

Consolidated Results
January-September 2019



ctt



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CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY (“COMPANY”)

JANUARY TO SEPTEMBER CONSOLIDATED RESULTS

- **Revenues** strongly grow by 8.8% in the 3rd quarter of 2019, as all business units grew, especially Banco CTT after the integration of 321 Crédito. In the 9 months of 2019 revenues reached €539.6m (+€14.7m, +2.8% year-on-year) with emphasis on **Banco CTT**¹ (+€18.1m), **Financial Services**¹ (+€5.7m) and **Express & Parcels** (+€1.4m) which offset the decline of **Mail & Other** (-€10.4m).
- **EBITDA**² accelerated its growth to 41.7% in the 3rd quarter of 2019, or 17.7% excluding the acquisition of 321 Crédito. In the 9 months of 2019 it achieved €73.3m, a year-on-year increase of €8.2m, or +12.7%. This evolution is due to organic and inorganic growth of **Banco CTT** (+€9.4m) and **Financial Services** (+€7.0m) which offset the declines of **Mail & Other** (-€4.3m) and **Express & Parcels** (-€3.8m).
- The decline of **addressed mail volumes** was -9.5% in the 9 months of 2019 vs the same period of the previous year, an improvement vs 1H19 (-10.3%). The positive evolution is due to a less sharp decline of -7.6% in 3Q19.
- **Operating costs**² amounted to €466.3m (+€6.5m, +1.4% year-on-year), mostly as a result of increased direct and regulatory costs. Excluding 321 Crédito, operating costs increased €1.8m (+0.4%).
- **Operating cash flow** amounts to €23.7m in the 9 months of 2019.
- **Net profit**³ grows to €22.9m (+€11.4m, +99.7% year-on-year), mainly reflecting the operating improvement, including the net contribution of 321 Crédito to the consolidation (+€4.3m), the extraordinary effect of the corporate income tax (IRC) refund related to the deduction of the tax loss on the sale of Tourline by CTT Expresso in 2016 (+€6.8m), and the lower impact of specific items (-€4.5m), which more than offset the increase in impairments and provisions (+€3.5m).

Consolidated Results

	€ million					
	3Q18	3Q19	Δ %	9M18	9M19	Δ %
	Restated		19/18	Restated		19/18
Revenues	169,7	184,6	8,8%	524,8	539,6	2,8%
Mail & Other	118,4	119,0	0,5%	372,5	362,0	-2,8%
Mail	117,2	118,2	0,8%	369,1	358,9	-2,8%
Central Structure	1,2	0,8	-33,8%	3,4	3,1	-7,7%
Express & Parcels	35,9	37,3	3,7%	108,7	110,1	1,3%
Banco CTT ¹	9,0	19,3	113,8%	24,8	42,9	73,1%
Financial Services ¹	6,3	9,0	42,5%	18,9	24,6	30,3%
Operating costs ²	150,7	157,7	4,6%	459,8	466,3	1,4%
EBITDA	19,0	26,9	41,7%	65,0	73,3	12,7%
Leases (IFRS 16)	8,2	6,7	-18,4%	24,9	20,4	-17,9%
EBITDA including IFRS 16	27,2	33,6	23,5%	89,9	93,7	4,2%
Impairments & provisions	0,8	1,7	101,3%	0,5	4,0	»
Depreciation & amortisation	14,6	13,0	-10,9%	42,4	39,5	-6,9%
Specific items	3,2	4,3	33,8%	20,5	16,0	-21,8%
EBIT	8,5	14,5	71,1%	26,6	34,2	28,7%
Financial results (+/-)	-2,4	-2,9	-21,6%	-7,2	-7,9	-10,2%
Income tax for the period	2,1	-2,3	-209,0%	7,9	3,4	-56,6%
Non-controlling interests	0,00	0,03	»	0,03	0,03	6,9%
Net profit for the period ³	4,0	13,9	245,1%	11,4	22,9	99,7%

¹ In 2019 and in the same period of the previous year (proforma), part of the payments segment of the Financial Services business unit is considered within Banco CTT business unit, to which it migrated, and excluded from Financial Services. 321 Crédito was merged into Banco CTT business unit in 2019.

² Excluding depreciation / amortisation, impairments and provisions, as well as the impact of IFRS 16 and specific items.

³ Attributable to equity holders.



1. OPERATIONAL AND FINANCIAL PERFORMANCE OF THE BUSINESS UNITS

MAIL

The **revenues of the Mail** business unit reached €358.9m in the 9 months of 2019, a decrease of €10.2m (-2.8%) vis-à-vis the same period of 2018, although the 3rd quarter posted a slight increase (+0.8%) due to the positive impact of the elections (+€5.3m).

The decrease is mainly due to the combined effect of the decline of €8.0m (-2.4%) in the revenues of **addressed mail** and of €1.4m (-22.2%) in **philately**, mitigated by revenue growth of €0.7m (+12.4%) in **unaddressed advertising mail** and of €0.7m (+9.7%) in **Business Solutions**, and the effective increase in the average price of the basket of national and international services under the Universal Service⁴ (+1.8%).

Mail Volumes

	3Q18			3Q19			9M18			9M19			Million items
			Δ%			Δ%					Δ%	Δ% / working day	
Transactional mail	137.6	127.0	-7.7%	445.2	405.9	-8.8%						-8.3%	
Advertising mail	12.5	11.2	-9.9%	43.1	35.6	-17.3%						-16.9%	
Editorial mail	8.4	8.2	-2.2%	27.5	25.5	-7.5%						-7.0%	
Addressed mail	158.4	146.4	-7.6%	515.7	467.0	-9.5%						-9.0%	
Unaddressed mail	105.6	138.9	31.4%	316.8	376.5	18.8%						19.5%	

The evolution of **transactional mail** volumes (-8.8%) was influenced by the decrease of **domestic ordinary mail** volumes (-10.1%) with less 34.7 million items, mainly in the banking and insurance, utilities & telcos, and Government sectors, as well as of **priority mail** volumes (-16.9%) that posted a reduction of 3.0 million items. **Green mail** grew (+19.8%) due to some product substitution, as the prepaid line of registered mail and priority mail products was discontinued.

Inbound international mail volumes continued to contribute positively to the revenues with an increase of €2.9m (+10.2%). Revenues of the **outbound international mail** (+€4.5m; +14.7%) were positively influenced by the items associated with the 2019 legislative election process, which led to an increase of €4.8m in the 3rd quarter of 2019 over the same period of the previous year.

The downward trend of **addressed advertising mail** volumes slowed down in the 3rd quarter of 2019 to -9.9% (which compares to -15.7% and -25.2% in the 1st and 2nd quarters, respectively) reaching a decline of 17.3% in the 9 months of 2019. The implementation of the new General Data Protection Regulation (GDPR) and the dematerialisation of processes, the change of the business model and the communication and marketing media to other advertising solutions continued to affect this product.

Unaddressed advertising mail maintained an upward trend in the 3rd quarter of 2019 (+31.4%), which compares to 5.9% and 18.5% in the 1st and 2nd quarters, respectively, allowing for a consolidated growth in volumes of 18.8% in the 9 months of 2019 due to the gain of market share. As a result of the legislative elections process, an important infomail communication service was obtained, with a positive influence in the last month of the 3rd quarter.

Business solutions revenues grew €0.7m (+9.7%) vis-à-vis the 9 months of 2018. Special note to the new geographical services offer leveraged by new technological tools and new document production services.

⁴ Including letter mail, editorial mail and parcels of the Universal Service, excluding inbound international mail.



EXPRESS & PARCELS

The **Express & Parcels revenues** amounted to €110.1m in the 9 months of 2019, +€1.4m (+1.3%) vs the same period of the previous year.

Revenues in Portugal totalled €70.5m, +5.9% compared to the same period of 2018. The development of this business in Portugal resulted mostly from the CEP business, which achieved €52.9m (+8.3%), the banking activity that totalled €5.0m (+5.9%), and logistics that reached €2.3m (+5.1%). The cargo business totalled €9.5m (-2.5%). The performance in Portugal has evolved over the year, with the 3rd quarter growing by +9.7% year-on-year in terms of revenues, which compares with growth of +3.5% and +4.4% in 1st and 2nd quarters, respectively. This evolution results from the better development of the CEP and logistics businesses, which grew by +13.1% and +21.8%, respectively.

Volumes in Portugal totalled 15.5 million items, +7.5% over the same period of the previous year. CEP growth was the result of the entry of new customers (mainly in the B2B segment), the increased activity of the B2B and B2C segments, the e-commerce growth and the good performance of the international business. The international business contributed €0.9m (+18.7%) to the CEP business, reflecting, on the one hand, the growing volumes to Russia and Switzerland and, on the other, a significant increase in volumes originating in Germany and Brazil as a result of trade agreements with operators in those countries. The growth in the banking sector delivery business was due to the entry into force of the renegotiations concluded in 2018 and already during 2019, as well as to the award of new services by the customers.

It should be noted that the **Dott** marketplace (a partnership between CTT and Sonae) is a strategic lever for the development of the B2C market in Portugal, enabling online sales from 561 sales partners; by September it had reached 20 thousand registered users and 10 thousand buyers in the platform. In addition to Dott, the launch of CTT NOW has reinforced CTT's portfolio of digital services as the most complete and innovative in the market, enabling, in a digital environment through the CTT NOW app, to command the collection and delivery of items within two hours in the Greater Lisbon area.

Revenues in Spain stood at €37.8m, -€2.8m (-6.9%), vis-à-vis the same period of the previous year mainly due to the 8.7% decline in volumes, greatly influenced by the loss of one of the largest customers of Tourline. Excluding the impact of this large customer, the evolution of revenues and volumes in the 9 months of 2019 would have been +9.7% and +9.6%, respectively, as a result of the capture of new customers and the growth of the franchise network.

In the 3rd quarter of 2019 a new management team with deep local and sector knowledge and experience in turnaround processes took office at Tourline. A Strategic Plan has been designed that focuses on organic growth in companies operating in the B2C segment and aims at achieving operating (EBITDA) breakeven during 2021. The implementation of this plan entails an investment of €12m.

Revenues in Mozambique amounted to €1.7m, +16.5% vs the same period of 2018. This confirms the positive trajectory started in 2018 with the CEP and banking businesses positively contributing to this growth and allowing for the continued increase of the EBITDA of this operation.

BANCO CTT⁵

The **revenues of Banco CTT** reached €42.9m in the 9 months of 2019, a year-on-year growth of €18.1m (+73.1%). These revenues were achieved with a €12.4m contribution from 321 Crédito, acquired in May 2019.

⁵ The Banco CTT business unit includes Banco CTT, Payshop, CTT non-postal payments services and 321 Crédito.



Excluding the inorganic effect of the acquisition of 321 Crédito, the revenues amounted to €30.4m, reflecting a year-on-year increase of €5.7m (+22.9%). The revenue growth of this business unit was positively impacted by net interest income growth (+€3.6m; +65.4%) as the 3rd quarter of 2019 registered 83.2% growth corresponding to an improvement in the trend of the 1st and the 2nd quarters of 2019 which grew by 66.3% and 43.1%, respectively.

The commissions received grew by 87.2% in the 3rd quarter of 2019, particularly those from Cetelem, Retirement Savings Plans ("PPR") products and from transactionality.

Noteworthy was the operating performance of Banco CTT, which led to a significant growth of accounts opened to 438 thousand accounts (+121 thousand than in the 9 months of 2018), along with the continued growth of customer deposits to €1,160.4m (+47.0%) and the mortgage loan portfolio growth, net of impairment losses, to €358.6m (+94.8%). With the acquisition of 321 Crédito, Banco CTT structurally boosted the loan-to-deposit ratio of its credit portfolio from 25.6% as at 30 September 2018 to 69.3% as at 30 September 2019, through the integration in its credit portfolio of an amount of €443.9m, mainly car loans, and the sustained growth of mortgage loans.

FINANCIAL SERVICES

Financial Services revenues stood at €24.6m in the 9 months of 2019, a 30.3% growth over the same period of 2018.

Savings & Insurance products contributed €19.3m to the revenues, corresponding to a 50.9% year-on-year growth. **Public Debt Certificates**⁶ placements reached €2,834.6m (+68.0%), generating additional revenues of €18.1m (+61.7%). This growth is less than proportional to the evolution of the amount of subscriptions due to the 5 bp reduction in the Company's placement fees, in May 2018.

With regard to **Money Orders** (national and international), 10.9 million transactions were carried out, which represented a decrease of 3.3% vis-à-vis the same period of 2018 and translated into €4.1m (-11.0%) in revenues. In the **Payments** business, mainly tax collections, 878 thousand transactions were processed in this period, representing a decrease of 11.2% compared to same period of the previous year, corresponding to revenues of €0.9m.

OPERATING COSTS

Operating costs⁷ totalled €466.3m, +€6.5m vs the same period of the previous year. Excluding 321 Crédito, operating costs totalled €461.6m (+€1.8m; +0.4%).

Operating costs				
	€ million			
	9M18	9M19	Δ	Δ%
Operating costs	459.8	466.3	6.5	1.4%
Staff costs	250.1	252.2	2.0	0.8%
ES&S	190.5	193.5	3.1	1.6%
Other operating costs	19.2	20.6	1.4	7.4%

⁶ Savings Certificates and Treasury Certificates Poupança Crescimento.

⁷ Excluding depreciation / amortisation, impairments and provisions, as well as the impact of IFRS 16 and specific items.



External supplies & services costs increased by €3.1m year-on year, of which €1.9m resulted from the integration of 321 Crédito. Excluding the corresponding inorganic effect, growth is the result of a set of initiatives with good results in physical resources management (buildings and fleet; -€5.8m) that more than offset the increase in direct costs (+€5.0m) from the evolution of the business, including the terminal dues from the legislative elections (+€3.4m), but did not allow to cover the costs with the quality of service measurement as per indicators defined by the regulator (+€1.2m).

Staff costs increased by €2.0m in the 9 months of 2019 but decreased by €0.2m excluding the effect of 321 Crédito. The initiatives within the Operational Transformation Plan have generated savings of €6.1m which offset the salary increases in the 3rd quarter of 2019 (+€1.4m), the increase of fixed-term contracts (+€2.2m), the increase of the number of permanent staff in Banco CTT and Tourline (+€1.2m), as well as career progressions and staff rejuvenation.

Other operating costs grew by €1.4m mostly due to: (i) the increase in interbank fees paid (+€0.8m; +46.7%), as a result of the increase in the number of bank accounts of Banco CTT (+38.2%), which entails higher total transactionality costs; and (ii) the inorganic effect of 321 Crédito (+€0.6m).

The successful execution of the **Operational Transformation Plan** in the 9 months of 2019 and the recent additional measures implemented allow the Company to update the previously announced savings objectives. Thus, for the full year 2019 it is estimated that the operating costs savings reach €16m vs the initial target of €15m, while the 2020 full-year target is set for €18m vs the previous forecast of €15m.

STAFF

As at 30 September 2019, the CTT headcount (permanent and fixed-term staff) consisted of 12,679 employees, 89 more (+0.7%) than in the same period of 2018. This increase is explained by the increase in Banco CTT (+154, of whom 119 result from the integration of 321 Crédito in this business unit) and in the Express & Parcels (+21) business units, which was partly offset by the decrease in the Mail & Other (-83) business unit. Excluding the effect of the integration of 321 Crédito, the number of employees decreased by 30 (-0.2%).

Headcount

	30.09.2018	30.09.2019	Δ 2019/2018	
Mail & Other	11.159	11.076	-83	-0,7%
Express & Parcels	1.149	1.170	21	1,8%
Banco CTT ^(*)	251	405	154	61,4%
Financial Services ^(*)	31	28	-3	-9,7%
Total, of which:	12.590	12.679	89	0,7%
Permanent	10.875	10.833	-42	-0,4%
Fixed-term contracts	1.715	1.846	131	7,6%
Total in Portugal	12.133	12.207	74	0,6%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

There was a decrease of 42 in the number of permanent staff and an increase of 131 in the number of staff with fixed-term contracts. The reduction of permanent staff in the Mail & Other business unit (-204) had a notable impact on this evolution.

Together, the areas of operations and distribution (5,988 employees, of whom 4,385 delivery postmen and women) and the retail network (with 2,558 employees) represent circa 67% of CTT permanent staff.



It should be highlighted that these figures already include 102 staff exits that occurred in 2019, to which are added 429 exits, split into 161 in 2017 and 268 in 2018, which occurred in the context of the Human Resources Optimisation Programme.

EBITDA

The Company generated an EBITDA⁸ of €73.3m in the 9 months of 2019, +€8.2m (+12.7%) vs the 9 months of 2018, with an EBITDA margin of 13.6% (12.4% in the same period of 2018). Excluding the effect of 321 Crédito, EBITDA amounted to €65.5m (+€0.5m; +0.8%).

The evolution of EBITDA was due to the increase in the operating margins of Banco CTT (+€9.4m) and Financial Services (+€7.0m), which offset the decrease in those of Mail & Other (-€4.3m) and Express & Parcels (-€3.8m).

EBITDA by Business Unit

	€ million			
	9M18	9M19	Δ	Δ%
EBITDA	65.0	73.3	8.2	12.7%
Mail & Other	63.6	59.3	-4.3	-6.8%
Mail	97.3	90.2	-7.1	-7.3%
Central structure	-33.8	-31.0	2.8	8.2%
Express & Parcels	2.2	-1.7	-3.8	-176.6%
Banco CTT (*)	-9.0	0.3	9.4	103.5%
Financial Services (*)	8.3	15.3	7.0	84.7%

(*) In 2019 and in the same period of the previous year (proforma), the figures include the migration of the payments services from the Financial Services business unit to Banco CTT.

SPECIFIC ITEMS

In the 9 months of 2019, CTT recorded specific items for an amount of €16.0m, broken down as shown in the table below:

Specific items

	€ million			
	9M18	9M19	Δ	Δ%
Specific items	20.5	16.0	-4.5	-21.8%
Corporate restructuring costs and strategic projects	19.3	14.7	-4.6	-23.7%
Other non-recurring revenues and costs	1.2	1.3	0.1	10.2%

The impact on the results of corporate restructuring and strategic projects (-€14.7m) relates mostly to: (i) costs related to termination of employment contracts by mutual agreement and suspension agreements (-€8.9m) both within the Human Resources Optimisation Programme and costs with consultancy services (-€1.6m) in the context of the Operational Transformation Plan underway; (ii) costs related to the acquisition of 321 Crédito (-€1.3m); and (iii) costs related to the implementation of the changes to the Quality of Service Indicators measurement system (-€1.0m), as required by ANACOM.

⁸ Excluding depreciation / amortisation, impairments, provisions, as well as the impact of IFRS 16 and specific items.



EBIT AND NET PROFIT

EBIT stood at €34.2m in the 9 months of 2019, corresponding to +€7.6m (+28.7%) vis-à-vis the 9 months of 2018 with a margin of 6.3% (5.1% in the same period of 2018).

The consolidated financial results totalled -€7.9m, which represents a decrease of €0.7m (-10.2%) compared to the 9 months of 2018.

Financial Results

	€ million			
	9M18	9M19	Δ	Δ%
Financial results	-7.2	-7.9	-0.7	-10.2%
Financial income, net	-7.3	-7.3	-0.0	-0.3%
Financial costs and losses	-7.3	-7.5	-0.2	-2.5%
Financial income	0.0	0.2	0.2	440.1%
Gains / losses in subsidiaries, associated companies and joint ventures	0.1	-0.6	-0.7	-726.8%

Financial costs and losses incurred amounted to €7.5m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €4.0m, as well as to the interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €2.8m.

In the 9 months of 2019, CTT obtained a consolidated net profit attributable to equity holders of the CTT group of €22.9m, which reflects an increase of €11.4m (+99.7%). This increase is positively impacted by a corporate tax refund of €6.8m as a result of a favourable Tax Authority decision on the deduction of the tax loss on CTT Espresso's sale of Tourline to CTT, S.A. in the 2016 financial year, by the integration of 321 Crédito with a net contribution of +€4.3m to the consolidation, and by the reduction of specific items (-€4.5m), which more than offset the increase in impairments and provisions (+€3.5m).

INVESTMENT

Capex of the Group stood at €18.5m in the 9 months of 2019, +57.5% (+€6.7m) compared to that of the same period of 2018. This growth was mostly due to the acquisition of postal processing equipment (+€6.7m) in the context of the Modernisation & Investment Plan.

CASH FLOW

In the 9 months of 2019, CTT generated an operating cash flow of €23.7m, an improvement (+€21.8m) over the same period of 2018.



Cash flow

	€ million		
	9M18	9M19	Δ
EBITDA	65.0	73.3	8.2
Specific items*	19.3	14.6	-4.6
CAPEX	11.7	18.5	6.7
Δ Working capital	-32.2	-16.5	15.7
Operating cash flow	1.9	23.7	21.8
Employee benefits	-9.6	-10.6	-1.0
Tax	-6.6	3.1	9.7
Free cash flow	-14.3	16.2	30.5
Debt (principal + interest)	-6.1	59.1	65.2
Dividends	-57.0	-15.0	42.0
Financial investments	0.0	-114.4	-114.4
Net change in organic own cash	-77.5	-54.2	23.3
Changes to consolidation perimeter - 321 Crédito	0.0	6.8	6.8
Change in own cash	-77.5	-47.3	30.1
Δ Liabilities related to Financial Services ⁹ & other & Banco CTT, net	-98.7	22.8	121.6
Δ Other ¹⁰	-24.8	6.3	31.1
Net change in cash (Balance Sheet)	-201.0	-18.2	182.8

*Specific items affecting EBITDA.

The positive evolution of the change in working capital vs the same period of 2018 resulted mainly from: (i) the lower amount of payments related to company restructuring in the context of the HR optimisation programme which impacted positively the third-party liabilities (+€12.0m), and (ii) a positive evolution in the management of accounts receivable (+€3.7m).

The change in working capital in the 9 months of 2019 (-€16.5m) was mainly impacted by the change in items related to capex (-€9.7m) and by accounts receivable (-€3.9m), related to the growth of the business.

The €65.2m increase in debt is related to financing operations aimed at carrying out the forecast investment plan and optimise the capital structure.

Financial investments (-€114.4m) correspond to the amount of the acquisition of 321 Crédito (€110.8m) and the capital increases made in the company Mktplace - Comércio Eletrónico, S.A. (€3.6m), better known as the Dott brand.

CONSOLIDATED BALANCE SHEET

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

⁹ The change in net liabilities of Financial Services & other and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities / banking financial assets, of entities of the CTT group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

¹⁰ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Bank of Portugal, outstanding cheques / clearing of Banco CTT cheques and impairment of sight and term deposits, and bank applications.



Consolidated Balance Sheet with Banco CTT under the equity method

	€ million			
	31.12.2018 restated	30.09.2019	Δ	Δ%
Non-current assets	486.6	575.1	88.5	18.2%
Current assets	456.9	437.1	-19.8	-4.3%
Assets	943.5	1,012.2	68.7	7.3%
Equity	135.9	143.6	7.7	5.7%
Liabilities	807.6	868.5	61.0	7.5%
Non-current liabilities	363.5	408.0	44.6	12.3%
Current liabilities	444.1	460.5	16.4	3.7%
Equity and Liabilities	943.5	1,012.2	68.7	7.3%

Consolidated Balance Sheet

	€ million			
	31.12.2018 restated	30.09.2019	Δ	Δ%
Non-current assets	1,108.1	1,638.6	530.4	47.9%
Current assets	746.3	728.4	-17.9	-2.4%
Assets	1,854.5	2,367.0	512.5	27.6%
Equity	135.9	143.6	7.7	5.7%
Liabilities	1,718.6	2,223.4	504.8	29.4%
Non-current liabilities	364.3	499.0	134.7	37.0%
Current liabilities	1,354.3	1,724.4	370.1	27.3%
Equity and Liabilities	1,854.5	2,367.0	512.5	27.6%

The key aspects of the comparison between the balance sheet as at 30.09.2019 and that at the end of the 2018 financial year (restated) are:

- **Assets** increased by €512.5m, mostly due to the increase of credit to banking clients (+€555.7m), particularly consumer credit as a result of the acquisition of 321 Crédito (€443.9m) and the organic increase in Banco CTT (+€111.8m).
- **Equity** increased by €7.7m due to the generation of net income attributable to equity holders of the CTT Group in the 9 months of 2019 for an amount of €22.9m which more than offset the payment of dividends concerning the 2018 financial year in May 2019 for an amount of €15.0m, which represented a gross dividend per share of €0.10.
- **Liabilities** increased by €504.8m, with emphasis on the increase of Banking clients' deposits and other loans (+€344.1m) and on the debt increase (+€49.7m).

As at 30 September 2019, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €258.6m, -€3.1m than in December 2018, as specified in the table below:

Liabilities related to long-term employee benefits

	€ million			
	31.12.2018	30.09.2019	Δ	Δ%
Total liabilities	261.7	258.6	-3.1	-1.2%
Healthcare	251.8	249.3	-2.5	-1.0%
Suspension agreements	1.6	0.8	-0.8	-50.4%
Other long-term employee benefits	7.9	8.1	0.2	2.9%
Pension plan	0.3	0.3	-0.0	-5.1%
Other benefits	0.1	0.1	0.0	41.9%



CONSOLIDATED NET DEBT

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

Consolidated net debt with Banco CTT under the equity method

	31.12.2018 restated	30.09.2019	€ million Δ
Cash & cash equivalents	277,4	246,5	-30,9
Other cash items	0,0	0,0	0,0
Cash & cash equivalents at the end of the period	277,4	246,5	-30,9
Financial Services & other payables, net	201,8	213,6	11,8
Own cash	75,6	32,9	-42,7
Short-term & long-term debt	126,5	174,8	48,4
of which financial leases (IFRS 16)	95,6	84,3	-11,4
Net debt with Banco CTT under equity method	50,8	141,9	91,1

Consolidated net debt

	31.12.2018 restated	30.09.2019	€ million Δ
Cash & cash equivalents	422,7	404,5	-18,2
Other cash items	7,9	14,2	6,3
Cash & cash equivalents at the end of the period	414,8	390,3	-24,5
Financial Services & other payables, net & Banco CTT liabilities, net	268,6	291,4	22,8
Own cash	146,3	98,9	-47,3
Short-term & long-term debt	127,4	177,1	49,7
of which financial leases (IFRS 16)	96,5	86,6	-10,0
Net debt	-18,9	78,2	97,1

The key aspects of the comparison between the financial cash as at 30.09.2019 and that at the end of the 2018 financial year (restated) are as follows:

- **Own cash** decreased by €47.3m due to investments in companies (-€114.4m) and payment of dividends (-€15.0m) partly offset by the generation of free cash flow (+€16.3m) and financing activities, net (+€59.1m).
- **Short-term & long-term debt** increased by €49.7m mainly due to loans obtained amounting to €57.5m which were partly offset by the reduction of the liabilities from financial leases in the scope of IFRS 16.



2. OTHER HIGHLIGHTS

REGULATORY FRAMEWORK

On 01.07.2019, the new procedures stipulated by ANACOM in its decision of 28 December 2018 regarding the **changes to the Quality of Service Indicators measurement system** were implemented.

On 26.07.2019, ANACOM stipulated that CTT should amend its procedures manuals to clarify that postal agencies should accept **complaints** regarding all services, including those not rendered by the agency, and that the Company should purchase a CTT's own complaints book for all postal agencies in public administration bodies. ANACOM was notified of the implementation of the measures within the due deadline, on 08.10.2019.

On 26.08.2019, ANACOM issued its final decision on the process it had started on 10.01.2019 when it instructed CTT to submit a proposal to complement the **density targets of the postal network and minimum service offer** in force until then. This decision, made after a public consultation, confirmed the draft decision of 11.07.2019 and accepted CTT's proposal, to be implemented within 60 days. During this period CTT will have to improve the procedures and corresponding documents on the training and management of postal agencies located in more densely populated areas.

FINAL NOTE

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 9 months of 2019, which are attached.

Lisbon, 30 October 2019

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT's Investor Relations website at:

<http://www.ctt.pt/ctt-e-investidores/relacoes-com-investidores/comunicados.html?com.dotmarketing.htmlpage.language=1>.

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Disclaimer

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for communication of the financial results of the 9 months of 2019 and has a mere informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

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

Forward-looking statements

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

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

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

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

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



9 months report 2019

Interim condensed consolidated
financial statements





INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 30 SEPTEMBER 2019

Euros

	NOTES	Restated 01.01.2018	Restated 31.12.2018	Unaudited 30.09.2019
ASSETS				
Non-current assets				
Tangible fixed assets	5	306,619,741	264,708,624	253,178,278
Investment properties	7	6,164,849	8,179,980	7,297,834
Intangible assets	6	47,501,684	56,770,556	55,744,644
Goodwill	8	9,523,180	9,523,180	72,765,801
Investments in associated companies		296,260	296,260	296,260
Investments in joint ventures		-	496,076	3,509,847
Other investments		1,503,572	1,379,137	1,379,137
Investment securities	9	245,827,759	429,038,681	415,192,074
Other non-current assets		1,375,223	1,526,644	1,714,967
Credit to banking clients	11	64,263,949	231,797,420	725,528,911
Financial assets available for sale	9	3,175,180	-	-
Other banking financial assets	10	11,831,122	22,692,434	21,511,315
Deferred tax assets	25	91,954,991	81,734,114	80,454,621
Total non-current assets		790,037,510	1,108,143,106	1,638,573,689
Current assets				
Inventories		5,696,996	5,568,114	6,086,391
Accounts receivable		132,480,130	135,855,195	136,573,681
Credit to banking clients	11	15,083,442	16,252,561	78,244,353
Income taxes receivable	22	1,552,005	5,040,275	-
Deferrals	12	6,600,115	6,691,359	9,010,812
Investment securities	9	15,721,373	25,063,201	32,738,217
Other current assets		32,338,234	35,517,214	44,164,524
Financial assets available for sale	9	2,576,194	-	-
Other banking financial assets	10	91,417,084	93,621,151	16,617,388
Cash and cash equivalents		626,825,397	422,717,478	404,517,191
		930,290,968	746,326,549	727,952,557
Non-current assets held for sale		-	-	477,691
Total current assets		930,290,968	746,326,549	728,430,248
Total assets		1,720,328,478	1,854,469,655	2,367,003,937
EQUITY AND LIABILITIES				
Equity				
Share capital	14	75,000,000	75,000,000	75,000,000
Own shares	15	(8)	(8)	(8)
Reserves	15	79,947,883	65,836,875	65,856,123
Retained earnings	15	48,787,928	4,378,984	10,726,432
Other changes in equity	15	(32,634,996)	(30,993,430)	(30,993,430)
Net profit		-	21,499,271	22,852,183
Equity attributable to equity holders		171,100,807	135,721,692	143,441,299
Non-controlling interests		146,738	165,494	193,281
Total equity		171,247,545	135,887,186	143,634,579
Liabilities				
Non-current liabilities				
Medium and long term debt	18	96,387,393	100,282,203	150,446,769
Employee benefits		252,919,533	244,562,078	242,092,202
Provisions	19	26,028,332	16,019,339	18,781,753
Deferrals	12	316,892	305,691	297,290
Other banking financial liabilities	10	-	-	84,479,686
Deferred tax liabilities	25	3,399,121	3,108,662	2,909,185
Total non-current liabilities		379,051,271	364,277,973	499,006,885
Current liabilities				
Accounts payable	20	384,533,294	322,276,222	325,247,336
Banking clients' deposits and other loans	21	619,229,680	883,950,534	1,228,049,796
Employee benefits		17,100,808	17,119,105	16,516,257
Income taxes payable		-	-	2,322,706
Short term debt	18	38,297,176	27,096,073	26,673,111
Deferrals	12	1,432,696	2,708,090	2,659,693
Other current liabilities		91,553,848	86,203,693	102,085,818
Other banking financial liabilities	10	17,882,160	14,950,779	20,807,757
Total current liabilities		1,170,029,662	1,354,304,496	1,724,362,473
Total liabilities		1,549,080,933	1,718,582,469	2,223,369,358
Total equity and liabilities		1,720,328,478	1,854,469,655	2,367,003,937

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



CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2019
 Euros

	NOTES	Nine months ended		Three months ended		
		Unaudited Restated 30.09.2018	Unaudited 30.09.2019	Unaudited Restated 30.09.2018	Unaudited 30.09.2019	
Sales and services rendered	4	508,140,647	506,389,732	164,481,451	169,211,986	
Financial margin		5,497,113	18,894,786	2,182,186	9,807,036	
Other operating income		11,163,596	14,266,027	3,013,004	5,536,090	
		524,801,356	539,550,545	169,676,641	184,555,112	
Cost of sales		(9,673,293)	(9,456,408)	(3,281,608)	(3,110,872)	
External supplies and services		(168,447,019)	(177,833,811)	(56,576,498)	(61,552,387)	
Staff costs	23	(266,101,746)	(262,136,055)	(82,950,002)	(85,455,104)	
Impairment of accounts receivable, net		(284,593)	(4,197,162)	7,660	(2,207,824)	
Impairment of other financial banking assets		27,121	(1,686,179)	(114,566)	(1,171,609)	
Provisions, net	19	(978,207)	511,271	235,558	314,381	
Depreciation/amortisation and impairment of investments, net		(42,821,536)	(39,462,952)	(14,607,988)	(13,022,185)	
Other operating costs		(10,063,315)	(11,502,611)	(4,026,593)	(4,055,860)	
Gains/losses on disposal of assets	3	138,113	454,222	127,889	234,702	
		(498,204,476)	(505,309,685)	(161,186,148)	(170,026,759)	
		26,596,881	34,240,860	8,490,493	14,528,353	
Interest expenses	24	(7,315,290)	(7,500,181)	(2,401,195)	(2,561,645)	
Interest income	24	36,449	196,869	11,488	83,460	
Gains/losses in associated companies		97,593	(611,752)	-	(427,127)	
		(7,181,248)	(7,915,064)	(2,389,707)	(2,905,312)	
		Earnings before taxes	19,415,633	26,325,796	6,100,786	11,623,041
Income tax for the period	25	(7,942,392)	(3,444,396)	(2,083,191)	2,271,635	
		Net profit for the period	11,473,241	22,881,400	4,017,595	13,894,676
Net profit for the period attributable to:						
Equity holders		11,445,913	22,852,183	4,017,637	13,863,738	
Non-controlling interests		27,328	29,218	(42)	30,938	
Earnings per share:	17	0.08	0.15	0.03	0.09	

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2019
 Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited Restated 30.09.2018	Unaudited 30.09.2019	Unaudited Restated 30.09.2018	Unaudited 30.09.2019
Net profit for the period		11,473,241	22,881,400	4,017,595	13,894,676
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(2,005)	(1,431)	1,159	1,733
Changes to fair value reserves	15	(12,744)	19,247	(1,309)	30,683
Other changes in equity		(2,005)	(151,823)	1,160	(148,659)
Other comprehensive income for the period after taxes		(16,753)	(134,007)	1,010	(116,243)
Comprehensive income for the period		11,456,487	22,747,394	4,018,605	13,778,432
Attributable to non-controlling interests		25,323	27,787	1,117	3,581
Attributable to shareholders of CTT		11,431,164	22,719,607	4,017,488	13,774,852

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018 AND 30 SEPTEMBER 2019
 Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Reported balance on 1 January 2018		75,000,000	(8)	79,947,883	(32,634,996)	34,268,089	27,263,244	146,738	183,990,949
Impact on initial application of IFRS 16 (net of tax)	3	-	-	-	-	(12,743,405)	-	-	(12,743,405)
Restated balance on 1 January 2018		75,000,000	(8)	79,947,883	(32,634,996)	21,524,684	27,263,244	146,738	171,247,544
Adjustment on initial application of IFRS 9 (net of tax)		-	-	-	-	(185,718)	-	-	(185,718)
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	(1,281,946)	-	-	(1,281,946)
Adjusted balance on 1 January 2018		75,000,000	(8)	79,947,883	(32,634,996)	20,057,019	27,263,244	146,738	169,779,879
Appropriation of net profit for the year of 2017		-	-	-	-	27,263,244	(27,263,244)	-	-
Dividends	16	-	-	(15,372,222)	-	(41,627,778)	-	-	(57,000,000)
		-	-	(15,372,222)	-	(14,364,534)	(27,263,244)	-	(57,000,000)
Other movements	15	-	-	1,311,267	-	(1,311,267)	-	(2,235)	(2,235)
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	1,641,566	-	-	-	1,641,566
Changes to fair value reserves	15	-	-	(50,053)	-	-	-	-	(50,053)
Adjustments from the application of the equity method	15	-	-	-	-	(2,235)	-	-	(2,235)
Restated net profit for the period	15	-	-	-	-	-	21,499,271	20,990	21,520,262
Restated comprehensive income for the period		-	-	1,261,214	1,641,566	(1,313,501)	21,499,271	18,756	23,107,306
Restated balance on 31 December 2018		75,000,000	(8)	65,836,875	(30,993,430)	4,378,984	21,499,271	165,494	135,887,186
Appropriation of net profit restated for the year of 2018		-	-	-	-	21,499,271	(21,499,271)	-	-
Dividends	16	-	-	-	-	(15,000,000)	-	-	(15,000,000)
		-	-	-	-	6,499,271	(21,499,271)	-	(15,000,000)
Other movements	15	-	-	-	-	(150,392)	-	(1,431)	(151,823)
Changes to fair value reserves	15	-	-	19,247	-	-	-	-	19,247
Adjustments from the application of the equity method	15	-	-	-	-	(1,431)	-	-	(1,431)
Net profit for the period	15	-	-	-	-	-	22,852,183	29,218	22,881,400
Comprehensive income for the period		-	-	19,247	-	(151,823)	22,852,183	27,787	22,747,394
Balance on 30 September 2019 (Unaudited)		75,000,000	(8)	65,856,123	(30,993,430)	10,726,432	22,852,183	193,281	143,634,579

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



CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2019
 Euro

	NOTES	Unaudited Restated 30.09.2018	Unaudited 30.09.2019
Cash flow from operating activities			
Collections from customers		503,569,359	490,448,687
Payments to suppliers		(202,992,535)	(219,161,325)
Payments to employees		(253,052,054)	(238,295,501)
Banking customer deposits and other loans		170,470,832	276,245,279
Credit to banking clients		(122,091,986)	(156,262,009)
Cash flow generated by operations		95,903,616	152,975,131
Payments/receivables of income taxes		(6,553,799)	3,117,956
Other receivables/payments		22,008,507	46,841,287
Cash flow from operating activities (1)		111,358,324	202,934,374
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		179,199	152,580
Investment properties		1,368,204	1,102,200
Financial investments	8	222,028	-
Investment securities	9	39,185,531	51,780,709
Demand deposits at Bank of Portugal		26,215,172	-
Other banking financial assets		91,295,000	112,770,310
Interest income		170,304	72,075
Payments resulting from:			
Tangible fixed assets		(9,760,817)	(13,678,813)
Intangible assets		(12,313,741)	(13,918,310)
Financial investments	8	(50,000)	(114,407,523)
Investment securities	9	(230,956,899)	(49,861,401)
Demand deposits at Bank of Portugal		-	(5,574,047)
Other banking financial assets		(108,110,000)	(33,549,849)
Cash flow from investing activities (2)		(202,556,019)	(65,112,068)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained		13,702,654	69,781,965
Other credit institutions' deposits		-	170,299,399
Payments resulting from:			
Loans repaid		(19,825,198)	(40,526,328)
Other credit institutions' deposits		-	(121,606,942)
Other banking financial liabilities		-	(213,504,425)
Interest expenses		(142,198)	(862,085)
Finance leases		(25,717)	(21,626)
Lease liabilities - IFRS 16		(21,698,922)	(17,713,503)
Dividends	16	(57,000,000)	(15,000,000)
Cash flow from financing activities (3)		(84,989,381)	(169,153,545)
Net change in cash and cash equivalents (1+2+3)		(176,187,076)	(31,331,238)
Changes in the consolidation perimeter		-	6,823,653
Cash and equivalents at the beginning of the period		592,677,415	414,846,614
Cash and cash equivalents at the end of the period		416,490,340	390,339,029
Cash and cash equivalents at the end of the period		416,490,340	390,339,029
Sight deposits at Bank of Portugal		6,540,809	11,791,465
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,835,452	2,406,868
Impairment of slight and term deposits		(46,723)	(20,170)
Cash and cash equivalents (Balance sheet)		425,819,877	404,517,191

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



CTT – CORREIOS DE PORTUGAL, S.A.

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

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1. INTRODUCTION

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

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

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

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

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

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

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 October 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, including financial risk management policies, are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the changes mentioned in section 3. Changes to accounting policies, errors and estimates.



2.1 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2019, and in accordance with IAS 34 - Interim Financial Reporting.

3. CHANGES TO ACCOUNTING POLICIES, ERRORS AND ESTIMATES

The Group has adopted, as at 1 January 2019, IFRS 16 *Leases*.

IFRS 16 introduces a single lessee accounting model and removes the classification of leases as either operating leases or finance leases.

The lessee is required to recognise assets and liabilities for all leases on the balance sheet at the beginning of the contract and to recognise:

- A right-of-use (RoU) asset representing its right to use the underlying leased asset during the contract period; and
- A lease liability representing its obligation to make lease payments until the end of the contract.

The adoption of IFRS 16 also impacts the income statement considering that the depreciations of the RoU asset and interest on the lease liability are recognised separately instead of the previously recognition of the leases as External Supplies and Services.

Under IFRS 16 the lessee may opt for the non-application of this standard to:

- Short-term leases (12 months or less) which do not include an option to purchase the underlying asset; and
- Leases of low-value underlying assets.

Adoption of IFRS 16 by the CTT Group

The Group adopted the new standard with effect from 1 January 2019 according to the full retrospective transition approach, not having applied the abovementioned exemptions.

Types of leases

The CTT Group conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified three major groups of leases:

i. Real estate leases

Real estate lease agreements that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain of exercising.

As a practical expedient, the fixed services associated with each property (variable component) were included in the accounting for the right of use.



ii. Car leases

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

The amount of the lease rental depends on the number of kilometres the vehicle travels over the contract period. For this reason, only the minimum rents for the valuation of liabilities and right of use were considered.

As a practical expedient, the fixed services associated with each vehicle (variable component) were included in the accounting for the right of use.

iii. Other leases

Other lease contracts were also identified for stackers and printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on CTT's decision and that CTT is reasonably certain to exercise were assumed.

As a practical expedient, the fixed services associated with each asset (variable component) were included in the accounting for the right of use.

Incremental interest rate

Taking into account that the lease contracts do not have an implicit rate, an incremental interest rate is considered for the discount of the rents.

The incremental interest rate depends on the maturity/duration of the lease contract.

Impacts on the consolidated financial statements

The impacts of the IFRS 16 adoption, with effects as at 1 January 2018, transition date and 31 December 2018 are detailed as follows:

Consolidated statement of financial position - 01.01.2018

Caption	Reported amount	Adjustments	
		IFRS 16	Restated amount
Tangible fixed assets	199,855,908	106,763,833	306,619,741
Deferred tax assets	87,155,739	4,799,252	91,954,991
Other assets' captions	1,321,753,745	-	1,321,753,746
Total assets	1,608,765,392	111,563,085	1,720,328,478
Retained earnings	61,531,333	(12,743,405)	48,787,928
Other equity's captions	122,459,617	-	122,459,617
Total equity	183,990,950	(12,743,405)	171,247,545
Non-current debt	73,689	96,313,704	96,387,393
Current debt	10,304,390	27,992,786	38,297,176
Other liabilities' captions	1,414,396,363	-	1,414,396,364
Total liabilities	1,424,774,442	124,306,490	1,549,080,933



Consolidated statement of financial position – 31.12.2018

Caption	Reported amount	Adjustments	
		IFRS 16	Restated amount
Tangible fixed assets	182,986,001	81,722,623	264,708,624
Deferred tax assets	81,733,398	716	81,734,114
Income taxes receivable	1,108,421	3,931,854	5,040,275
Other assets' captions	1,502,986,642	-	1,502,986,642
Total assets	1,768,814,462	85,655,193	1,854,469,655
Retained earnings	17,122,389	(12,743,405)	4,378,984
Net profit	19,621,263	1,878,008	21,499,271
Other equity's captions	110,008,931	-	110,008,931
Total equity	146,752,583	(10,865,397)	135,887,186
Non-current debt	24,282,526	75,999,677	100,282,203
Current debt	6,575,160	20,520,913	27,096,073
Other liabilities' captions	1,591,204,193	-	1,591,204,193
Total liabilities	1,622,061,879	96,520,590	1,718,582,469

The impacts of the IFRS 16 adoption, with effects as at 30 September 2018 are detailed as follows:

Consolidated Income Statement – Nine months ended 30.09.2018

Caption	Reported amount	Adjustments		Reclassifications	
		IFRS 16	Gains/losses on disposal of assets ⁽¹⁾	Restated amount	
Other operating income	11,301,709	-	(138,113)	11,163,596	
External supplies and services	(193,329,526)	24,882,507	-	(168,447,019)	
Depreciation / amortisation and impairment of investments, net	(23,377,369)	(19,444,167)	-	(42,821,536)	
Other operating costs	(10,063,315)	-	-	(10,063,315)	
Gains/losses on disposal of assets	-	-	138,113	138,113	
Interest expenses	(4,131,704)	(3,183,586)	-	(7,315,290)	
Gains/losses in subsidiary, associated companies and joint ventures	97,593	-	-	97,593	
Income tax for the period	(7,241,053)	(701,339)	-	(7,942,392)	
Other captions	236,663,492	-	-	236,663,492	
Net profit for the period	9,919,826	1,553,415	-	11,473,241	
Other comprehensive income	(16,753)	-	-	(16,753)	
Comprehensive income for the period	9,903,073	1,553,415	138,113	11,456,488	
Net profit for the period attributable to:					
Equity holders	9,892,498	1,553,415	-	11,445,913	
Non-controlling interests	27,328	-	-	27,328	

⁽¹⁾ Gains and losses related to assets disposals, previously recognised in the captions "Other operating income" and "Other operating costs" are now recognised under the caption "Gains/losses on disposal of assets" by the net amount.



Consolidated cash flow statement - 30.09.2018

Caption	Reported amount	Adjustments IFRS 16	Restated amount
Cash flow from operating activities			
Payments to suppliers	(211,423,003)	8,430,468	(202,992,535)
Other receivables/payments	8,740,053	13,268,453	22,008,507
Other operating receivables/payments	292,342,352	-	292,342,352
Cash flow from operating activities (1)	89,659,403	21,698,922	111,358,324
Cash flow from investing activities			
Other investing receivables/payments	(202,556,019)	-	(202,556,019)
Cash flow from investing activities (2)	(202,556,019)	-	(202,556,019)
Cash flow from financing activities			
Lease liabilities - IFRS 16	-	(21,698,922)	(21,698,922)
Other financing receivables/payments	(63,290,459)	-	(63,290,459)
Cash flow from financing activities (3)	(63,290,459)	(21,698,922)	(84,989,381)
Cash and equivalents at the beginning of the period	592,677,415	-	592,677,415
Cash and cash equivalents at the end of the period	416,490,340	-	416,490,340

The impacts on the nine-month period ended 30 September 2019 can be analysed in notes 5, 18 and 24.

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

4. SEGMENT REPORTING

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

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

In 2019, changes were made to the management information structure.

1. The segment reporting has been amended in accordance with the following adjustments:

- a. Re-allocation of internal revenues to Operating costs

The purpose of this amendment is allowing the evolution of the consolidated revenues to be seen as the sum of the performance of external products that make up the Group, removing the effects of internal revenues with companies from other business areas. As a result of this change, revenues are now deducted from the respective segments' cost amounts, thus ensuring that the Operating costs and revenue structure is aligned with the actual expenses and revenues of each segment.

- b. IFRS16 adoption

The adoption of IFRS16 has changed the manner in which statutory accounts are presented with respect to costs with Fleet and Buildings, which are no longer considered in External Supplies and Services and are accounted for in depreciations and interest. This change had an impact not only on the reporting period (3rd quarter of 2019) but also on the historical (3rd quarter of 2018), which was restated to allow the comparability of the periods.



c. Migration of the payments business

Some payment services in the Financial Services segment (billing and invoicing, Western Union transfers, integrated solutions and tolls) migrated to the segment Bank.

d. Allocation of the Central Structure costs by Segment

The Central Structure reflects a structure of costs with revenues of a negligible value, leaving a net cost structure that until 2018, in terms of central / corporate costs, was split between two segments – 99.7% for the Mail segment and 0.3% for the Financial Services segment. Considering the immateriality of the value allocated to the Financial Services segment and given the migration of some Payment services from the Financial Services segment to the Bank segment, the Company simplified this allocation by placing 100% of the central structure allocation under the Mail segment.

2. Specific items

Any non-recurring items are recognised under the caption "Specific items".

The nine-month period of 2018 was restated, for comparison purposes, according to the changes performed.

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

- Mail – CTT, S.A. excluding financial services and payments business but including the retail network, the sales department, the corporate and support areas and CTT Contacto;
- Express & Parcels – includes CTT Espresso, Tourline and CORRE;
- Financial Services – CTT, S.A. Financial Services; and
- Bank – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payments business.

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

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

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

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

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

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



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

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) previously unallocated, are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of the 3rd quarter 2018 and 3rd quarter 2019 are as follows:

Thousand Euros	Restated 30.09.2018				
	Mail	Express & Parcels	Financial Services	Bank	Total
Revenues	372,475	108,708	18,853	24,766	524,801
Sales and services rendered	366,140	107,994	18,230	15,776	508,141
<i>Sales</i>	13,514	590	-	-	14,103
<i>Services rendered</i>	352,626	107,405	18,230	15,776	494,038
Financial Margin	-	-	-	5,497	5,497
Other operating income	6,335	714	623	3,492	11,164
Operating costs excluding depreciations, amortizations, impairment and provisions	308,888	106,533	10,543	33,813	459,777
Staff costs	221,706	16,956	756	10,710	250,128
External supplies and services	80,365	89,516	2,867	17,743	190,492
Other costs	14,373	1,724	140	2,921	19,157
Internal services rendered	(7,557)	(1,662)	6,780	2,439	-
EBITDA	63,587	2,175	8,310	(9,047)	65,024
IFRS 16 (impact on EBITDA)	20,284	3,947	4	647	24,883
EBITDA including IFRS 16	83,871	6,123	8,313	(8,400)	89,907
Impairment and provisions	188	(723)	-	60	(475)
Depreciation/ amortisation and impairment of investments, net	(33,237)	(5,833)	(164)	(3,145)	(42,378)
Specific Items	(17,331)	(2,069)	(361)	(695)	(20,457)
EBIT	33,491	(2,503)	7,788	(12,180)	26,597
Financial results					(7,181)
<i>Interest expenses</i>					(7,315)
<i>Interest income</i>					36
<i>Gains/losses in subsidiary, associated companies and joint ventures</i>					98
Earnings before taxes (EBT)					19,416
Income tax for the period					(7,942)
Net profit for the period					11,473
Non-controlling interests					(27)
Equity holders of parent company					11,446

Thousand Euros	30.09.2019				
	Mail	Express & Parcels	Financial Services	Bank	Total
Revenues	362,047	110,071	24,560	42,872	539,551
Sales and services rendered	357,192	109,679	24,260	15,260	506,390
<i>Sales</i>	12,052	560	-	-	12,611
<i>Services rendered</i>	345,140	109,119	24,260	15,260	493,779
Financial Margin	-	-	-	18,895	18,895
Other operating income	4,855	392	301	8,718	14,266
Operating costs excluding depreciations, amortizations, impairment and provisions	302,791	111,737	9,213	42,554	466,294
Staff costs	219,380	17,951	714	14,124	252,169
External supplies and services	76,253	93,505	2,101	21,686	193,545
Other costs	13,919	2,087	115	4,460	20,580
Internal services rendered	(6,761)	(1,806)	6,284	2,283	-
EBITDA	59,256	(1,666)	15,347	319	73,256
IFRS 16 (impact on EBITDA)	15,212	4,210	16	993	20,431
EBITDA including IFRS 16	74,468	2,544	15,364	1,312	93,688
Impairment and provisions	(48)	(2,106)	-	(1,825)	(3,980)
Depreciation/ amortisation and impairment of investments, net	(29,052)	(6,120)	(227)	(4,064)	(39,462)
Specific Items	(12,397)	(2,075)	(245)	(1,288)	(16,004)
EBIT	32,972	(7,757)	14,892	(5,866)	34,241
Financial results					(7,915)
<i>Interest expenses</i>					(7,500)
<i>Interest income</i>					197
<i>Gains/losses in subsidiary, associated companies and joint ventures</i>					(612)
Earnings before taxes (EBT)					26,326
Income tax for the period					(3,444)
Net profit for the period					22,881
Non-controlling interests					(29)
Equity holders of parent company					22,852



The amount recorded under specific items relates mostly to corporate restructuring and strategic projects (- €14.7m) of which stand out: (i) costs related to termination of employment contracts by mutual agreement and suspension of contracts in 3Q19 (-€8.9m) within the Human Resources Optimisation Programme and costs with consultancy services (-€1.6m) in the context of the Operational Transformation Plan in progress, (ii) costs related to the acquisition of 321 Crédito (-€1.3m); and (iii) costs related to the implementation of the changes to the Quality of Service Indicators (-€1.0m) measurement system, as required by ANACOM.

The revenues are detailed as follows:

Thousand Euros	Restated 30.06.2018	30.09.2019
Mail	372,475	362,047
Transactional mail	308,664	304,192
Editorial mail	10,972	10,697
Parcels (USO)	4,934	4,481
Advertising mail	17,988	16,632
Retail	9,210	8,550
Philately	6,094	4,739
Business Solutions	7,144	7,836
Other	7,468	4,919
Express & Parcels	108,708	110,071
Financial Services	18,853	24,560
Bank	24,766	42,872
	524,801	539,551

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2018 Restated					Total
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	
Intangible assets	15,705,987	5,114,530	356,968	25,038,271	10,554,799	56,770,556
Tangible fixed assets	227,289,861	33,467,166	338	1,588,479	2,362,780	264,708,624
Investment properties	-	-	-	-	8,179,980	8,179,980
Goodwill	6,161,326	2,955,753	-	406,101	-	9,523,180
Deferred tax assets	-	-	-	-	81,734,114	81,734,114
Accounts receivable	-	-	-	-	135,855,195	135,855,195
Credit to bank clients	-	-	-	248,049,981	-	248,049,981
Investment securities	-	-	-	454,101,882	-	454,101,882
Other banking financial assets	-	-	-	116,313,585	-	116,313,585
Other assets	-	-	-	-	56,515,079	56,515,079
Cash and cash equivalents	-	5,378,204	-	145,339,778	271,999,495	422,717,478
	249,157,174	46,915,653	357,306	990,838,078	567,201,444	1,854,469,655

Assets (Euros)	30.09.2019					Total
	Mail	Express & Parcels	Financial Services	Bank	Non allocated assets	
Intangible assets	11,961,441	4,777,509	187,778	25,785,524	13,032,392	55,744,644
Tangible fixed assets	211,261,128	31,025,507	-	3,090,542	7,801,101	253,178,278
Investment properties	-	-	-	-	7,297,834	7,297,834
Goodwill	6,161,326	2,955,753	-	63,648,722	-	72,765,801
Deferred tax assets	-	-	-	-	80,454,621	80,454,621
Accounts receivable	-	-	-	-	136,573,681	136,573,681
Credit to bank clients	-	-	-	803,773,265	-	803,773,265
Investment securities	-	-	-	447,930,291	-	447,930,291
Other banking financial assets	-	-	-	38,128,703	-	38,128,703
Other assets	-	-	-	-	66,161,938	66,161,938
Cash and cash equivalents	-	5,189,763	-	158,025,056	241,302,372	404,517,191
Non-current assets held for sale	-	-	-	477,691	-	477,691
	229,383,895	43,948,532	187,778	1,540,859,794	552,623,939	2,367,003,937



Debt by segment is detailed as follows:

Other information (Euros)	31.12.2018 Restated				
	Mail	Express & Parcels	Financial Services	Bank	Total
Non-current debt	77,975,310	21,545,162	-	761,731	100,282,203
Bank loans	24,276,250	-	-	-	24,276,250
Lease liabilities	53,699,060	21,545,162	-	761,731	76,005,953
Current debt	16,813,808	10,101,678	-	180,587	27,096,073
Bank loans	-	6,558,116	-	-	6,558,116
Lease liabilities	16,813,808	3,543,562	-	180,587	20,537,957
	94,789,118	31,646,839	-	942,318	127,378,276

Other information (Euros)	30.09.2019				
	Mail	Express & Parcels	Financial Services	Bank	Total
Non-current debt	128,841,790	19,870,590	-	1,734,389	150,446,769
Bank loans	81,623,987	-	-	-	81,623,987
Lease liabilities	47,217,803	19,870,590	-	1,734,389	68,822,781
Current debt	13,736,147	12,383,370	-	553,594	26,673,111
Bank loans	-	8,935,200	-	-	8,935,200
Lease liabilities	13,736,147	3,448,170	-	553,594	17,737,911
	142,577,938	32,253,959	-	2,287,982	177,119,879

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

Thousand Euros	30.09.2018	30.09.2019
Revenue - Portugal	430,599	427,786
Revenue - other countries	77,542	78,604
	508,141	506,390

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



5. TANGIBLE FIXED ASSETS

During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the movements occurred in Tangible fixed assets, as well as in the respective accumulated depreciation, were as follows:

	Restated* 31.12.2018									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	37,102,139	342,655,745	146,667,392	3,381,283	62,174,555	26,040,114	1,500,567	391,109	265,370,129	885,283,033
Acquisitions	-	555,859	2,768,963	36,788	1,715,971	775,513	4,134,480	10,256	-	9,977,829
New contracts	-	-	-	-	-	-	-	-	316,133,659	316,133,659
Disposals	(545,455)	(1,769,365)	(2,217,254)	(35,899)	(23,810)	(962)	-	-	-	(4,592,744)
Transfers and write-offs	(964,691)	(6,671,760)	(4,104,444)	236,348	-	(239,712)	(3,225,750)	(179,594)	-	(15,149,603)
Terminated contracts	-	-	-	-	-	-	-	-	(95,976,048)	(95,976,048)
Adjustments	-	(205,393)	(53,825)	(559)	(40,728)	(3,903)	-	(47,608)	-	(152,008)
Closing balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	201,007,740	810,804,117
Accumulated depreciation										
Opening balance	3,851,494	207,661,484	128,294,129	3,271,073	55,735,402	21,213,074	-	-	389,582,691	609,590,346
Depreciation for the period	-	9,932,112	6,073,870	45,576	3,081,613	1,252,572	-	-	25,678,474	46,064,217
Disposals	(13,595)	(790,864)	(2,115,563)	(35,899)	(23,810)	(962)	-	-	-	(2,978,633)
Transfers and write-offs	(98,749)	(6,240,250)	(4,282,904)	147,418	(1,534)	(153,097)	-	-	-	(10,629,125)
Terminated contracts	-	-	-	-	-	-	-	-	(95,976,048)	(95,976,048)
Adjustments	-	31	13	79	285	122	-	-	-	531
Closing balance	3,739,154	210,562,513	127,971,545	3,428,245	58,772,955	22,311,709	-	-	119,285,117	546,071,239
Accumulated impairment										
Opening balance	-	-	-	-	-	49,340	-	-	-	49,340
Other variations	-	-	-	-	-	(25,085)	-	-	-	(25,085)
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
Net Tangible fixed assets	31,852,839	324,002,575	15,089,287	169,716	5,053,039	4,235,087	2,409,296	174,162	81,722,623	264,708,624

* Restated values: see note 3

	30.09.2019									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,591,993	334,565,087	143,060,832	3,597,961	63,825,994	26,571,051	2,409,296	174,162	201,007,740	810,804,117
Acquisitions	-	172,289	1,126,869	182,559	1,010,694	508,609	1,372,702	6,442,944	-	10,816,668
New contracts	-	-	-	-	-	-	-	-	6,163,927	6,163,927
Disposals	(11,962)	(302,339)	(627,322)	(828)	(7,681)	(88,670)	(2,377,326)	-	-	(950,132)
Transfers and write-offs	-	2,377,326	55,609	(1,821)	30,407	-	-	-	-	(4,475)
Terminated contracts	-	-	-	-	-	-	-	-	(14,872,010)	(14,872,010)
Adjustments	-	1,121	22,908	994	2,032	1,300	-	-	(19,233)	9,131
Changes in the consolidation perimeter	-	420,472	-	-	692,154	175,664	-	-	-	1,568,767
Closing balance	35,580,031	337,233,956	143,638,897	3,778,865	65,553,599	27,167,954	1,404,673	6,617,106	193,849,200	814,824,282
Accumulated depreciation										
Opening balance	3,739,154	210,562,513	127,971,545	3,428,245	58,772,955	22,311,709	-	-	119,285,117	546,071,239
Depreciation for the period	-	7,057,767	4,249,747	41,426	1,713,797	663,765	-	-	16,446,918	30,173,419
Disposals	(1,747)	(192,958)	(600,831)	(828)	(7,512)	-	-	-	-	(803,876)
Transfers and write-offs	-	-	119,549	(43)	(36,900)	(87,081)	-	-	-	(4,475)
Terminated contracts	-	-	-	-	-	-	-	-	(14,872,010)	(14,872,010)
Adjustments	-	212	15,161	713	1,722	1,152	-	-	(2,402)	16,559
Changes in the consolidation perimeter	-	164,081	-	-	666,123	121,676	-	-	89,014	1,040,894
Closing balance	3,737,406	217,591,615	131,755,171	3,469,514	61,110,185	23,011,221	-	-	120,946,636	561,621,750
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	24,255	-	-	-	24,255
Net Tangible fixed assets	31,842,624	319,642,341	11,883,726	309,351	4,443,414	4,132,478	1,404,673	6,617,106	72,902,564	253,178,278

During the nine-month period ended 30 September 2019, Land and natural resources and Buildings and other constructions include 563.637 Euros (590,362 Euros as at 31 December 2018), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the nine-month period ended 30 September 2019, the most significant movements in Tangible fixed assets were the following:

Buildings and other constructions:

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

Basic equipment:

The amount of acquisitions mainly relates to the purchase of printers, labelling machines, monitors and optical readers in the amount of 356 thousand Euros and the upgrade of sorting machines worth about 179 thousand Euros by CTT.



Office equipment:

The amount of acquisitions relates essentially the acquisition of several micro-computing equipment for approximately 826 thousand Euros by CTT.

Other tangible fixed assets:

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 323 thousand Euros by CTT.

Tangible fixed assets in progress:

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

Rights of Use

Following the adoption of IFRS 16 the Group recognised rights of use, detailed by type of asset, as follows:

	Restated*			
	31.12.2018			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	233,881,680	23,480,135	8,008,314	265,370,129
New contracts	16,169,120	14,079,082	1,365,457	31,613,659
Terminated contracts	(78,846,948)	(9,466,973)	(7,662,127)	(95,976,048)
Closing balance	171,203,852	28,092,244	1,711,643	201,007,740
Accumulated depreciation				
Opening balance	167,335,774	15,294,025	6,952,892	189,582,691
Depreciation for the period	18,376,976	6,073,372	1,228,126	25,678,474
Terminated contracts	(78,846,948)	(9,466,973)	(7,662,127)	(95,976,048)
Closing balance	106,865,802	11,900,424	518,891	119,285,117
Net Tangible fixed assets	64,338,050	16,191,821	1,192,753	81,722,623
* Restated values: see note 3				
	30.09.2019			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	171,203,852	28,092,244	1,711,643	201,007,740
New contracts	3,437,137	2,698,756	28,034	6,163,927
Terminated contracts	(5,057,111)	(9,631,286)	(183,613)	(14,872,010)
Adjustments	-	(19,223)	-	(19,223)
Changes in the consolidation perimeter	1,419,084	149,683	-	1,568,767
Closing balance	171,002,962	21,290,174	1,556,064	193,849,200
Accumulated depreciation				
Opening balance	106,865,802	11,900,424	518,891	119,285,117
Depreciation for the period	11,377,029	4,806,995	262,893	16,446,918
Terminated contracts	(5,057,111)	(9,631,286)	(183,613)	(14,872,010)
Adjustments	-	(2,402)	-	(2,402)
Changes in the consolidation perimeter	71,751	17,264	-	89,014
Closing balance	113,257,472	7,090,994	598,171	120,946,636
Net Tangible fixed assets	57,745,491	14,199,180	957,893	72,902,564

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (note 18) and Interest expenses and income notes (note 24), respectively.

The depreciation recorded in the amount of 30,173,419 Euros (34,332,367 Euros on 30 September 2018), is booked under the heading Depreciation/amortisation and impairment of investments, net.



Contractual commitments related to Tangible fixed assets are as follows:

	30.09.2019
Mail Sorting Machines	15,507,888
Improvements in properties	88,697
Forklifts	14,995
Crusher	380
	15,611,960

6. INTANGIBLE ASSETS

During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the movements which occurred in the main categories of Intangible assets, as well as the respective accumulated amortisation, were as follows:

	31.12.2018					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	80,235,963	13,297,151	444,739	13,254,456	111,612,861
Acquisitions	-	2,332,323	953,564	-	17,445,188	20,731,075
Transfers and write-offs	-	15,512,745	-	-	(15,559,963)	(47,218)
Adjustments	-	-	1,709	-	-	1,709
Closing balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	132,298,428
Accumulated amortisation						
Opening balance	4,371,234	50,542,647	8,752,556	444,739	-	64,111,177
Amortisation for the period	4,488	10,745,367	665,827	-	-	11,415,682
Transfers and write-offs	-	-	-	-	-	-
Adjustments	-	-	1,012	-	-	1,012
Closing balance	4,375,722	61,288,015	9,419,396	444,739	-	75,527,871
Net intangible assets	4,830	36,793,017	4,833,029	-	15,139,681	56,770,556

	30.09.2019						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Advance payments to suppliers	Total
Intangible assets							
Opening balance	4,380,552	98,081,032	14,252,424	444,739	15,139,681	-	132,298,428
Acquisitions	-	489,744	10,802	-	7,068,787	69,072	7,638,405
Transfers and write-offs	-	3,779,190	-	-	(3,779,190)	-	-
Adjustments	-	1,400	20,519	-	-	-	21,919
Changes in the consolidation perimeter	-	1,092,007	213,269	-	462,568	-	1,767,844
Closing balance	4,380,552	103,443,372	14,497,014	444,739	18,891,847	69,072	141,726,596
Accumulated amortisation							
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Amortisation for the period	954	8,603,901	556,232	-	-	-	9,161,087
Transfers and write-offs	-	-	-	-	-	-	-
Adjustments	-	1,400	9,326	-	-	-	10,726
Changes in the consolidation perimeter	-	1,082,878	199,390	-	-	-	1,282,268
Closing balance	4,376,676	70,976,194	10,184,343	444,739	-	-	85,981,952
Net intangible assets	3,876	32,467,178	4,312,671	-	18,891,847	69,072	55,744,644

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

The transfers occurred in the nine-month period ended 30 September 2019 in Intangible assets in progress to Computer software refer to IT projects which were completed during the period.



The amounts of 710,560 Euros and 821,884 Euros that were capitalised in Computer software or in Intangible assets in progress as at 30 September 2018 and 30 September 2019, respectively, related to the staff costs incurred in the development of these projects.

As at 30 September 2019, Intangible assets in progress relate to IT projects which are under development, of which the most relevant are:

	30.09.2019
SAP Hana & Hybris Billing	2,871,255
CRM - software	1,027,747
Payment Services Directive 2 - software	725,666
NAVE evolution	709,643
Mortgage loans - software	633,407
Digital channels - software	580,434
SIGPOSTAL - software	545,061
Routing Location and Control - Software	508,455
e-Fulfillment	486,747
Aplica Legacy adaptations	472,337
Mailmanager - software	465,816
Management information - Software	447,309
Customs portal	384,809
Transaction Monitoring - software	373,631
Data Governance - software	331,735
Servers, storage e backup	316,583
IQS 10 - Tempos de Espera	308,564
Broker Transaccional - software	291,089
International Accounts - Software	241,355
SAP developments	218,985
Robotic Process Automation - software	194,355
Security and Backup Information	182,935
DOL - Treatment and generation of schedules	160,881
Lease Management - software	158,273
Recibos On-line - software	147,375
IT Asset Management - Implementation	145,330
Identity and Access Management	140,526
	13,070,300

The amortisation for the period, of 9,161,087 Euros (8,307,449 Euros as at 30 September 2018), was recorded under Depreciation / amortisation and impairment of investments, net.

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



Contractual commitments relative to Intangible assets are as follows:

	30.09.2019
CBS - Core Banking System	994,437
SAP S/4 Hana e SAP Hybris	677,109
Middleware Software	193,838
Enterprise Content Management	154,700
Housing credit evolution	135,136
Banking Platform	115,441
Quality Indicators	83,541
Transaction Monitoring	56,275
Payment Services Directive 2	50,905
Smart Mailboxes	45,020
ISTM Solution	44,730
SIG Postal	44,441
Purchasing Portal	40,299
Data Protection	20,490
	2,656,362

7. INVESTMENT PROPERTIES

As at 31 December 2018 and 30 September 2019, the Group has the following assets classified as investment properties:

	31.12.2018		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,882,477	11,824,326	14,706,803
Disposals	(98,874)	(812,552)	(911,425)
Transfers and write-offs	724,752	5,529,376	6,254,128
Other movements	-	(2,518)	(2,518)
Closing balance	3,508,355	16,538,633	20,046,988
Accumulated depreciation			
Opening balance	166,541	7,282,857	7,449,397
Depreciation for the period	-	299,932	299,932
Disposals	(10,982)	(528,516)	(539,498)
Transfers and write-offs	79,415	3,334,258	3,413,674
Closing balance	234,974	10,388,531	10,623,505
Accumulated impairment			
Opening balance	-	1,092,556	1,092,556
Impairment for the period	-	(732,506)	(732,506)
Transfers	-	883,452	883,452
Closing balance	-	1,243,502	1,243,502
Net Investment properties	3,273,381	4,906,599	8,179,980



	30.09.2019		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,508,355	16,538,633	20,046,988
Disposals	(195,997)	(1,516,135)	(1,712,131)
Transfers and write-offs	-	-	-
Other movements	-	-	-
Closing balance	3,312,358	15,022,498	18,334,857
Accumulated depreciation			
Opening balance	234,974	10,388,531	10,623,505
Depreciation for the period	-	196,587	196,587
Disposals	(21,122)	(937,902)	(959,024)
Transfers and write-offs	-	-	-
Closing balance	213,853	9,647,215	9,861,068
Accumulated impairment			
Opening balance	-	1,243,502	1,243,502
Impairment for the period	-	-	-
Transfers	-	(67,547)	(67,547)
Closing balance	-	1,175,955	1,175,955
Net Investment properties	3,098,506	4,199,328	7,297,834

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

In the year ended 31 December 2018, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 138 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

During the nine-month period ended 30 September 2019, the amount of disposals relates to the sale of seven properties having the corresponding gains, of 349 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

The Depreciation for the period, of 196,587 Euros (181,720 Euros on 30 September 2018), was recorded in the caption Depreciation / amortisation and impairment of investments, net.

8. COMPANIES INCLUDED IN THE CONSOLIDATION

Subsidiary companies

As at 31 December 2018 and 30 September 2019, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries in which it holds control were included in the consolidation:



Company name	Place of business	Head office	31.12.2018			30.09.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT – Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso – Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Tourline Express Mensajería, SLU. ("TourLine")	Spain	Calle Alcarria, numero 8, 28823 Coslada, Madrid	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso Bairro da Polana Maputo - Mozambique	50	-	50	50	-	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Transporta – Transportes Porta a Porta, S.A. ("Transporta")	Portugal	Estrada de São Marcos N.º 15 2735-521 Cacém	100	-	100	-	-	-
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	-	-	-	-	100	100

On 31 December 2018, but producing effects as of 1 January 2018, were registered the mergers by incorporation of Mailtec Comunicação, S.A. and Escrita Inteligente, S.A. in CTT – Correios de Portugal through the global transfer of the assets. These transactions had no impact on the consolidation perimeter.

On 26 April 2019 a share capital increase was made in Banco CTT in the amount of 110 million Euros, currently its share capital amounts to 266,400,000 Euros.

As at 2 May 2019 100% of the share capital of 321 Crédito – Instituição Financeira de Crédito, S.A. was acquired for the amount of 110,782,000 Euros.

On 11 September 2019, but producing effects as of 1 January 2019, was registered the merger by incorporation of Transporta – Transportes Porta a Porta, S.A. in CTT Expresso – Serviços Postais e Logística, S.A. through the global transfer of the assets. This transaction had no impact on the consolidation perimeter.

Joint ventures

As at 31 December 2018 and 30 September 2019, the Group held the following interests in joint ventures, accounted for by the equity method:

Company name	Place of business	Head office	31.12.2018			30.09.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	-	51	51	-	51
MKTPlace - Comércio Eletrónico, S.A. ("MKTTP")	Portugal	Rua Eng.ª Ferreira Dias 924 Esc. 5 Porto	50	-	50	50	-	50

On 8 August 2018, MKTPlace – Comércio Eletrónico, S.A., a partnership with Sonae – SGPS, S.A., was formed, regarding the creation of an e-commerce platform to provide integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, owns 50% of the share capital of the referred entity.



On 2 April, 6 May and 6 August 2019, the company MKTPlace – Comércio Eletrónico, S.A., was subject to capital increases in the amount of 3,625,523 Euros made by CTT.

Associated companies

As at 31 December 2018 and 30 September 2019, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2018			30.09.2019		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert – Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	20	-	20
Mafelosa, SL ^(a)	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL ^(a)	Spain	Málaga - Spain	-	30	30	-	30	30

^(a) Company held by Tourline Mensajería, SLU, which currently has no activity.

Changes in the consolidation perimeter

During the period ended 31 December 2018, the consolidation perimeter was changed with the creation on 8 August 2018 of MKTPlace – Comércio Eletrónico, S.A., whose interests are accounted in accordance with the equity method.

During the nine-month period ended 30 September 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A. on 2 May 2019. An initial goodwill in the amount of 63,242,621 Euros has been recognised.

The Purchase Price Allocation (PPA) is ongoing and the Group is still evaluating the assumptions and criteria for the fair value assessment of the assets and liabilities acquired, with special relevance to 321 Crédito's credit portfolio and will be concluded within the 12 months after the acquisition date as required by IFRS 3 – Business Combinations.

Therefore, the initial Goodwill assessed on the date of the acquisition of 321 Crédito is as follow:

	Initial recognition
Net assets acquired	412,734,469
Liabilities acquired	365,195,090
Net assets acquired	47,539,379
Goodwill	63,242,621
Acquisition value	110,782,000

The Income Statement of 321 Crédito as at 30 September 2019 is as follows (months of May to September):

Income Statement - 30.09.2019	
Caption	Amount
Financial margin	9,528,012
Other operating income and costs	(2,157,034)
Impairments and provisions	(1,939,177)
Other costs	(10,457)
Earnings before taxes	5,421,344
Income tax	(1,458,789)
Net profit for the period	3,962,555



9. INVESTMENT SECURITIES

As at 31 December 2018 and 30 September 2019, the caption Investment securities showed the following composition:

	31.12.2018	30.09.2019
Non-current		
Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾		
Debt securities and other fixed-income securities		
Public issuers	546,260	534,385
Other issuers	311,385	-
	857,645	534,385
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	403,296,616	368,922,563
Other issuers	25,048,798	45,904,063
Impairment	(164,378)	(168,937)
	428,181,036	414,657,689
	429,038,681	415,192,074
Current		
Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾		
Debt securities and other fixed-income securities		
Public issuers	13,765	8,889
Other issuers	617,658	-
	631,423	8,889
Investment securities measured at amortised cost		
Debt securities and other fixed-income securities		
Public issuers	14,292,141	26,516,420
Other issuers	10,158,084	6,219,057
Impairment	(18,447)	(6,149)
	24,431,778	32,729,328
	25,063,201	32,738,217
	454,101,881	447,930,291

⁽¹⁾ As at 31 December 2018 and 30 September 2019 includes the amount of 127,791 Euros and 224 Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Investment securities measured at Fair Value through Other Comprehensive Income and the residual maturity of the investment securities as at 31 December 2018 and 30 September 2019 is detailed as follows:

	31.12.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾							
Debt securities and other fixed-income securities							
Public - debt securities							
National	13,765	-	13,765	546,260	-	546,260	560,025
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	9,163	608,495	617,658	311,385	-	311,385	929,043
	22,928	608,495	631,423	857,645	-	857,645	1,489,068

⁽¹⁾ As at 31 December 2018 includes the amount of 127,791 Euros regarding Accumulated impairment losses.



	31.12.2018						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at amortised cost							
Debt securities and other fixed-income securities							
Public-debt securities							
National	4,704,139	6,551,473	11,255,612	18,070,554	267,159,988	285,230,542	296,486,154
Foreign	497,547	2,538,983	3,036,529	42,443,006	75,623,068	118,066,074	121,102,603
Other issuers							
National	5,258,084	4,900,000	10,158,084	17,878,512	7,170,286	25,048,798	35,206,882
Foreign	-	-	-	-	-	-	-
	10,459,770	13,990,455	24,450,225	78,392,071	349,953,342	428,345,414	452,795,639

	30.09.2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at Fair Value through Other Comprehensive Income ⁽¹⁾							
Debt securities and other fixed-income securities							
Public-debt securities							
National	8,889	-	8,889	534,385	-	534,385	543,274
Foreign	-	-	-	-	-	-	-
Other issuers							
National	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-
	8,889	-	8,889	534,385	-	534,385	543,274

⁽¹⁾ As at 30 September 2019 includes the amount of 224 Euros regarding Accumulated impairment losses.

	30.09.2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Investment securities measured at amortised cost							
Debt securities and other fixed-income securities							
Public-debt securities							
National	4,808,085	-	4,808,085	18,488,196	231,586,246	250,074,442	254,882,528
Foreign	818,140	20,890,195	21,708,335	34,341,366	84,506,755	118,848,120	140,556,455
Other issuers							
National	1,463,643	4,755,415	6,219,057	11,794,528	34,109,536	45,904,063	52,123,120
Foreign	-	-	-	-	-	-	-
	7,089,868	25,645,609	32,735,477	64,624,089	350,202,536	414,826,626	447,562,103

The impairment losses, for the year ended 31 December 2018 and the nine-month period ended 30 September 2019, are detailed as follows:

	31.12.2018					
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	Closing balance
Non-current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	4,325	(8,387)	-	4,566	504
Investment securities measured at amortised cost	-	110,568	(190,198)	-	244,008	164,379
	-	114,893	(198,585)	-	248,575	164,883
Current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	-	121,166	-	-	6,120	127,286
Investment securities measured at amortised cost	-	15,383	-	-	3,064	18,447
	-	136,549	-	-	9,184	145,733
Investment securities measured at Fair Value through Other Comprehensive Income	-	125,491	(8,387)	-	10,686	127,790
Investment securities measured at amortised cost	-	125,951	(190,198)	-	247,072	182,825
	-	251,442	(198,585)	-	257,759	310,616



	30.09.2019					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	
Non-current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	504	18	(299)	-	-	224
Investment securities measured at amortised cost	164,379	27,784	(23,226)	-	-	168,937
	164,883	27,802	(23,525)	-	-	169,161
Current assets						
Investment securities measured at Fair Value through Other Comprehensive Income	127,286	-	(40,230)	(87,056)	-	-
Investment securities measured at amortised cost	18,447	-	(12,298)	-	-	6,149
	145,733	-	(52,528)	(87,056)	-	6,149
Investment securities measured at Fair Value through Other Comprehensive Income	127,790	18	(40,529)	(87,056)	-	224
Investment securities measured at amortised cost	182,826	-	(35,524)	-	-	175,086
	310,616	27,802	(76,053)	(87,056)	-	175,310

10. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2018 and 30 September 2019, the headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2018	30.09.2019
Non-current assets		
Loans to credit institutions	22,910,185	21,700,559
Impairment	(217,751)	(190,597)
Other	-	1,353
	22,692,434	21,511,315
Current assets		
Investments in credit institutions	78,314,989	1,150,195
Loans to credit institutions	14,004,877	12,901,822
Impairment	(197,018)	(48,261)
Other	1,509,230	6,611,454
Impairment	(10,927)	(3,997,821)
	93,621,151	16,617,388
	116,313,585	38,128,703
Non-current liabilities		
Liabilities represented by securities	-	84,479,686
	-	84,479,686
Current liabilities		
Liabilities represented by securities	-	17,239
Other	14,950,779	20,790,519
	14,950,779	20,807,757
	14,950,779	105,287,443

Investments in credit institutions and Loans to credit institutions

Regarding these captions the scheduling by maturity is as follows:

	31.12.2018	30.09.2019
Up to 3 months	24,472,036	4,573,495
From 3 to 6 months	56,031,030	3,367,815
From 6 to 12 months	11,816,800	6,110,707
From 1 to 3 years	14,251,127	14,879,204
Over 3 years	8,659,058	6,821,355
	115,230,051	35,752,576



The impairment losses, for the year ended 31 December 2018 and the nine-month period ended 30 September 2019, are detailed as follows:

	31.12.2018						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the accounting standards	Closing balance
Non-current assets							
Investments and loans in credit institutions	-	564,091	(462,633)	-	-	116,293	217,751
	-	564,091	(462,633)	-	-	116,293	217,751
Current assets							
Investments and loans in credit institutions	-	-	(310,086)	-	-	507,104	197,018
Other	-	10,927	-	-	-	-	10,927
	-	10,927	(310,086)	-	-	507,104	207,945
	-	575,018	(772,719)	-	-	623,397	425,696

	30.09.2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current assets							
Investments and loans in credit institutions	217,751	84,713	(111,866)	-	-	-	190,597
	217,751	84,713	(111,866)	-	-	-	190,597
Current assets							
Investments and loans in credit institutions	197,018	-	(148,757)	-	-	-	48,261
Other	10,927	17,325	(30,739)	-	(10,927)	4,011,235	3,997,821
	207,945	17,325	(179,496)	-	(10,927)	4,011,235	4,046,082
	425,696	102,038	(291,362)	-	(10,927)	4,011,235	4,236,680

Liabilities represented by securities

This caption showed the following composition:

	31.12.2018	30.09.2019
Securitisations	-	84,496,925
	-	84,496,925

As at 30 September 2019 the Liabilities represented by securities are analysed as follows:

Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulysses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	70,721,966	70,444,996
Ulysses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	6,974,039
Ulysses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,077,891
				84,821,966	84,496,925

During June 2019, the Group decided to early redeem Chaves Funding no. 7. This securitisation transaction included an auto loan and leasing portfolio and had a nominal value of 197.200.000 Euros at the time of its redemption.

The scheduling by maturity regarding this caption is as follows:

	30.09.2019						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Securitisations	17,239	-	17,239	-	84,479,686	84,479,686	84,496,925
	17,239	-	17,239	-	84,479,686	84,479,686	84,496,925



11. CREDIT TO BANK CLIENTS

As at 31 December 2018 and 30 September 2019, the caption Credit to bank clients was detailed as follows:

	31.12.2018	30.09.2019
Performing loans	248,114,654	810,277,186
Mortgage Loans	238,667,450	358,694,290
Auto Loans	-	439,969,857
Leasings	-	10,566,791
Overdrafts	529,154	1,046,248
Other credits	8,918,050	-
Overdue loans	392,852	15,638,083
Overdue loans - less than 90 days	60,947	788,280
Overdue loans - more than 90 days	331,905	14,849,802
	248,507,506	825,915,269
Credit risk impairment	(457,525)	(22,142,004)
	248,049,981	803,773,265

As at 31 December 2018 and 30 September 2019, this caption showed the following composition:

	31.12.2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Auto Loans	-	-	-	-	-
Leasings	-	-	-	-	-
Factoring operations	-	-	-	-	-
Overdrafts	529,154	392,852	922,006	(224,843)	697,163
Other credits	8,918,050	-	8,918,050	(367)	8,917,683
	248,114,654	392,852	248,507,506	(457,525)	248,049,981

	30.09.2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	358,694,290	332	358,694,622	(108,550)	358,586,073
Auto Loans	439,969,857	8,152,250	448,122,108	(15,119,712)	433,002,395
Leasings	10,566,791	3,981,657	14,548,448	(4,276,142)	10,272,305
Factoring operations	-	2,917,947	2,917,947	(2,255,913)	662,034
Overdrafts	1,046,248	585,895	1,632,143	(381,686)	1,250,457
Other credits	-	-	-	-	-
	810,277,186	15,638,082	825,915,268	(22,142,004)	803,773,265

The maturity analysis of the Credit to bank clients as at 31 December 2018 and 30 September 2019 is detailed as follows:

	31.12.2018							Total
	Current				Non-current			
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	1,722,857	4,921,205	6,644,062	13,332,739	218,690,649	232,023,388	238,667,450
Auto Loans	-	-	-	-	-	-	-	-
Leasings	-	-	-	-	-	-	-	-
Overdrafts	922,006	-	-	922,006	-	-	-	922,006
Other credits	-	8,918,050	-	8,918,050	-	-	-	8,918,050
	922,006	10,640,907	4,921,205	16,484,118	13,332,739	218,690,649	232,023,388	248,507,506



	30.09.2019							
	Current				Non-current			Total
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	2,619,677	7,422,502	10,042,179	20,098,747	328,553,696	348,652,443	358,694,622
Auto Loans	8,152,250	19,966,983	50,725,546	78,844,780	132,876,886	236,400,442	369,277,328	448,122,108
Leasings	3,981,657	771,895	2,089,856	6,843,409	4,649,193	3,055,846	7,705,039	14,548,448
Overdrafts	1,632,144	-	-	1,632,144	-	-	-	1,632,144
Other credits	2,917,947	-	-	2,917,947	-	-	-	2,917,947
	16,683,999	23,358,556	60,237,905	100,280,459	157,624,826	568,009,984	725,634,810	825,915,269

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

	31.12.2018	30.09.2019
Fixed rate	922,006	414,307,220
Floating rate	247,585,500	411,608,048
	248,507,506	825,915,269
Credit risk impairment	(457,525)	(22,142,004)
	248,049,981	803,773,265

As at 31 December 2018 and 30 September 2019, the analysis of this caption by type of collateral, is presented as follows:

	31.12.2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Other guaranteed Loans	-	-	-	-	-
Unsecured Loans	9,447,204	392,852	9,840,056	(225,210)	9,614,846
	248,114,654	392,852	248,507,506	(457,525)	248,049,981

	30.09.2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	368,571,532	2,451,403	371,022,935	(1,893,049)	369,129,885
Other guaranteed Loans	435,103,116	5,655,139	440,758,256	(12,323,659)	428,434,596
Unsecured Loans	6,602,538	7,531,540	14,134,078	(7,925,295)	6,208,782
	810,277,186	15,638,082	825,915,268	(22,142,004)	803,773,264

The analysis of credit to bank clients as at 31 December 2018 and 30 September 2019, by sector of activity, is as follows:

	31.12.2018				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Public administration and defence, compulsory social security	8,918,050	-	8,918,050	(367)	8,917,683
Individuals					
Mortgage Loans	238,667,450	-	238,667,450	(232,315)	238,435,135
Consumer Loans	529,154	392,852	922,006	(224,843)	697,163
	248,114,654	392,852	248,507,506	(457,525)	248,049,981



	30.09.2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	195,016	45,945	240,961	(40,462)	200,499
Mining and quarrying	-	231,242	231,242	(231,238)	5
Manufacturing	2,056,490	664,779	2,721,269	(804,232)	1,917,036
Water supply	194,014	102,735	296,748	(96,717)	200,031
Construction	6,248,109	1,505,413	7,753,522	(1,852,549)	5,900,973
Wholesale and retail trade	2,298,611	2,778,138	5,076,749	(2,176,966)	2,899,784
Transport and storage	412,261	884,239	1,296,500	(860,251)	436,249
Accommodation and food service activities	719,012	67,219	786,231	(83,874)	702,357
Information and communication	155,394	26,233	181,627	(24,988)	156,639
Financial and insurance activities	3,095	11,865	14,959	(11,186)	3,774
Real estate activities	1,644,631	25,487	1,670,118	(24,580)	1,645,538
Professional, scientific and technical activities	237,298	118,954	356,251	(112,348)	243,903
Administrative and support service activities	64,033	1,031,720	1,095,752	(776,570)	319,182
Education	248,089	15,402	263,492	(15,498)	247,994
Human health services and social work activities	215,101	4,291	219,392	(4,895)	214,497
Arts, entertainment and recreation	-	5,375	5,375	(5,059)	317
Other services	25,439,968	152,296	25,592,265	(414,201)	25,178,064
Individuals					
Mortgage Loans	358,799,357	332	358,799,689	(110,176)	358,689,512
Consumer Loans	411,346,708	7,966,417	419,313,125	(14,496,213)	404,816,912
	810,277,186	15,638,082	825,915,268	(22,142,004)	803,773,264

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	31.12.2018	30.09.2019
Amount of future minimum payments	-	11,276,116
Interest not yet due	-	(709,326)
Present value	-	10,566,791

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

	31.12.2018	30.09.2019
Due within 1 year	-	477,571
Due between 1 to 5 years	-	7,930,370
Over 5 years	-	2,868,176
Amount of future minimum payments	-	11,276,116

The analysis of financial leases contracts, by type of client, is presented as follows:

	31.12.2018	30.09.2019
Individuals	-	1,420,949
Home	-	105,581
Consumer	-	-
Others	-	1,315,369
Companies	-	9,145,842
Equipment	-	713,436
Real Estate	-	8,432,405
	-	10,566,791



During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the movement in the Credit to bank clients' impairment caption was as follows:

	31.12.2018					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Changes in the accounting standards	
Non-current assets						
Credit to banking clients	59,078	230,708	(57,229)	-	(6,589)	225,968
	59,078	230,708	(57,229)	-	(6,589)	225,968
Current assets						
Credit to banking clients	58,573	169,107	-	-	3,876	231,556
	58,573	169,107	-	-	3,876	231,556
	117,651	399,816	(57,229)	-	(2,713)	457,525

	30.09.2019					Closing balance
	Opening balance	Increases	Reversals	Utilisations	Changes in the consolidation perimeter	
Non-current assets						
Credit to banking clients	225,968	181,343	(301,413)	-	-	105,898
	225,968	181,343	(301,413)	-	-	105,898
Current assets						
Credit to banking clients	231,556	2,223,965	(180,141)	(21,931)	19,782,656	22,036,106
	231,556	2,223,965	(180,141)	(21,931)	19,782,656	22,036,106
	457,525	2,405,308	(481,554)	(21,931)	19,782,656	2,359,348

The total credit portfolio, split by stage according to IFRS 9, is analysed as follows:

	31.12.2018	30.09.2019
Stage 1	246,487,327	758,043,715
Gross amount	246,671,668	760,194,882
Impairment	(184,341)	(2,151,167)
Stage 2	1,434,865	36,548,612
Gross amount	1,502,060	38,464,446
Impairment	(67,195)	(1,915,834)
Stage 3	127,789	9,180,938
Gross amount	333,777	27,255,940
Impairment	(205,988)	(18,075,003)
	248,049,981	803,773,265

The caption credit to bank clients includes the effect of traditional securitisation operations, through Special Purpose Entities (SPE) and subject to consolidation in accordance with IFRS 10.

12. DEFERRALS

As at 31 December 2018 and 30 September 2019, the Deferrals included in Current assets and Current and Non-current liabilities showed the following composition:



	31.12.2018	30.09.2019
Assets deferrals		
Current		
Rents payable	1,299,445	1,461,095
Meal allowances	1,541,263	1,500,203
Other	3,850,652	6,049,514
	6,691,359	9,010,812
Liabilities deferrals		
Non-current		
Investment subsidy	305,691	297,290
	305,691	297,290
Current		
Phone-ix top ups	110,597	-
Investment subsidy	11,201	11,201
Contractual liabilities	1,402,125	1,441,869
Other	1,184,167	1,206,623
	2,708,090	2,659,693
	3,013,781	2,956,983

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

13. ACCUMULATED IMPAIRMENT LOSSES

During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the following movements occurred in impairment losses:

	31.12.2018					Changes in the consolidation perimeter	Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers		
Non-current assets							
Tangible fixed assets	49,341	-	(25,085)	-	-	-	24,256
Investment properties	1,092,556	-	(732,506)	-	883,452	-	1,243,502
	1,141,897	-	(757,591)	-	883,452	-	1,267,758
Investment securities	-	114,893	(198,585)	-	-	248,575	-
Other non-current assets	1,786,729	196,161	-	-	-	-	1,982,890
Credit to banking clients	59,078	230,708	(57,229)	-	-	(6,589)	225,968
Other banking financial assets	-	564,091	(462,633)	-	-	116,293	217,751
	1,845,807	1,105,853	(718,447)	-	-	358,279	2,591,492
	2,987,704	1,105,853	(1,476,038)	-	883,452	358,279	3,859,250
Current assets							
Accounts receivable	32,583,555	4,693,073	(2,465,765)	(490,358)	-	(883,883)	33,436,621
Credit to banking clients	58,573	169,107	-	-	-	3,876	231,556
Investment securities	-	136,549	-	-	-	9,184	145,733
Other current assets	7,335,098	431,796	(226,769)	(23,137)	-	-	7,516,988
Other banking financial assets	-	10,927	(310,086)	-	-	507,104	207,945
Slight and term deposits	-	8,271	(393,885)	-	-	406,909	21,295
	39,977,226	5,449,724	(3,396,505)	(513,495)	-	43,190	41,560,139
Merchandise	1,719,745	145,341	(1,585)	(39,390)	-	-	1,824,111
Raw, subsidiary and consumable	658,137	-	(24,611)	-	-	-	633,526
	2,377,882	145,341	(26,196)	(39,390)	-	-	2,457,637
	42,355,108	5,595,065	(3,422,701)	(552,885)	-	43,190	44,017,776
	45,342,812	6,700,917	(4,898,739)	(552,885)	883,452	401,469	47,877,025



	30.09.2019						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	
Non-current assets							
Tangible fixed assets	24,256	-	-	-	-	-	24,256
Investment properties	1,243,502	-	(67,547)	-	-	-	1,175,955
Non-current assets held for sale	-	-	(95)	(500)	-	187,659	187,064
	1,267,758	-	(67,642)	(500)	-	187,659	1,387,275
Investment securities	164,883	27,802	(23,525)	-	-	-	169,160
Other non-current assets	1,982,890	-	-	-	105,692	-	2,088,582
Credit to banking clients	225,968	2,252,526	(481,554)	(21,931)	-	19,782,656	21,757,665
Other banking financial assets	217,751	102,038	(142,605)	-	-	4,011,235	4,188,419
	2,591,492	2,382,366	(647,684)	(21,931)	105,692	23,793,891	28,203,826
	3,859,249	2,382,366	(715,326)	(22,431)	105,692	23,981,550	29,591,100
Current assets							
Accounts receivable	33,436,621	4,363,911	(475,615)	(398,352)	-	-	36,926,566
Credit to banking clients	231,556	152,782	-	-	-	-	384,338
Investment securities	145,733	-	(52,528)	(87,056)	-	-	6,149
Other current assets	7,516,988	374,646	(64,654)	(194,141)	(94,765)	-	7,538,073
Other banking financial assets	207,945	-	(148,757)	-	(10,927)	-	48,261
Slight and term deposits	21,295	3,239	(4,365)	-	-	-	20,169
	41,560,139	4,894,578	(745,919)	(679,549)	(105,692)	-	44,923,557
Merchandise	1,824,111	151,190	-	(19,694)	-	-	1,955,607
Raw, subsidiary and consumable	633,526	74,666	-	-	-	-	708,192
	2,457,637	225,856	-	(19,694)	-	-	2,663,799
	44,017,776	5,120,434	(745,919)	(699,243)	(105,692)	-	47,587,356
	47,877,025	7,502,800	(1,461,245)	(721,674)	-	23,981,550	77,178,456

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

14. EQUITY

As at 30 September 2019, the Company's share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2018 and 30 September 2019 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

Shareholder	31.12.2018		
	No. of shares	%	Nominal value
Gestmin SGPS, S.A. ^{(1) (2)}	18,589,534	12.393%	9,294,767
Manuel Carlos de Melo Champalimaud	284,885	0.190%	142,443
Manuel Carlos de Melo Champalimaud ⁽³⁾	Total	12.583%	9,437,210
Global Portfolio Investments, S.L. ⁽⁴⁾	8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. ⁽⁴⁾	Total	5.662%	4,246,373
GreenWood Builders Fund I, LP	7,500,502	5.000%	3,750,251
GreenWood Builders Fund I, LP	Total	5.000%	3,750,251
Norges Bank	Total	4.266%	3,199,595
BlackRock, Inc. ⁽⁵⁾	Total	2.587%	1,940,548
BBVA Asset Management, SA SGIIC ⁽⁶⁾	Total	2.330%	1,747,750
Wellington Management Group LLP ⁽⁷⁾	Total	2.070%	1,552,611
CTT, S.A. (own shares)	Total	0.000%	0.50
Other shareholders	Total	65.501%	49,125,664
Total	150,000,000	100.000%	75,000,000

(1) Gestmin SGPS, S.A. changed its corporate name to Manuel Champalimaud, SGPS, S.A. as published in the Lisbon Commercial Registry Office on 28 February 2019.



- (2) Includes 18,465,215 shares held by Gestmin SGPS, S.A. and 124,319 shares held by the members of the Board of Directors of Gestmin.
- (3) Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud, who has control over Gestmin, and also directly holds 284,885 shares corresponding to 0.190% of the share capital of and voting rights in CTT.
- (4) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (5) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release published on CTT website (www.ctt.pt) on 17 October 2018.
- (6) BBVA ASSET MANAGEMENT, SA, SGIIC is directly controlled by Cidessa Uno SL. The voting rights are exercised on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI, as per press release published on CTT website (www.ctt.pt) on 26 March 2018.
- (7) The full chain of undertakings controlled by the Wellington Management Group LLP through which the voting rights are held is presented in the press release published on CTT website (www.ctt.pt) on 5 September 2017.

Shareholder	30.09.2019		
	No. of shares	%	Nominal value
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,257,584	12.838%	9,628,792
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total	13.074%	9,805,385
GreenWood Builders Fund I, LP ⁽²⁾	8,759,082	5.839%	4,379,541
GreenWood Investors LLC ⁽²⁾	Total	5.839%	4,379,541
Global Portfolio Investments, S.L. ⁽³⁾	8,492,745	5.662%	4,246,373
Indumenta Pueri, S.L. ⁽³⁾	Total	5.662%	4,246,373
Norges Bank	Total	3.644%	2,733,321
BlackRock, Inc. ⁽⁴⁾	Total	2.625%	1,968,726
BBVA Asset Management, SA SGIIC ⁽⁵⁾	Total	2.330%	1,747,750
Wellington Management Group LLP ⁽⁶⁾	Total	2.070%	1,552,611
CTT, S.A. (own shares) ⁽⁷⁾	Total	0.000%	0.50
Other shareholders	Total	64.755%	48,566,295
Total	150,000,000	100.000%	75,000,000

- (1) Includes 19,146,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 110,769 shares held by the members of its Board of Directors, of which Duarte Palma Leal Champalimaud, non-executive member of the Board of Directors of CTT, is a member. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) GreenWood Investors, LLC, of which Steven Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member exercises the voting rights not in its own name but on behalf of the fund GreenWood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC.
- (3) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (4) The full chain of undertakings controlled by BlackRock, Inc. and through which the voting rights and/or the financial instruments are effectively held is shown as attachment to the qualifying holding press release of 26 April 2019 and available on CTT website (www.ctt.pt).
- (5) BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.
- (6) The full chain of controlled undertakings through which the voting rights are held includes Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP.
- (7) On 31 January 2017 and in execution of the Remuneration Committee's approved remuneration policy for the 2014-2016 term of office and the Company's Executive Director Share Award Plan approved by the General Meeting held on 5 May 2015, a total of 600,530 own shares representing 0.400% of the share capital was awarded to the Company's Executive Directors, as long-term variable remuneration. At the present date, CTT holds thus 1 own share corresponding to 0.000% of the share capital and with the nominal value of €0.50; the rights inherent to this share remain suspended pursuant to article 324 of the Portuguese Companies Code.



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

Reserves

As at 31 December 2018 and 30 September 2019, the heading Reserves is detailed as follows:

	31.12.2018				Total
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	
Opening balance	15,000,000	8	50,323	64,897,551	79,947,883
Distribution of dividends (Note 16)	-	-	-	(15,372,222)	(15,372,222)
Other movements	-	-	-	1,311,267	1,311,267
Assets fair value	-	-	(50,053)	-	(50,053)
Closing balance	15,000,000	8	270	50,836,597	65,836,875

	30.09.2019				Total
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	
Opening balance	15,000,000	8	270	50,836,597	65,836,875
Assets fair value	-	-	19,247	-	19,247
Closing balance	15,000,000	8	19,518	50,836,597	65,856,123

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 30 September 2019, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the following movements were made in the heading Retained earnings:

	Restated	30.09.2019
	31.12.2018*	
Opening balance	21,524,684	4,378,984
Application of the net profit of the prior year	27,263,244	21,499,271
Distribution of dividends	(41,627,778)	(15,000,000)
Changes to accounting policies	(1,467,664)	-
Adjustments from the application of the equity method	(2,235)	(1,431)
Other movements	(1,311,267)	(150,392)
Closing balance	4,378,984	10,726,432

* Restated values: see note 3

The amount of 1,467,664 Euros relates to the effect of the adoption of IFRS 9 and IFRS 15.

Other changes in equity

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



Thus, for the year ended 31 December 2018 and nine-month period ended 30 September 2019, the movements occurred in this heading were as follows:

	31.12.2018	30.09.2019
Opening balance	(32,634,996)	(30,993,430)
Actuarial gains/losses	2,181,712	-
Tax effect	(540,146)	-
Closing balance	(30,993,430)	(30,993,430)

16. DIVIDENDS

According to the dividend distribution proposal included in the 2018 Annual Report, at the General Meeting of Shareholders, which was held on 23 April 2019, a dividend distribution of 15,000,000 Euros, corresponding to a dividend per share of 0.10 Euros, regarding the financial year ended 31 December 2018 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, totalling 0.10 Euros.

17. EARNINGS PER SHARE

During the nine-month periods ended 30 September 2018 and 30 September 2019, the earnings per share were calculated as follows:

	Restated 30.09.2018*	30.09.2019
Net income for the period	11,445,913	22,852,183
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.08	0.15
Diluted	0.08	0.15

* Restated values: see note 3

The average number of shares is detailed as follows:

	30.09.2018	30.09.2019
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

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

As at 30 September 2019, the number of own shares held by the Group is 1 and its average number for the period ended 30 September 2019 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.



18. DEBT

As at 31 December 2018 and 30 September 2019, Debt of the Group showed the following composition:

	Restated	
	31.12.2018*	30.09.2019
Non-current liabilities		
Bank loans	24,276,250	81,623,987
Lease liabilities	76,005,953	68,822,781
	100,282,203	150,446,769
Current liabilities		
Bank loans	6,558,116	8,935,200
Lease liabilities	20,537,957	17,737,911
	27,096,073	26,673,111
	127,378,276	177,119,880

* Restated values: see note 3

The interest rates applied to other loans, as at 31 December 2018 and 30 September 2019, were between 1.25% and 1.875%.

Bank loans and other loans

As at 31 December 2018 and 30 September 2019, the details of the Group bank loans were as follows:

Financing entity	31.12.2018			30.09.2019		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	6,543,879	-	11,250,000	8,935,200	-
BBVA / Bankinter	75,000,000	-	24,276,250	-	-	46,655,700
Novobanco	-	-	-	-	-	34,968,287
BIM - (Mozambique)	14,237	14,237	-	44,870	-	-
Other loans						
BIM - (Mozambique)	6,049	-	-	-	-	-
	86,270,286	6,558,116	24,276,250	11,294,870	8,935,200	81,623,987

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 30 September 2019 the referred amount corresponded to 46,655,700 Euros. By a company decision, the remaining available amount will not be used.

On April 22, 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. Regarding 30 September 2019, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,968,287 Euros.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with ratios of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the Group and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December.



Lease Liabilities

The Group presents lease liabilities which future undiscounted payments are detailed as follows:

	Restated*	30.09.2019
	31.12.2018	
Due within 1 year	25,395,404	21,163,936
Due between 1 to 5 years	68,887,559	56,580,632
Over 5 years	21,517,489	24,575,824
Total undiscounted lease liabilities	115,800,452	102,320,392
Current	20,537,957	17,737,911
Non-current	76,005,953	68,822,781
Lease liabilities included in the statement of financial position	96,543,910	86,560,692

* Restated values: see note 3

In the nine-month periods ended 30 September 2018 and 30 September 2019 the interest expenses associated with these leases were 3,184,114 Euros and 2,785,371 Euros, respectively (note 24).

The movement in the rights of use underlying these lease liabilities can be analysed in note 5.

19. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions

For the year ended 31 December 2018 and nine-month period ended 30 September 2019, in order to face legal proceedings and other liabilities arising from past events, the Group recognised Provisions, which showed the following movement:

31.12.2018							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance	
Non-current provisions							
Litigations	3,390,479	1,209,497	(1,294,790)	(261,423)	105,858	3,149,620	
Restructuring	1,729,651	1,509,881	(394,567)	(119,354)	(883,452)	1,842,159	
Other provisions	8,338,601	1,534,560	(644,556)	(101,264)	(105,858)	9,021,484	
Sub-total - caption "Provisions (increases)/reversals"	13,458,730	4,253,937	(2,333,913)	(482,041)	(883,452)	14,013,263	
Restructuring	11,903,172	16,731,772	(286,479)	(27,321,562)	-	1,026,902	
Other provisions	666,430	316,802	(4,058)	-	-	979,174	
	26,028,332	21,302,512	(2,624,450)	(27,803,603)	(883,452)	16,019,339	
30.09.2019							
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	3,149,620	892,175	(1,380,691)	(352,182)	47,214	-	2,356,136
Restructuring	1,842,159	-	-	(34,611)	-	-	1,807,548
Other provisions	9,021,484	186,670	(209,425)	(2,455)	(47,214)	3,197,679	12,146,739
Sub-total - caption "Provisions (increases)/reversals"	14,013,263	1,078,845	(1,590,116)	(389,247)	-	3,197,679	16,310,423
Restructuring	1,026,902	8,324,130	-	(7,855,141)	-	-	1,495,892
Other provisions	979,174	-	-	(3,737)	-	-	975,437
	16,019,339	9,402,975	(1,590,116)	(8,248,125)	-	3,197,679	18,781,753

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 511,271 Euros ((978,207) Euros as at 30 September 2018).



Litigations

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

Restructuring

On 19 December 2017, CTT approved an Operational Transformation Plan, which emphasises the purposes of optimising the retail network and reinforcing the HR optimisation programme. In 2018, following the continuation of the HR optimisation programme, reinforcements of this provision in the amount of 16,731,772 Euros were recorded in the Group against the caption Staff costs in the income statement. As at 31 December 2018 the provision amounts to 1,026,902 Euros. In the nine-month period ended 30 September 2019 this provision was increased by 8,324,130 Euros, amounting to 1,495,892 Euros as at 30 September 2019.

The utilisations recorded in the nine-month period ended 30 September 2019 regard mainly the payment of indemnities foreseen when the provision was booked as well as the costs incurred with the closing of post offices.

Also, within the scope of the Operational Transformation Plan, in the area of optimisation of the delivery network and mail processing operations, the Group in the year ended 31 December 2018, created a provision for restructuring in the amount of 1,397,647 Euros which was recognised under "Provisions (increases) / reversals" in the income statement by nature. As at 30 September 2019 the amount provisioned is the same.

Other provisions

For the nine-month period ended 30 September 2019, the provision to cover contingencies relating to employment litigation actions not included in the current court proceedings and related to remuneration differences that can be claimed by workers, amounts to 6,984,810 Euros (7,197,562 Euros as at 31 December 2018).

On 30 September 2018, a provision was recognised in Tourline to face the notification issued by the National Commission on Markets and Competition. The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors.

The amount provisioned in 321 Crédito, S.A. amounting to 3,259,228 Euros as at 30 September 2019 (3,197,679 Euros at the acquisition date) is essentially the result of the risk assessment associated with tax contingencies.

As at 30 September 2019, in addition to the previously mentioned situations, this heading also includes:

- the amount of 71,228 Euros to cover costs for dismantlement of tangible fixed assets and/or removal of facilities and restoration of the sites;
- the amount of 670,914 Euros, which arise from the assessment made by the management regarding the possibility of tax contingencies.
- the amount of 309,007 Euros regarding the liability, recognised in the company CTT Espresso, with a labour legal proceeding.

Guarantees provided

As at 31 December 2018 and 30 September 2019, the Group had provided bank guarantees to third parties as follows:



Description	31.12.2018	30.09.2019
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	10,863,848	6,423,965
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
Courts	232,687	275,830
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Municipalities	122,165	122,165
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056
Solred (Repsol's fuel cards)	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984
Administração Regional de Saúde - Lisboa e Vale do Tejo (Regional Health Authority of the Lisbon Area)	13,086	26,086
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	16,406	16,406
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	-	11,000
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	-	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,909	9,909
Other entities	14,103	9,144
Instituto de Segurança Social (Social Security Institute)	8,190	8,190
Promodois (Real estate company)	6,273	6,273
Consejería Salud (Local Health Service/Spain)	4,116	4,116
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,718	3,718
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	-	3,100
Casa Pia de Lisboa, I.P. (Public institute for the promotion and protection of the children and youngsters' rights)	1,863	1,863
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746
Águas de Coimbra (Services of Water Supply and Sanitation of the city of Coimbra)	870	870
Fonavi, Nave Hospitalet	40,477	-
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	12,460	-
Secretaria-Geral do Ministério da Administração Interna (General Secretariat of the Ministry of Internal Administration)	3,644	-
	18,908,206	14,487,501



According to the terms of some lease contracts of the buildings occupied by the Group's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2018 and as at 30 September 2019.

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

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

Tourline Express Messageria, SLU provided a bank guaranty to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, while the appeal presented by Tourline in the National Audience in Spain proceeds.

Commitments

As at 30 September 2019, the Group had subscribed promissory notes amounting to approximately 44.9 thousand Euros, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros for the subsidiary Tourline, which are still active as at 30 September 2019.

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

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

20. ACCOUNTS PAYABLE

As at 31 December 2018 and 30 September 2019, the heading Accounts payable showed the following composition:

	31.12.2018	30.09.2019
Current		
Advances from customers	2,939,052	2,714,913
CNP money orders	85,601,930	88,674,208
Suppliers	68,209,836	66,573,162
Invoices pending confirmation	12,332,620	10,802,032
Fixed assets suppliers	5,996,962	2,167,944
Invoices pending confirmation (fixed assets)	9,367,220	3,508,239
Values collected on behalf of third parties	11,491,455	7,022,578
Postal financial services	115,408,707	134,530,620
Advances regarding disposals	12,253	14,598
Other accounts payable	10,916,185	9,239,042
	322,276,222	325,247,336



CNP money orders

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

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders.

21. BANKING CLIENTS' DEPOSITS AND OTHER LOANS

As at 31 December 2018 and 30 September 2019, the composition of the heading Banking clients' deposits and other loans is as follows:

	31.12.2018	30.09.2019
Sight deposits	671,672,699	855,405,068
Term deposits	100,832,482	165,124,501
Savings deposits	111,445,353	139,836,982
Banking clients' deposits	883,950,534	1,160,366,551
Other credit institutions' deposits	-	67,683,244
Other credit institutions' deposits	-	67,683,244
	883,950,534	1,228,049,796

The above-mentioned amounts relate to Banco CTT clients' deposits. As at 31 December 2018 and 30 September 2019, the residual maturity of banking clients' deposits and other loans, is detailed as follows:

	31.12.2018					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits	671,672,699	-	-	-	-	671,672,699
Term deposits	-	47,462,967	53,369,515	-	-	100,832,482
Savings deposits	111,445,353	-	-	-	-	111,445,353
	783,118,052	47,462,967	53,369,515	-	-	883,950,534

	30.09.2019					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits	855,405,068	-	-	-	-	855,405,068
Term deposits	-	36,900,935	128,223,566	-	-	165,124,501
Savings deposits	139,836,982	-	-	-	-	139,836,982
Banking clients' deposits	995,242,050	36,900,935	128,223,566	-	-	1,160,366,551
Other credit institutions' deposits	-	67,683,244	-	-	-	67,683,244
Other credit institutions' deposits	-	67,683,244	-	-	-	67,683,244
	995,242,050	36,900,935	128,223,566	-	-	1,228,049,795

22. INCOME TAXES RECEIVABLE /PAYABLE

As at 30 September 2019 the caption reflects the difference between the estimated income tax regarding the nine-month period ended 30 September 2019 and the amounts already paid regarding payments on account and additional payments on account.



23. STAFF COSTS

During the nine-month periods ended 30 September 2018 and 30 September 2019, the composition of the heading Staff Costs was as follows:

	30.09.2018	30.09.2019
Remuneration	195,024,529	197,429,060
Employee benefits	3,189,100	2,392,805
Indemnities	16,447,768	9,678,075
Social Security charges	43,245,426	43,695,734
Occupational accident and health insurance	3,315,943	3,348,841
Social welfare costs	4,808,535	5,557,609
Other staff costs	70,445	33,930
	266,101,746	262,136,055

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

In the nine-month periods ended 30 September 2018 and 30 September 2019, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, S.A. were as follows:

	30.09.2018				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,727,953	127,500	41,850	14,000	1,911,303
Annual variable remuneration	-	-	-	-	-
	1,727,953	127,500	41,850	14,000	1,911,303
Long-term remuneration					
Defined contribution plan RSP	137,662	-	-	-	137,662
Long-term variable remuneration	30,105	-	-	-	30,105
	167,767	-	-	-	167,767
	1,895,720	127,500	41,850	14,000	2,079,070
	30.09.2019				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,903,141	140,357	41,850	14,000	2,099,348
Annual variable remuneration	-	-	-	-	-
	1,903,141	140,357	41,850	14,000	2,099,348
Long-term remuneration					
Defined contribution plan RSP	157,554	-	-	-	157,554
Long-term variable remuneration	38,160	-	-	-	38,160
	195,714	-	-	-	195,714
	2,098,855	140,357	41,850	14,000	2,295,062

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

The attribution and calculation of the Long-term Variable Remuneration are based on the results of the performance evaluation during the term of office (1 January 2017 to 31 December 2019), which consists of (i) a comparison of the recorded performance of the Total Shareholder Return (TSR) of CTT shares and the TSR of a weighted peer group, composed of national and international companies (ii) the sum of the overall annual qualitative AVR assessments of the executive Directors and (iii) the investment in CTT shares of a minimum of 25% of the AVR amount received by each Director.



The long-term variable remuneration attributed to the executive members of the Board of Directors will be paid at the end of the 2017-2019 term of office, and the amount of 38,160 Euros corresponds to the cost to be assumed in the period between 1 January 2019 and 30 September 2019 and was set by an independent entity.

Employee benefits

The variation registered under Employee benefits mainly reflects the curtailment recognised in the benefit "Telephone subscription fee".

Indemnities

During the nine-month period ended 30 September 2019, this caption includes the amount of 7,771,202 Euros related to compensation paid to employees and directors for termination of employment contracts by mutual agreement, as well as the amount of 1,500,000 Euros related to a provision recorded within the scope of the HR optimisation programme.

Social welfare costs

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

During the nine-month periods ended 30 September 2018 and 30 September 2019, the heading Staff costs includes the amounts of 543,015 Euros and 600,754 Euros, respectively, related to expenses with workers' representative bodies.

For the nine-month periods ended 30 September 2018 and 30 September 2019, the average number of staff of the Group was 12,440 and 12,386, respectively.

24. INTEREST EXPENSES AND INTEREST INCOME

For the nine-month periods ended 30 September 2018 and 30 September 2019, the heading Interest Expenses of the Group had the following detail:

	Restated*	
	30.09.2018	30.09.2019
Interest expenses		
Bank loans	66,429	35,031
Lease liabilities	3,184,114	2,785,371
Other interest	109,752	635,832
Interest costs from employee benefits	3,953,597	4,021,073
Other interest costs	1,398	22,873
	7,315,290	7,500,181

* Restated values: see note 3

During the nine-month periods ended 30 September 2018 and 30 September 2019, the heading Interest income was detailed as follows:

	30.09.2018	30.09.2019
Interest income		
Deposits in credit institutions	34,139	33,390
Other supplementary income	2,310	163,479
	36,449	196,869



25. INCOME TAX FOR THE PERIOD

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

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

Reconciliation of the income tax rate

In the nine-month periods ended 30 September 2018 and 30 September 2019, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	Restated*	
	30.09.2018	30.09.2019
Earnings before taxes (a)	19,415,633	26,325,796
Nominal tax rate	21.0%	21.0%
	4,077,283	5,528,417
Tax Benefits	(307,967)	(341,585)
Accounting capital gains/(losses)	(48,516)	(89,014)
Tax capital gains/(losses)	5,607	733
Equity method	-	128,468
Provisions not considered in the calculation of deferred taxes	25	17,059
Impairment losses and reversals	218,832	99,450
Other situations, net	724,070	1,133,333
Adjustments related with - autonomous taxation	398,933	468,811
Tax losses without deferred tax	1,224,306	1,867,956
Insufficiency / (Excess) estimated income tax	195,700	(7,681,188)
	Subtotal (b)	1,132,440
	(b)/(a)	4.30%
Adjustments related with - Municipal Surcharge	417,647	655,381
Adjustments related with - State Surcharge	1,036,473	1,656,575
Income taxes for the period	7,942,392	3,444,396
Effective tax rate	40.91%	13.08%
Income taxes for the period		
Current tax	4,215,788	6,263,396
Deferred tax	3,530,904	4,862,188
Insufficiency / (Excess) estimated income tax	195,700	(7,681,188)
	7,942,392	3,444,396

* Restated values: see note 3

In the nine-month period ended 30 September 2019, the heading "Insufficiency / (Excess) estimated income tax" refers essentially to the tax credit related to SIFIDE for the year 2017 in the amount of 650,384 Euros, as well as to the excess / insufficiency of the IRC estimate for the years 2016, 2017 and 2018, in the net amount of 7,030,805 Euros. The excess of the IRC estimate for the year 2016 relates to an IRC refund in the amount of 6.8m€ following Tax Authority's favourable decision regarding the deduction of the tax loss on CTT Espresso's sale of Tourline in the 2016 financial year.



Deferred taxes

As at 31 December 2018 and 30 September 2019, the balance of deferred tax assets and liabilities was composed as follows:

	Restated*	
	31.12.2018	30.09.2019
Deferred tax assets		
Employee benefits - healthcare	70,503,582	69,797,445
Employee benefits - pension plan	77,479	79,773
Employee benefits - other long-term benefits	2,645,244	2,104,736
Impairment losses and provisions	3,561,740	3,868,830
Tax losses carried forward	1,292,888	1,289,985
Impairment losses in tangible fixed assets	283,474	248,946
Long-term variable remuneration (Board of directors)	25,486	36,171
Land and buildings	452,012	357,774
Tangible assets' tax revaluation regime	2,245,007	2,004,470
Other	647,203	666,491
	81,734,114	80,454,621
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,337,888	2,158,255
Suspended capital gains	745,377	725,533
Other	25,397	25,397
	3,108,662	2,909,185

* Restated values: see note 3

As at 30 September 2019, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.5 million Euros and 0.3 million Euros, respectively.

During the year ended 31 December 2018 and nine-month period ended 30 September 2019, the movements which occurred under the deferred tax headings were as follows:

	Restated*	
	31.12.2018	30.09.2019
Deferred tax assets		
Opening balances	91,954,991	81,734,114
Effect on net profit		
Employee benefits - healthcare	(497,200)	(706,137)
Employee benefits - pension plan	(2,565)	2,294
Employee benefits - other long-term benefits	(1,763,943)	(540,508)
Impairment losses and provisions	(3,351,649)	307,091
Tax losses carried forward	604,499	(2,904)
Impairment losses in tangible fixed assets	25,860	(34,528)
Long-term variable remuneration (Board of directors)	14,178	10,685
Share plan	-	-
Land and buildings	(42,793)	(94,238)
Tangible assets' tax revaluation regime	(336,293)	(240,537)
Other	(4,869,443)	19,289
Effect on equity		
Employee benefits - healthcare	(540,146)	-
Outros	538,618	-
Closing balance	81,734,114	80,454,621

* Restated values: see note 3



	31.12.2018	30.09.2019
Deferred tax liabilities		
Opening balances	3,399,121	3,108,662
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(253,705)	(179,633)
Suspended capital gains	(31,145)	(19,844)
Other	(5,610)	-
Closing balance	3,108,661	2,909,185

The tax losses carried forward are related to the losses of the subsidiaries Tourline and CTT Espresso/Transporta, and are detailed as follows:

Company	Tax losses	Deferred tax assets
Tourline	56,510,847	-
CTT Espresso/Transporta	6,142,786	1,289,985
Total	62,653,632	1,289,985

Regarding Tourline, the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015 to 2019 have no time limit for deduction. Regarding CTT Espresso, the tax loss refers to the years 2017 and 2018 of Transporta, since in 2019 the company was incorporated in CTT Espresso, the tax losses may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.3 million Euros.

SIFIDE

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

For the year ended 31 December 2017, regarding the expenses incurred with R&D of 1,432,825 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax of 650,383 Euros already approved by the Certification Commission.

For the year ended 31 December 2018, regarding the expenses incurred with R&D, of 737,089 Euros, the Group will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 248,131 Euros.

Other information

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

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the interim condensed consolidated financial statements as at 30 September 2019.



26. RELATED PARTIES

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

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

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

During the nine-month periods ended 30 September 2018 and 30 September 2019, the following transactions took place and the following balances existed with related parties:

	30.09.2018				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	57,000,000
Group companies					
Associated companies	2,456	7,645	8,776	59,472	-
Jointly controlled	106,725	-	275,633	-	-
Members of the	(Note 23)				
Board of Directors	-	-	-	1,727,953	-
Audit Committee	-	-	-	127,500	-
Remuneration Committee	-	-	-	41,850	-
General Meeting	-	-	-	14,000	-
	109,181	7,645	284,409	1,970,775	57,000,000

	30.09.2019				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	15,000,000
Group companies					
Associated companies	2,760	12,854	8,427	70,526	-
Jointly controlled	318,991	-	339,152	-	-
Members of the	(Note 23)				
Board of Directors	-	-	-	1,903,141	-
Audit Committee	-	-	-	140,357	-
Remuneration Committee	-	-	-	41,850	-
General Meeting	-	-	-	14,000	-
	321,751	12,854	347,579	2,169,874	15,000,000

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

27. OTHER INFORMATION

Only two of the precautionary measures filed by Intermunicipal Communities or by Municipalities following the process of transformation of Post Offices into Postal Agencies, covering situations where only a single post office exists in a county seat, are at the appeal stage before the Central Administrative Court. All the remaining ones were dismissed, or it was considered that there was no need to adjudicate.

The arbitral action brought against the Portuguese State, as grantor, requesting the declaration of invalidity of the Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, is in progress pending the presentation of means of proof. The administrative action had no further development.



The process related to the proposal of the application of 11 contractual fines within the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract which occurred during 2015, 2016 and 2017, is pending a decision following the submission of evidence.

On 01.07.2019, the new procedures stipulated by ANACOM in its decision of 28 December 2018 based on the results of the audit to the quality of the universal postal service indicators of 2016 and 2017. This decision of ANACOM stipulated changes to the Quality of Service Indicators (QSI) measurement system involving additional costs to be borne by CTT with the contracting of external supplier responsible for the measurement. Having disagreed with the rationale and scope of ANACOM's stipulations, CTT challenged the decision before the administrative courts on 28.03.2019, and the proceedings are running in court.

Following the audit of the 2016 results of the cost accounting system of CTT, on 18.06.2019 ANACOM approved the decision on the results regarding that financial year, under which that entity considers that new criteria for the allocation of costs between the postal activity and the banking activity of the Company should be identified, and specified that the cost accounting system for the 2016 and 2017 financial years in this regard should be restated, and also that the results of the 2018 cost accounting system should be delivered in accordance with the new criteria. The results of the three financial years were submitted to ANACOM on 20.08.2019, 17.09.2019 and 02.09.2019, respectively.

On 26.08.2019, ANACOM issued its final decision on the process it had started on 10.01.2019 when it instructed CTT to submit a proposal to complement the density targets of the postal network and minimum service offer in force until then. This decision, made after a public consultation, confirmed the draft decision of 11.07.2019 and accepted CTT's proposal, to be implemented within 60 days. During this period CTT will have to improve the procedures and corresponding documents on the training and management of postal agencies located in more densely populated areas.

In the administrative proceedings filed by ANACOM against CTT charging the Company with the alleged violation of the obligation to have a hard copy of the complaints book in the establishments operating on behalf of CTT and the alleged breach of the obligation to immediately provide at no cost the complaints book to the users who requested it, CTT presented its defense and the examination of witnesses stage has taken place in the meantime.

28. SUBSEQUENT EVENTS

After the end of the year and up to the present date, no relevant or material fact has occurred in the Group's activity that has not been disclosed in the notes to the financial statements.