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I, Klébert Renée Machado Gonçalves, Certified Public Translator, duly sworn and registered with the Board of Trade of the Federal District of the Federative Republic of Brazil for the language pairs Portuguese <> English <> Spanish, Registration No. 54, hereby certify and acknowledge to have received a document in Portuguese for translation into English, which I did faithfully, to the best of my ability, as follows:

Corporate Taxpayer ID (CNPJ) 34.028.316/0001-03

BALANCE SHEET ON DECEMBER 31 (in thousands of R$ - BRL)

ASSETS	Note	2012	2011 (Restated)
Current		**3,571,973**	**3,165,389**
Available	4	1,775,033	1,317,216
Cash	4.1	1,033	368
Banks	4.2	6,134	8,903
Investments	4.3	1,767,866	1,307,945
Credits	5	1,418,790	1,270,334
Inventories	6	58,366	45,875
Prepaid Expenses		-	247
Other Assets	7	319,784	531,717
Advances	7.1	111,745	95,818
Amounts to Offset	7.2	172,150	415,110
Legal Debt Collection/Delinquency	7.3	5,720	3,850
Amounts to Investigate	7.4	7,561	5,890
Other Receivables	7.5	22,608	11,049
Noncurrent	8	**6,882,539**	**7,365,483**
Long Term		5,415,284	5,950,790
Investments	4.3	4,213,955	4,685,347
Functional Properties Sold	8.1	2,117	2,371
Deferred Charges	8.2	893,365	925,357
Escrow Deposits	8.3	94,417	102,421
Amounts to Offset	8.4	205,395	173,880
Others	8.5	6,035	61,414
Investments	9	16,137	33,262
Fixed Assets	10	1,403,292	1,348,404
Property		1,496,661	1,380,999
(-) Accumulated Depreciation		(659,275)	(604,601)
Current Assets		2,502,229	2,411,109
(-) Accumulated Depreciation		(1,936,323)	(1,839,103)
Intangible	11	47,826	33,027
Software		252,421	228,892
(-) Amortization			
		(204,595)	(195,865)
TOTAL		**10,454,512**	**10,530,872**

LIABILITIES	Note	2012	2011 (Restated)
Current	12	**3,077,890**	**3,022,634**
Suppliers	12.1	660,801	509,151
Salaries and Other Payment Charges	12.2	911,826	798,368
Social Sec. Charges	12.3	444,000	392,798
Taxes and Contributions	12.4	132,976	559,452
Tax Collections and Receipts	12.6	44,476	48,082
Advances from Customers	12.7	11,648	9,048
International Accounts Payable	12.8	44,087	52,522
Judicial Bonds	12.9	55,302	51,850
Provisions	12.10	-	13,624
Loans and Financing	12.11	16,619	23,428
Profit and Results Sharing	12.12	129,307	42,280
Revenue Received In Advance	12.13	588,987	483,500
Other Debits	12.14	37,861	38,531

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Noncurrent	13	**3,239,806**	**3,611,554**
Loans and Financing	12.11	6,258	22,766
Postalis - Unamortized Reserves	13.1	899,404	1,175,593
Contingent Liabilities	13.2	507,389	450,483
Offset Charges	13.3	123,066	120,750
Warrants and Judicial Bonds	13.4	6,492	1,962
Revenue Received In Advance	13.5	1,697,197	1,840,000
Net Equity	14	**4,136,816**	**3,896,684**
Capital	14.1	2,683,529	2,264,968
Capital Reserves	14.2	-	37,596
Profit Reserves	14.3	1,357,358	1,585,620
Legal Reserves	14.3.1	331,501	279,298
Reserve for Investment Project	14.3.2	495,929	380,965
Unrealized Profit Reserves	14.3.3	529,928	925,357
Additional Dividend Proposed	12.5	95,929	8,500
TOTAL		**10,454,512**	**10,530,872**

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STATEMENT OF INCOME FOR THE FISCAL CYCLES ENDED IN DECEMBER 31st (in thousands of R$ - BRL)

HEADING	Notes	2012	2011 Restated
GROSS REVENUE FROM SALES AND SERVICES	15.1	**14,532,417**	**13,791,061**
DEDUCTIONS FROM GROSS REVENUE		**(562,045)**	**(576,953)**
Taxes and Rebates on Revenue		(540,429)	(501,427)
Cancelled Revenue		(21,616)	(75,526)
NET INCOME FROM SALES AND SERVICES	15.2	**13,970,372**	**13,214,108**
COST OF PRODUCTS SOLD AND SERVICES RENDERED	15.3	**(10,205,371)**	**(8,918,506)**
GROSS PROFIT		**3,765,001**	**4,295,602**
OPERATIONAL EXPENSES		**(3,400,948)**	**(3,403,426)**
Sales	15.4.1	(1,507,002)	(1,535,280)
General and Administrative	15.4.2	(2,611,507)	(2,003,499)
Other Operating Income and Expenses	15.4.3	717,561	135,352
Other Operating Income		827,315	211,273
Other Operating Expenses		(109,754)	(75,921)

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INCOME BEFORE FINANCIAL INCOME AND EXPENSES		**364,052**	**892,176**
NET FINANCIAL CHARGES	15.5	**1,087,756**	**266,223**
Financial Income		1,216,440	711,308
Financial Expenses		(128,684)	(445,085)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTIONS		**1,451,809**	**1,158,399**
INCOME TAX AND SOCIAL CONTRIBUTIONS	16	(407.748)	(275.652)
NET INCOME FOR PERIOD		**1,044,061**	**882,747**

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STATEMENT OF CHANGES IN EQUITY AS OF DECEMBER 31st (in thousands of R$ - BRL)

				PROFIT RESERVES				
	CAPITAL	**CAPITAL RESERVE** *(17.1)*	**TOTAL** *(17.2)*	**INVESTMENTS** *(17.3)*	**PROFITS TO REALIZE** *(17.4)*	**PROFITS CUMULATIVE**	**ADDITIONAL DIVIDEND PROPOSED**	
Balance on 31/12/2010 (restated NE 3)	**2,919,060**	**37,633**	**250,803**	**392,800**	**796,539**	**(184,032)**		**4,212,803**
2011 Additions to Reserves:								-
Property received/returned from donation		(37)						(37)
Income for period						882,747		882,747
Allocations:								-
Legal Reserves			28,495			(28,495)		-
Investment Projects	194.737			(11.835)		(182.902)		-
Profits to Realize					128,818	(128,818)		044-
Minimum dividends/Interest on Equity (25%) - NE 17.5	(848,829)					(135,000)		(1,023,829)
Additional Prepaid Dividends - NE 17.5						(214,650)		(175,000)
Additional Dividend Proposed						(8,500)	8,500	-
Balance on 31/12/2011 (restating NE 3)	**2,264,968**	**37,596**	**279,298**	**380,965**	**925,357**	**-**	**8,500**	**3,896,684**
2012 **Prior Year Adjustments:**								-
- Effects of changes in accounting criteria								-
- Correction of errors in previous fiscal cycles								-
Capital Increase:								-
- With Profit and reserves	418,561	(37,596)		(380,965)				-
Income for period:						1,044,061		1,044,061
Allocation of Profits:								-
- Legal Reserves			52,203			(52,203)		-
- Investment Projects				495,929		(495,929)		-

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2 - Profits to Realize - Dividends from Previous Fiscal Cycle - Minimum dividends/Interest on Equity (25%) - Additional Dividend Payments - Previous Cycle - Additional Prepaid Dividends - Additional Dividend Proposed					(395.429)	395,429 (395,429) (247,965) (152,035) (95,929)	 (8,500) 95,929	- (395,429) (247,965) (8,500) (152,035) -
	2,683,529	-	331,501	495,929	529,928	-	95,929	4,136,816

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STATEMENT OF AMOUNTS ACCRUED ON DECEMBER 31st

(in thousands of R$ - BRL)

	2012		2011	
I - GENERATION OF ACCRUED AMOUNTS	**15,334,353**		**13,909,138**	
Operating Income	14,510,801		13,715,535	
Provision for Credits of Doubtful Settlement	(3,762)		(17,671)	
Other Operating Income	788,299		18,291	
Non-operating Income	39,016		192,983	
Inputs Acquired from Third Parties	**4,811,412**		**4,262,951**	
Cost of Services Rendered	4,204,426		4,088,022	
Services Acquired from Third Parties	363,037		245,196	
Materials Consumed	26,834		25,420	
Advertising and Communication	93,240		49,501	
Utilities and Services	1,224		(372)	
Other provisions	122,650		(144,816)	
Gross Accrued Amounts	**10,522,942**		**9,646,187**	
Depreciation/Amortization	(284,631)		(285,669)	
Financial Income	1,216,440		711,308	
AMOUNTS ACCRUED AT COMPANY'S DISPOSAL	**11,454,752**	**%**	**10,071,826**	**%**
II - DISTRIBUTION OF ACCRUED AMOUNTS				
Remuneration of Labor	**7,640,567**	**66.7**	**6,580,098**	**65.0**
Salaries, Fees and Benefits	7,039,855		6,084,018	
Profit and Results Sharing - PLR	124,470		89,527	
Social Sec. Charges	476,242		406,553	
Government Remuneration	**2,552,501**	**22.3**	**2,060,791**	**21.0**
INSS charged on Wages	1,204,930		1,026,895	
Taxes and Contributions (except Income Tax and Social Contribution)	863,598		629,426	
Income Tax and Social Contribution	483,973		404,470	
Remuneration of Third-Party Capital	**217,623**	**1.9**	**548,190**	**5.0**
Rents, interest, exchange rate variation	202,558		494,883	
Other remuneration paid to third parties	15,065		53,307	
Shareholder Remuneration	**1,044,061**	**9.1**	**882,747**	**9.0**

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Profit/Reserves Retained	548,132		524,247	
Interest on Own Capital and Dividends	495,929		358,500	
TOTAL AMOUNTS DISTRIBUTED	**11,454,752**	**100.00**	**10,071,826**	**100.00**

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STATEMENT OF CASH FLOWS FOR THE FISCAL CYCLES ENDED ON DECEMBER 31st

(in thousands of R$ - BRL)

	2012	2011 Restated
1 - OPERATING ACTIVITIES		
Net Profit for Period	**1,044,061**	**882,747**
Income Items that don't interfere with Cash		
Depreciation and Amortization	284,631	285,669
Capital Reserve Write-offs	(0)	(37)
Provisions	202,637	3,223
Asset Variation and Loss Expenses	117,888	1,673
Equity Variance Revenue	(24,422)	(919)
Fixed/Intangible Asset Disposals	72,050	33,137
Interest on Dividends/Interest on Own Equity	30,539	148,662
Equity Changes		
Credit Increases	(173,118)	(134,294)
Inventory Increases	(12,491)	(118)
Increase in Provisions/Warrants and Judicial Bonds	(431,015)	(66,810)
Increase in Other Assets and Goods plus variation in Long-Term Realizable Profits	181,045	(408,797)
Decrease/Increase in Suppliers	151,650	183,131
Increase in Salaries and Other Payment Charges	113,458	110,419
Decrease/Increase in accrued Liabilities plus variation of Non-Current	(292,590)	(24,481)
Decrease in Revenue Received In Advance	(37,315)	2,258,956
(=) Net Cash from Operating Activity	**1,227,008**	**3,272,161**
2 - INVESTMENT ACTIVITIES		
Investments in Fixed/Intangible Assets	(409,439)	(195,228)
Financial Investments	471,392	(1,337,918)
Allocations in Investments	17,125	(215)
(=) Net cash from Investment Activities	**79,078**	**(1,533,361)**
3 - FINANCING ACTIVITIES		
Transfers to the Union - Interest on Own Capital and Dividends	(824,952)	(1,740,291)
Loans and Financing	(23,317)	(23,504)
(=) Net cash from Financing Activities	**(848,269)**	**(1,763,795)**
4 - INCREASE IN CASH AVAILABILITY (DECREASE)	**457,816**	**(24,995)**
Cash Balance and Cash Equivalent - beginning of fiscal year	1,317,216	1,342,211
Cash Balance and Cash Equivalent - end of fiscal year	1,775,032	1,317,216

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EMPRESA BRASILEIRA DE CORREIOS E TELÉGRAFOS – ECT

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL CYCLES ENDED ON DECEMBER 31st OF 2012 AND 2011

(Amounts stated in thousands of Brazilian Reais - R$)

NOTE 1 - OPERATING CONTEXT

The Brazilian Postal Service - "Empresa Brasileira de Correios e Telégrafos" (ECT), headquartered in Brasilia/DF and with operations throughout the country and abroad, is a public entity constituted by Decree-Law 509 of 20 March 1969 (amended by Law 12.490/2011) in the form of a Public Company with legal personality of private law, established under the Ministry of Communications and administered according to the precepts of Federal Legislation and its Bylaws (approved by Decree 7483, 16 May 2011).

The organizational structure of the ECT is represented by its Central Administration, which includes the General Assembly, the Supervisory Board, the Board of Directors, the Executive Board and Departments and Agencies of the same level.

As per its Bylaws, ECT has as its purpose, as determined by law: to plan, build and operate the postal and telegram service; explore integrated logistics, financial and electronic services; explore related activities and perform other activities authorized by the Ministry of Communications.

Under these terms, the following definitions apply, and are a monopoly of the ECT: postal service is considered to be the receipt, dispatch, transportation and delivery of mail objects, amounts and parcels; telegram service constitutes the receipt, transmission and delivery of written messages written as defined in Law 6.538/78.

In the financial segment, the ECT acts as a banking correspondent, performing basic checking account and saving accounts services, including account opening, withdrawals, deposits and receipt of billing notes, among others.

Pursuant to Law 12.490/2011, the ECT may, for the implementation of the activities defined in its purpose: establish subsidiaries, acquire control or ownership in entrepreneurial companies already established, create commercial partnerships that add value to its brand and provide greater

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL CYCLES ENDED ON DECEMBER 31st OF 2012 AND 2011

(Amounts stated in thousands of Brazilian Reais - R$)

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Pursuant to Law 12.490/2011, the ECT may, for the implementation of the activities defined in its purpose: establish subsidiaries, acquire control or ownership in entrepreneurial companies already established, create commercial partnerships that add value to its brand and provide greater efficiency of its infrastructure, especially its service provision network, provided that they obey the rules specific to the subject matter and the exceptions specified in such rules.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

2.1 - Declaration of Conformity

The financial statements of ECT are the responsibility of its Administration and have been prepared and presented in accordance with Law 6.404/76 and changes established by Laws 11.638/07 and 11.941/09, in accordance with accounting practices adopted in Brazil. In addition to federal legislation, the ECT seeks to harmonize its accounting with international standards, as set forth in pronouncements, interpretations and guidelines approved by its Accounting Pronouncements Committee - CPC.

The financial statements were approved and authorized for publication by the Administration on March 25 2013.

2.2 - Basis for preparation and measurements

The financial statements presented - namely the Equity Balance Sheet - BP, the Statement of Income - DRE, the Statement of Changes in Net Equity - NECS, the Statement of Cash Flows - DFC and the Statement of Amounts Accrued- DVA - as well as these notes, are prepared as per the terms of federal law and accounting pronouncements.

The DFC is prepared via the indirect method and in accordance with terms of Technical Pronouncement No. 03 of the CPC.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair values, as prescribed in accounting practices. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the acquisition date.

2.3 - Functional and presentation currency

The financial statements are presented in thousands of Brazilian Reais (R$), which corresponds to the functional and presentation currency of the ECT.

2.4 - Transactions and balances in foreign currencies

Transactions in foreign currency are converted into the functional currency (R$) using the exchange rates prevailing on the transaction dates. Upon closure of the balance sheet, the remaining balances of the transactions are converted using the exchange rate prevailing on the date of closing. Gains and losses from foreign exchange variation resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.5 - Use of estimates and judgments

In preparing the financial statements, it is required that estimates for certain assets, liabilities and other transactions be utilized, when required. Significant assets and liabilities subject to estimates and assumptions include the residual value of fixed and intangible assets, estimated losses from credits of doubtful settlement (on accounts receivable), and provisions for liabilities and pension

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funds. Since the Administration's judgment involves making estimates concerning the likelihood of future events, actual amounts may differ from these estimates, and can only be known at the time of settlement. Estimates and assumptions are reviewed periodically.

2.6 – Cash and Cash Equivalents

Include cash, bank accounts and highly liquid investments with insignificant risk of change in value, and are stated at cost plus income earned through to the balance sheet date. Cash and cash equivalents are classified as financial assets measured at fair value and their earnings are recorded in the income statement of the fiscal cycle.

2.7 – Credits

Represented by the accounts receivable by clients (including from international Postal Administrations) and other receivables, which are recorded at invoiced or billed amount and are not adjusted to present value where applicable.

The accounts receivable are recorded at net nominal value after deduction of amounts for doubtful settlement credits. The latter is calculated at 97% of the amount to receive from administrative and legal collections overdue for more than 365 days and 70% referring to the defaulted amounts for the phone telegram service, as shown in Note 5.

2.8 – Inventories

Stated at average acquisition cost and adjusted to net realizable value when such present themselves at less than cost value.

Where necessary and deemed relevant, inventories are deducted for losses made in cases of obsolescence of consumables. There was no provision for that item recorded in 2012.

2.9 - Advances

Are mostly represented by balances of salary advances and vacation advances that are discounted in the next month or in installments (depending on the collective bargaining agreement in force).

The other advances consist mainly of receivables from employees assigned to other public agencies. Those calculated (net) from provisions estimated for losses and recognized annually to match the balance overdue for more than 365 days and not paid by the public bodies.

2:10 - Amounts to Offset

Mainly represented by balances still to be offset for payments of the Contribution to Social Security Financing - COFINS, the Social Integration Program - PIS, the Income Tax of Legal Entities - IRPJ and the Social Contribution on Net Profits - CSLL, all originating from federal withholdings made on revenues on services and financial investments.

2:11 - Investments

Some properties are held for revenue generation or appreciation purposes (transferred, rented, vacant). Those are consequently classified as Properties for Investment and recorded at acquisition cost.

The classification policies adopted by the ECT for the recognition of a property as properties for investment are as follows:

a) Transferred/leased - Owned properties where 50% or more of the built up area is occupied by third parties;

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b) Vacant - Owned property no being used by the ECT or where 50% or more of the area is occupied by third parties who are currently vacating the property.

The depreciation of ceded or leased properties and facilities is calculated via the straight-line method with on the same basis and rates used for assets classified as fixed assets.

Non-relevant investments are recorded at cost of acquisition after deduction of provisions for losses. At the moment, there is no intention to sell such assets.

2.12 - Noncurrent assets

Land, buildings, constructions in progress, furniture and fixtures, machinery/equipment and vehicles are stated at cost and/or construction and then subject to deductions for depreciations accumulated and adjusted for monetary variations by December 31, 1995. Professional fees are recorded as part of the cost of constructions in progress.

Constructions in progress are classified into definite categories of fixed assets when completed and ready for their intended use, at which time their depreciation/amortization begins.

Depreciation is recognized based on the estimated shelf life of each asset, calculated via the straight-line method in such a manner that the cost value minus its residual value after their shelf life expires is fully derecognized (except for land and constructions in progress). For improvements in third party properties, depreciation is calculated based on the shorter between the term of the lease agreement and the shelf life of the assets. Depreciation rates by category are presented below:

NATURE OF NONCURRENT ASSET	ANNUAL RATE
Property	4%
Computer Equipment	20%
Facilities, Machinery and Equipment	10%
Light Motor Vehicles	20%
Heavy Motor Vehicles and Motorcycles	25%
Non-Motorized Vehicles	20%
Other Noncurrent Assets	20%

A noncurrent asset item is derecognized upon disposal or when no future economic benefits are expected to result from the continued use of the asset. Any gains or losses on the disposal or de-recognition of a fixed asset are determined as the difference between the amounts received and the carrying amount of the asset, and recognized in income.

This group may also have balances decreased by reclassification of property into investment property if the good complies with the investment properties recognition policy set out in Note 2.11.

Expenditures for maintenance and repair are accounted as expenses if they do not significantly affect the shelf life of the assets, or added to the value of the asset when they contribute significantly to increasing the shelf life of facilities and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as Other Revenue/ Operating Expenses in the income statement (Note 15.4.3).

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Due to changes in Brazilian accounting practices for full adherence to international practices, the initial adoption of Technical Pronouncement CPC 27 (IAS 16) and ICPC 10 - Interpretation of the Initial Application of Fixed Assets - introduced the option to make adjustments to the opening balances in a manner similar to that permitted by international accounting standards, i.e. by using the concept of *deemed cost*. ECT has not yet adopted CPC 27 and maintains its fixed assets recognized at cost and/or construction, deducting accumulated depreciation and adjusting for inflation until December 31, 1995.

2.13 - Intangible

Represented mainly by software not integrated to machines and equipment with definite shelf lives and acquired separately; those are recorded at cost less amortization (calculated as straight-line method at the rate of 10%).

2.14 - Evaluation of impairment of assets

The Administration must annually review the net book value of assets with the aim of evaluating events or changes in economic, operating or technological circumstances that may indicate deterioration or loss of its recoverable amount. When such evidence is identified and the net book value exceeds the recoverable amount, provisions must be made for asset impairment, adjusting the net book value of the asset to its recoverable amount.

With regard to relevant items composed mainly of machinery/equipment and properties, no indications of devaluation by impairment were identified, with recoverability tests being made through future cash flow and specific automated screening equipment.

The Administration's goal is to review the carrying value of long-lived assets starting in 2013, primarily focusing on noncurrent and intangible assets to be held and used in operations with the aim of determining and measuring impairment, either periodically or whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable.

2.15 - Adjustment at present value of assets and liabilities

Monetary assets and liabilities are subject to adjustment impact assessment at present value in the initial record of the transaction, taking into account the contractual cash flows, the explicit (and sometimes implicit) interest rates, respective assets and liabilities and prevailing market rates for similar transactions. Subsequently, this interest is reallocated into the financial income and expenses items in the income statement by using the effective interest rate method over the contractual cash flow. There were no long-term transactions (nor relevant short-term transactions) that qualified for this adjustment in the 2011 and 2012 fiscal years.

2.16 - Contingent Assets

CPC 25 establishes the rules for registration and classification of receivables from companies. Thus, as per this CPC, the statement only registers in its accounting those rights whose inflow of economic benefits for the company is virtually certain, and any other rights previously registered in the asset are classified as contingent assets (as such not being recognized in the financial statements since it may be the result of an income that may never be realized).

The CPC also establishes that additional accounting controls must be kept of carrying amounts classified as contingent assets such that, on the date of the balance sheet, an explanatory note is issued informed the amounts classified as contingent assets whose inflow of economic benefits for the company is probable but not virtually certain.

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Based on historical rates of amounts reimbursed, it was established that 4% of the total amount of debts classified as contingent assets relating to the range account are considered likely to be received, as described in Note 7.3.

2.17 - Payables to Suppliers

These are payables for goods or services acquired from suppliers during ordinary course of business, stated at known or calculable amounts plus (when applicable) the values corresponding to charges and monetary and/or exchange variations incurred through to the balance sheet date. These are classified as current liabilities since their settlement is short-term.

Expenses with suppliers are provisioned on a monthly basis for those cases where it is not possible to input the tax document in the system until the closing date of the accounting balance sheet, given the following conditions are met:

a) there is a future obligation from a past event;

b) there is a likely outflow of resources; and

c) there is a reliable estimate of the obligation.

2.18 - Salaries and Social Charges

The Salaries and Other Payment Charges item is mostly represented by amounts related to vacation charges payable to employees and accrued in proportion to the vesting period at the basis of 1/12 (one twelfth) of the remuneration of each employee accrued by a 70% additional (as per collective bargaining agreement). It also includes balances for amounts payable to employees and/or third parties arising from the monthly recognition of payroll.

The Social Charges item includes contributions payable on the payroll of employees and third parties (INSS and FGTS), as well as short-term amounts due for the pension plan offered to employees and maintained by the themselves and the ECT. It is offered as a settled defined benefit plan and a defined contribution plan.

2.19 - Taxes and Contributions

Represents the amounts to be collected for taxes owed to Municipal, State and Federal Tax Authorities, calculated according to applicable law. These correspond to taxes on revenues (PIS/COFINS/GST/ISS), income taxes (IRPF/IRPF) and taxes withheld for legal liability (ISSQN, INSS, IRF, ICMS and CSRF).

2.20 - Revenue Received In Advance - Advance from Customers

Liabilities (classified under Current and Non-current) represented primarily by the amounts received in advance from contractor Banco do Brasil S/A for the contract established with the ECT to provide banking correspondent services ("Banco Postal"), with provision of services beginning on 02/01/2012 with a five-year term. In accordance with CPC 30 - Revenue (IAS 18), considering that the services correspond to an indefinite number of steps provided for a specific period of time, revenue is here recognized linearly in the income statement over the term of the contract.

2.21 - Contingent Liabilities and Offset Charges

Correspond to provisions for labor and civil claims. The assessment of likelihood of risk of losses includes an assessment of the available evidence, the hierarchy of laws, jurisprudence available, the latest decisions of the courts and their relevance to case law, all under the responsibility of the legal counsel area of the ECT. The provisions are reviewed and adjusted to take into account

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changes in circumstances, such as applicable statutes of limitations, conclusions by tax inspections or additional exposures identified based on new court matters or decisions.

Contingent liabilities are accrued when losses are considered probable and the amounts can be reliably measured. Contingent liabilities assessed as possible losses are only disclosed in the notes.

In 2011, the ECT received a caveat in its Balance Sheet due to independent auditors understanding that the company should reclassify from remote to probable the risks of losses in legal proceedings relating to the question of ISSQN tax exemption on the competitive services of the company, considering the position adopted by the Supreme Court - STF in the records of Extraordinary Appeal No. 601392, whose trial started at the time had voting considered unfavorable for the ECT. However, on 28/02/2013, the Supreme Court recognized reciprocal tax exemption on all services of the Post Office.

2.22 - Distribution of Dividends and Interest on Own Capital

The distribution of dividends and interest on own capital for shareholders is recognized as a liability in the financial statements at the end of the fiscal year, based on the social status of ECT, considering the impacts of amounts distributed in advance. Any amount proposed above the minimum required, or above values that exceed the amounts distributed in advance, will only be provisioned when approved in a General Assembly, as determined in ICPC 8. Interest on own capital is recorded as a contra expense for purposes of tax benefits, as required by federal law, and later attributed to dividends.

2.23 - Loans and Financing

Loans and financing are recognized initially at net, fair value of the transaction costs incurred and subsequently stated at amortized cost. Any differences between the proceeds (net amounts transaction costs) and the liquidation amount is recognized in the income statement during the period in which the loans are in progress using the effective interest rate method.

2.24 - Employee Benefits

a) Pension Fund: The ECT is the sponsor of a closed, nonprofit private pension entity founded on January 26 1981 called Social Security Institute of the Postal and Telegraph Service ("Instituto de Seguridade Social dos Correios e Telégrafos" in Portuguese) - the Postalis - whose aim is to ensure supplemental retirement benefits and pension to ECT's employees and Fund members through the Defined Benefit Plan - PBD and the Defined Contribution Plan - Postalprev. Currently, PBD no longer receives new memberships. Its settlement occurred in March 2008, and the difference from the Technical Reserve for Prior Services was assumed in 2010 in the form of provision. Since 01/08/2010, the obligation is considered a financial debt (and not an actuarial one), with evolution equivalent to the INPC variation plus interest of 6% (six per cent) per annum, less the amortization of payments made.

b) Profit share: is adopted by the ECT based on the achievement of performance targets in the area of operation and on the performance of the company. ECT makes monthly provision respecting the accrual basis, and understands that the estimated amount is reasonable, with outflows likely to occur after the approval of the Financial Statements for 2012. The consideration paid for this provision is recorded in the "general and administrative expenses" item of the income statement.

2.25 - Current and deferred income tax and social contributions

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2.25.1 - Current taxes

The income tax and social contribution amounts charged on net current profit are calculated on a monthly basis according to the tax laws enacted at the time of the balance sheet date and based on taxable profit generated by the ECT.

2.25.2 - Deferred Taxes

Deferred income tax and social contribution amounts were recognized in their entirety, considering the permissions and requirements of CPC 32 (IAS 12) on the differences between recognized assets and liabilities for tax purposes, and their corresponding amounts are recognized in the financial statements. The amounts for deferred income tax and social contribution are determined using the tax rates and laws in force at the date of preparation of the financial statements. Impacts/details can be found in Note 16.

2.26 - Financial instruments

The financial instruments of ECT are represented by cash availability, mainly in the form of investments, accounts receivable, accounts payable and loans.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities recognized at fair value at the time of profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as applicable, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately.

"Amounts receivable by customers" are financial assets that have fixed or determinable payments and are not listed in an active market. Those are measured at amortized cost using the effective interest method less the provision for impairment. Interest revenue is recognized by applying the effective interest rate method, except for short-term receivables for which the recognition of interest is immaterial.

Financial liabilities are classified at fair value through profit or loss or as other financial liabilities. Net gains or losses recognized in revenue include any interest paid on the financial liability. Other financial liabilities are initially measured at net, fair value of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expenses recognized on a yield basis. The effective interest method is a method that calculates the amortized cost of a financial liability and allocates interest expenses over the period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, for a shorter period.

2.27 - Revenue recognition

Although CPC 26 (R1) establishes the minimum mandatory publication of the DRE from Net Revenue, the ECT elected to disclose the Gross Revenue and respective Deductions to ensure better disclosure of its operations.

Net revenue is measured at the fair value of received or receivable consideration, net of estimated returns, trade discounts and/or rebates granted to the buyer and other similar deductions.

Revenue from sales of services is recognized when all the following conditions have been met:

a) There is transference to the buyer of the significant risks and rewards related to the provision of services;

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b) there no maintenance of continued involvement in the management of the services sold in a degree usually associated with ownership nor effective control over such services;

c) the amount of revenue can be measured reliably;

d) it is likely that the economic benefits associated with the transaction will flow to the Company; and

e) the costs incurred or to be incurred in respect of the transaction can be measured reliably;

More specifically, revenue from the sale of services is recognized when the services are rendered.

NOTE 3 - RETROSPECTIVE PRESENTATION OF MODIFIED BALANCES FROM PREVIOUS PERIODS

The constitution of the Deferred Tax Asset occurred in its entirety in 2011, accounting for deferred taxes pertaining to the last five years. However, a further review of the procedures adopted signaled the presence of a temporary provision not considered in the calculation basis of the IRPJ (legal entity income tax) and the social contribution (CSLL) for the years prior to 2010. Thus, the deferred income tax and social contribution balances recorded in Non-current Assets were adjusted to reflect the tax effects of the corrections mentioned above. As a result, Equity for 2009 was increased by R$ 27,145.00, with subsequent periods affected only by the change of the opening balances of assets and equity in accordance with CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 08), as seen in the restatement of balances below:

a) restatement of the opening balances of assets and equity as of 31/12/2009:

Description	Balance on 31/12/09 (Published)	Adjustments	Balance on 31/12/09 (Restated)
Asset			
Noncurrent	**5,646,316**	**27,145**	**5,673,461**
Deferred Charges	718,788	27,145	745,933
Net Equity	**3,759,491**	**27,145**	**3,786,636**
Accumulated Profit		27,145	

b) restatement of the opening balances of assets and equity as of 31/12/2010:

Description	Balance on 31/12/10 (Published)	Adjustments	Balance on 31/12/10 (Restated)*
Asset			
Noncurrent	**5,782,971**		**5,810,116**
Deferred Charges	769,394		796,539
Net Equity	**4,185,656**		**4,212,801**
Accrued Profits			

* Restated the balance for the period due to the adjustments made in 2009.

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c) restatement of the opening balances of assets and equity as of 31/12/2011:

Description	Balance on 31/12/11 (Published)	Adjustments	Balance on 31/12/11 (Restated)*
Asset			
Noncurrent	**7,338,337**		**7,365,483**
Deferred Charges	898,211		925,357
Net Equity	**3,869,538**		**3,896,683**
Accrued Profits			

* Restated the balance for the period due to the adjustments made in 2009.

NOTE 4 - CASH

4.1 - Cash: On 31/12/2012, the amount of R$ 1,033 in cash was distributed heterogeneously throughout 6,376 Postal Service Units present in all states. This amount is intended for use in order cope with operations in the first days of January 2013.

4.2 - Banks: represents the movement of cash in accounts maintained with banking institutions. The balance as of 31/12/2012 amounted to R$ 6,134.

4.3 - Investments: amounts invested in Exclusive Extramarket Investment Funds at the Banco do Brasil Distribuidora de Títulos e Valores Mobiliários S.A. - BBDTVM and the CEF in portfolios composed of Treasury Bills (LTN), National Treasury Notes Series B (NTN-B), National Treasury Notes Series F (NTN-F) and repurchase agreements are recorded at net realization value on the balance sheet date, as detailed below:

4.3.1 – Position on 31/12/2012

	2012		
INVESTMENT	**AMOUNT**		**(%)**
LTN	R$	1,159,111	19.57
NTN-B	R$	3,768,924	63.64
NTN-F	R$	261,715	4.42
Rep. Agr..[1]	R$	802,171	13.54
Subtotal	**R$**	**5,991,921**	100.00
Adjustments[2]	R$	(69)	0.00
Total	**R$**	**5,991,851**	100.00
Income Tax	R$	(10,030)	-0.17
Net	**R$**	**5,981,821**	99.83

[1] Repurchase Agreements. [2] Adm. Fees, future market adjustments and others in the management of funds.

With the amendment of Resolution 3,284 of May 25, 2005 by Resolution 4,034 of November 30, 2011, both from the National Monetary Council, the ECT was forced to change the portfolios of its investment funds. Before this change, the ECT had an investment fund at Bank of Brazil basically composed of Treasury Bills - LFT, which are government bonds that reflect the variation in the SELIC rate. This composition has the characteristic of being of little volatility, i.e. with almost no

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risk of substantial variation in rates. The new legislation forced public companies to divest themselves of LFTs and apply their resources only in NTN-B, NTN-F and LTN bonds, which are securities with higher volatility and repurchase agreements limited to a maximum of 25% of the fund's net assets. It should be noted that this change in the law allowed public companies also to invest their funds into funds of the Caixa Economica Federal (before they were allowed to invest only at the Bank of Brazil). Out of the total net worth of the ECT's investments, R$ 4,507,000 are invested in Bank of Brasil funds and R$ 1,485,000 in CEF funds.

Short-Term Composition (Current)							
Maturity	**LTN**	**NTN-B**	**NTN-F**	**Rep. Agr.**	**Inc. Tax Provision**	**Fund Adjustment**	**Totals**
2013	342,745	548,956	84,094	802,171	(10,030)	(69)	1,767,866
Totals	**342,745**	**548,956**	**84,094**	**802,171**	**(10,030)**	**(69)**	**1,767,866**

Long-Term Composition (Non-Current)							
Maturity	**LTN**	**NTN-B**	**NTN-F**	**Rep. Agr.**	**Inc. Tax Provision**	**Fund Adjustment**	**Totals**
2014	529,810	745,945	153,696	-	-	-	1,429,451
2015	210,762	865,816	20,618	-	-	-	1,097,196
2016	75,793	1,157,916	-	-	-	-	1,233,710
2017	-	252,207	3,307	-	-	-	255,514
2018	-	156,556	-	-	-	-	156,556
2019	-	-	-	-	-	-	-
2020	-	41,528	-	-	-	-	41,528
Totals	**816,366**	**3,219,968**	**177,622**	**-**	**-**	**-**	**4,213,955**

4.3.2 - Position on 31/12/2011

INVESTMENT	AMOUNT	(%)
LFT	5,141,084	85.67
LTN	312,541	5.21
NTN-B	54,424	0.91
Rep. Agreements.[1]	431,719	7.19
Subtotal	5,939,768	**98.98**
Adjustments[2]	(143)	0.00
Multimarket Fund[3]	61,355	1.02
Total	6,000,980	**100.00**
Income Tax	(7,687)	-0.13
Net	**5,993,293**	**99.87**

[1] Repurchase Agreements net of adjustments.

[2] Administration Fee, futures adjustments and others in the management of Fund XIII

[3] Must have investment policies that involve various risk factors, without committing to concentration in any factor (in the specific case, CDI and exchange rates).

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Short-Term Composition (Current)

Maturity	LFT	NTN-B	LTN	Rep. Agr.	Inc. Tax Provision	Fund Adjustment	Totals
2012	884,057			431,719	(7,687)	(144)	1,307,946
Total	**884,057**			**431,719**	**(7,687)**	**(144)**	**1,307,946**

Long-Term Composition (Non-Current)

Maturity	LFT	NTN-B	LTN	Rep. Agr.	Inc. Tax Provision	Fund Adjustment	Totals
2013	1,484,076	32,455	235,588	-	-	-	1,752,119
2014	881,465	21,969		-	-	-	903,434
2015	864,037	-	76,953	-	-	-	940,991
2016	479,550	-	-	-	-	-	479,550
2017	293,623	-	-	-	-	-	293,623
2018	315,630	-	-	-	-	-	315,630
Totals	**4,318,382**	**54,424**	**312,542**	**-**	**-**	**-**	**4,685,347**

NOTE 5 - CREDITS

Recorded at original value net of estimated provisions for losses.

CREDITS	2012	2011
Billed Services	1,140,476	1,077,907
Unbilled Services	21,392	2,819
Credit Cards	6,457	5,330
ACF/Accountability	22,938	56,558
ACF/Traded Debt	2	23
International Debt	172,517	119,411
ACC Debts	105	13
AGC Debts	2,841	2,829
AGF Debts	865	16
Other Debts from Customers	1,882	5,428
Debts Receivable - AGF - Postal Law	5,581	-
Receivables from AGF	43,734	-
Total	**1,418,790**	**1,270,334**

The detailing of services billed and other debts from customers, not including bills under legal collection, divided by maturity date (and unmatured), are detailed below:

MATURITY	2012	2011
Overdue up to 30 days	73,672	71,589
Overdue from 31 to 60 days	19,191	24,322
Overdue from 61 to 90 days	8,451	14,122
Overdue from 91 to 120 days	6,840	11,203
Overdue from 121 to 180 days	11,646	13,331

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Overdue from 181 to 365 days	13,220	14,051
Over 365 days	14,176	8,540
Total overdue	**147,197**	**157,158**
To mature	**995,161**	**926,178**
Total Receivable	**1,142,358**	**1,083,336**

5.1 – Estimated Losses for Credits of Doubtful Settlement: recorded at the end of the fiscal year, corresponding to the sum of 97% of the balance of receivables overdue for more than 365 days (including administrative and legal charges), plus 70% of the balance of defaulted amounts for phone telegram service. The increase of R$ 3,762 in expenses under this heading is due to increased default rates for invoices under administrative and legal collection, as shown below. We also observe a reduction in the provisions from delinquencies of the phone telegram service due to losses of R$ 6,779 without possibility of recovery.

Administrative credits with 365+ days in 2012 (97% of the balance)	12,666
Charges under legal collection until 31/12/2012 (97% of the balance)	50,383
Delinquencies from the Phone Telegram Service (70% of the balance)	453
Final provisioned balance on 31/12/2012	**63,502**

Administrative credits with 365+ days in 2011 (97% of the balance)	7,837
Charges under legal collection until 31/12/2011 (97% of the balance)	44,912
Delinquencies from the Phone Telegram Service (70% of the balance)	6,991
Final provisioned balance on 31/12/2011	**59,740**

Below, the statement of changes in estimated losses on doubtful settlement credits.

PECLD TRANSACTIONS	**2012**	**2011**
Balance on January 1st	59,740	42,069
Additions	25,289	25,913
Charge-offs	(21,527)	(8,242)
Balance on 31 December 2012	**63,502**	**59,740**

5.2 - Billed Services: correspond to amounts owed to ECT for services rendered/sales of products to customers and are represented by invoices under banking, administrative or legal invoices.

5.3 - Unbilled Services: correspond to amounts owed to ECT for services rendered to customers currently undergoing invoice issuance.

5.4 – ACF/Accountability: refers to the amounts owned by franchisees corresponding to the collection of the second half of the month.

5.5 – International Debt: the amount of R$ 172,517 corresponds to amounts owned to ECT arising from relationships between the ECT and other postal services of the world. The balance of 2012 is influence by the accounting adjustment and charge-offs of the balances of prior years.

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INTERNATIONAL DEBIT TRANS.	Balance 2012	Additions	Charge-offs	Adjustments	Balance 2011
International Debt	172,517	234,461	(157,830)	(23,525)	119,411

5.6 – Other Debts from Customers: refer to values not recorded as revenue receivable. The reduction of the balance is mainly due to the charge-offs loss of debts of phone telegram service without collectability.

5.7 - Debts Receivable - AGF - Postal Law: corresponds to product sales under the Postal Law made to the AGFs.

5.8 - Receivables from AGF: refers to the amounts owned by franchisees corresponding to the collection of the second half of the month.

NOTE 6 - INVENTORIES

Stored in two large materials distribution centers responsible for supplying, systematically and timely, the administrative units, customer service units and other operational units of the ECT.

STORED MATERIALS	2012	2011
Consumables	45,329	32,665
Materials for resale/warehouses	12,694	6,916
Material in transit	-	5,844
Consignment Material	343	450
TOTAL	**58,366**	**45,875**

NOTE 7 - OTHER ASSETS

7.1 - Advances

ADVANCES	2012	2011
Salary Advances	3,224	2,613
Vacation Advances	107,328	89,846
Other Advances	1,193	3,359
TOTAL	**111,745**	**95,818**

7.1.1 - Other advances :: refers to advances made to employees for payment of expenses subject to later verification for reimbursement and to the amounts owed by other public bodies relating to employees assigned to those bodies. The balance of employees assigned - R $ 1,071 - is net of

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estimated provision for losses of R$ 1,364, which was constituted at the basis of 54% of the account balance.

7.2 - Amounts to Offset

Correspond to the values of taxes, social security contributions and other amounts paid or advanced that will be compensated during settlement of the triggering event, compounded as follows.

AMOUNTS TO OFFSET	2012	2011
Maternity Bonus	582	544
IRRF/Financial Investments	72,698	89,999
ICMS to recover/offset	131	57
Income Tax to repay	15	26,448
CSLL to repay	5	23,274
PIS to repay	676	-
COFINS to repay	3,122	-
Income tax withheld - Law 9,430	67,952	68,626
CSLL withheld - Law 9,430	13,739	9,829
COFINS withheld - Law 9,430	8,330	18,549
PIS/PASEP withheld - Law 9,430	1,774	3,983
INSS retention by customers	188	538
Undue collection - Law 10,833/03	500	331
Undue collection - INSS	197	239
INSS: benefit payments/Employees	0	33
Other Taxes and Social Charges to Offset	2,241	172,660
TOTAL	**172,150**	**415,110**

7.2.1 - Income Tax Withheld: the amount refers to compensable income tax levied on income from investments. Due to the tax loss recorded in the fourth quarter of 2012, there was no use of availability.

7.2.2 - Income Tax and Social Contribution to Repay: in calendar year 2011; the Legal Entity Income Tax (IRPF)/Social Contribution (CSLL) was recalculated for the period January/2007 to December/2010, especially in relation to non-deductible provisions. This recalculation generated amounts to offset for these taxes (beyond the payables, represented by collections higher than the applicable rates in some quarters. During 2012, tax credits were used to settle the obligation resulting from the recalculation, causing a significant reduction in the carrying amounts.

7.2.3 - Taxes and Contributions / Law 9,430/1996: refers to taxes and contributions withheld by bodies of the Federal Government upon the payment of invoices for services rendered or products purchased. The increased balance is mainly due to the of reclassification from non-current to current of the amounts withheld by Banco do Brasil S/A upon signature of the contract for access to the Postal Bank service, as well as to the accumulation of unused deductions in view of the fiscal loss scenario of Q42012.

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7.2.4 - Other taxes and social charges to offset: the significant reduction in the carrying amount refers to the use of tax credits to pay off part of the obligations arising from the recalculation of PIS/COFINS for the period between January/2007 and December/2010.

7.3 - Legal Debt Collection/Delinquency

Represents amounts owed to ECT whose recovery is under judicial claim.

LEGAL DEBT COLLECTION/DELINQUENCY	2012	2011
Invoices under legal collection	51,942	46,301
Provision for invoices under legal collection	(50,383)	(44,912)
Checks under legal collection	239	218
Provision for amounts owed to ECT under legal collection	(241)	(209)
Scope	44	34,580
Provision for debts	-	(34,231)
ACF Delinquency	2,823	1,663
Defaulters with legal collection	1,028	1,031
Unaccredited franchisees with legal collection	11,724	12,066
Provision for ACF debt	(13,473)	(13,290)
Debts of employees under legal collection	2,446	2,237
Provision for debts of employees under legal collection	(2,415)	(2,179)
Legal collection of third-party debts	15,983	16,643
Provision for legal collection of third-party debts	(15,541)	(16,181)
AGF Delinquency	1,960	113
Provision for AGF debts	(416)	-
TOTAL	**5,720**	**3,850**

7.3.1 - Invoices under legal collection: the amount of R$ 51,942 refers to the historical amounts delinquent debts whose collection is held by the legal department of ECT. This amount is covered up by a provision for estimated losses in the amount of R$ 50,383, as detailed in note 5.1.

7.3.2 – Illicit debts account: the amount of R$ 44 refers to debts resulting from illicit acts by employees subject to Special Rendering of Accounts - TCE (in Portuguese).

The significant reduction of the amounts recorded in this heading when compared with 2011 is due to the adjustment of accounting practices to comply with the rules for recognition of receivables whose inflow of economic benefits into the company is virtually certain, as established by CPC 25. See note 2.16

For comparison purposes, if the reclassification of contingent assets had been held in this account in 2011, the result would have been as follows:

Heading	2012	2011
Range	44	36
Total	**44**	**36**

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The historical rates of previous fiscal years point to a possible receipt of 4% of the contingent asset. In 2012, this percentage amounts to R$ 1,534.

7.3.3 - Unaccredited franchisees with legal collection: the amount of R$ 11,724 refers to debts of Franchised Post Office Branches - ACFs disaccredited in view of non-compliance with provisions of the franchise agreement. For these cases, ECT has filed collection claims. The estimated provision for losses is calculated monthly on a basis of 30% of the balance recorded until the previous month's sub of delinquent ACF subheading and 100% of the balances accumulated until the previous month of the delinquent subheading subjected to legal collection and disaccredited with judicial collection.

7.3.4 - Debts of employees under legal collection: the amount of R$ 2,446 refers to debts owed by former employees and verified in regular proceeding whose value is below the minimum defined by the Brazilian Superior Court of Audit ("Tribunal de Contas da União" - TCU) for the establishment of Special Rendering of Accounts, as well as other exceptional cases where it has not been possible to effect the discount through payroll. The provision for estimated losses is calculated monthly, based on 99% of the accumulated balance until the previous month of the debits account for employees under legal collection.

7.3.5 - Legal collection of third-party debts: of the amount of R$ 15,983, R$ 11,764 are shown in the table below and the rest is related to the collection of suppliers for contractual vices or other charges. There is a record of provision with estimated losses for this asset in the amount of R$ 15,503, based on 97% of the accumulated balance until the previous month.

Debtor	Amount	Note
Interunion Capitalização – Papa-Tudo	11,764	Under negotiation/analysis for credit settlement by out of court agreement. Liquidator was appointed.

7.4 - Amounts to Investigate

LOSSES UNDER INVESTIGATION	2012	2011
Losses to investigate - external offenses	16,951	13,556
Losses to investigate - internal offenses	42,557	29,922
Estimated provision for losses with amounts to determine	(52,525)	(37,937)
Others	578	349
TOTAL	**7,561**	**5,890**

7.4.1 - External/Internal Offenses: the amounts of R$ 16,951 and R$ 42,557 refer to recorded losses caused by third parties and employees, respectively, whose responsibility investigation processes have not yet been completed. Since the ECT belongs to the Federal Government, all damage caused to its assets are reported to the Superintendence of the Federal Police.

The provision for estimated losses shown in the table above is calculated monthly based as 90% of the sum of the balances accumulated to the previous month of the "internal offenses to investigate" and "external offenses to investigate" accounts.

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7.4.2 - Others: the amount of R$ 578 refers to postal reimbursements to investigate and inventory losses to investigate.

7.5 - Other Credits

OTHER CREDITS	2012	2011
Promissory notes	8	77
International postal money order - imports	182	204
Other payments for third parties	-	4
Traffic fines and claims	-	2,681
Provision for estimated losses from fines and claims	-	(2,655)
Medical service for retirees	2,217	2,130
Other debts from employees	13,135	8,614
Other debts from third parties	7,066	(6)
TOTAL	**22,608**	**11,049**

7.5.1 – Promissory notes: the amount of R$ 8 correspond to amounts owned to ECT supported by promissory notes.

7.5.2 - International Postal Money Order - Imports: the amount of R$ 182 refers to postal money orders sent by International Postal Administrations for payment in national territory.

7.5.3 - Traffic fines and claims: the lack of balance in this account in 2012 is due to the migration of such balance to the Other Debts from Employees subheading, since they have the same accounting role.

7.5.4 – Medical Service for Retirees: refers to co-participation in payments for medical and dental services provided to retirees net of provisions estimated for losses in the amount of R$ 1,273, for which recovery is performed via the Social Security Institute of the Postal and Telegraph Service - Postalis.

7.5.5 - Other debts from employees: the amount of R$ 13,135 refers to debts arising from losses caused by employees, such as cash register differences, disappearance of fixed assets and others. The increase in this balance due to the migration to it of values previously recorded in the Traffic Fines and Claims subheading.

7.5.5 - Other debts from third parties: the amount of R$ 7,066 refers mainly to fines imposed on suppliers for breach of contractual clauses.

NOTE 8 - NON-CURRENT ASSETS

8.1 - Functional Properties: the amount of R$ 2,117 refers to the remaining net balance of estimated provisions for losses, adjusted for inflation, of the sales of functional properties in 1991. The collection and receipt of installments of those properties is under the responsibility of Caixa Economica Federal - CEF, as governed by Law 8,025/90. The estimated provision for losses is

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calculated annually to correspond to 100% of the balances overdue for more than 365 days and not paid by employees and former employees of CEF for later transfer.

8.2 - Deferred Charges: Active deferred tax charges arising from tax losses, negative basis for the social contribution charge and temporary differences were recorded in accordance with CPC 32 - Income Taxes (IAS 12), and take into account the history of profitability and the expectation of generation of future taxable profits. The IRPJ and CSLL deferred must classified as non-current, even if their expected realization is short term. The details of the operations and composition of the heading is in note 16.

8.3 - Escrow, Appeal and Administrative Deposits

Are constituted as follows:

NATURE OF THE CREDIT	2012	2011
Escrow Deposits	8,566	27,556
Appeal deposits	17,814	18,339
Administrative appeal deposits	68,037	55,777
Legal Assistance - free choice	-	749
TOTAL	**94,417**	**102,421**

The amounts of R$ 8,566 and R$ 17,814 refer to deposits made under lawsuits in which ECT is the defendant. The amount of R$ 68,037 refers to deposits made for the filing of appeals in the administrative sphere regarding Fiscal Notices of Debit Issuance - NFLDs. It is worth noting the following:

a) the escrow deposits result from compliance with court orders and receive monthly monetary adjustment;

b) appeal deposits result from the filing of judicial appeals and receive monthly monetary adjustment;

c) administrative appeal deposits are amounts equal to 30% of notices of infraction issued with regard to Fiscal Notices of Debit Issuance - NFLDs applied by the regulatory agency, and receive monthly monetary adjustment. An administrative appeal procedure requires such deposit to be filed.

The liability provision of the proceedings related to these deposits is shown in Note 13.2

8.4 - Amounts to Offset: the balance of R$ 205,395 refers to the amount of federal taxes withheld by Banco do Brasil S/A upon payment of the amounts owed to it for access to business when the contract for the Postal Bank was signed, net of installments classified under Current Assets. The offset of credits began in January 2012, and will remain proportionally used until the end of the contractual term of five years, concurrent with the realization of revenue.

8.5 - Others:

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OTHERS	2012	2011
Other credits to realize	5,249	61,413
Disposed assets	786	-
Total	**6,035**	**61,413**

8.5.1 - Other credits to realize: of the amount of R$ 5,249 in the heading, R$ 3,100 refers to the renegotiation of customer invoices previously recorded as short-term credits. The decrease in the balance in 2012 is mainly due to the redemption of R$ 57,800 related to guarantee deposits made by ECT for commercial contract 531/2005, related to logistics services, signed with the Caixa Economica Federal.

8.5.2 - Disposed assets: refers to the residual value of goods held for sale or disposal.

NOTE 9 - INVESTMENTS

Are constituted as follows:

NATURE OF INVESTMENTS	2012	2011
Non-relevant stakes	3,516	3,516
FINAM	12,794	12,794
FINOR	15,268	15,268
Provision for losses	(28,062)	(28,062)
Museums and collections	918	933
Properties Held for Investment	15,978	27,918
Depreciation of properties held for investment	(5,170)	-
Other investments	895	895
TOTAL	**16,137**	**33,262**

9.1 – Non-relevant stakes and FINAM/FINOR - amounts equivalent, respectively, to non-relevant stakes in Telephone Companies and investments in fiscal incentive programs. It is worth mentioning that the provision for losses with FINAM/FINOR is equivalent to 100% of the balance in view of the negative performance displayed by these funds since 2002. There is no intention to sell these assets in the short term.

9.2 - Properties Held for Investment - Properties transferred, rented or vacant, i.e. that are not used in the production or supply of goods or services or for administrative purposes, are characterized as held by the owner to earn revenue or for capital appreciation, or both, and (under Technical Pronouncement CPC 28 - Investment Property (IAS 40)) are classified as Investments.

The criteria for classification are set out in Note 2.11 and the methods and rates of depreciation are the same of those of fixed assets, as described in note 2.12.

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Heading	Net value on 31/12/2012	Acquisition	Sale	Transfers - inflow	Transfers - outflow	Accumulated Depreciation	Depreciation of written-off assets	Net value on 31/12/2011
Land leased/rented	570	-		867	(17.571)	-	-	17,274
Buildings leased/rented	607	-	-	670	(10.647)	(61)	-	0,644
Premises leased/leased	6	-	-	9	-	(3)	-	-
Vacant	9,624	-	-	10,003	(336)	(43)	-	-
Totals	**10,808**	**-**	**-**	**11,550**	**(28,553)**	**(106)**	**-**	**7,918**

(1) The net value on 31/12/2012 corresponds to the net value of 31/12/2011 accrued by additions to subtracted of write-offs and depreciation/amortization amounts;

NOTE 10 - FIXED ASSETS

The measurement criteria, depreciation methods and depreciation rates are detailed in note 2.12.

Movement and composition of fixed assets

Heading	Net value on 31/12/2012	Charge-offs	Additions	Transfers - inflow	Transfers - outflow	Depreciation/ Amortization	Depreciation of written-off assets	Net value on 31/12/2011
Land	92,786	-	123,735	10,645	(136,570)	-	-	94,976
Buildings	370,628	-	18,742	23,069	(3,146)	(23,973)	-	355,936
Facilities in owned buildings	117,970	-	13,049	(701)	(5,132)	(25,732)	-	136,486
Improvements/facilities in third-party property	37,820	(10,018)	14,257	390	(2.101)	(20.580)	10,005	45,868
Construction in progress	218,183	(63,714)	46,960	130,912	(39,109)	-	-	143,133
Subtotal for Property	**837,386**	**(73,732)**	**16,742**	**164,314**	**(186,057)**	**(70,285)**	**10,005**	**776,399**
Furniture and fixtures	194,446	(6,343)	39,624	1,423	(1,849)	(30,888)	5,225	187,254
Machinery and equipment	156,789	(5,363)	24,039	4,848	(1,113)	(93,412)	5,088	222,703
Motor Vehicles	128,525	(9,773)	98,372	6,766	(10,606)	(41,108)	9,767	75,108
Non-motorized vehicles	3,744	(530)	1,120	5	(33)	(1.208)	497	3,893
Tools and instruments	1,621	(37)	21	10	(10)	(311)	36	1,913
Data proc. equipment	80,781	(26,480)	44,181	1,737	(1,764)	(35,021)	26,418	71,710
Acquisition of assets to immobilize	-	(6,003)	-	-	(2,599)	-	-	8,602
Material and assets to immobilize	-	(823)	-	-	-	-	-	823
Subtotal for Property	**565,906**	**(55,353)**	**207,356**	**14,788**	**(17,974)**	**(201,948)**	**47,030**	**572,006**
Totals	**1,403,292**	**(129,084)**	**424,098**	**179,103**	**(204,031)**	**(272,233)**	**57,035**	**1,348,404**

(1) The net value on 31/12/2012 corresponds to the net value of 31/12/2011 accrued by additions and subtracted of write-offs and depreciation/amortization amounts;

(2) For purposes of cash flow preparation, the total of additions must be subtracted from movements between accounts (R$ 39,109), as it corresponds to transfers from Construction in Progress to Fixed and Permanent Assets, and (R$ 2,599) from the transfers between "acquisition of assets to immobilize" to "immobilized property assets", since those were considered additions at the time of acquisition of the asset or the beginning of the construction work;

(3) The depreciation/amortization of written-off assets was considered only for demonstration purposes. The amounts considered for Cash Flow - R$ 284,600 refers to the depreciation/amortization expenses for 2012 with fixed assets, intangible assets, investment properties and certain assets which have been transferred to the disposed assets account over the year.

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NOTE 11 - INTANGIBLE

Corresponds to s*oftware* not integrated into the machinery and equipment recorded as immobilized assets.

The measurement criteria and amortization methods are detailed in note 2.13.

Composition and changes in intangible assets

Heading	Net value on 31/12/2012	Charge-offs	Additions	Transfers - inflow	Transfers - outflow	Depreciation/ Amortization	Depreciation of written-off assets	Net value on 31/12/2011
Software, licenses and similar.	47,826	(2,184)	27,048	15	(17)	(12.247)	2,184	33,027
Total	**47,826**	**(2,184)**	**27,048**	**15**	**(17)**	**(12.247)**	**2,184**	**33,027**

(1) The net value on 31/12/2012 corresponds to the net value of 31/12/2011 accrued by additions to subtracted of write-offs and amortization amounts;

(2) The depreciation/amortization of written-off assets was considered only for demonstration purposes. The amounts considered for Cash Flow - R$ 284,600 refers to the depreciation/amortization expenses for 2012 with fixed assets, intangible assets, investment properties and certain assets which have been transferred to the disposed assets account over the year.

NOTE 12 - CURRENT LIABILITIES:

12.1 – Suppliers: represent obligations related to purchases of materials and services and other obligations due to suppliers, usually due on the following month.

13.2 – Salaries and Other Payment Charges: correspond to labor obligations due in the current month from fixed and variable expenses; provisions for vacation bonus are based on 1/12 (one twelfth) of the remuneration of each employee plus an additional 70% (as per collective bargaining agreement), recorded monthly; and other withheld payroll taxes.

12.3 – Social Security Charges: correspond to obligations relating to employer contributions. The increase compared to 2011 corresponds to increase in payroll.

SOCIAL SECURITY CHARGES	2012	2011
INSS - employer	101,642	93,743
Postalis - employer	75	796
SENAI additional fee	771	683
Education bonus	9,045	8,633
FGTS	44,810	40,343
INSS - individual taxpayer	837	883
INSS - cooperatives	673	742
Postalprev - employer	20,075	17,210
Reserves to amortize - past service	266,072	229,765
TOTAL	**444,000**	**392,798**

12.4 – Taxes and Contributions:

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Are constituted as follows:

TAXES AND CONTRIBUTIONS	2012	2011
INSS Business - withholding at source	6,542	5,876
INSS withholding - individual taxpayer	318	351
Tax Liabilities (COFINS, PASEP and ICMS)	126,130	364,129
INSS - individual taxpayer	(38)	(39)
ISS - withheld, third parties	23	25
IRF - withheld, third parties	-	0
Charges withheld at source - Law 9,430/1996	1	1
IRPJ	-	145,434
CSLL	-	43,675
TOTAL	**132,976**	**559,452**

In FY2012 Administration proceeded to the collection of the obligations arising from the recalculation of period between January/2007 and December 2010 related to PIS, COFINS, IRPJ and CSLL, which led to significant reduction of the accounting balances when compared to the previous year.

12.5 - Dividends payable: dividends /interest on own capital were calculated at R$ 495,929, as per decision of the Administration, corresponding to 50% of net adjusted profit, of which 25% refers to the minimum mandatory dividend and 25% to the additional dividend. During 2012, interest on own capital was calculated at R$ 239,590 and recorded as a financial expense, which was allocated in the minimum mandatory dividend.

However, by decision of the Board of Directors on 27/09/2012 through Report/CA-045/2012, interim dividend were advanced to the Union at the amount of R$ 400,000 considering the profit until August/2012, which was in the order of R$ 944,900. The remaining amount to be paid, R$ 95,929, was classified in under Net Equity as additional proposed dividend, as established in ICPC 08.

The Bylaws of ECT determines a minimum percentage of 25% (twenty five percent) of the net profit for the payment of dividends to the Union. However, it has been practice to allocate dividends of the order of 50% of the profits since 2006.

Below we present the calculation records for 2012 and 2011.

Statement of dividend calculation	2012
A- Profit obtained	1,044,061
B- Prior Year Adjustments	-
C- Deferred taxes in fiscal year	-
D- Base for calculation of legal reserve (A-B-C)	1,044,061
E- 5% allocated to the legal reserve (D x 5%)	(52,203)
F- Adjusted net income (D-E)	991,858
G- 50% of profit after legal reserve (F x 50%)	495,929
- Mandatory minimum dividend (F x 25%)	248,464

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- Additional dividend (F x 25%)	248,465
I- Interest on Own Capital	239,590
J-Dividends obtained (G-I)	256,339
K- Advances made to the Union	(400,000)
L- additional payable dividend proposed (see note 2.22)	95,929
M- Total dividend paid and additional	**495,929**

Statement of dividend calculation	**2011**
A- Profit obtained	882,747
B- Prior year adjustments (note 3 of 2011) (1)	(184,032)
C- Deferred taxes in fiscal year (note 17 of 2011)	(128,818)
D- Base for Calculation (A-B-C) = Adjusted net profit	569,897
E- 5% allocated to the legal reserve (D x 5%)	(28,495)
F-Profit after legal reserve (E-D)	541,402
G- 50% of profit after legal reserve (F x 50%)	270,701
H- Interest on Own Capital	204,460
I- Dividends obtained (G-H)	66,241
J- Advances made to the Union	(350,000)
L- Additional dividend proposed (see note 2.22)	8,500
M- Total dividend paid and additional	**358,500**

(1) The prior year adjustments were allocated to the 2011 results in order to determine the basis of calculations of the minimum mandatory dividends.

12.6 - Collection and receipts: the obligations that make up this group are composed in the following table. It should be noted that these obligations are paid monthly and as agreed in the contracts with third parties.

COLLECTION AND RECEIPTS	**2012**	**2011**
Receipts for Postalis	26,811	24,072
Issuance of national postal money orders	2,111	3,848
International postal money orders	1,354	376
Sale of third party products and consignments	487	1,163
Bill payments received- utilities	95	225
Bill payments received- private services	373	748
Mail order - delivery	983	1,446
Sales of "título de capitalização"	1,305	118
Receipt of import tax	6,899	7,677
Virtual Services	502	640
Digital Certificate	2,481	0.2
Other receipts/collections	1,075	7,769
TOTAL	**44,476**	**48,082**

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12.6.1 – Receipts for Postalis: refers to transfers to the Social Security Institute of the Postal and Telegraph Service - Postalis - of payroll loans made by ECT employees.

12.6.2 - Issuance of national postal money orders: the amount of R $ 2,111 corresponds to the rendering of postal service money orders (VPN) and electronic national postal money order (VPN-e) services in the national modality.

12.6.3 - Receipt of import tax: refers to amounts received relating to the payment of Import Duty (II in Portuguese) upon delivery of postal items imported from other countries.

12.6.4 - Digital Certificate: refers to the marketing of digital certificates from the SERPRO/RFB Certificate Authority for Individuals and Corporations.

12.7 – Advances from Customers: refers mainly to advances from public agency customers paid in December.

12.8 – International Accounts Payable: the amount of R$ 44,087 represents the obligations to the Postal Administrations, Private Operators and Airlines due to international transactions undertaken by the Postal Service. The balance of 2012 still brings the influence of balances from previous years, accounting adjustments and write-offs, since those balance have been appointed as mostly non-moving balances since 2004.

INTERNATIONAL CREDIT TRANS.	Balance 2012	Additions	Charge-offs	Adjustments	Balance 2011
International Credits	44,087	101,339	(91,274)	(18,500)	52,522

12.9 - Judicial Bonds: obligations arising from judicial sentences plus monthly monetary adjustments. The balance of 2012 is equivalent to obligations due in 2013:

JUDICIAL BONDS	2012	2011
Judicial Bonds (Current)	55,302	51,850
TOTAL	**55,302**	**51,850**

12.10 - Provisions: in order to meet the guidelines of CPC 25, the amount of R$ 13,624 presented in 2011 regarding contract 10.818/2001 with Embratel was reversed in 2012 for not meeting the criteria for liability recognition, considering the remote possibility of disbursement to settle the obligation.

12.11 – Loans and Financing: obligations arising from financing in foreign currency with amortization periods of between five and ten years guaranteed by Banco do Brasil S/A. There is R$ 15,292 in amounts related to the amortization on current assets, and R$ 1,327 have been provisioned regarding interest and fees. On non-current, amortizations amounted to R$ 6,259.

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Financial Agent	Adjustment Cutoff Date	Final Deadline	# Remaining Installments	Amount on 31/12/2012 Foreign Currency	Rate on 31/12/2012	# Installments		In Brazilian Reais			In Brazilian Reais		
						Current	Noncurrent	2013	2014	2015	Current	Noncurrent	Total
KFW	31/12/12	28/02/13	1	EUR 2,641	R$ 2.69540	1	0	7,117	-	-	7,117	-	7,117
JBIC	31/12/12	12/12/15	8	EUR 531,595	R$ 0.02372	4	4	6,351	3,129	3,129	6,351	6,259	12,609
Marubeni	31/12/12	12/12/13	2	EUR 76,882	R$ 0.02372	2	0	1,824	-	-	1,824	-	1,824
Danske Bank	31/12/12	30/09/11	0	EUR 76,882 -	R$ 2.69540	0	0	-	-	-	-	-	-
Provision of Charges and Fees											1,327	-	-
TOTAL											**16,619**	**6,259**	**22,877**

Warranty of Counterguarantee Award Contract No. 10,322 signed on 28/04/2000 between the Company and Bank of Brazil, with a term of 5.706 days (due in 12/12/2015), has Bank of Brazil as the guarantor of External Financing Agreements (JBIC, MARUBENI, KFW and Danske Bank) - a necessary condition at the time. In consideration for the Bank guaranteeing the operations, the ECT pays commissions to two of its branches, "Corporate" and "BB Grand Cayman", and also commits to leave untouched part of its bond in the Exclusive Extramarket 13B Fund.

Below are the details of the installments payable broken down by financial agent and fiscal year:

Financial Agent	2013	2014	2015
KFW	7,117	-	-
JBIC	6,351	3,129	3,129
Marubeni	1,824	-	-
TOTAL	**15,292**	**3,129**	**3,129**

Status of contracts as of 31/12/2011:

Financial Agent	Adjustment Cutoff Date	Final Deadline	# Remaining Installments	Amount on 31/12/2011 - Foreign Currency	Rate on 31/12/2011	# Installments		In Brazilian Reais		
						Current	Noncurrent	Current	Noncurrent	TOTAL
KFW	30/12/2011	28/02/2013	3	EUR 7,921	EUR 2.43420	2	1	12,855	6,428	19,283
JBIC	30/12/2011	12/12/2015	13	JPY 848,074	JPY 0.02431	5	8	7,694	12,923	20,617
Marubeni	30/12/2011	12/12/2013	4	JPY 153,822	JPY 0.02431	2	2	1,870	1,869	3,739
Danske Bank	30/12/2011	30/09/2011	0	EUR -	EUR 2.43420	0	0	0	0	0
Provision of Charges and Fees								1,009		1,009
Total								**23,428**	**21,220**	**44,648**

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12.12 – Profit and Results Sharing - PLR: of the R$ 129,307 reported in this heading, R$ 4,000 refer to pending payments to employees on leave or dismissed from the ECT, R$ 888 refer to technical reserves provisioned to meet potential employee claims in court about the criteria used for the definition of eligible and ineligible employees.

In this fiscal year, R$ 123,982 were allocated to employees under PLR, using the limiter factor of 11,875% of net income for the year and no more than 25% of the dividends distributed. The criterion has been established by the Ministry of Planning, Budget and Management and is within the terms of Resolution 010 of May 30, 1995 by the CCE (Council for Coordination and Control of State-Owned Companies). R$ 487 have also allocated for officials, as approved by the Board of Directors.

Below we present the calculation records for PLR:

Calculation records for Profit and Results Sharing	2012	2011
A- Profit obtained	1,044,061	882,747
B - Deferred taxes in fiscal year		(128,818)
D- Base for Calculation (A-B) = Adjusted net profit	1,044,061	753,929
D- PLR calculated	**123,982**	**89,527**

12.13 - Revenue Received In Advance: most of the total amount of R$ 588,987 consists of R$ 565,600 paid for access to the Banco Postal business (restated) by the Bank of Brazil, appropriated as revenue on a monthly basis according to the implementation of the object; and R$ 13,200 arising from mailbox rents that, in view of the current accrual regime, should be appropriate during 2013.

12.14 - Other Debits

OTHER DEBITS	2012	2011
Sesi/Senai Covenant	6,091	6,089
Security deposit from suppliers	20,468	20,052
Other credits	4,000	2,979
Amounts to be settled	3,800	7,264
Others	3,502	2,147
Total	**37,861**	**38,531**

12.14.1 - Sesi/Senai Covenant: the amount of R$ 6,091 refers to the portion retained by ECT of the payments to be made to SESI/SENAI, as per contract between the parties, for investment in recreation and training programs.

12.14.2 - Security deposit from suppliers: the amount of R$ 20,468 corresponds to cash deposits received as collateral for participation in bidding processes or for contract enforcement purposes.

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NOTE 13 - NON-CURRENT LIABILITIES:

Postalis - Unamortized Reserves

The ECT is the sponsor of a closed, nonprofit private pension entity founded on January 26 1981 called Social Security Institute of the Postal and Telegraph Service ("Instituto de Seguridade Social dos Correios e Telégrafos" in Portuguese) - the Postalis - whose aim is to ensure supplemental retirement benefits and pension to ECT's employees and Fund members through the Defined Benefit Plan - PBD and the Defined Contribution Plan - Postalprev.

Currently, PBD no longer receives new memberships. Its settlement occurred in March 2008 and the balance recorded so far was of R$ 632,800.

In March 2009, Postalis submitted for approval by the Board of Directors of ECT the funding plan for the paid-off defined benefit plan for the year 2009. This document presented the actuarial valuation of the paid-off DB plan, with allocation of R$ 793,000 as the additional amount necessary to cover the actuarial risk (Prior Service Time Reserve or "past service" - RTSA) resulting from the payoff of the Postalis DB plan.

On 05/05/2010, the Board of Administration and Fiscal Board issued a joint decision that the ECT recognize the additional RTSA presented in 2009. Thus, the 2009 balance recognized an additional liability of R$ 793,000.

On 30/10/2010, the Department of Coordination and Governance of State-Owned Companies of the Ministry of Planning, Budget and Management, through circular letter 344/2010, issued favorable position for ECT to recognize and assume the difference in the contributions for the RTSA, and also explicitly recommended that ECT hired a R$ 1,489,800 debt, which would be considered a financial debt as of 01/08/2010, with increases equivalent to the INPC rate plus interest of 6% (six percent) per annum minus the amortization of payments made. This position was also ratified by circular letter 60-DEST-MP of February 14, 2011, and technical note 39/DEST-MP of the same date. Internally, the approval occurred through Report/DIGEP 040/2010 of 15/12/2010.

Despite the fact that the term of agreement between the two parties - ECT x Postalis has not yet been signed, it is incumbent upon the ECT, for prudence and in compliance with CPC 25 - Contingent Assets and Liabilities, to record these amounts in the form of provision, considering that it should be recognized when: the entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the obligation can be made.

Thus, ECT has begun to consider a liability of R$ 1,489,800, with base date of 01/08/2010, as a financial liability. Within this context, the Postalis Unamortized Reserves - RTSA heading totals at an amount of R$ 1,165,500 in the balance sheet, divided between Current (R$ 266,100) and non-current (R$ 899,400) assets. It should be noted that the amount corresponds to that presented in the financial statements of Postalis in 2012, and that monthly installments are paid by Postalis corresponding to 7.507% of the payroll of active employees with active and assisted DB Plans, a figure accepted by ECT upon approval of the costing plan/2009.

Finally, it is worth mentioning that the 6th Extraordinary Meeting of the General Assembly held in October 2012 decided for the approval of the financial statements for 2010 and 2011, stressing,

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however, the need for evaluation by the competent bodies of the amounts recorded in the heading "Postalis Liabilities - Unamortized Reserves and Social Charges", considering the divergence of understanding with the National Treasury Secretariat - STN regarding the amount recorded.

13.2 – Contingent Liabilities: ECT, in the normal course of its operations, is involved in labor and civil lawsuits. The Company has recorded provisions for lawsuits in amounts considered by legal counsel and the Administration to be sufficient to cover probable losses.

The majority of labor claims are filed by former employees or employee unions. Provisions for probable losses represent various claims made, including: compensation, overtime, mischaracterization of working hours, position bonus, representation, and others.

In civil proceedings, the highlights are mainly to collection claims brought by vendors due to perceived vices in contracts for the provision of services and/or supply of products.

Provisions are recorded based on 100% of the value of each lawsuit filed against ECT whose outcome is evaluated by the legal department as a probable loss. On December 31, 2012, these provisions, restated, amounted to the figures presented as follows, broken down according to the nature of the claims:

13.2.1 - Changes in contingent liability provisions:

Nature	Balance on 31/12/2011	Provisions reversed or with risk status altered	Amount converted into Judicial Bond	Additional Provisions	Amount altered(1)	Restatement	Balance on 31/12/2012
Labor	228,359	(19,603)	(18,879)	55,873	541	11,206	257,497
Civil	222,112	(14,135)	(1,068)	9,391	11	33,581	249,892
Tax	12	(12)	-	-	-	-	-
Total	**450,483**	**(33,750)**	**(19,947)**	**65,264**	**552**	**44,787**	**507,389**

(1) Refers to the change in the provision amount of some claims at the discretion of the legal department.

It should be noted that part of the contingent balance is supported by judicial deposits and appellate deposits (as detailed in Note 8.3).

We present below the current status, under the current legal framework, of major lawsuits with probable loss:

CLAIMANT	NATURE	UPDATED MAXIMUM EXPOSURE
Transbrasil	Civil Late payment/restatement - administrative contracts - administrative law and other matters of public law.	R$ 76,696

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CLAIMANT	NATURE	UPDATED MAXIMUM EXPOSURE
Vasp	Civil Late payment/restatement - administrative contracts - administrative law and other matters of public law.	R$ 68,495
Varig	Civil Late payment/restatement - administrative contracts - administrative law and other matters of public law.	R$ 50,021
Regional Union of Postal Workers of Campinas and Rio Claro.	Labor Payment of labor charges - horizontal wage progression.	R$ 42,998.
SINTECT - Ceará	Labor Payment of URPs - Price Reference Units - and deployment in payroll.	R$ 26,179.
SINTECT - PI	Labor URP's	R$ 24,684

13.2.2 - Non-provisioned judicial and administrative proceedings

13.2.2.1 - Possible loss

As of 31/12/2012, ECT was a defendant in 20,249 other lawsuits in civil and labor courts in which it had already lost in the first instance, i.e. configuring a possible loss. The amount requested in those proceedings totaled R$ 1,462,000. It was also a defendant in over 7,298 administrative proceedings and 348 suspended proceedings, the amount for all of which corresponds to approximately R$ 4,225,000. According to CPC 25, provision for these contingencies is not allowed due to the legal risk still being one of possible loss.

13.3 – Offset Charges: the amount of R$ 123,068 refers to taxes (PASEP, COFINS and INSS) that have not been collected and are offset with credits at the amount determined in a study conducted by IAB - Assessoria Tributária Ltda., during a judicial lawsuit when the compensation offered was rejected.

	2012	2011
Offset Charges	123,068	120,750
Total	**123,068**	**120,750**

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13.4 – Warrants and Judicial Bonds: obligations arising from judicial sentences plus monthly monetary adjustments. The balance of 2012 is equivalent to obligations due in 2013:

WARRANTS/JUDICIAL BONDS	**2012**	**2011**
Judicial Bonds (Non-Current)	6,492	1,962
TOTAL	**6,492**	**1,962**

13.5 - Income Received in advance - the balance of R$ 1,697,197 corresponds to receivables in lieu of access to the Banco Postal services through contract established with the new partner, Banco do Brasil S/A. The recognition of income will be made proportionally throughout the term of contract (5 years).

NOTE 14 - EQUITY

14.1 - Shareholding Structure of the Capital:

CAPITAL	**SHAREHOLDER**
R$ 2,683,529	Capital fully established by the Union in accordance with Article 6 of Decree-Law 509, March 20, 1969. In 2010, according to Report 025/2010, the Board of Directors approved a capital increase from R$ 1,868,964 to R$ 2,919,060, to be incorporated with then existing reserves in the amount of R$ 1,050,095. The new Statute of the ECT, approved by Decree 7,483 of May 16, 2011, states that the Capital is of R$ 1,868,964. The 1st Annual General Assembly held on 29/06/2011 rectified the prior approval of Capital increase, approving only a capitalization of R$ 201,267, after which the paid up Capital on 31/12/2011 was of R$ 2,070,231. The remaining amount from the previously approved capitalization (R$ 848,829) was transferred to the Union in the form of supplementary dividends, with the restatement disclosed in Note 16.5, 2011. The 6th Annual General Assembly approved the capitalization of further R$ 194,737, resulting from the reversal of investments made in FY2011, after which the Capital reached the amount of R$ 2,264,968. The value of new capital has not yet been changed in the Statute. In 2012, together with the presentation of financial statements, a further capitalization of R$ 418,561 is proposed. The capital is to be obtained from the reversal of investments made during the year (R$ 380,965) and from capital reserves (R$ 37,596), after which the Capital reaches the amount of R$ 2,683,529.

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14.2 - Capital Reserves: the lack of balance in this heading in 2012 is due to the proposed capitalization of the full amount of the reserves, valued at R$ 37,596, arising from assets received as donations from public bodies. See note 17.1

14.3 - Profit Reserves

14.3.1 - Legal Reserves: the amount of R$ 52,203 was constituted through the appropriation of 5% of net income in the fiscal year, as stipulated in Article 193 of Law 6.404/76, which totaled R$ 331,501 in 2012;

14.3.2 - Investment Reserve: the Board of Administration approved the budget proposal for Investment at the amount of R$ 831,009 for Fiscal Year 2013, in accordance with Brazil's Annual Budget Law (LOA). Given this context, it was proposed that an Investment Reserve be constituted with the remaining R$ 495,929. It should be noted that a capitalization of reserves was proposed for the investments made in 2012, as per Note 14.1.

14.3.3 - Unrealized Profit Reserves: due to the proportional realization IRPJ/CSLL deferred from taxes pertaining to the years before 2011, the Administration earmarked R$ 384,270 for the payment of dividends, since, from a financial point of view, there was an increase in cash assets through the reduction the amounts payable for these taxes.

Total Unrealized Profit Reserve	**925,357**
Realization of Deferred	
Tax Loss	99,725
Suppliers provision	111,206
Postalis	121,137
12.9 - Judicial Bonds	16,893
Provision for Illicit-related debt accounts	11,639
Other Provisions	23,671
Net Realized Profit	**384,270**

However, by decision of the 6th Annual General Assembly held on October 18, 2012, there was a reversal of this reserve to the amount of R$ 395,429 from the balance disclosed in the 2011 financial statements.

NOTE 15 - INCOME STATEMENT FOR THE YEAR

15.1 Gross Revenue from Sales and Services

Operating revenues result from a number of postal activities, including, for the internal market, franking, message delivery, direct marketing, parcels, express delivery, financial activities, convenience stores, email, integrated logistics and sales of consumables. It is also composed by international revenues, which are derived from mail objects sent abroad and services rendered through agreements with other Postal Administrations and Companies.

15.2 - Net Income from Sales and Services

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Reached the amount of R$ 13,970,372 in in 2012. Taking into consideration the ten biggest highlights in sales, it is identified that the Authorized Franking of Letters and SEDEX contributed 34% and 29% of sales revenue, respectively, a scenario that is virtually unchanged from what was seen in 2011.

REVENUE	2012	2012 (%)	2011	2011 (%)
Authorized Franking of Letters	4,556,719	34	4,307,587	34
Sedex	3,856,718	29	3,637,253	28
Posting Contracts	1,376,839	10	1,288,810	10
Decorated Stamps	805,212	6	963,910	7
Practical, Affordable and Reliable (PAC) parcel delivery system	764,190	5	580,894	4
Direct Postal Marketing	607,689	5	612,991	5
Courier/Serca	491,862	4	457,207	4
Philately	489,583	4	342,804	3
Postal Bank	225,059	2	322,883	3
Schoolbook Delivery (National Fund for the Development of Education)	219,683	1	237,186	2
TOTAL	**13,393,554**	**100**	**12,751,525**	**100**

15.3 - Cost of Products Sold and Services Rendered

Costs in 2012 totaled R$ 10,205,371. Of this total, R$ 6,804,813 was spent on personnel costs and charges and the remainder was distributed mostly between costs of providing third-party services, transportation and consumables.

15.4 - Operational Expenses

15.4.1 - Sales

Represent the costs of promotion, distribution of products / services and the risks assumed by the sale. Reached a total of R$ 1,507,002.

15.4.2 - General and Administrative Expenses

Represent expenses paid or incurred into for the direction or management of the company, and are made up of various general activities that benefit all phases of the business. Reached the amount of R$ 2,611,507.

15.4.3 - Other Operating Income and Expenses

Refer to gains or losses arising from transactions that do not constitute ordinary activities, as detailed below, with highlight for the down payments for the Postal Bank service, which went from R$ 5,961 to R$ 47,137 per month after the new concession of the Postal Bank to Bank of Brazil as of January/2012:

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OTHER OPERATING INCOME AND EXPENSES	2012	2011
Other Operating Income	**827,315**	**211,273**
Annuity from ACFs	8,824	2,353
Property Rent	946	1,269
Occupancy Fee	488	454
Fines - Customers	28,766	23,085
Fines - Suppliers	65,811	59,225
Expenses Recovered	111,074	24,720
Dividends/Interest on Equity	166	95
Equity on Revenue Variance	210	227
Tender Fees - Own Units	-	35,888
Permit Fee - Outsourced Units	2,067	620
Fee for Use of Franking Machine	3,407	3,261
Bonus - Postal Bank	565,552	70,958
Cancelled Revenues (C/R)	(8,300)	(37,864)
Other Operating Income	9,288	8,692
Non-operating Income	39,016	18,291
Other Operating Expenses	**(109,754)**	**(75,920)**
Taxes bound to income	(108,434)	(74,039)
Losses on Disposal of Assets	(1,320)	(1,882)
TOTAL	**717,561**	**135,352**

15.5 - Net Financial Charges

Correspond to expenditure net of financial income. The following table details the composition.

Net Financial Charges	2012	2011
Financial Income	**1,216,440**	**711,308**
Profitability of Financial Investments	1,100,757	629,143
Foreign Exchange Variation	51,608	39,967
Equity on Revenue Variance	24,549	15,957
Other Financial Income	39,526	26,241
Financial Expenses	**(128,684)**	**(445,085)**
Charges of Domestic Debt Financing	(378)	-
Charges of External Debt Financing	(9,616)	(16,364)
Foreign Exchange Variation	(32,378)	(27,343)
Monetary Losses	(702)	(110,586)
Other Financial Expenses	(85,610)	(290,792)
Total	**1,087,756**	**266,223**

The increase in financial income is mainly driven by the increased profitability of investments caused by the changing of the profile of the investment portfolio, the expected yield of future interest in the market and the maintenance of a higher invested balance, as described in Note 4.3.1. Besides these, the heading is composed, mostly, of interest and foreign exchange variation.

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Other Financial Expenses comprise mainly the various fines and bank charges incurred and/or paid for the year.

NOTE 16 - INCOME TAX AND SOCIAL CONTRIBUTION ON PROFIT

Income Tax (IR) and Social Contribution on Income (CSLL)
The cost of income tax and social contribution for the period comprises current and deferred taxes. The income taxes are recognized in the statement of income for that year in the same periods in which the assets and liabilities that generate these effects were accounted for.
Income tax and current social contribution are calculated based on federal tax laws published and in force on the date of the balance sheet in which the taxable result was generated.

Statement of Expenses with IR and CSLL		
	2012	**2011**
Profit before Interest on Own Capital	1,451,809	1,158,398
Interest on Own Capital	(239,590)	(204,459)
Income Before Income Tax (IR) and Social Contributions (CSLL)	**1,212,219**	**953,939**
IRPJ and CSLL, according to the current rate	412,136	324,345
Effect of IRPJ and CSLL on permanent differences	4,315	9,579
Effect of IRPJ and CSLL on temporary differences	(31,992)	29,093
	2012	**2011**
Expenses Accounted		
Additions	885,803	490,578
Exclusions	(917,795)	461,485
Incentivized Sponsorship	(6,703)	(2,719)
Worker Feeding Program (PAT)	(6,785)	(7,302)
National Fund for the Elderly	(135)	0
Total IRPJ and CSLL	**407,748**	**275,652**
Deferred income tax and social contributions	(31,992)	128,818
Current income tax and social contributions	375,756	404,470

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16.2 - Deferred Income Tax (IR) and Social Contribution (CSLL)

The deferred amounts for the Corporate Income Tax - IRPJ and the Social Contribution on Net Income - CSLL are the result of temporary differences, tax losses and negative calculation base. Those are broken down below:

Deferred Tax Assets	Prior Period - 2011	31/12/2011 Balance	31/12/2012 Constitution	31/12/2012 Write-off/ Charge-off	31/12/2012 Balance	Current period - 2012
Temporary Differences	**29,093**	**825,632**	**1,004,314**	**1,025,467)**	**804,480**	**(21,153)**
Labor Contingencies		77,642	24,310	(14,403)	87,549	
Civil Contingencies		75,518	16,737	(7,292)	84,963	
Suppliers - Provision		110,812	823,648	(789,720)	144,740	
Reserves to amortize - past service.		469,764	50,510	(123,970)	396,303	
Other Provisions		91,897	89,110	(90,083)	90,924	
Loss/Carry forwards	**99,725**	**99,725**	**88,885**	**(99,725)**	**88,885**	**(10,839)**
Tax Credits Activated	**128,818**	**925,357**	**1,093,200**	**(1,125,192)**	**893,365**	**(31,992)**
CSLL	34,109	244,947	289,101	(297,570)	236,479	(8,468)
IRPJ	94,709	680,410	803,059	(826,583)	656,886	(23,524)

Active deferred income tax and social contribution assets are recognized only to the extent that it is probable that there will be taxable income for which the temporary differences can be utilized and tax losses can be compensated. The recovery of active deferred tax assets is reviewed at each year end, and when it is no longer probable that future taxable profits will be available to allow the recovery of all assets, or part of them, the asset's balance will be adjusted by the amount expected to be recovered.

The Administration, based on its projections of future taxable income, estimates that the tax credits recorded will be fully realized within five years.

The expectation of the Administration for the realization of tax credits is as follows:

Year	Amounts
2013	341,214
2014	209,817
2015	130,087
2016	80,654
2017 onwards	131,593
Balance	**893,365**

NOTE 17 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

17.1 - Capital Reserves

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As determined by Article 200, section IV of Law 6.404/76, of 2012, a full capitalization is proposed of the total amounts in the reserves, currently at R$ 37,633, related to goods received as donations from public agencies, most of which were incorporated when the ECT was constituted by Decree-Law 509/69.

17.2 - Legal Reserves

It's initial balance of R$ 279,298 was increased by R$ 52,203 from the appropriation of 5% of the company's net income, thus totaling R$ 331,501.

17.3 - Investment Reserve

The amount recorded of R$ 495,929 arose from the net income remaining after the distribution of dividends and the proposed capitalization of R$ 380,965, according to note 14.3.2.

17.4 - Unrealized Profit Reserves

The decrease in the Reserves balance is justified by the realization of R$ 384,270 in IRPJ/CSLL differed from fiscal years prior to 2011 and realized in 2012, which represented an increase in cash assets due to decreased payables from these taxes.

Total Unrealized Profit Reserve	**925,357**
Realization of Deferred	
Tax Loss	99,725
Suppliers provision	111,206
Postalis	121,137
12.9 - Judicial Bonds	16,893
Provision for Illicit-related debt accounts	11,639
Other Provisions	23,671
Net Realized Profit	**384,270**

However, by decision of the 6th Annual General Assembly held on October 18, 2012, there was a reversal of this reserve to the amount of R$ 395,429 from the balance disclosed in the 2011 statements.

17.5 - Minimum Dividends/Interest on Own Capital (25%) and Additional Prepaid Dividends

The Bylaws of ECT determines a minimum percentage of 25% (twenty five percent) of the net profit for the payment of dividends to the Union. However, it has been practice to allocate dividends of the order of 50% of the profits (by determination of the Union) since 2006.

Thus, in order to meet the legislation, the amount of R$ 350,000 presented in the 2011 DMPL under the "Union Dividends and Interest on Equity" heading was restated as follows:

Minimum dividends / Interest on Own Capital (25%)	(135,350)
Additional Prepaid Dividends	(214,650)
Total	**(350,000)**

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NOTE 18 - INSURANCE OF GOODS

ECT does not have a policy of taking out insurance for its property and inventories held in Distribution Centers, mainly due to the fact that the expected cost does not cover the benefit that one may have in adopting this instrument. Exception is made for the property (buildings) covered by insurance and described below. These are linked to Central Administration in Brasilia/DF and the regional offices of Bahia (Northeast) and Rio Grande do Sul (South) that are covered by insurance against fire, lightning, explosion and flooding (the latter only for the buildings of the Central Administration and the Bahia Regional Office):

PROPERTY	INSURANCE AGENCY	AMOUNT INSURED
Headquarters/Brasília	Allianz Seguros S/A	147,998
Apollo Building	Mapfre Vera Cruz Seguradora	3,377
Edifício Pasteur	Mapfre Vera Cruz Seguradora	6,759
Post Office University	Tókio Marine Brasil Seguradora S.A.	23,072
Headquarters Building and Attachments/Bahia	Mapfre Vera Cruz Seguradora	22,443
Brotas Branch	Mapfre Vera Cruz Seguradora	118
Headquarters/Rio Grande do Sul	Mapfre Vera Cruz Seguradora	23,536

With respect to vehicles, there is a specific policy with Chartis Seguros Brasil S.A. covering civil liability for property and bodily damage related to the aeronautical operations of ECT, including civil liability for vehicles and equipment owned by the Company and by the services provided by it during circulation and/or operation in the internal area of airports administered by the Brazilian Airport Infrastructure - INFRAERO. Maximum indemnity (LMI) is of R$ 2,500.

NOTE 19 - OTHER INFORMATION

19.1 - Career and Salary Plan: The Career, Salaries and Benefits Plan and specific legislation on the matter establish criteria for all remuneration paid to directors and employees.

In the 2012, fiscal year, the lowest and highest salaries (without entitlements) paid to of employees occupying permanent positions on the month of December was of R$ 1 and R$ 39, respectively. Considering meal allowances, those remunerations change to R$ 1 and R$ 40, respectively. The average salary without benefits for fiscal year 2012 was of R$ 2 for employees and R$ 35 for the officers.

The ECT does not grant benefits to directors except for Profit Sharing. Employees are granted profit sharing and health care for retirees in addition to the benefits prescribed by labor legislation.

19.2 - Medical Assistance and Health Promotion

Since it is a Self-Managed Singular Sponsored Operator, the ETC is not required to send economic and financial information to the National Healthcare Agency. It must, however, present expenses incurred with the provision of healthcare services separately in its financial statements. Thus, the following discriminate such expenses:

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Heading	2012	2011
Supplemental Healthcare Rates - SUS	-	(57)
Social Medical Services - Natural Persons	34,344	32,529
Social Medical Services - Legal Entities	713,395	595,187
Promotion of Health and Safety	2,407	1,976
Medical Service for Retirees	96,392	77,277
Medical Audit	2,535	1,254
Pharmacy Card	11,562	-
TOTAL	**860,635**	**708,166**

Wagner Pinheiro de Oliveira
President

Luis Mario Lepka
Vice President, Economic and Financial Matters

José Furian Filho
Vice President , Logistics and Orders

Antônio Luiz Fuschino
Vice President , Technology and Infrastructure

Nelson Luiz Oliveira de Freitas
Vice President, Administration

Larry Manoel Medeiros de Almeida
Vice President , People Management

Cleucio Santos Nunes
Vice President, Legal Counsel

Maria da Glória G. dos Santos
Vice President , Customers and Operations

Morgana Cristina Santos
Vice President, Business

Hudson Alves da Silva
Accountant Registration CRC/DF 14022/O-9

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IN WITNESS WHEREOF, I set my hand and affix my seal of office.

Brasília-DF, August 27, 2013.

KLÉBERT R. MACHADO ★ TRADUTOR PÚBLICO JURAMENTADO ★

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