrease in the heading Estimated holiday pay, holiday subsidy and other remunerations mainly relates to the reduction in the accrual for variable remunerations to be attributed regarding 2016.

The amount considered in the heading Estimated supplies and external services as at 31 December 2015 results essentially from the increase in accrued costs following a transitional process adaptation situation by the new supplier of the Healthcare Plan management, which does not apply in 2016.

37. Income taxes receivable /payable

As at 31 December 2016 and 31 December 2015 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	2016	2015	2016	Restated 2015*
Current assets				
Corporate income tax	3,587,614	-	3,569,641	-
	3,587,614	**-**	**3,569,641**	**-**
Current liabilities				
Corporate income tax	-	7,922,942	-	7,923,944
	-	**7,922,942**	**-**	**7,923,944**
	3,587,614	**(7,922,942)**	**3,569,641**	**(7,923,944)**

* Restated values: see note 3

The **Company's** current assets and current liabilities relative to corporate income tax were calculated as follows:

	Company	
	2016	Restated 2015*
Estimated income tax (Note 50)	(19,644,847)	(24,882,795)
Estimated Group companies' income tax	695,532	(3,568,585)
Payments on account	21,720,696	19,332,653
Withholding taxes	798,260	1,194,783
	3,569,641	**(7,923,944)**

* Restated values: see note 3

38. Financial assets and liabilities

As at 31 December 2016 and 31 December 2015, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

	2016				
Group	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other investments (Note 13)	-	1,503,572	-	-	1,503,572
Non - current investments held to maturity (Note 14)	-	-	-	-	93,986,115
Other non-current assets (note 24)	1,306,148	-	-	-	1,306,148
Non - current financial assets available for sale (Note 15)	-	4,473,614	-	-	4,473,614
Accounts receivable (Note 19)	122,113,270	-	-	-	122,113,270
Credit to bank clients (Note 20)	7,103,905	-	-	-	7,103,905
Current investments held to maturity (Note 14)	-	-	-	-	1,108,428
Other current assets (Note 24)	19,133,946	-	-	10,899,625	30,033,571
Current financial assets available for sale (Note 15)	-	1,973,711	-	-	1,973,711
Other banking financial assets (Note 16)	58,718,171	-	-	336,132	59,054,303
Cash and cash equivalents (Note 23)	618,811,099	-	-	-	618,811,099
Total Financial assets	**827,186,539**	**7,950,897**	**-**	**11,235,757**	**941,467,736**
Liabilities					
Non-current accounts payable (Note 34)					
Medium and long term debt (Note 31)	-	-	127,145	-	127,145
Current accounts payable (Note 34)	-	-	434,568,170	10,295,530	444,863,700
Banking client deposits and other loans (Note 35)	-	-	253,944,840	-	253,944,840
Short term debt (Note 31)	-	-	9,679,829	-	9,679,829
Cash and cash equivalents (Note 36)	-	-	26,683,455	55,879,270	82,562,725
Total Financial liabilities	**-**	**-**	**725,003,439**	**66,550,179**	**791,553,618**

	2015				
Group	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other investments (Note 13)	-	1,106,812	-	-	1,106,812
Other non-current assets (Note 24)	601,103	-	-	-	601,103
Accounts receivable (Note 19)	124,355,641	-	-	-	124,355,641
Other current assets (Note 24)	12,590,310	-	-	10,346,633	22,936,943
Cash and cash equivalents (Note 23)	603,649,717	-	-	-	603,649,717
Total Financial assets	**741,196,771**	**1,106,812**	**-**	**10,346,633**	**752,650,215**
Liabilities					
Medium and long term debt (Note 31)	-	-	1,035,522	-	1,035,522
Accounts payable (Note 34)	-	-	426,756,771	9,134,906	435,891,677
Short term debt (Note 31)	-	-	7,078,155	-	7,078,155
Cash and cash equivalents (Note 36)	-	-	31,434,918	60,357,959	91,792,877
Total Financial liabilities	**-**	**-**	**466,305,366**	**69,492,865**	**535,798,231**

The **Group** believes that the fair value of its financial assets and liabilities is similar to its book value, with the exception of the following caption:

	2016		2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Investments held to maturity	95,094,543	94,701,870	-	-

Regarding the **Company**, as at 31 December 2016 and 31 December 2015, the categories of financial assets and liabilities were broken down as follows:

Company	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
			2016		
Assets					
Other investments (Note 13)	-	1,503,572	-	-	1,503,572
Shareholders (Note 51)	8,025,158	-	-	822,241	8,847,398
Other non-current assets (Note 24)	1,110,991	-	-	-	1,110,991
Accounts receivable (Note 19)	94,323,683	-	-	-	94,323,683
Other current assets (Note 24)	18,226,686	-	-	9,558,147	27,784,833
Cash and cash equivalents (Note 23)	475,068,122	-	-	-	475,068,122
Total Financial assets	**596,754,640**	**1,503,572**	**-**	**10,380,388**	**608,638,599**
Liabilities					
Non-curent accounts payable (Note 34)					
Current accounts payable (Note 34)	-	-	416,423,188	10,136,789	426,559,977
Shareholders (Note 51)	-	-	-	7,341,360	7,341,360
Short term debt (Note 31)	-	-	724,749	-	724,749
Cash and cash equivalents (Note 36)	-	-	21,467,007	49,816,194	71,283,201
Total Financial liabilities	**-**	**-**	**438,614,944**	**67,669,722**	**506,284,666**

Company	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
			2015		
Assets					
Other investments (Note 13)	-	1,106,812	-	-	1,106,812
Shareholders (Note 51)	9,029,828	-	-	1,011,393	10,041,221
Other non-current assets (Note 24)	586,741	-	-	-	586,741
Accounts receivable (Note 19)	97,684,021	-	-	-	97,684,021
Other current assets (Note 24)	12,056,246	-	-	9,805,991	21,862,237
Cash and cash equivalents (Note 23)	559,542,719	-	-	-	559,542,719
Total Financial assets	**678,899,556**	**1,106,812**	**-**	**10,817,383**	**690,823,751**
Liabilities					
Medium and long term debt (Note 31)	-	-	724,845	-	724,845
Accounts payable (Note 34)	-	-	413,516,025	6,890,124	420,406,149
Shareholders (Note 51)	-	-	-	1,613,945	1,613,945
Short term debt (Note 31)	-	-	462,968	-	462,968
Cash and cash equivalents (Note 36)	-	-	26,521,741	54,891,413	81,413,154
Total Financial liabilities	**-**	**-**	**441,225,580**	**63,395,481**	**504,621,061**

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

39. Subsidies obtained

As at 31 December 2016 and 31 December 2015, the information regarding European Union subsidies or grants (Note 2.22) to the **Group** and the **Company** was as follows:

	Group					Company				
2016	Attributed amount	Received amount	Amount to be received	Accumulated income	Amount to be used	Attributed amount	Received amount	Amount to be received	Accumulated income	Amount to be used
Investment subsidy	9,833,915	9,680,599	153,316	9,482,425	351,490	9,815,622	9,662,306	153,316	9,476,327	339,295
Operating subsidy	94,486	94,486	-	94,486	-	70,864	70,864	-	70,864	-
	9,928,401	**9,775,085**	**153,316**	**9,576,911**	**351,490**	**9,886,486**	**9,733,170**	**153,316**	**9,547,192**	**339,295**

	Group					Company*				
2015	Attributed amount	Received amount	Amount to be received	Accumulated income	Amount to be used	Attributed amount	Received amount	Amount to be received	Accumulated income	Amount to be used
Investment subsidy	9,833,915	9,680,599	153,316	9,465,126	368,789	9,815,622	9,662,306	153,316	9,465,126	350,496
Operating subsidy	94,486	94,486	-	94,486	-	70,864	70,864	-	70,864	-
	9,928,401	**9,775,085**	**153,316**	**9,559,612**	**368,789**	**9,886,486**	**9,733,170**	**153,316**	**9,535,991**	**350,496**

* Restated values: see note 3

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

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

The amounts received were initially deferred (Note 21) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognised.

40. Sales and services rendered

For the years ended 31 December 2016 and 31 December 2015, the significant categories of the **Company** revenue were as follows:

	Company	
	2016	**2015**
Sales	19,247,627	22,892,730
Mail services rendered	447,593,802	461,183,181
Postal financial services	51,693,802	54,725,404
Electronic vehicle identification devices	6,111,035	6,054,633
Telecommunication services	926,045	1,283,540
Other services	5,485,005	4,839,931
	531,057,316	**550,979,418**

Other services fundamentally concern:

	Company	
	2016	**2015**
Photocopies Certification	226,737	253,102
Reg. Aut. Madeira transport allowance	829,740	565,383
Others Philately	125,822	230,555
Costums presentation tax	1,276,941	784,426
Corfax	160,908	229,965
Non-adressed mail	244,037	262,800
Portugal Telecom services	113,925	165,762
Digital mailRoom	337,383	330,015
Other services	2,169,512	2,017,925
	5,485,005	**4,839,931**

41. Financial margin

As at 31 December 2016 and 31 December 2015, the composition of the **Group** heading Financial margin was as follows:

	Group	
	2016	**2015**
Interest and similar income	**416,006**	**-**
Interest on held to maturity investments	306,145	-
Interest on deposits at credit institutions	64,721	-
Interest on credit to bank clients	29,329	-
Interest on available for sale financial assets	15,811	-
Interest and similar charges	**389,955**	**-**
Interest from banking client deposits	389,955	-
	26,051	**-**

42. Other operating income

For the years ended 31 December 2016 and 31 December 2015, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Supplementary revenues	4,253,302	3,214,885	33,085,834	35,420,690
Altice agreement	9,583,333	5,416,667	6,388,889	3,611,111
Early settlement discounts received	47,453	85,154	14,876	47,120
Gains inventories	24,671	16,657	12,373	9,220
Favourable exchange rate differences of assets and liabilities other than financing	654,644	1,999,259	529,898	1,654,988
Income from financial investments	462,169	485,472	211,994	325,155
Income from non-financial investments	5,289,677	1,751,030	5,283,045	1,728,185
Income from services and commissions	614,028	-	-	-
Interest income and expenses - financial services	334,714	516,707	334,714	516,707
VAT adjustments	3,981,197	6,409,103	3,981,197	6,409,103
Other	1,881,754	2,115,962	1,072,210	186,632
	27,126,942	**22,010,897**	**50,915,030**	**49,908,911**

* Restated values: see note 3

Regarding the **Group** and the **Company**, the interest related to the Financial Services segment is recognised under this caption (Note 2.22).

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

The caption Income from non-financial investments of the **Group** and the **Company** includes the gains realised on the sale of six properties classified as Investment properties in the amount of 1.2 million Euros, as well as the gain in the amount of 1.7 million Euros regarding Conde Redondo building as a result of the lease contract termination.

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

Regarding the **Company**, the caption Supplementary revenues fundamentally relates to:

	Company	
	2016	**Restated 2015***
Royalties	500,000	500,000
Services rendered to Group companies (1)	27,699,090	30,656,478
Rental of spaces in urban buildings	2,650,924	2,706,780
Other	2,235,819	1,557,432
	33,085,834	**35,420,690**

(1) Includes subsidiary, associated and joint-ventures companies.
* Restated values: see note 3

43. External supplies and services

For the years ended 31 December 2016 and 31 December 2015, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Subcontracts	4,289,091	4,178,927	-	1,380
Specialised services	65,860,067	60,777,736	40,885,082	43,719,035
Services rendered by Group companies (1)	103,071	296,271	4,811,859	8,630,861
Materials	2,362,427	1,840,512	1,565,699	1,735,038
Energy and fuel	14,977,762	15,073,806	13,012,223	12,641,773
Staff transportation	214,836	222,216	208,150	219,697
Transportation of goods	58,016,465	63,427,926	11,790,403	11,732,952
Rents				
Vehicle operational lease	7,774,394	7,488,749	6,878,901	6,628,875
Other rental charge	27,031,283	27,652,643	22,811,547	21,523,538
Communication	2,399,224	2,691,023	1,275,034	1,619,372
Insurance	3,100,116	3,498,473	1,958,375	2,198,994
Royalties	294,643	254,430	-	-
Litigation and notery	321,881	275,234	220,920	230,863
Cleaning, hygiene and confort	3,967,060	3,966,115	3,633,811	3,617,475
Postal Agencies	4,514,987	4,498,737	4,532,203	4,519,705
Postal operators	18,271,388	18,051,278	17,326,163	17,012,078
Delivery subcontracting	5,786,536	5,321,179	5,786,536	5,504,638
Other services	12,751,658	13,568,885	7,628,235	7,006,334
Services rendered by Group companies (1)	175	-	3,252,241	4,469,501
	232,037,064	**233,084,139**	**147,577,382**	**153,012,109**

(1) Includes subsidiary, associated and joint-ventures companies.

(i) Specialised services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants;

(ii) Energy and fuel refers mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail in several ways (sea, air, surface);

(iv) Rents mainly refer to costs with leased facilities from third parties and the operating lease of vehicles;

(v) Remuneration to postal operators refers to costs with peer postal operators.

44. Operating leases

As at 31 December 2016 and 31 December 2015, the **Group** and the **Company** maintained medium and long-term liabilities in operating lease contracts of vehicles, with penalty clauses in the case of cancellation. The total amount of the future payments relative to operating leases is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Due within 1 year	10,401,717	10,434,899	8,776,335	8,963,676
Due between 1 to 5 years	11,439,870	16,618,420	8,239,453	14,144,316
Due over 5 years	-	-	-	-
	21,841,587	**27,053,319**	**17,015,788**	**23,107,992**

During the years ended 31 December 2016 and 31 December 2015, the costs incurred with operating lease contracts amounted to 7,774,394 Euros and to 7,488,749 Euros, respectively, by the **Group**, and 6,878,901 Euros and to 6,628,875 Euros, respectively, by the **Company**. These costs are recognised under the caption Supplies and external services in the income statement.

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

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

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

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

45. Staff costs

During the years ended 31 December 2016 and 31 December 2015, the composition of the **Group** and the **Company** heading Staff Costs was as follows:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Statutory bodies remuneration	4,571,640	4,136,712	3,237,036	3,708,714
Staff remuneration	255,727,613	259,355,100	227,873,402	233,731,110
Empolyee benefits	4,292,549	(2,686,050)	4,251,938	(2,729,170)
Indemnities	6,634,938	5,891,115	6,390,333	4,030,742
Social Security charges	56,892,888	56,482,830	50,328,638	50,259,929
Occupational accident and health insurance	3,486,570	2,253,074	3,253,848	1,958,618
Social welfare costs	6,728,690	6,297,590	6,439,521	6,069,367
Other staff costs	52,593	42,509	-	-
	338,387,481	**331,772,879**	**301,774,716**	**297,029,310**

* Restated values: see note 3

Remuneration of the statutory bodies

As at 31 December 2016 and 31 December 2015, the fixed and variable remunerations attributed to the members of the statutory bodies of the different companies of the Group, including CTT, were as follows:

	2016				
Group	**Board of Directors**	**Audit Comittee**	**Remuneration Board**	**General Meeting of Shareholders**	**Total**
Short-term remuneration					
Fixed remuneration	3,228,383	408,571	33,824	4,500	3,675,278
Annual variable remuneration	896,362	-	-	-	896,362
	4,124,745	**408,571**	**33,824**	**4,500**	**4,571,640**
Long-term remuneration					
Defined contribution plan RSP	223,500	-	-	-	223,500
Long-term variable remuneration - Share Plan	1,493,546	-	-	-	1,493,546
	1,717,046	**-**	**-**	**-**	**1,717,046**
	5,841,791	**408,571**	**33,824**	**4,500**	**6,288,686**

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

	2016				
Company	**Board of Directors**	**Audit Comittee**	**Remuneration Board**	**General Meeting of Shareholders**	**Total**
Short-term remuneration					
Fixed remuneration	2,083,779	218,571	33,824	4,500	2,340,674
Annual variable remuneration	896,362	-	-	-	896,362
	2,980,141	**218,571**	**33,824**	**4,500**	**3,237,036**
Long-term remuneration					
Defined contribution plan RSP	188,500	-	-	-	188,500
Long-term variable remuneration - Share Plan	1,493,546	-	-	-	1,493,546
	1,682,046	**-**	**-**	**-**	**1,682,046**
	4,662,187	**218,571**	**33,824**	**4,500**	**4,919,082**

	2015				
Company	**Board of Directors**	**Audit Comittee**	**Remuneration Board**	**General Meeting of Shareholders**	**Total**
Short-term remuneration					
Fixed remuneration	2,087,398	205,286	37,440	5,461	2,335,585
Annual variable remuneration	1,373,129	-	-	-	1,373,129
	3,460,527	**205,286**	**37,440**	**5,461**	**3,708,714**
Long-term remuneration					
Defined contribution plan RSP	188,500	-	-	-	188,500
Long-term variable remuneration - Share Plan	1,610,685	-	-	-	1,610,685
	1,799,185	**-**	**-**	**-**	**1,799,185**
	5,259,712	**205,286**	**37,440**	**5,461**	**5,507,899**

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

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

The long-term variable remuneration awarded to the executive members of the Board of Directors shall be paid at the end of the 2014-2016 term of office, with settlement date of 31 January 2017, in Company shares, and the amount of 1,493,546 Euros corresponds to the expense to be recognised in the period between 1 January 2016 and 31 December 2016 and was determined by an actuarial study performed by an independent entity. The annual variable remuneration will be determined and paid on an annual basis and was also defined by an actuarial study performed by an independent entity.

Staff remuneration

The variation in this heading is mainly a result of the reduction in the accrual for variable remunerations regarding 2016 as well as the reduction in Tourline's staff costs following the initiatives that begun in 2015.

Employee benefits

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

Indemnities

In the year ended 31 December 2016 this caption includes the amounts of 1,845,604 Euros and 1,714,185 Euros regarding the **Group** and the **Company**, respectively, related to compensations paid for termination of employment contracts by mutual agreement.

As at 31 December 2016 this caption of the **Company** includes the amount of 4,001,903 Euros arising from the human resources' optimisation process which aimed at the efficiency of its Central Services.

Regarding the **Group**, as at 31 December 2015, this caption also includes the amount of 1,712,602 Euros related to the provision for restructuring recorded in Tourline following the human resources optimisation in the context of the restructuring plan currently being implemented in the Company.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** and the **Company** with the active workers, as well as expenses related to Health and Safety at work. The decrease in this caption results from changes that took place in CTT's Healthcare Plan following the revised Regulation of the Social Works (RSW) in 2015, according to which the fees that the beneficiaries pay to the system were increased by raising the monthly contributions and co-payments.

As at 31 December 2016 and 31 December 2015, the **Group** and **Company** heading Staff costs includes the amounts of 800,611 Euros and 807,237 Euros, respectively, related to expenses with workers' representative bodies.

For the years ended 31 December 2016, the average number of staff of the **Group** and the **Company** was 12,401 and 10,984 employees, respectively (12,445 employees and 10,908 employees as at 31 December 2015).

46. Impairment of accounts receivable

For the years ended 31 December 2016 and 31 December 2015, the detail of Impairment of inventories and accounts receivable, net, of the **Group** and the **Company** was as follows:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Impariment losses				
Accounts receivable (Note 19)	2,875,921	4,625,870	352,246	164,956
Credit to bank clients (Note 20)	417	-	-	-
Other current and non-current assets (Note 24)	524,261	539,816	459,471	379,304
Inventories (Note 18)	-	71,965	-	1
	3,400,599	**5,237,651**	**811,717**	**544,261**
Reversals of impairment losses				
Accounts receivable (Note 19)	2,267,005	2,025,960	310,637	300,472
Other current and non-current assets (Note 24)	691,210	1,500,571	652,014	467,548
INESC loan (Note 24)	396,761	24,870	396,761	24,870
Inventories (Note 18)	-	275,816	-	268,617
	3,354,976	**3,827,217**	**1,359,412**	**1,061,506**
Net movement of the period	**(45,623)**	**(1,410,434)**	**547,695**	**517,245**

* Restated values: see note 3

47. Depreciation/ amortisation (losses/reversals)

For the years ended 31 December 2016 and 31 December 2015, the detail of Depreciation/ amortisation and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Tangible fixed assets				
Depreciation (Note 5)	20,390,450	19,278,804	17,551,180	15,929,702
Impairment losses (Note 5)	(123,714)	(123,714)	(123,714)	(123,714)
Intangible assets				
Amortisation (Note 6)	6,623,232	3,832,949	4,473,575	3,050,326
Impairment losses (Note 6)	-	-	-	-
Investment properties				
Depreciation (Note 7)	569,250	752,365	569,250	752,365
Impairment losses (Note 7)	8,876	(167,403)	8,876	(167,403)
	27,468,094	**23,573,001**	**22,479,167**	**19,441,277**

48. Other operating costs

For the years ended 31 December 2016 and 31 December 2015, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2016	2015	2016	2015
Taxes	2,365,876	1,894,532	2,196,431	1,682,678
Bad debts	319,779	1,090,569	111,525	11,025
Losses in inventories	312,732	510,693	310,233	463,217
Costs and losses from non-financial investments	31,190	368,018	31,190	344,298
Unfavourable exhange rate differences of assets	700,833	2,029,152	344,789	1,711,387
Donations	1,235,977	908,366	1,235,977	908,366
Banking services	2,241,982	1,181,262	2,132,215	953,814
Interest on arrears	42,534	88,201	42,221	67,698
Subscriptions	722,743	804,791	669,073	754,109
Expenses of services and commissions	192,611	-	-	-
Deposits Guarantee Fund/Resolution unified Fund	680	51,000	-	-
Indemnities	443,179	490,023	372,799	346,599
Other costs	1,827,794	2,020,218	1,158,487	1,085,747
	10,437,910	**11,436,825**	**8,604,940**	**8,328,937**

49. Interest expenses and interest income

For the years ended 31 December 2016 and 31 December 2015, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2016	2015	2016	2015
Interest expenses				
Bank loans	68,775	77,473	3,994	5,749
Financial leases	7,014	18,201	2,958	8,084
Other interest	137,272	8,622	136,948	19,285
Interest costs from employee benefits (Note 32)	6,322,738	6,746,892	6,322,495	6,718,992
Other interest costs	4,307	10,212	203	22,595
	6,540,106	**6,861,401**	**6,466,598**	**6,774,705**

During the years ended 31 December 2016 and 31 December 2015, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2016	2015	2016	Restated 2015*
Interest income				
Deposits in credit institutions	671,599	1,483,388	588,919	1,395,837
Loans to Group companies [1]	-	-	144,556	283,466
Other supplementary income	-	1,775	-	1,775
	671,599	**1,485,163**	**733,475**	**1,681,077**

[1] Includes subsidiary, associated and joint-ventures companies.
* Restated values: see note 3

50. Income tax for the period

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

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

Reconciliation of the income tax rate

For the years ended 31 December 2016 and 31 December 2015, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	2016	2015	2016	2015
Earnings before taxes	85,244,706	104,609,981	85,900,107	100,813,654
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	17,901,388	**21,968,096**	**18,039,022**	**21,170,867**
Tax Benefits	(354,479)	(198,588)	(352,413)	(190,773)
Accounting capital gains/(losses)	(543,069)	17,549	(390,889)	21,899
Tax capital gains/(losses)	(908,568)	(394,293)	(909,083)	(396,402)
Equity method	(8,518)	5,938	2,284,719	879,222
Provisions not considered in the calculation of deferred taxes	(148,483)	19,167	(148,483)	19,167
Impairment losses and reversals	321,703	(133,566)	380,705	(23,754)
Other situations, net	(405,990)	959,041	(345,075)	(339,381)
Adjustments related with - autonomous taxation	1,386,243	1,628,892	1,356,233	1,571,866
Adjustments related with - Municipal Surcharge	1,233,829	1,496,378	947,754	1,189,739
Adjustments related with - State Surcharge	4,018,747	5,162,504	3,527,850	4,657,116
Impact of the change in income tax rate (deferred tax)	118,403	(574,330)	118,403	(574,330)
Tax losses without deferred tax	1,770,819	2,648,348	-	(121,616)
Excess estimated income tax	(1,034,386)	(65,790)	(769,031)	-
Other effects, net	-	-	-	884,751
Income taxes for the period	**23,347,639**	**32,539,346**	**23,739,712**	**28,748,371**
Effective tax rate	27.39%	31.11%	27.64%	28.52%
Income taxes for the period				
Current tax	20,179,216	28,469,567	20,869,417	24,882,794
Deferred tax	4,202,808	4,135,569	3,639,326	3,987,193
Excess estimated income tax	(1,034,385)	(65,790)	(769,031)	(121,616)
	23,347,639	**32,539,346**	**23,739,712**	**28,748,371**

In the year ended 31 December 2016, the heading Excess estimated income tax and reimbursement of tax includes the amount of 268,898 Euros regarding the tax credit allocated under the SIFIDE programme of 2014 of CTT – Correios de Portugal, S.A., the amount of 371,959 Euros related to the amortisations of Track&Trace software of 2008 which were considered, by Arbitral decision, deductible for Corporate Income Tax purposes. This heading also includes the amounts of 117,771 Euros and 267,672 Euros regarding the excess income tax estimate of 2015 of the Companies CTT, S.A. and CTT Expresso, S.A., respectively.

Deferred taxes

As at 31 December 2016 and 31 December 2015, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Deferred tax assets				
Employee benefits - healthcare	70,523,096	67,158,181	70,523,096	67,158,181
Employee benefits - other long-term benefits	5,301,326	6,531,878	5,301,326	6,522,953
Deferred accounting capital gains	606,790	1,723,242	606,790	1,723,242
Impairment losses and provisions	3,030,558	8,997,558	2,990,166	8,280,788
Tax losses carried forward	327,183	342,161	-	-
Impairment losses in tangible fixed assets	360,333	405,373	360,333	405,373
Share Plan	1,268,470	847,140	1,268,470	847,140
Land and buildings	1,847,637	1,392,924	1,847,637	1,392,924
Tangible assets' tax revaluation regime	2,680,786	-	2,680,786	-
Other	274,583	137,484	-	-
	86,220,762	**87,535,941**	**85,578,604**	**86,330,601**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	3,151,709	3,562,520	3,151,709	3,562,520
Suspended capital gains	934,821	971,679	934,821	971,679
Other	36,616	42,399	-	-
	4,123,146	**4,576,598**	**4,086,530**	**4,534,199**

* Restated values: see note 3

Due to the access to the Tangible assets' tax revaluation regime, established in Decree Law no. 66/2016 of 3 November, the Company recognised a deferred tax asset in the amount of 2,680,786 Euros.

As at 31 December 2016, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 5.3 million Euros and 0.5 million Euros, respectively, regarding the **Group** and 5.3 million Euros and 0.4 million Euros, respectively, regarding the **Company**.

During the years ended 31 December 2016 and 31 December 2015, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Deferred tax assets				
Opening balances	87,535,941	91,428,940	86,330,601	90,547,447
Effect on net profit				
Employee benefits - healthcare	29,917	(733,228)	29,917	(733,228)
Employee benefits - other long-term benefits	(1,230,552)	(3,628,545)	(1,221,627)	(3,595,239)
Deferred accounting gains	(1,116,452)	(661,719)	(1,116,452)	(661,719)
Impairment losses and provisions	(5,967,001)	(1,142,594)	(5,290,622)	(1,014,836)
Conversion adjustments - derecognition of inventories	-	-	-	(91,864)
Tax losses carried forward	2,857	24,628	-	-
Impairment losses in tangible fixed assets	(45,040)	(91,864)	(45,040)	-
Share plan	421,330	459,819	421,330	459,819
Land and buildings	454,713	1,392,924	454,713	1,392,924
Tangible assets' tax revaluation regime	2,680,786	-	2,680,786	-
Other	119,265	460,283	-	-
Effect on equity				
Employee benefits - healthcare	3,334,998	27,297	3,334,998	27,297
Closing balance	**86,220,762**	**87,535,941**	**85,578,604**	**86,330,601**

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015***
Deferred tax liabilities				
Opening balances	4,576,598	4,841,684	4,534,199	4,890,550
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(410,811)	(231,295)	(410,811)	(231,295)
Suspended capital gains	(36,858)	(23,274)	(36,858)	(23,274)
Other	(5,783)	(10,517)	-	(2,381)
Closing balance	**4,123,146**	**4,576,598**	**4,086,530**	**4,633,600**

* Restated values: see note 3

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

Company	Tax losses	Deferred tax assets
Tourline	37,338,023	320,408
Escrita Inteligente	32,263	6,775
Total	**37,370,285**	**327,183**

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

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.5 million Euros in the **Group** and in the **Company**.

<u>SIFIDE</u>

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

In relation to the expenses incurred with R&D during 2014 of 736,033 Euros and according to the notification dated 18 January 2016 of the Certification Commission, a tax credit of 268,898 Euros was attributed to CTT.

Regarding the year ended 31 December 2015, for the expenses incurred with R&D of 3,358,151 Euros and e 1,437,765 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in income tax estimated at 2,556,380 Euros and 996,844 Euros, respectively. According to the notification dated 9 February 2017 of the Certification Commission, a tax credit of 1,057,603 Euros was attributed to CTT.

For the year ended 31 December 2016, the expenses incurred with R&D, of 1,895,281 Euros and 1,677,058 Euros, the **Group** and the **Company** will have the possibility of benefiting from a tax deduction in income tax estimated at 1,006,271 Euros and 826,237 Euros, respectively.

<u>Other information</u>

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2013 (remain open and inclusive) may still be reviewed and corrected, since the income tax returns prior to this date have already been inspected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2016.

51. Related parties

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

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

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

During the years ended 31 December 2016 and 31 December 2015, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

	2016				
Group	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	70,264,792
Other shareholders of Group companies					
Associated companies	2,038	12,667	12,224	84,674	-
Jointly controlled	106,496	-	522,308	18,664	-
Members of the					
Board of Directors	-	-	-	4,124,745	-
General Meeting	-	-	-	4,500	-
Audit Committee	-	-	-	408,571	-
Remuneration Committee	-	-	-	33,824	-
	108,535	**12,667**	**534,532**	**4,674,978**	**70,264,792**

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

During the years ended 31 December 2016 and 31 December 2015, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

2016								
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Dividends**
Shareholders	-	-	-	-	-	-	-	70,264,792
Group companies								
Subsidiaries	6,178,794	8,847,399	3,930,691	7,341,360	30,989,108	9,200,339	144,556	-
Associated companies	2,038	-	9,223	-	12,224	84,262	-	-
Joint Ventures	106,496	-	-	-	522,308	-	-	-
Other related parties	192	-	-	-	-	-	-	-
Members of the								
Board of Directors	-	-	-	-	-	2,980,141	-	-
General Meeting	-	-	-	-	-	4,500	-	-
Audit Committee	-	-	-	-	-	218,571	-	-
Remuneration Board	-	-	-	-	-	33,824	-	-
	6,287,520	**8,847,399**	**3,939,914**	**7,341,360**	**31,523,640**	**12,521,637**	**144,556**	**70,264,792**

DB - Debit balance; CB - Credit balance; include current and non-current balances.

2015								
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Dividends**
Shareholders	-	-	-	-	-	-	-	69,750,000
Group companies								
Subsidiaries	7,509,804	10,041,220	2,965,125	1,613,945	30,769,481	12,380,647	283,466	-
Associated companies	11,579	-	21,592	-	18,841	55	-	-
Joint Ventures	136,855	-	-	-	15,575	1,317	-	-
Other related parties	2,690,121	-	(1,542)	-	1,297,272	3,780	-	-
Members of the								
Board of Directors	-	-	-	-	-	2,087,398	-	-
General Meeting	-	-	-	-	-	5,461	-	-
Audit Committee	-	-	-	-	-	200,786	-	-
Remuneration Board	-	-	-	-	-	37,440	-	-
	10,348,359	**10,041,220**	**2,985,175**	**1,613,945**	**32,101,169**	**14,716,884**	**283,466**	**69,750,000**

DB - Debit balance; CB - Credit balance; include current and non-current balances.

Regarding the **Company**, as at 31 December 2016 and 31 December 2015, the nature and detail, by company of the Group, of the main debit and credit balances was as follows:

2016						
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Total accounts receivable**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Total accounts payable**
Subsidiaries						
Banco CTT, S.A.	289,844	-	289,844	-	7,120,649	7,120,649
CTT Expresso,S.A.	3,081,067	4,190,294	7,271,361	2,504,508	-	2,504,508
Payshop Portugal, S.A.	81,704	6,947	88,651	448,163	-	448,163
CTT Contacto, S.A.	339,331	650,158	989,489	388,326	139,152	527,478
Mailtec Comunicação S.A.	62,837	-	62,837	581,137	81,559	662,697
Escrita Inteligente, S.A.	76,399	-	76,399	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	980,271	-	980,271	-	-	-
Tourline Express Mensajeria, S.A.	1,267,342	4,000,000	5,267,342	8,556	-	8,556
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	2,038	-	2,038	9,223	-	9,223
Joint Ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	-	-	-
NewPost, ACE						
Other related parties						
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
	6,287,520	**8,847,399**	**15,134,919**	**3,939,914**	**7,341,360**	**11,281,274**

DB - Debit balance; CB - Credit balance; include current and non-current balances.

2015						
Company	**Accounts receivable**	**Shareholders and Group companies (DB)**	**Total accounts receivable**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Total accounts payable**
Subsidiaries						
Banco CTT, S.A.	189,572	-	189,572	-	1,596,131	1,596,131
CTT Expresso, S.A.	5,920,444	9,634,255	15,554,699	1,789,877	-	1,789,877
Payshop Portugal, S.A.	114,755	199,578	314,333	455,610	-	455,610
CTT Contacto, S.A.	516,407	177,560	693,968	441,484	-	441,484
Mailtec Comunicação, S.A.	115,422	-	115,422	278,155	17,814	295,969
CORRE - Correio Expresso Moçambique, S.A.	653,203	29,827	683,031	-	-	-
Associated companies						
Multicert - Serviços de Certificação Electrónica, S.A.	11,579	-	11,579	21,592	-	21,592
Joint Ventures						
Ti-Post Prestação Serviços Informáticos, ACE	1,778	-	1,778	-	-	-
NewPost, ACE	135,077	-	135,077	-	-	-
Other related parties						
Tourline Express Mensajeria, S.A.	2,689,929	-	2,689,929	(1,542)	-	(1,542)
Payshop Moçambique, S.A.R.L.	192	-	192	-	-	-
	10,348,359	**10,041,221**	**20,389,579**	**2,985,175**	**1,613,945**	**4,599,120**

[1] These amounts include the values related to loan contracts from CTT to the respective susbsidiaries.
DB - Debit balance; CB - Credit balance; include current and non-current balances.

As far as the **Company** is concerned, during the years ended 31 December 2016 and 31 December 2015, the nature and detail, by company of the Group, of the main transactions was as follows:

	2016							
Company	**Fixed assets acquired**	**Services to be reinvoiced**	**Fixed assets sold**	**Sales and services rendered**	**Other operating revenues**	**Supplies and external services**	**Other operating costs**	**Interest Income**
Subsidiaries								
Banco CTT, S.A.	-	-	86,384	119,157	347,902	-	-	-
CTT Expresso, S.A.	75,885	58,755	234,711	284,972	22,423,193	1,999,192	22,422	113,885
Payshop Portugal, S.A.	-	-	-	57,402	761,976	4,309,490	-	46
CTT Contacto, S.A.	-	88,502	-	1,360,816	3,129,281	1,864,502	-	-
Mailtec Comunicação, S.A.	-	1,274,504	-	250,022	813,715	998,374	-	-
Escrita Inteligente, S.A.	-	-	-	-	-	-	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	424,729	-	-	-
Tourline Express Mensajeria, S.A.	108,793	26,411	-	2,416	1,013,527	6,360	-	30,625
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	12,224	-	84,233	29	-
Joint Ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	-	-	-	-
NewPost, ACE	-	-	-	-	522,308	-	-	-
Other related parties								
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
	184,678	**1,448,171**	**321,095**	**2,087,009**	**29,436,631**	**9,262,150**	**22,451**	**144,556**

	2015							
Company	**Fixed assets acquired**	**Services to be reinvoiced**	**Fixed assets sold**	**Sales and services rendered**	**Other operating revenues**	**Supplies and external services**	**Other operating costs**	**Interest Income**
Subsidiaries								
Banco CTT, S.A.	-	-	-	166	196,572	-	-	-
CTT Expresso, S.A.	-	129,038	442,228	292,683	21,797,649	3,440,390	20,827	283,466
Payshop Portugal, S.A.	-	-	-	47,503	1,125,963	4,319,262	213	-
CTT Contacto, S.A.	-	108,824	-	4,139	5,348,220	2,567,969	-	-
Mailtec Comunicação, S.A.	-	1,107,119	-	644,184	1,127,168	2,031,987	-	-
CORRE - Correio Expresso Moçambique, S.A.	-	-	-	-	185,234	-	-	-
Associated companies								
Multicert - Serviços de Certificação Electrónica, S.A.	-	-	-	18,841	-	-	55	-
Joint Ventures								
Ti-Post Prestação Serviços Informáticos, ACE	-	-	-	-	15,575	1,317	-	-
NewPost, ACE	-	-	-	-	-	-	-	-
Other related parties								
Tourline Express Mensajeria, S.A.	84,441	9,869	-	15,207	1,282,065	3,780	-	-
Payshop Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-
	84,441	**1,354,850**	**442,228**	**1,022,724**	**31,078,446**	**12,364,705**	**21,095**	**283,466**

52. Fees and services of the external auditors

The information concerning the fees and services provided by the external auditors is detailed in items 46 and 47 of the Corporate Governance Report.

53. Information on environmental matters

The environment is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the Group, from a perspective of risk and opportunity management. This approach and the related commitments assumed are expressed in statements and in CTT management standards, as shown in the Environment Policy, Policy of Energy, Carbon and Climate Change Management, Responsible Purchasing Policies and the Code of Conduct (internal) or Business & Biodiversity, Caring for Climate from United Nations and COP 21 Principles (external).

CTT actively participates in a wide range of environmental descriptors such as the energy efficiency, carbon and climate change management, certified environmental management systems, sustainable mobility and alternative fleets, biodiversity, waste management, responsible purchases or sustainable marketing, having been recognised with awards, both at national and international level. The campaigns carried out and the achievements are detailed in the "Sustainability Report of CTT".

In order to ensure the coverage of environmental liabilities arising from the Decree-Law no. 147/2008 of 29 July (Law of Environmental Responsibility), as amended by Decree-Law no. 245/2009 of 22 September, by Decree-Law no. 29A/2011 of 1 March and Decree-Law no. 60/2012 of 14 March, which establish the legal regime of liability for environmental damage, CTT took out an insurance to cover civil liability in the amount of 1,000,000 Euros per damage and insured period.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

54. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Company** discloses the relevant information regarding the activity of insurance mediation according to article 4 of the above mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue.

The insurance agent recognises revenue in accordance with the rules in force, i.e. when the mediator closes accounts with the Insurance companies. The issuance and repayment of insurance are recorded in each Post Office accounting document and allocated to the respective account, according to the respective nature.

b) Indication of total revenue received detailed by nature.

	2016	2015
By nature		
Cash	2,452,267	3,542,063
In-kind	-	-
	2,452,267	**3,542,063**
By type		
Commissions	2,452,267	3,542,063
Fees	-	-
Other remuneration	-	-
	2,452,267	**3,542,063**

c) Indication of total revenues relating to insurance contracts intermediated by the Company detailed by Branch Life and Non-Life.

	2016	
By entity	**Branch Life**	**Branch Non-Life**
Insurance Companies	2,337,819	114,448
Other mediators		
Customers (other)		
	2,337,819	**114,448**

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio.

By entity	2016	2015
Insurance Companies	-	-
FIDELIDADE	90.10%	90.05%
Other mediators	-	-
Customers (other)	-	-

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts.

Accounts 'Customers'	2016	2015
Opening balance	-	-
Closing balance	-	-
Volume handled	-	-
Debt	178,312,367	289,194,305
Credit	24,986,644	87,855,030

f) Accounts receivable and payable broken down by source.

	Accounts receivable		Accounts payable	
By entity	**2016**	**2015**	**2016**	**2015**
Policyholders, insureds or beneficiaries	-	-	-	-
Insurance companies	2,806,435	334,004	31,594	51,355
Reinsurance undertakings	-	-	-	-
Other mediators	-	-	-	-
Customers (other)	-	-	-	-
	2,806,435	**334,004**	**31,594**	**51,355**

g) Indication of the aggregate amounts included in accounts receivable and payable.

	Accounts receivable		Accounts payable	
By entity	**2016**	**2015**	**2016**	**2015**
Funds received in order to be transferred to insurance companies for payment of insurance premiums	24,986,644	87,855,030	23,109,246	84,479,529
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	-	-	-	-
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	175,834,816	285,915,932	178,312,367	289,194,305
Remuneration in respect of insurance premiums already collected and to be collected	-	-	-	-
other mediators	-	-	-	-
Total	**200,821,460**	**373,770,961**	**201,421,613**	**373,673,834**

Note: The remaining paragraphs of the standard do not apply.

55. Other information

Regulatory proceedings

CTT's activity is regularly subject to inquiry and check-up procedures from the supervisory entities for verification of effective compliance with the rules and regulations in force. In this framework, the Company adopts an attitude of collaboration by providing the necessary clarifications and due answer.

Following a thorough analysis of the "statement of objections" that the Company received from the Competition Authority on 16 August 2016 concerning an infraction proceeding on the basis of an alleged obstruction of access of its competitors to the postal network infrastructure, CTT gave its answer within the legal deadline, which refuted those allegations and considered them as unfounded for the following main reasons:

(i) The Company has always shown and will continue to show its willingness to give access to its postal network in non-discriminatory conditions whenever the requested terms are compatible with an efficient management of the operation and with the sustainability of the universal service provision (agreements regarding access to the postal network have already been concluded with other operators);

(ii) The Company intends to adopt good competition practices in this field which take into account both the efficiency of its postal network and the access conditions set up by universal postal service operators from other Member States.

The communication of a "statement of objections" does not correspond to a final decision of the Competition Authority regarding the procedure, as a final decision of this entity to impose a potential fine and / or penalties is still subject to a court appeal.

Post-employment healthcare benefits fund

CTT developed, with the support of consultants, the relevant measures to establish a fund to which a part of the post-employment healthcare liabilities will be transferred. On 16 December 2016, CTT obtained the authorisation by the Supervisory Authority for Insurance and Pension Funds. However, considering the change of some the conditions to establish the Fund, it was decided to re-weigh the opportunity to proceed with the process during 2017.

56. Subsequent events

Postal services prices update

In accordance with the Criteria for the Formulation of the Universal Service Prices laid down by ICP-Autoridade Nacional de Comunicações, the regulator of the communications sector (ANACOM) under article 14(3) of Law no. 17/2012, of 26 April, amended by Decree-Law no. 160/2013, of 19 November, CTT presented to ANACOM the proposal for the updated prices for 2017.

Acquisition of Transporta, S.A.

Following the announcement dated 15 December 2016, regarding the conclusion of the agreement for the acquisition of the total share capital of Transporta – Transportes Porta a Porta, S.A. ("Transporta"), on 2 March 2017, CTT was notified of the decision of non-opposition by the Competition Authority, without imposing any conditions to said acquisition. The acquisition is still subject to other conditions precedent agreed between the parties.

CTT, operating in a liberalized and competitive market, in which there has been a significant decrease in physical mail, has been developing an expansion and diversification's strategy, promoting and offering new services and businesses in neighbouring markets with potential synergies.

The acquisition of Transporta falls within this strategy, as it is an operator dedicated to the fractional transport of goods and to the provision of integrated logistics services, it will allow CTT to add to its portfolio a new offer of delivery of items above 30 kg and to create a new growth platform within the last-mile logistics and cargo value chain.

Allocation of own shares

Pursuant to the remuneration policy approved by the Remuneration Committee of CTT for the 2014-2016 term of office and the Share Plan to the executive members of the Board of Directors of the Company approved by the General Meeting on 5 May 2015, CTT allocate, on 31 January 2017, a total of 600,530 own shares, nominative, ordinary, in the amount of 0.50 Euros each, representing 0.400% of the corresponding share capital, to the Company's executive members of the Board of Directors, as long-term variable remuneration.

The allocation took place, outside the trading platform, through the transfer of the Company's own shares previously acquired for such purpose, according to the evaluation of the fulfillment of the Total Shareholders Return objective established in the referred remuneration policy.

As a result of this allocation, as at 31 January 2017 and to this date, CTT hold 1 own share, which represent 0.000% of its share capital, with the voting right inherent to it suspended pursuant to article 324 of the Portuguese Companies Code.

Proposal to the next Annual General Meeting for capital reduction and capital increase

On 9 March 2017, the Board of Directors of CTT decided to submit to the Annual General Meeting a proposal for approval of the following mutually conditioned operations and subject to the approval of the financial statements relating to the financial year of 2016 and the allocation of profits:

- Capital reduction, to release excess capital, from 75 million Euros to 25.5 million Euros, being the value of 49.5 million Euros reduced to free reserves;

- Capital increase from 25.5 million Euros to Euro 75 million Euros, being the increased amount of 49.5 million Euros carried out by the incorporation of available reserves for this purpose, included in caption Retained earnings, corresponding to: (1) the total amount of the Retained earnings regarding the Tangible assets' tax revaluation made under special legislation up to 31 December 2016 (and at that date amounted to 44,008,841 Euros); and (2) the amount of other rretained earnings as at 31 December 2016 required to amount the capital increase.