



Integrated Report

1st Half 2020

committed to deliver

Table of Contents

1. INTRODUCTION TO CTT	7
1.1 Key Figures.....	7
1.2 External Awards and Distinctions	10
2. STRATEGIC BACKGROUND.....	13
2.1 Regulatory Framework	13
2.2 Strategic Lines	15
2.3 Sustainable Development Goals.....	16
2.4 Risk Management	17
3. CTT BUSINESS UNITS.....	23
3.1 Mail.....	23
3.2 Express & Parcels	25
3.3 Banco CTT.....	27
3.4 Financial Services & Retail.....	28
3.5 Future Perspectives.....	29
4. PERFORMANCE	33
4.1 Financial Capital.....	33
4.2 Human Capital	39
4.3 Intellectual Capital.....	41
4.4 Social Capital	42
4.5 Natural Capital	43
5. CORPORATE GOVERNANCE	49
6. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	61
7. DECLARATION OF CONFORMITY	113
8. AUDIT REPORT	119
9. INVESTOR SUPPORT	123
CONTACTS.....	125



01

Introduction to CTT

**We
go further
in**

Proximity

We go further to bring the world closer.



1. INTRODUCTION TO CTT

1.1 Key Figures

1.1.1 Economic and financial indicators

€ thousand or %, except where indicated

	'1H19	'1H20	Δ 20/19
Revenues	354,995	349,168	-1.6%
Operating costs ⁽¹⁾	308,598	315,775	2.3%
EBITDA ⁽¹⁾	46,397	33,393	-28.0%
EBIT	19,713	4,867	-75.3%
EBT	14,703	-1,031	-107.0%
Net profit before non-controlling interests	8,987	-1,928	-121.5%
Net profit for the period attributable to equity holders	8,988	-1,984	-122.1%
Earnings per share (euro) ⁽²⁾	0.06	-0.01	-122.1%
EBITDA margin	13.1%	9.6%	-3.5 p.p.
EBIT margin	5.6%	1.4%	-4.2 p.p.
Net profit margin	2.5%	-0.6%	-3.1 p.p.
Capex	14,700	10,903	-25.8%
Free cash flow ⁽³⁾	-2,085	-556	73.3%

	'31.12.19	'30.06.20	Δ 20/19
	Restated		
Cash and cash equivalents	363,684	396,590	9.0%
Own cash	59,835	114,070	90.6%
Assets	2,513,441	2,640,263	5.0%
Equity	131,415	129,788	-1.2%
Liabilities	2,382,026	2,510,475	5.4%
Share capital	75,000	75,000	-
Number of shares	150,000,000	150,000,000	-

⁽¹⁾ Excluding impairments, provisions, depreciation, amortization, IFRS 16 impacts & Specific items.

⁽²⁾ Considering the number of shares outstanding excluding 1 own share.

⁽³⁾ The 1Q19 operating cash flow was restated to be comparable with that of 1Q20. In 2Q19 the methodology to calculate the operating cash flow was changed, in particular with respect to the change in working capital, which no longer includes a non-cyclical value related to the mobility allowance.

1.1.2 Operating indicators

	'1H19	'1H20	Δ 20/19
Mail (volumes; million items)			
Addressed mail	320.6	263.0	-18.0%
Transactional mail	279.0	228.3	-18.2%
Editorial mail	17.3	15.1	-12.5%
Advertising mail	24.4	19.6	-19.5%
Unaddressed mail	237.6	183.2	-22.9%
Express & Parcels (external volumes; million items)			
Portugal	9.8	12.4	26.1%
Spain	7.8	11.3	43.9%
Financial Services			
Payments (number of transactions; millions)	630.2	763.6	21.2%
Savings and insurance (subscriptions; €m)	1,771.4	1,935.2	9.2%
Banco CTT			
Number of current accounts	408,204	488,931	19.8%
Customer deposits (€m)	1,063,597.2	1,511,891.2	42.1%
Payments (number of transactions; millions)	25.1	20.4	-18.8%
Mortgage loans book, net (€m)	312,097.7	472,689.5	51.5%
Consumer credit production (€m)	21,189.5	14,167.4	-33.1%
Loan-to-Deposits ratio (including 321 Crédito)	69.3%	65.4%	-3.9 p.p.
Number of branches	212	212	0.0%
Staff			
Staff (FTE) ⁽¹⁾	11,640	11,592	-0.4%
Retail, Transport and Distribution networks			
CTT access points	2,380	2,354	-1.1%
Retail network (post offices)	538	547	1.7%
Postal agencies	1,842	1,807	-1.9%
Payshop agents	4,721	4,902	3.8%
Postal delivery offices	230	226	-1.7%
Postal delivery routes	4,681	4,651	-0.6%
Fleet (number of vehicles)	3,749	3,996	6.6%

⁽¹⁾ FTE = Full-time equivalent; from 1 January 2020 onwards, the methodology for counting staff was changed, 1H19 FTEs were restated in order to be comparable.

1.1.3 Sustainability indicators

	'1H19	'1H20	Δ 20/19
Customers			
Customer satisfaction (%)	78.8	85.2	6.4 p.p.
Staff			
Number of accidents	529	407	-23.1%
Training (hours)	118,646	58,243	-50.9%
Women in management positions (1 st management level) (%)	20.5	20.4	-0.1 p.p.
Community/Environment			
Value chain - contracts with environmental criteria (%)	94.2	96.1	1.8 p.p.
Total CO ₂ emissions, scopes 1 and 2 (kton.) ^{(1) (2)}	8.1	7.4	-8.7%
Energy consumption (TJ) ^{(1) (2)}	186.4	169.3	-9.1%
Eco-friendly vehicles	308	321	4.2%
Weight of Eco product range in Direct Mail line (%)	37.7	48.9	11.2 p.p.
Investment in the Community (€ thousand)	543	474	-12.7%

⁽¹⁾ Provisional data.

⁽²⁾ 1H19 figures updated - information was received after the 1H19 Interim Report release.

1.2 External Awards and Distinctions

In the 1st half of 2020, CTT received the following awards and distinctions:

Trusted Brand

For the 17th time, CTT was distinguished as one of the Trusted Brands of the Portuguese population in a study carried out by Reader's Digest magazine, having ranked first in the "Postal and Logistics Services" category, with 90% of the votes.

OnStrategy Reputation Award

CTT was invited to participate in the event "The Strength and Value of Brands", organized by the consulting firm OnStrategy to distinguish several brands for their reputation, consistency and sustainability. CTT, represented by its Chief Executive Officer João Bento, was awarded for its reputational consistency in the last three years.

Leadership Grade A- in the Carbon Disclosure Project 2019

CTT reaffirmed its Leadership position, in the Climate Change section, with a score of A-, in what is considered to be the main energy and carbon sustainability rating worldwide, the CDP – Carbon Disclosure Project. Occupying the 1st place at domestic level and 2nd place in the worldwide postal sector, *ex-aequo* with other domestic and postal companies.

APCE 2020 Grand Prize

CTT was distinguished with an award of the Portuguese Corporate Communication Association and of the jury of the APCE 2020 Grand Prize, in the category "Internal Campaign of National Scope – CTT Academy Flight Simulation". Its merit was also recognized in 3 other categories.

Parcel & Postal Technology International Awards

Dott platform obtained the Highly Commended distinction in the 12th edition of the Parcel & Post Technology International Awards.

Banco CTT No. 1 in Customer Satisfaction

Banco CTT was considered the number 1 bank in Customer Satisfaction, with a score of 8.1 (on a scale of 1 to 10). Banco CTT received again the ECSI (European Customer Satisfaction Index) award, which results from a study carried out in Portugal by the Nova University and evaluates the customer satisfaction rate in relation to goods and services available in different sectors, based on 9 dimensions.

Five Stars Award for Banco CTT

Banco CTT was awarded the Five Stars 2020 Award in the Mortgage Loan category, from a list of five banks evaluated in the same category, obtaining an overall score of 74.2%.



02

Strategic Background

**We
go further
in**

Leadership

We go further to bring the world closer.



2. STRATEGIC BACKGROUND

2.1 Regulatory Framework

2.1.1 Postal Sector

Under the Universal Postal Service Concession Contract, on 13.03.2020, CTT invoked *force majeure* before the Grantor, following the public health emergency of international scope, declared by the World Health Organization on 30.01.2020 and the subsequent classification of COVID-19 as a pandemic, on 11 March. In view of the seriousness and magnitude of the facts, which are public and notorious, and in order to comply with the public health instructions issued by the competent authorities, CTT could not fail to take the necessary and appropriate measures to protect its workers and customers.

Pursuant to the provisions of the concession contract, CTT continued to ensure the functioning and continuity of the postal services, which were considered as essential, taking the necessary and appropriate measures to the situation of *force majeure*, in terms of planning, prevention of operation and human resources, submitting a daily update on the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The **universal service pricing** proposal submitted by CTT on 18.02.2020, and reformulated on 27.03.2020 and 11.05.2020, was approved by ANACOM by resolution of 23.05.2020¹. The prices underlying this proposal, which complied with the applicable principles and criteria of price formation, entered into force on 01.06.2020. This update corresponded to an average annual variation in the price of the basket of letter mail, editorial mail and parcels services of 1.41%, not including the offer of the universal service to bulk mail senders, to whom special prices apply.

The **special prices of the postal services included in the universal service offer** applicable to bulk mail senders were also updated² on 01.06.2020 following a proposal presented to the Regulator on 22.05.2020.

Under the company's pricing policy for 2020, these updates correspond to an average annual variation of 1.76% in prices, also reflecting the effect of the updating of prices for reserved services (service of legal summons and notifications by post) and special prices for bulk mail.

2.1.2 Financial Sector

Following the regulatory changes that took place at a very fast pace in recent years, with regard to the legal framework of the banking activity, the first half of 2020 was a period in which, on the one hand, regulations were issued containing minor changes to the original versions and, on the other hand, it was inevitably marked by the issue of a set of legal diplomas and documents related to the measures required to cope with the context of the COVID-19 pandemic.

In fact, there has not been a single regulation that can be called structural, as opposed to what has happened in recent years, such as the Markets in Financial Instruments Directive (MiFID II), the PSD 2 (Payment Services Directive 2), the Insurance Distribution Directive and the successive Directives on the Prevention of Money Laundering and Terrorist Financing.

¹ Pursuant to the criteria setting the formation of the prices defined by a decision of ANACOM of 12.07.2018, complemented by a decision of 05.11.2018, under article 14(3) of Law 17/2012, of 26 April I (Postal Law), amended by Decree-Law 160/2013, of 19 November, and by Law 16/2014, of 4 April.

² See article 14-A of the Postal Law as amended by article 4 of Decree-Law 160/2013, of 19 November.

On the contrary, what happened was a movement to clarify the existing legal framework, which took the form of the publication of various Guidelines, in what is known as European soft law. Examples of this are the Guidelines amending the EBA/GL/2018/05 Guidelines on fraud reporting requirements under the Payment Services Directive (PSD2) and the Recommendations on outsourcing to cloud computing providers issued by EIOPA, the European Insurance and Occupational Pensions Authority. It should also be noted that as of 30 June the Guidelines on ICT and security risk management, which had been published as recently as 2019, became applicable.

In terms of the Prevention of Money Laundering, the emphasis is on the amendment of Instruction No. 5/2019 of the Banco de Portugal, which included in the Report on the Prevention of Money Laundering and Terrorist Financing information on specific procedures to comply with Regulation (EU) 2015/847, with regard to transfers of funds.

From mid-March 2020 and with the emergency caused by the COVID-19 outbreak, there has been a proliferation of legal diplomas that provide for the safeguard from situations arising from the pandemic, in particular, and in a first stage, by disclosing measures that lead to greater flexibility of the regulatory and supervisory requirements to alleviate the contingency situation arising from the outbreak of COVID-19.

In addition, norms were published that approved a number of exceptional and temporary measures in response to the epidemiological situation caused by COVID-19, among which are several legal diplomas concerning the newly created moratorium schemes (for public and private contracts) to be applied in the context of the pandemic. These norms were accompanied by a set of guidelines for moratorium schemes both at national and European level.

With regard to the COVID-19 outbreak, mention should also be made to the legislation produced regarding the duties to provide information to bank customers on the public moratorium and on private moratoria and the obligation to report information to Banco de Portugal on the same issue.

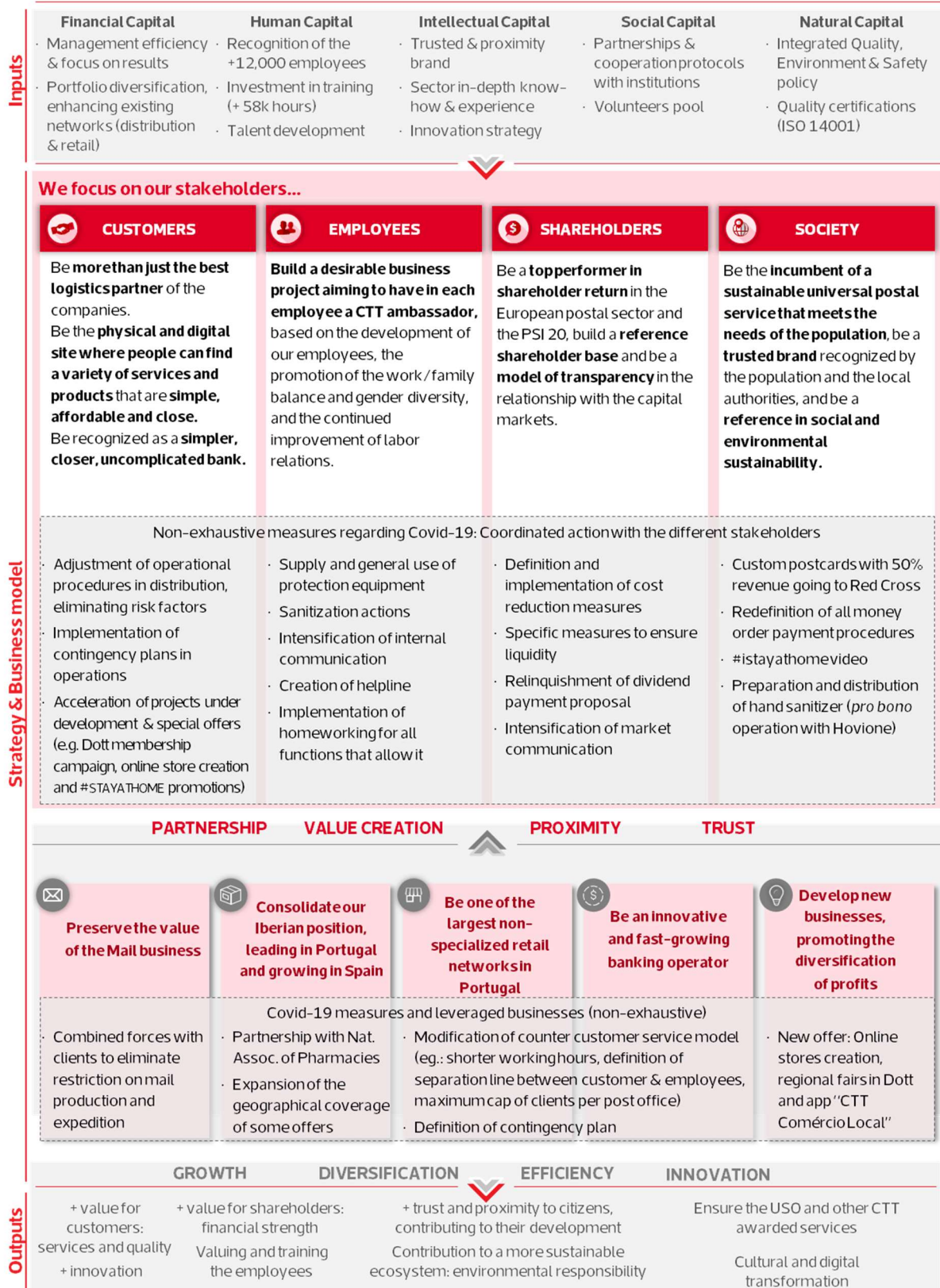
The insurance sector was also naturally sensitive to the issue of the impacts of COVID-19, and an exceptional and temporary program was established for insurance contracts, regarding the payment of the insurance premium and the effects of the temporary reduction of risk in insurance contracts resulting from a significant reduction or suspension of activity.

In terms of the impact of the pandemic on credit institutions, Banco de Portugal adopted the European Central Bank's Guidance on the use of macroeconomic forecasts to estimate the expected credit loss during the COVID-19 pandemic. This document establishes references on the use of macroeconomic forecasts to avoid excessively procyclical assumptions in expected credit loss estimations, given the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19. In particular, the above-mentioned Guidance covers: i) the collective assessment of the significant increase in credit risk; ii) the use of long-term macroeconomic forecasts; and iii) the use of macroeconomic forecasts for specific years.

Also to be highlighted is the publication by the Banco de Portugal of a number of additional clarifications regarding the measures to be taken in order to mitigate the impact of COVID-19 on the banking sector, namely with regard to i) dividend distribution and remuneration policies, ii) ensuring greater flexibility at the level of behavioural supervision reports, as well as iii) emphasising the need to adopt measures to ensure the effective prevention of money laundering and terrorist financing in this context.

2.2 Strategic Lines

We connect people and companies, committed to deliver!



2.3 Sustainable Development Goals

The United Nations Sustainable Development Goals (SDG) include 17 priority topics at a global level, for the preservation of the planet and the dignity of human beings.

Apart from aligning its environmental management strategy with the priority SDG for the sector, derived from a study by IPC – International Post Corporation, CTT mapped and prioritised the SDG for its value chain, using the SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI.

CTT joined the PostEurop initiative “A New Deal for Europe: a Europe with a shared sustainable vision for its future” which aims to contribute to a more sustainable Europe, by achieving the SDG. CTT commitments are aligned with these global goals, aiming at a balance between the creation of economic value and the preservation of the planet and the dignity of human beings.

The table below presents the performance level of the 1st half of 2020 vis-à-vis the goals defined by CTT for 2020. It should be noted that due to the COVID-19 pandemic some of these goals did not achieve the levels set forth.

<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Good health and well-being</p> <p>Focused on road accident goals</p> <p>Reduce road accidents by 23.1%³</p> <p>Fatal accidents: 0</p> <p>Road Safety Program – with more than 2,700 participants</p>	<p>4 QUALITY EDUCATION</p>	<p>Quality education</p> <p>Focused on training goals</p> <p>Volume of training: 58.2k hours</p> <p>Training effort rate of 0.6%</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Affordable and clean energy</p> <p>Focused on renewable energy and energy efficiency goals</p> <p>Launch of the process to acquire 100% of electricity of renewable origin</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Decent work and economic growth</p> <p>Focused on goals related to labor conditions and access to financial services</p> <p>Consolidate the banking business</p> <p>14 new employees trained on Prevention of Money Laundering and Terrorist Financing</p>
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Sustainable cities and communities</p> <p>Focused on electric mobility</p> <p>Entry into operation of 9 new electric vehicles</p> <p>Test more ecological fleet solutions</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Responsible consumption and production</p> <p>Focused on the eco portfolio</p> <p>Carbon-neutral “green” mail and express mail offer</p>
<p>13 CLIMATE ACTION</p>	<p>Global climate action</p> <p>Focused on carbon management, Compliance with international norms and Environmental education</p> <p>Reduce direct emissions by 9.1%⁴</p> <p>Align CTT carbon goals (SBT) with the global ambition to limit global warming to 1.5°C by 2030</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Peace, justice and strong institutions</p> <p>Focused on anti-corruption and bribery, governance and ethics, and engagement with stakeholders</p> <p>810 employees trained on: the Codes of Conduct of CTT, CTT Subsidiaries and Banco CTT; Code of Good Conduct to Prevent and Fight Harassment at the Workplace</p> <p>Communication article for the internal stakeholder</p>

³ Reduction of accidents due to reduced working hours and lagging schedules, as well as less road traffic during the period of the COVID-19 pandemic.

⁴ Considering CO₂ emissions of scopes 1 and 2.

2.4 Risk Management

2.4.1 Description of the risk management process

The risks arising from the activity of CTT and its subsidiaries are managed pursuant to the manner described in the **Regulations of the Risk Management System** approved by the Board of Directors. This document, in addition to establishing guiding standards, principles and procedures for Risk Management, defines duties, responsibilities and governance model, ensuring the implementation of a framework supporting the decision-making process, taking into consideration the risks to which CTT is exposed.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organizational model applicable and adjusted to the specificities and to the regulatory framework of its activity. However, a model has been established for articulation between the areas responsible for the Risk Management of CTT and Banco CTT, in order to ensure an alignment relative to the main interdependent risks.

The **risk profile** is viewed as the main output of the process, reflecting the vision at a given moment on the events that, should they occur, could adversely affect the achievement of the strategic objectives, compromising CTT's sustainability. The review and continuous updating of the risk profile is, therefore, fundamental, and is based on a dynamic process consisting of four sequential and interrelated phases, fed by a series of inputs, as illustrated in the figure below:

Risk management

Integrated Risk Management System









The risks identified during Stage I are assessed in Stage II according to qualitative and quantitative criteria in terms of probability of occurrence, impact and speed of materialization of the effect, pursuant to the guidelines established in the Regulations of the Risk Management System.






















The **level of exposure to risk** arises from the combination of its probability and impact. During Stage III, if the level of exposure to a particular risk is higher than the stipulated appetite, corrective or mitigating actions are defined and implemented, aimed at reducing the exposure by lowering the probability and/or impact. The **risk appetite** is thus reflected in the maximum level of exposure that CTT consciously undertakes and is willing to accept in the pursuit of its strategy, taking into account its business principles, policies and procedures, as well as the fact that it operates in strongly regulated markets. The risk appetite is reviewed annually and is defined by type of risk, according to the approved classifications.

The evolution of CTT's main risks (those with higher level of exposure) is monitored in Stage IV through **Key Risk Indicators (KRI)**. The KRI act as a barometer of CTT's current level of exposure to risks and alert, in a timely manner, to possible changes in the probability of occurrence and/or impact of the risk event. Each KRI has a defined **objective** and a **tolerance level**. Surpassing this tolerance level could mean that CTT will incur financial losses that are higher than expected (value-at-risk), thus requiring the adoption of immediate response measures. In some cases, in order to maximize the effectiveness of the KRI, programmed action plans are defined *a priori* with specific mitigation measures whose implementation is conditioned to the exceed the tolerance levels defined for the KRI.

2.4.2 Risks faced by CTT

During the first half of 2020, CTT activity was strongly conditioned by the COVID-19 pandemic, namely by the restriction measures imposed on most sectors of the economy – closure of trade, services and industry, and retraction of consumption in some sectors due to the lockdown. This has increased exposure to some risks already identified and has led to the resurgence of others, which were therefore also closely monitored and subject to mitigation measures. For their relevance, we highlight the evolution over the semester of the following risks:

Strategic Risks derive from uncertainties resulting from the strategy defined by and the way it is implemented		Impacted business
Iberian CEP (Courier, Express & Parcels) challenge	In February, the brand was changed to CTT Express (in Spain), thus promoting a greater Iberian alignment and a commitment to the market of urgent parcels in this geography. In March, the outbreak of the pandemic led to a significant decline in B2B volumes in both countries. Gradually, this decline was offset by strong growth in B2C activity resulting from changes in consumption patterns that stimulated the evolution of e-commerce.	  
Public image	Aware of its critical role in preserving vital communication and logistics chains for the Portuguese economy and society, CTT always maintained its activity during the state of emergency. In addition, CTT has joined the "Stay at home" movement in the several geographies where it operates, carrying out various initiatives with the aim of facilitating customer access to the services provided and thus reinforcing CTT's image of proximity to the population.	  

Operational Risks derive from failures or deficiencies in the management of business processes, people and information systems		Impacted business
Cybersecurity	The lockdown measures enacted during the pandemic have forced the implementation of homeworking in all services where this was possible. With more than 2k workers remotely accessing the internal CTT network from home, exposure to this risk increased considerably, so there was a need to strengthen technological security controls and focus on training on good homeworking practices and cybercrime awareness.	  
Continuity of the business	In response to the pandemic, CTT activated its contingency plans for the operational areas, the retail network and the central services, thus managing to ensure the continuity of all operations with the least possible degree of disruption, taking into account the very adverse circumstances. A Crisis Management Committee, chaired by the CEO, was created to coordinate the implementation of all initiatives aimed at protecting workers and customers, and promoting business continuity.	  
Universal Service Obligations	Under the Universal Postal Service Concession Contract, CTT invoked <i>force majeure</i> before the Grantor, following the classification of COVID-19 as a pandemic. CTT continued to ensure the functioning and continuity of postal services, taking the necessary and appropriate measures to the situation of <i>force majeure</i> , in terms of planning, prevention of operation and human resources, submitting a daily update on the situation to the Government and to ANACOM.	  
Financial Risks derive from exogenous and internal factors that significantly and directly affect the performance and financial condition of CTT		Impacted business
Liquidity	Due to the context of uncertainty caused by the pandemic, at the Annual General Meeting, CTT decided to suspend the payment of dividends and variable remuneration relative to 2019. CTT has been implementing additional measures to strengthen its financial position and liquidity and ensure its operational response, while seeking to preserve the value of traditional businesses and invest in new ones, more linked to digital platforms and e-commerce.	  
External Risks derive from more or less unpredictable factors that are beyond the power of intervention and influence of CTT		Impacted business
E-substitution	According to ANACOM, in the 1 st quarter, postal volumes fell by 8.8% compared to the same period of last year (-9.6% in transactional mail). The effects of the pandemic only began to be felt from mid-March onwards when it was possible to confirm a very significant reduction in addressed mail volumes. Although a recovery is expected during the 2 nd half of the year, it is predictable that the increasing substitution of physical mail, boosted by the pandemic, will lead to a double-digit decline in volumes by the end of the year.	  
Regulatory changes	At the end of June, ANACOM submitted for public consultation (until 28 July) a set of draft decisions regarding the provision of the Universal Postal Service after the end of the current concession. These decisions refer, among other topics, to the criteria setting the formation of prices, the quality of service parameters and performance targets, the concept of unreasonable financial charge for purposes of compensation of the net cost of the USO, and the methodology for calculating the net costs of the universal postal service.	  
Epidemics (COVID-19)	Although the Express & Parcels business benefited from the growth of e-commerce due to the lockdown, most of the remaining CTT businesses were negatively affected by the pandemic. However, the real impact on business growth and profitability cannot yet be reliably quantified as it depends on several factors, including the duration of the pandemic, the emergence of a new wave as well as the severity of its impacts on the international and domestic economy.	  



03

Business Units

**We
go further
in**

Ambition

We go further to bring the world closer.



3. CTT BUSINESS UNITS

3.1 Mail

The **Mail** business unit was very much affected, from the second half of March until May, by the lockdown provoked by the COVID-19 pandemic. This situation led to the closure or reduction of the opening hours of CTT post offices, which resulted in lower demand for **B2C** services, as well as a reduction in the activity of customers in the **B2B** segment, with particular emphasis on the banking and utilities sectors and the Public Administration due the closure/suspension of activity of various public institutions and mail pre-sorters.

Mail revenues reached €202.8m in 1H20, -€32.2m (-13.7%) vis-à-vis 1H19, mainly due to the fall in the revenues of **transactional** (-€30.2m; -14.9%) and **advertising mail** (-€2.3m; -21.3%), somewhat mitigated by the revenue growth in **business solutions** (+€2.8m; +49.8%).

Mail volumes

	1Q19	1Q20	Δ	2Q19	2Q20	Δ	1H19	1H20	Δ
Transactional mail	142.6	126.2	-11.5%	136.4	102.0	-25.2%	279.0	228.3	-18.2%
Advertising mail	13.1	11.1	-15.3%	11.3	8.5	-24.3%	24.4	19.6	-19.5%
Editorial mail	8.5	7.6	-11.2%	8.7	7.5	-13.8%	17.3	15.1	-12.5%
Addressed mail	164.2	144.9	-11.8%	156.4	118.1	-24.5%	320.6	263.0	-18.0%
Unaddressed mail	106.2	115.4	8.6%	131.4	67.8	-48.4%	237.6	183.2	-22.9%

million items

In 1H20, **transactional mail** volumes decreased by 18.2% in all products, except for **green mail** (+75.6%) which maintained the growth of recent quarters mainly due to product substitution, as the registered mail and priority mail prepaid products business lines were discontinued. The decline of **domestic ordinary mail** reached 16.2%, mainly in the banking and insurance, telecommunications and Government segments, **priority mail** volumes fell by 46.8% and registered mail by 20.9%. It should be noted that in June there was a marked recovery in **registered mail** in some government sectors, namely in the area of courts and notifications regarding administrative offences, as well as a growth in volumes from private consumers.

International mail suffered a more severe drop due to the rather restrictive measures imposed by the pandemic both in **international outbound mail** (-27.5%) and in **international inbound mail** (-25.1%).

The **advertising mail** business suffered a significant negative impact in the months of March to May, with the pandemic crisis leading to a reduced utilization of this type of mail by the customers, in some cases with full cancellation of shipments and campaigns. In June there was a recovery compared to the previously mentioned months, and a pick-up of the activity is expected in 2H20.

In 1H20, **addressed advertising mail** volumes decreased by 19.5%. **Unaddressed advertising mail** volumes recorded a decline of 22.9% in 1H20 as a result of the reduction in the frequency of campaigns by retail customers that offset the growth momentum observed at the beginning of the year (+44.7% in the first two months) triggered mainly by the capture of new customers.

In 1H20, the **business solutions** area recorded revenues of €8.3m, +49.8% versus 1H19. This increase resulted from the management team's ambition to pursue revenue alternatives to compensate for the mail revenues decline. This has been achieved mainly by designing and establishing partnerships and sought, at this stage, to focus mostly on new needs that stemmed from the COVID-19 pandemic, such as the sale and delivery of personal protection products or the supply of IT equipment as a result of the increased needs due to homeworking.

The average change in prices of the Universal Service⁵ in 1H20 was 0.97% vs. the same period of the previous year. The price increase for 2020 took place in June.

Eco portfolio

Clients continued to embrace CTT's Eco portfolio products. Eco direct mail continues to gain weight in the direct mail product line, representing 49% of total direct mail volumes. Green mail, a product strongly linked to convenience and environmental issues, ensuring carbon neutrality of all its products, had more than 3.5 million items sold in the first half of the year.

Philately

In 1H20, **philately** revenues amounted to €2.4m, corresponding to -20.2% versus 1H19 (-€0.6m) but it should be noted that due to the pandemic some events planned for 2Q20 have not taken place.

Commemorative Issues – 1 st half of 2020	
<ul style="list-style-type: none"> Figures from History and Culture 250th Anniversary of Ludwig Van Beethoven 500th Anniversary of the Navigation of the Strait of Magellan Centenary Museums of Portugal Archbishops of Braga (3rd group) World Portuguese Language Day (UNESCO) / 30 Years of AICEP Europa – Ancient Postal Routes 75 Years of TAP – Air Portugal Festivals and Pilgrimages – Places of Faith 300 Years of the Foundation of the Royal Academy of History 800 Years of the General Inquiries of King Alfonso II 	National and International Events 2020
<ul style="list-style-type: none"> Portuguese Autochthonous Breeds (3rd group) 	Environment and Sustainability
<ul style="list-style-type: none"> Madeira Booklet Azores Booklet 	Self-adhesive

⁵ Including letter mail, editorial mail and parcels of the Universal Postal Service, excluding international inbound mail.

Thematic Books

- Centenary Museums of Portugal (2nd Volume)
- Festivities and Pilgrimages – Places of Faith

Find out more on the plan of philatelic issues of CTT at:

<https://www.ctt.pt/particulares/filatelias/plano-emissoes/>

3.2 Express & Parcels

The **Express & Parcels revenues** totaled €85.1m in 1H20, growing €12.3m (+16.9%) compared to the same period of 2019. In 2Q20, they reached €47.8m, up €11.7m (+32.5%) versus the same quarter of 2019, which illustrates the strong growth achieved in the period, when B2C deliveries grew consistently and significantly. The performance of this quarter showcases unprecedented revenues figures and the best EBITDA figure of the last 17 quarters.

Revenues in Portugal stood at €51.8m in 1H20, 12.8% above those of the same period of 2019, with a marked upturn in 2Q20, when revenues reached €27.4m, up €4.4m (+19.1%) versus 2Q19. This growth resulted mostly from the **CEP** (Courier, Express & Parcels) business which totaled €41.5m (+20.2%) in revenues.

1H20 was marked by the impacts of the COVID-19 pandemic, as the end of March and the beginning of April were particularly affected by the restrictions on operation imposed on most sectors of the economy. These restrictions had a strong impact on the profile of shipments, with a reduction in B2B volumes of both parcels and cargo, while strong growth in e-commerce activity was observed.

In 1H20, **CEP** volumes in Portugal totaled 11.2 million items, 35.0% more than in the same period of 2019. In 2Q20, CEP volumes reached 6.2 million items, 49.3% above those of 2Q19 and more than the double of the growth rate recorded in 1Q20 (+20.4%). This evolution was strongly boosted by e-commerce, with very relevant growth in the sectors of health and well-being, food, sports and leisure, education and culture, and consumer electronics.

The growth achieved in Portugal resulted from a number of initiatives launched by CTT seeking to accelerate and leverage on solutions that would help bolster the recovery of lost activity and create growth opportunities, among which the following services should be noted:

- **CTT Comércio Local** (CTT Local Trade) is a digital platform that ensures the entire process of selling and buying local products to traders and end customers. Traders can join the service at the respective City Hall and thus have a new means of selling their products, while consumers can make their purchases safely without leaving home.
- **Create CTT Online Stores**, an offer that allows domestic SMEs to create online stores and facilitates the sale of their products. There are currently 1,020 registered online stores and at the end of June there were 297 in operation, covering various sectors of activity, with emphasis on food products, clothing and footwear.
- **Home delivery of medical supplies** in partnership with the National Association of Pharmacies, which allows end users to order medicines by e-mail or telephone directly to the participating pharmacies, while CTT ensures the next-day delivery.
- **Expresso para Hoje** (Express for Today), a comprehensive online service for urgent delivery of parcels, goods or documents within 2 hours in a partnership between CTT and Uber.

The revenues of the **cargo** business amounted to €5.4m in 1H20 (-17.2%) and those of the **logistics** business to €1.2m (-17.8%). These business lines were already under pressure in 1Q20 and felt the economic impact of the pandemic on sectors such as automotive, textile and retail. In June, the cargo activity recovered somewhat compared to the previous months. The **banking** documents deliveries business remained stable with revenues of €3.4m (+1.2%).

The Dott marketplace⁶, launched in May 2019 in partnership with Sonae, had, at the end of June 2020, 1,060 registered vendors on the platform (an increase of 296 in the quarter) and more than 2.3 million products available for purchase. At the end of June 2020, a total of 150k users were registered (+79% vs. the end of March 2020), evidencing the strong growth and the acceleration of digitalization and e-commerce in the lockdown period.

Revenues in Spain stood at €31.9m in 1H20, 23.2% above those of the same period of 2019. In 2Q20, they reached €19.8m, corresponding to more €7.2m (+ 57.2%) versus 2Q19.

Volumes totaled 11.3 million items, growing 43.9% vis-à-vis the same period of 2019. However, an increase took place in B2C volumes with lower weight and consequently lower price per item, while a decline was registered in B2B volumes as a result of the COVID-19 pandemic.

The month of March 2020 was strongly impacted by COVID-19; however, this trend was reversed immediately after, in the month of April. The months of April and May recorded strong volumes growth resulting from changes in consumption patterns that drove e-commerce purchases and captured the confidence of new B2C customers. Commercial initiatives that resulted in agreements with major global e-tailers that started urgent parcels operations throughout the Iberian Peninsula also contributed to this.

The Company is preparing to take on this increase in activity – compatible with the restructuring and relaunch plan presented for Spain –, having invested in sorting machines for its main centers – in Madrid and Barcelona – and acquired more than 1,500 mobile devices and a new artificial intelligence software to optimize the day-to-day life of parcel carriers, their cargo loads and routes, and improve the quality of service while reducing costs per item.

Revenues in Mozambique stood at €1.4m in 1H20, 43.2% above those of the same period of the previous year. In 2Q20 they amounted to €0.7m, up €0.2m (+30.3%) vis-à-vis 2Q19. The CEP and the bank documents delivery businesses positively contributed to this growth, the latter underpinned by the capture of a new important business in the health area (collection of biological samples), which started in the 2nd half of 2019, but also by the continued growth of the banking sector.

Eco portfolio

The Express & Parcels portfolio is totally neutrallized by carbon offset projects selected by public vote and which promote positive impacts on biodiversity and the development of local communities where these projects are carried out.

⁶ The Dott marketplace investment is accounted for by the equity method.

3.3 Banco CTT

Banco CTT revenues reached €38.4m in 1H20, a year-on-year growth of €14.8m (+63.0%), of which +€11.2m originated in 321 Crédito, acquired in May 2019. Excluding this inorganic effect, the revenues would amount to €22.1m, up €3.7m (+19.8%) vis-à-vis 1H19.

The revenues growth was driven by the positive performance of **net interest income** in 1H20, €12.3m more (+135.3%) than in the same period of 2019. Excluding 321 Crédito, the growth of the net interest income would be €3.2m (+63.2%) in 1H20.

Banco CTT business performance continued to allow for growth in customer **deposits** to €1,512m (+42.1% versus 1H19 and +17.8% compared to the end of 2019) and in the number of accounts to 489k (81k more than in 1H19 and 28k more than at the end of 2019).

Banco CTT **commissions** received grew €2.2m (+62.5%), mainly due to customer transactionality (+20.7%), as well as accounts and debit cards, and were boosted, as from the beginning of April, by the introduction of debit card commissions. The charge of an annual commission on debit cards contributed to an increase of 612.9% in commissions in 2Q20 versus 2Q19.

The **consumer credit** commissions increased by 11.9% (+€0.1m), albeit affected by the current economic context. While in 1Q20 they grew by 80.3% compared to the same period of the previous year, in 2Q20 they decreased by 37.7%, with a reduction in production volumes of 64.4% compared to 2Q19 and 59.5% compared to 1Q20.

PPR placements fell by 84.3% to €22.2m compared to 1H19. Although the PPR production compared to the previous year is also influenced by the change in the risk profile of the product, that no longer guarantees the preservation of the customer's capital, which in itself has contracted demand, the effects of the lockdown period also contributed to the reduction in placements from 1Q20 to 2Q20. In terms of commissions received, the product continues to grow, in this case by €0.8m (+285.1%) versus 1H19. The volume of the PPR product reached €378.8m (off balance sheet), up 127.0% versus 1H19.

The **payments** business line recorded a decrease of €1.8m (-18.2%) in commissions received in 1H20 compared to the same period of the previous year, with total revenues of €8.0m. Revenues have been strongly affected by the lower demand for transactional services in the payments area in the course of the restrictive measures imposed by the state of emergency. This was partly offset by the focus on extending the MBSPOT service, which allows for payments with ATM and Payshop references, to all the agents. The peak of the decline occurred in April, especially in the payment of tolls and invoices, with the last two months of this semester already showing signs of recovery.

Revenues from **auto loans** remained stable, with a quarterly average of €2.7m per month in both quarters of 1H20 and a credit portfolio net of impairments of €506.1m (up 7.8% compared to December 2019). The volume of auto loans production was strongly affected by the closure of auto dealerships, as a result of the lockdown measures. In mid-March, a downward trend of new proposal generation began, a situation that lasted until the second week of May, when the trend was reversed.

The net **mortgage loan** portfolio stood at €472.7m (up 16.7% versus December 2019). The mortgage loan production grew by 3.5% (+€2.9m) in 1H20 compared to the same period of the previous year, although a decrease of 16.4% (-€7.6m) from 1Q20 to 2Q20 was recorded.

In 2Q20, impairments of €5.8m were registered, reflecting the evolution of the credit portfolio in the quarter for an amount of €2.6m and the effect of the estimate of the potential losses due the projected economic downturn (forward-looking effect) in the order of €3.2m. As a result of the worsening economic situation, 321 Crédito's impairments and provisions reached €7.0m in 1H20, an increase of €6.2m vis-à-vis the same period of the previous year.

Moratorium requests (public and private) reached 2.9k with a total exposure of €66.6m, representing circa 7% of the total gross credit portfolio.

3.4 Financial Services & Retail

Financial Services & Retail revenues amounted to €21.5m in 1H20 (€16.5m relative to Financial Services and €5.0m to Retail), with a growth of €0.2m (+1.2%) compared to the same period of the previous year. While in 1Q20 growth was 23.0% (+€2.4m), in 2Q20 a decrease of 20.4% (-€2.2m) was registered.

The 2Q20 of this business unit was strongly influenced by (i) the restrictive measures of the state of emergency, namely the effect it generated on the preference for liquidity and consequently on medium/long-term financial investments, (ii) limited access to the CTT retail network and changes in post office opening hours, (iii) suspended launch of new products and services by suppliers and the adjustment of supplies, (iv) the cancellation and postponement of shows, and (v) the cancellation since 20 March of the subletting of space in the post offices.

Financial products obtained revenues of €16.5m, an increase of €1.1m (+7.5%) versus 1H19, due to the strong performance in 1Q20 that allowed to absorb the significant decreases that occurred after the second half of March 2020. The increase in subscriptions of public debt certificates (Savings Certificates and Treasury Certificates Savings Growth) in the first two months of 2020 due to the good performance in recapturing the amounts of public debt certificates (PDC) maturing in January 2020 (circa €1,500m in maturing PDC) allowed to obtain revenues of €6.6m (+66.4%) and €1,176m in subscriptions, +89.7% compared to the two first months of 2019.

The revenues of **public debt certificates** subscriptions totaled €12.0m in 1H20, +€1.0m (+8.9%) versus 1H19, as €1,933.3m were placed (+11.1%). In 2Q20, subscriptions fell by 31.0% (-€260.2m) vis-à-vis 2Q19. The daily average in April was the lowest in subscriptions with €6.1m per working day although a sustained recovery in subscriptions is currently taking place as in June the daily average was €11.5m per working day.

Money orders revenues stood at €3.0m, +€0.2m vs. 1H19 (+7.4%), as the money order issuance service was used to pay unemployment and other social assistance benefits, from year-end 2019 onwards. Also noteworthy is the launch in May of a new Portugal/Senegal electronic money order exchange in partnership with La Poste Sénégal.

CTT payment services reached revenues of €0.8m in 1H20, with a positive performance of 21.0% (+€0.1m), as the **payment of taxes**, namely IMI – Municipal Property Tax, absorbed the structural effect of e-substitution in the this type of service.

The **retail products and services**, with a €5.0m revenues performance in 1H20, recorded a decrease of 12.1% (-€0.7m), intensifying the reversal of the growth trend of the first two months of 2020. It was in third-party retail products and services, essentially in lottery, books and in the payment of the air transport subsidy (Azores and Madeira) that the reduction was most felt due to the significant reduction of customer visits to the post offices. Conversely, merchandising posted a positive year-on-year growth of €0.5m (+273.0%) due to the successful introduction of products such as protection masks and alcohol gel for hand disinfection.

In retail there was a gradual, albeit slow, recovery with CTT strengthening its position, both with the sale of new book issues (novelties with weight in the competitive market) and the establishment of new partnerships in telecommunications and merchandising.

3.5 Future Perspectives

Assuming the gradual recovery of the economy and the improvement of the pandemic situation, CTT expects that the positive dynamics in its growth levers will continue.

Although it is expected that Mail will endure significant reductions in letter (statements) and advertising mail, which are expected to lead to double-digit addressed mail volumes decline for the year, a continued positive performance is projected in Express & Parcels, Banco CTT and Financial Services. Express & Parcels will continue to be the main growth engine of the Company, spurred by the fast approximation of e-commerce adoption to developed markets' averages and continued market share gains; Banco CTT is sufficiently provisioned and well capitalized to face potential challenges in 2H20 (in accordance with the current projections), such as lower GDP and increased unemployment as a result of the pandemic; and Financial Services will benefit from the Portuguese population's increasing propensity to save, boding well for the placement of public debt; hence, all of them, with the exception of Mail, are expected to grow in revenues and EBITDA.

In 2H20, margin and cost focus will be on the foreground, as various operational improvement initiatives will be launched. The notable recovery towards the end of 2Q20 provides a steppingstone for the remainder of the year. As a result of sales countermeasures to cope with the sudden decline in mail, CTT expects to achieve growth in revenues driven by parcels, as well as an EBITDA⁷ above €90m and more than €30m in EBIT in the full year 2020.

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



04

Performance

**We
go further
in**

Innovation

We go further to bring the world closer.



4. PERFORMANCE

4.1 Financial Capital

Revenues

Revenues⁸ stood at €349.2m (–€5.8m; –1.6% compared to 1H19), with special emphasis on Banco CTT (+€14.8m; +63.0%, of which +€11.2m relative to 321 Crédito which was acquired in May 2019), Express & Parcels (+€12.3m; +16.9%) and Financial Services & Retail⁹ (+€0.2m; +1.2%), all of which could not fully offset the sharp decline of Mail & other (–€33.2m) revenues.

Revenues

	1H19	1H20	Δ	Δ %
Revenues	355.0	349.2	-5.8	-1.6%
Mail & other	237.4	204.2	-33.2	-14.0%
Mail	235.1	202.8	-32.2	-13.7%
Central Structure	2.3	1.3	-1.0	-42.6%
Express & Parcels	72.8	85.1	12.3	16.9%
Banco CTT	23.6	38.4	14.8	63.0%
Financial Services & Retail	21.2	21.5	0.2	1.2%

€ million

Operating Costs

Operating costs¹⁰ amounted to €315.8m in 1H20, an increase of €7.2m (+2.3%) vs. 1H19, with an impact of €6.0m from 321 Crédito. Excluding 321 Crédito, operating costs totaled €309.8m (+1.0%).

In 2Q20, operating costs totaled €156.1m, a growth of €3.4m (+2.2%) vs. 2Q19, and the impact of 321 Crédito was €3.0m. Excluding 321 Crédito, operating costs totaled €153.1m in 2Q19 (+1.5%).

Operating Costs

	1H19	1H20	Δ	Δ %
Operating costs	308.6	315.8	7.2	2.3%
Staff costs	169.2	170.1	0.9	0.5%
ES&S	125.9	129.6	3.8	3.0%
Other operating costs	13.5	16.0	2.5	18.5%

€ million

Staff costs increased €0.9m (+0.5%) in 1H20. Excluding the effect of 321 Crédito, those costs decreased €0.9m (–0.5%) mostly due to the fact that health costs with active members of staff have decreased by €1.8m (–55.8%) due to the effect of the COVID-19 pandemic. This effect was partly offset by actuarial gains in 2019, related to liabilities with retirees, following the reduction of average mobile phone tariffs, which had a positive impact of €0.9m in 1Q19, and reduced liability relative to employees with suspension agreements in 2Q19, due to early retirement (+€0.3m). While in 1Q20 staff costs increased €2.4m (+2.8%), in 2Q20 they decreased

⁸ Excluding specific items.

⁹ In 2020 and in the same period of the previous year (proforma), the retail products and services of the Mail & other business unit are considered within the Financial Services & Retail business unit (former Financial Services business unit).

¹⁰ Excluding depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

€1.5m (-1.8%), especially in the Mail & other business unit where the reduction was €2.2m (-3.1%) compared to 2Q19.

External supplies & services costs increased €3.8m (+3.0%), of which €1.5m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €2.3m (+1.8%) which includes mainly: (i) the increased direct costs (+€2.7m), as a result of the growth of costs in the Express & Parcels business unit (+€7.0m), partly offset by the decline in the costs of Mail & other (-€4.4m); (ii) the increase in costs related to temporary work (+€2.1m), mainly in the Express & Parcels business unit; and (iii) the reduction in commercial costs, costs from equipment and other costs (-€2.6m).

Other operating costs grew €2.5m (+18.5%) when compared to 1H19. Excluding the inorganic effect of 321 Crédito (+€0.8m), these costs increased €1.7m (+12.8%), mostly due to the launch of new partnerships (+€3.1m), an evolution in line with the revenues, which were partly offset by: (i) the reduction in other sales costs (-€0.5m); (ii) the lower amount of indemnities paid (-€0.6m); and (iii) the reduction of other administrative costs (-€0.3m).

EBITDA

In 1H20, the Company generated an EBITDA¹¹ of €33.4m, €13.0m (-28.0%) below that of 1H19, with an EBITDA margin of 9.6% (versus 13.1% in 1H19). This performance was strongly influenced by the impacts occurred in the semester, namely the restrictions related to the COVID-19 pandemic, given that EBITDA was growing by €5.9m (+49.7%) in the first two months of 2020.

Specific Items

In 1H20, the Company recorded specific items for the amount of €0.8m, broken down as shown below:

Specific Items

	1H19	1H20	Δ	Δ%
€ million				
Specific items	11.7	0.8	-10.9	-93.2%
Corporate restructuring costs and strategic projects	11.6	0.6	-11.0	-94.7%
Other non-recurring revenues and costs	0.1	0.2	0.1	140.6%

The decline of €11.0m in corporate restructuring and strategic projects is mostly related to spending on: (i) compensations paid for termination of employment contracts by mutual agreement and suspension agreements (-€6.8m) within the Human Resources Optimization Program, and consulting services (-€1.6m), both under the ongoing Operational Transformation Plan; (ii) the acquisition of 321 Crédito (-€1.2m); and (iii) the implementation of the changes to the Quality of Service Indicators measurement system required by ANACOM (-€1.0m).

In 1H20, corporate restructuring stood at €0.1m, €7.4m less than in the same period of the previous year, and strategic projects registered €0.5m (-€3.6m), mainly in studies to support the renegotiation of the new concession agreement. Other revenues and costs had an impact of €0.2m, of which the capital gains of +€0.6m (+€0.4m) from the sale of real estate, and other costs of €0.4m (+€0.3m), mainly associated with the pandemic, stand out.

¹¹ Excluding depreciation / amortization, impairments and provisions, the impact of IFRS 16 and specific items.

EBIT and Net Profit

EBIT stood at €4.9m in 1H20, -€14.8m (-75.3%) compared to 1H19, with a margin of 1.4% (5.6% in 1H19), strongly penalized by the growth in impairments and provisions (+€8.7m), mainly in Banco CTT business unit, particularly in auto loans, and amortizations (+€3.6m) that result from strategic investments that have been made to increase productivity in Mail and the implementation of the strategic plan for Iberian growth in the Express & Parcels business unit. As mentioned above, impairments of €5.8m were registered in Banco CTT in 2Q20 reflecting the evolution of the credit portfolio in the quarter (€2.6m) and the effect of the estimate of potential losses (€3.2m) due the projected economic downturn (forward-looking effect).

With the exception of Mail & other, all the remaining business units, despite the adverse environment, managed to show growth in EBIT.

EBIT by business unit

	1H19	1H20	Δ	Δ%
EBIT	19.7	4.9	-14.8	-75.3%
Mail & other	22.3	0.02	-22.2	-99.9%
Mail	48.7	29.9	-18.9	-38.8%
Central Structure	-26.5	-29.8	-3.3	-12.6%
Express & Parcels	-4.3	-3.5	0.8	18.9%
Banco CTT	-7.2	-2.3	5.0	68.9%
Financial Services & Retail	9.0	10.6	1.6	17.7%

The consolidated **financial results** totaled -€5.9m, corresponding to a deterioration of €0.9m (-17.7%) compared to the same period of the previous year.

Financial Results

	1H19	1H20	Δ	Δ%
Financial results	-5.0	-5.9	-0.9	-17.7%
Financial income, net	-4.8	-4.7	0.1	1.8%
Financial costs and losses	-4.9	-4.7	0.2	3.9%
Financial income	0.1	0.01	-0.11	-94.5%
Gains / losses in subsidiaries, associated companies and joint ventures	-0.2	-1.2	-1.0	527.8%

Financial costs and losses incurred amounted to €4.7m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €2.2m, interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €1.6m, and interest on financial debt for an amount of €0.8m.

In 1H20, CTT obtained a consolidated **net profit** attributable to equity holders of CTT Group of -€2.0m, €11.0m (-122.1%) below that obtained in 1H19, strongly impacted by the negative evolution of EBIT (-€14.8m), partly offset by the positive performance of the income tax for the period (-€4.8m).

Investment

Capex stood at €10.9m, which is 25.8% (–€3.8m) less than in 1H19.

The financial effort made, in an economic environment strongly impacted by the pandemic, continued to focus on the expanding business unit of Express & Parcels (+€2.6m), in order to improve the systems that support this activity. This amount was offset by initiatives to reduce investment in information systems in the remaining business units (–€2.9m) and in sorting equipment in the Mail & other business unit with a natural reduction of €3.4m following the strong investment of 2019.

Cash flow

In 1H20, the Company generated an operating cash flow of €3.9m, –€2.3m versus 1H19.

Cash flow

	1H19	1H20	Δ
€ million			
EBITDA	46.4	33.4	–13.0
Specific items*	11.7	0.79	–10.9
CAPEX	14.7	10.9	–3.8
Δ Working capital	–13.8	–17.8	–4.0
Operating cash flow¹²	6.2	3.9	–2.3
Employee benefits	–6.7	–5.1	1.6
Tax	–1.6	0.62	2.26
Free cash flow	–2.1	–0.6	1.5
Debt (principal + interest)	36.7	–0.7	–37.5
Dividends	–15.0	0.0	15.0
Financial investments	–112.9	0.0	112.9
Net change in organic own cash	–93.3	–1.3	92.0
Changes to consolidation perimeter – 321Crédito	6.8	0.0	–6.8
Change in own cash	–86.4	–1.3	85.1
Δ Liabilities related to Financial Services & other & Banco CTT, net ¹³	19.4	–34.9	–54.3
Δ Other ¹⁴	8.0	–10.2	–18.2
Net change in cash (Balance Sheet)	–59.0	–46.4	12.6

* Specific items affecting EBITDA.

The negative change in working capital compared to 1H19 (–€4.0m) resulted mainly from the high investment at the end of 2019 (€27.0m in 4Q19), which was paid mainly in 1H20 and compares to a lower investment at the end of 2018 (€18.9m in 4Q18), implying a negative evolution in working capital related to Capex in the amount of €10.5m in 1H20 vs. 1H19. This change was partially offset by a positive evolution of working capital related to the current business, with a strong contribution from the positive evolution in the management of accounts receivable, particularly general customers (+€13.8m) and financial services customers (+€3.0m).

¹² The 1Q19 operating cash flow was restated to be comparable with that of 1Q20. In 2Q19 the methodology to calculate the operating cash flow was changed, in particular with respect to the change in working capital, which no longer includes a non-cyclical value related to the mobility allowance.

¹³ The change in net liabilities of Financial Services & Retail 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.

¹⁴ 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

Consolidated Balance Sheet

	31.12.2019	30.06.2020	Δ	Δ%
€ million				
Non-current assets	1,734.7	1,864.9	130.2	7.5%
Current assets	778.8	775.4	-3.4	-0.4%
Assets	2,513.4	2,640.3	126.8	5.0%
Equity	131.4	129.8	-1.6	-1.2%
Liabilities	2,382.0	2,510.5	128.4	5.4%
Non-current liabilities	512.8	497.3	-15.6	-3.0%
Current liabilities	1,869.2	2,013.2	144.0	7.7%
Equity and Liabilities	2,513.4	2,640.3	126.8	5.0%

The key aspects of the comparison between the Balance Sheet as at 30.06.2020 and that as at 31.12.2019 are as follows:

- **Assets** increased €126.8m, mostly due to the increase in Credit to banking clients (+€102.5m), especially mortgage loans and Debt securities (+€66.9m), while Cash & cash equivalents decreased (-€46.4m), largely as a result of the drop in third-party cash amounts.
- **Equity** decreased €1.6m following the generation of net income attributable to equity holders of CTT Group in 1H20 for an amount of -€2.0m.
- **Liabilities** increased €128.4m, with emphasis on the increase in Banking clients' deposits and other loans (+€190.5m) partly offset by the decrease in Accounts payable (-€60.5m) as a direct consequence of the substantial reduction of Treasury Certificates subscriptions, and the decrease of Other banking financial liabilities (-€10.9m).

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:

Consolidated Balance Sheet excluding Banco CTT

	31.12.2019	30.06.2020	Δ	Δ%
€ million				
Non-current assets	615.8	608.4	-7.5	-1.2%
Current assets	456.9	415.4	-41.6	-9.1%
Assets	1,072.8	1,023.7	-49.0	-4.6%
Equity	131.4	129.9	-1.6	-1.2%
Liabilities	941.3	893.9	-47.5	-5.0%
Non-current liabilities	432.0	430.7	-1.3	-0.3%
Current liabilities	509.3	463.1	-46.2	-9.1%
Equity and Liabilities	1,072.8	1,023.7	-49.0	-4.6%

As at 30 June 2020, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €285.8m, -€0.9m compared to December 2019, as specified in the table below:

Liabilities related to employee benefits

	31.12.2019	30.06.2020	Δ	Δ%
€ million				
Total liabilities	286.7	285.8	-0.9	-0.3%
Healthcare	274.4	274.8	0.4	0.1%
Healthcare (321 Crédito)	1.3	1.3	0.1	4.5%
Suspension agreements	3.1	2.0	-1.2	-37.0%
Other long-term employee benefits	7.1	7.0	-0.2	-2.2%
Other post-employment benefits	0.2	0.2	0.0	3.8%
Pension plan	0.4	0.4	0.0	-2.9%
Other benefits	0.1	0.2	0.0	17.9%

Consolidated net debt

Consolidated net debt

	31.12.2019	30.06.2020	Δ
€ million			
Net debt	60.0	65.0	5.0
ST & LT debt	175.4	179.1	3.6
Of which Finance leases (IFRS 16)	84.0	87.5	3.5
Own cash (I+II)	115.4	114.1	-1.3
Cash & cash equivalents	443.0	396.6	-46.4
Cash & cash equivalents at the end of the period (I)	414.9	378.7	-36.2
Other cash items	28.1	17.9	-10.2
Other Financial Services liabilities, net (II)	-299.5	-264.6	34.9

The key aspects of the comparison between the consolidated net debt as at 30.06.2020 and that as at 31.12.2019 are as follows:

- **Own cash** decreased €1.3m due mostly to the reduction in operating cash flow (-€2.3m).
- **Short-term & long-term debt** increased €3.6m mainly due to the increase in the liabilities from financial leases in the scope of IFRS 16 (+€3.5m), resulting from the expansion of the network of logistics centers to support the growth in the Express & Parcels activity.

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

Consolidated net debt excluding Banco CTT

	31.12.2019	30.06.2020	Δ
€ million			
Net debt with Banco CTT under equity method	144.1	149.7	5.6
ST & LT debt	173.2	176.9	3.6
Of which Finance leases (IFRS 16)	81.8	85.3	3.5
Own cash (I+II)	29.1	27.2	-1.9
Cash & cash equivalents	268.2	216.4	-51.7
Cash & cash equivalents at the end of the period (I)	268.2	216.5	-51.7
Other cash items	-0.02	-0.03	-0.01
Other Financial Services liabilities, net (II)	-239.1	-189.3	49.8

4.2 Human Capital

The management of human resources is guided by the following priorities: definition and implementation of policies for human capital development that enable boosting skills, awarding performance and fostering the agility of the organization; maintenance of a good social environment; continuous investment in training and qualification; optimization and adjustment of the staff, taking into account the need to respond to market evolution and challenges.

4.2.1 Characterization of human capital

As at 30 June 2020, the CTT headcount (permanent and fixed-term staff) consisted of 12,015¹⁵ employees, 546 less (-4.3%) than as at 30 June 2019.

Headcount ¹⁶				
	30.06.2019	30.06.2020	Δ 2020/2019	
Mail & other	10,978	10,382	-596	-5.4%
Express & Parcels	1,154	1,175	21	1.8%
Banco CTT	392	420	28	7.1%
Financial Services & Retail	37	38	1	2.7%
Total, of which:	12,561	12,015	-546	-4.3%
Permanent	10,889	10,806	-83	-0.8%
Fixed-term contracts	1,672	1,209	-463	-27.7%
Portugal	12,090	11,487	-603	-5.0%
Other geographies	471	528	57	12.1%

There was a decrease of 83 in the number of permanent staff and 463 in the number of staff with fixed-term contracts. The reduction of staff (both permanent and with fixed-term contracts) in the Mail & other business unit (-596) had a notable impact on this evolution. This reduction more than offset the increase in headcount of the Financial Services & Retail (+1), Express & Parcels (+21) and Banco CTT (+28) business units.

Together, the areas of operations and distribution within the basic network (5,972 employees, of whom 4,360 delivery postmen and women) and the retail network (2,281 employees) represent circa 76% of CTT's permanent staff.

The overall absenteeism rate increased to 8.9% (+2.6 pp). The main reasons for these absences include illness (4.8%), COVID-19 (1.3%), accidents (0.9%), maternity/paternity leave (0.5%), other motives (0.5%) and union activity (0.4%).

It should be noted that these figures already include 5 exits that occurred in 2020, to which are added 531 exits, split into 161 in 2017, 268 in 2018 and 102 in 2019, which took place in the context of the Human Resources Optimization Programme within the ongoing Operational Transformation Plan.

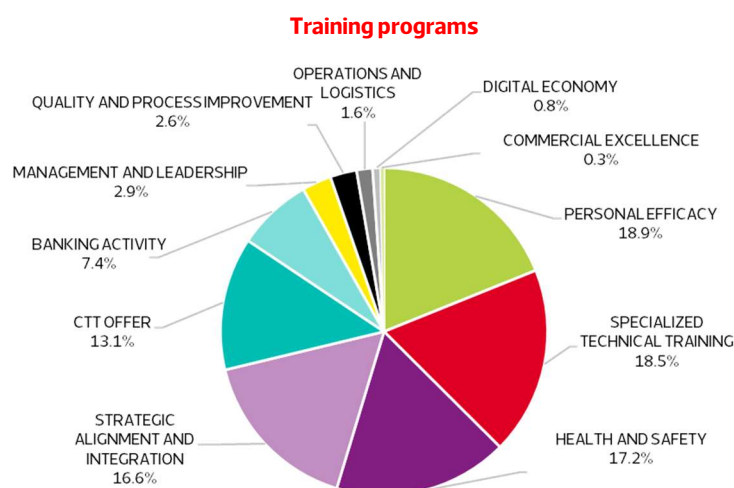
¹⁵ It should be noted that from 2020 onwards, the methodology for counting staff was changed and members of staff with suspension agreements were no longer considered, with an impact in the period under review of -45 employees. Excluding this effect, the decrease in total staff would have been of 501 employees.

¹⁶ In 2020 and in the same period of the previous year (proforma), the retail products and services of the Mail & other business unit are considered within the Financial Services & Retail business unit (former Financial Services business unit). This migration had an impact on the movement of workers between these business units.

4.2.2 Training

In the first half of 2020, since the start of the COVID-19 pandemic, the diffusion of the training offer has been made remotely, both asynchronously through CTT's e-learning platform – Formare – and also through synchronous sessions on MS Teams and other third-party platforms.

This semester, 68% of the employees participated in training actions, in a total of 58,243 hours with an average of 5 hours per employee and a training rate of 0.6%. There was a reduction in training hours due to the impossibility of carrying out some of the planned actions and as a result of the transition to e-learning format, with shorter sessions, in other.



Among the 11 training programs carried out, the following should be noted: health and safety at work (with emphasis on the training on preventive measures regarding the COVID-19 pandemic), personal efficacy (here, the training related to new collaborative tools for homeworking should be highlighted). As for the CTT offer, the main training programs were the training on auto insurance +, specialized technical training, namely regarding the management applications – Orion Service and Work Force Management.

4.2.3 Occupational health and safety

The awareness-raising actions on occupational safety, accident prevention and ergonomics continued at postal delivery offices and post offices. There were 407 occupational accidents and incidents, a decrease of 23.1% versus the same period of 2019, certainly as an effect of the pandemic, since, even though operations continued during this period, the working hours were reduced or followed lagging schedules. Overall, the motives that most contributed to the occurrence of labor accidents were road accidents (31.8%), which include driving and tramplings, slides and stumbles (14.9%) and excessive physical stress (9.1%).

4.2.4 Diversity and equal opportunities

Regarding equal opportunities in a pandemic situation, CTT focused primarily on ensuring that all its employees felt safe. A Crisis Management Committee was created, to ensure CTT contingency and continuity plan and guarantee adequate information and support, promoting key risk mitigating measures and focusing on preserving the integrity of its employees. One of the key measures taken was the implementation of homeworking in all services where this was possible.

At the beginning of the year there were working sessions with the Commission for Equality in Labour and Employment (CITE), however these activities had to cease, and all actions suspended.

The protocol with CERCI Lisbon (Cooperative for the Education and Rehabilitation of Non-adapted Citizens) was maintained, which provides labor integration experiences for disabled young people, involving 15 young adults. This CTT/CERCI partnership is a case of success with a 17-year track record.

Employees and its families were encouraged, at the beginning of the year, to participate in internal competitions and were challenged to write stories about their time in CTT. Over the course of the lockdown period they received much information about prevention measures and advice on work and family life balance. The “Sou CTT” (I am CTT) partnership program continued to be promoted, offering preferential prices to CTT employees in various areas, with special focus on health, sports and family.

On matters of diversity, the Board of Directors complied with the target set in the CTT Equality Plan and in Law 62/2017, as it has 33.3% of women on the Board of Directors and the Audit Committee. It should also be noted that 20.4% of women occupy first-degree management positions.

4.3 Intellectual Capital

The following initiatives should be highlighted, some of them fostered by the need to address the COVID-19 pandemic:

Strengthening the Mail business:

- Creation of the service of “delivery information” for Domestic Bulk Mail (Zones A and B), up to 50g. It includes a bar code with information on successful or unsuccessful delivery and detail on the reasons for unsuccessful delivery;
- Launch of another innovative philatelic issue: fragrant stamps, which were printed incorporating an orange blossom aroma in the production process that remains active for a long time.

Boosting e-commerce:

- Deployment of CTT-branded domestic Parcel Lockers;
- Partnerships to boost e-commerce with: LIDL (offering of CTT’s 24h-Locker service), UBER (facilitation of the expansion of CTT Now/Express for Today services to cities where CTT did not operate) and OLX (“online shipping” solution, in a new type of door-to-door product delivery);
- Encouraging the launch of the following services: CTT online stores (an offer that allows domestic SMEs to create online stores and facilitates the sale of their products), CTT Local Trade (digital platform, supported by an app, to facilitate the online presence of local traders and small producers) and small producers commerce within Dott marketplace (e.g.: Digital Fairs of DOP Cheese and Products of Viseu Dão Lafões).

Enhancing operational aspects:

- Upgrade of address reading machines (OCR-RMS): improved recognition of handwritten characters, aiming at reaching more quality and reliability of the system decisions, with an average increase of 10% in the OCR (Optical Character Recognition) reading rate.

In the financial area, mainly in Banco CTT:

- Progress towards the launch of a new platform which will allow clients to invest through digital channels, supported by a robot-advisory platform.

Company-wide initiatives:

- INOV+: new platform for ideas management. Start of the 9th internal cycle of challenges;
- R&D promotion: preparation of CTT and Banco CTT applications for SIFIDE (Tax Incentive System for Corporate R&D);
- 1st internal edition of the CTT Innovation Awards for the following categories: solutions, products & services, internal transformation, and environmental and social impact;
- 1520 CTT StartuProgram: newsletter to communicate and find solutions aligned with the objectives and strategy of the company and raise expressions of interest which may lead to partnerships of mutual interest (startups).

4.4 Social Capital

Our social and environmental patronage policy has been prioritizing issues such as poverty and social exclusion, culture, language, sports for disabled, health, solidarity, biodiversity and innovation. To this end, ten social solidarity and aid initiatives to groups in need or at risk were supported, with a total investment of €474k.

Having reached the 15th consecutive year supporting Fenacerci for fundraising through the sale of thousands of Pirlampos Mágicos (Magic Glow-worms) in CTT post offices, this year it was not possible to carry out that sale due to the restrictions imposed by the pandemic. Nevertheless, CTT supported the Portuguese Red Cross as part of the fight against COVID-19, the Campus of Nova School of Business Economics and the Order of Malta. CTT Express Spain continued to give its support to Save the Children NGO.

For the preservation of the **environment and biodiversity**, the Iberian lynx of the Lisbon Zoo continued to be sponsored. Regarding the annual campaign “A Tree for the Forest”, the planting actions planned with CTT had to be suspended and are expected to be safely implemented in the foreseeable future.

Despite the restrictions imposed, young persons with educational underachievement continued to be supported through mentorship volunteering and with tutoring through digital means, within the partnership with EPIS. CTT offered computers for some students to be able to undertake distance learning. The closing session of the three-year program was performed through digital means with students, mentors, tutors and CTT and EPIS officials.

The continuity of volunteering activities within the League of Friends of the Santa Maria Hospital and of others which require physical presence had to be suspended. Likewise, it was not possible to perform the usual blood donation at CTT headquarters with PIBT – Portuguese Institute of Blood and Transplantation.

Customer Satisfaction

Customer feedback, expressed through daily satisfaction surveys, indicates that 85.2% of the respondents perceive the overall CTT quality as good or very good and consider CTT as a trustworthy company.

CTT was aware of the social and economic consequences provoked by the COVID-19 pandemic in the Portuguese and world population and triggered various proximity initiatives that had a facilitated implementation due to CTT's capillarity throughout the national territory.

For that matter partnerships in several areas were established, such as with: Hovione, National Association of Pharmacies, Uber, Red Cross, Portuguese Football Federation, among others. CTT decided to expedite the issue of money orders and extended the payment deadline of pensions, in order to promote the safety and well being of Portuguese pensioners in the context of the pandemic and the state of emergency.

These social responsibility measures reflect CTT engagement with the community, along with its sustainability strategy.

4.5 Natural Capital

The measures for the lockdown and safety of workers, adopted to tackle the COVID-19 pandemic, propelled a reduction of CTT energy consumption, estimated at circa 9.1% in the first half of 2020. Electricity consumption had an estimated reduction of 9.5% in the first half of 2020 and own fleet fuel consumption had a reduction of 8.2%.

CTT sustainability strategy is aligned with the global ambition of limiting global warming to 1.5°C until 2030 and also with the interests and priorities of stakeholders in matters of environmental and social responsibility, such as the protection of biodiversity and the national forest, and the support for the development of underprivileged populations.

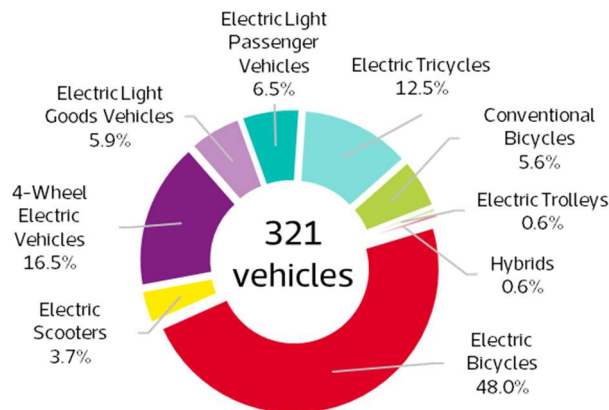
CTT acquired 100% certified green energy for the whole of its activity, for the sixth consecutive year, in order to minimize its carbon footprint. Energy efficiency measures were also implemented in its facilities, especially in post offices and postal delivery offices, with the installation of more efficient lighting, renovation of air conditioning equipment and modernization of facilities, reinforcing its commitment to optimizing energy consumption. Legal obligations applicable to CTT real estate were also followed up, namely on energy certification and energy audit.

Additionally, an energy efficiency project for CTT facilities was initiated for the 2020-2022 period. This project consists of monitoring energy consumptions of 72 relevant facilities, identifying the technical details of each facility and opportunities of energy efficiency improvement and proposals for actions. It has a 13.7% savings potential of energy consumption in these facilities.

CTT has also regularly invested in the renewal of its conventional fleet, with an average of 3.1 years, one of the largest and newest in Portugal.

The current CTT eco-fleet is composed of 321 alternative vehicles, predominantly electric vehicles, corresponding to 8% of the total fleet. During the period under analysis, 5 more light passenger vehicles, 2 light goods vehicles, 1 tricycle and 1 scooter, totalling 9 new electric vehicles started operating. Electric vehicles do not emit particles and NO_x during their use and, as CTT acquires 100% of electricity from renewable sources, the carbon impact of these electric vehicles is zero, contributing to better air quality in cities. Also noteworthy during the reporting period is the start of the installation process of two more charging units for electric vehicles.

Types of alternative vehicles in CTT



CTT developed a pilot test with the Nissan e-NV200 XL Voltia commercial vehicle, an extended version of the e-NV200 commercial variant but with electric motorization and circa 200 km range. Tailor-made for the postal sector and in particular for last mile distribution, this XL version offers greater load capacity, thus adapting to the current context of growth in parcels and urgent mail, where the available load capacity represents a daily operational need for CTT. The results obtained were very positive regarding the response to the operational needs of CTT, with benefits in terms of the pollutant emissions and their carbon footprint.

As a pioneer company in the incorporation of electric vehicles in its car fleet and in the permanent innovation of its products and services, CTT is testing a total of 5 new models of electric vehicles in several cities along the Portuguese coastline, with positive results in terms of greater load capacity, safety, driving ergonomics and range, in addition to the associated environmental benefits. Like the Nissan e-NV200, we pioneered in the use of some of these models in Portugal and it is estimated that 17.5 tonnes of CO₂ can be saved by using them.

There was an 8.7% reduction in total CO₂ emissions (scopes 1 and 2), compared to the same period of the previous year, resulting mainly from the reduction in fuel consumption, although there was also a sharp reduction in energy consumption at CTT facilities for air conditioning and heating, strongly influenced by the measures taken in response to the COVID-19 pandemic.

It should also be noted that the lockdown period ordered by the Government had a direct impact on the home-work-home commuting of the employees, with an estimated associated reduction of 582 tonnes of CO₂, equivalent to around 1% of the overall carbon footprint of CTT.

Since the energy transition is an unavoidable trend nowadays, CTT intends to continue promoting efficiency in terms of fossil fuel consumption and electricity consumption from renewable sources, and supporting the transition to a sustained and increasing integration of electric vehicles and/or powered by alternative fuels in the fleet.

CTT was distinguished with the highest Leadership level, in the 2019 Climate Change category, with a score of A-, in the CDP – Carbon Disclosure Project rating, the capital market index which is the main energy and carbon sustainability rating worldwide.

Following the success of the EMMS – Environmental Measurement and Monitoring System of IPC – International Post Corporation, started in 2008, which culminated in meeting the carbon reduction targets set for 2020 ahead of time, the working group moved towards a new sustainability program. The new SMMS – Sustainability Monitoring and Measurement System program is aligned with 5 UN Sustainable Development Goals considered the most relevant for the postal sector and focuses now on 7 intervention areas: health and safety (SDG 8); learning and development (SDG 8); resource efficiency (SDG 9); climate change (SDG 13); air quality (SDG 11); circular economy (SDG 11); and sustainable consumption (SDG 12).

CTT signed the Commitment - Lisbon European Green Capital 2020 - Lisbon 2030 Climate Action, at the invitation of the Lisbon City Council, which aims to ensure the contribution of the various economic agents to the achievement of the objectives and goals defined under the Sustainable Energy and Climate Action Plan and which promotes a new vision of the city of Lisbon with a view to carbon neutrality in 2050. For this purpose, CTT submitted 14 measures in the following categories, with a view to improving the environmental performance of the company: energy, mobility, water, circular economy, and citizenship and participation.

At the invitation of BCSD (Business Council for Sustainable Development) Portugal, CTT joined the manifesto "Taking advantage of the crisis to launch a new paradigm of sustainable development", with the objective of contributing to the construction of a development model based on five fundamental principles: promotion of sustainable and inclusive development, promotion of growth, search for efficiency, strengthening resilience and reinforcement of corporate citizenship.

Several articles of environmental and social nature were published in the CTT internal magazine with a view to raising the employees' awareness. Likewise, the internal TV channel at CTT headquarters broadcasted environment-related contents, such as the commemoration of the World Earth Day, the National Energy Day and the International Biodiversity Day, which involved hobbies for workers and their families, and the dissemination of tips and suggestions on small daily habits with a view to environmental protection. Sustainability e-newsletters for employees in operational areas are also disseminated.

CTT also transmitted information on this issue through social networks and the TV channel of the retail network countrywide, as well as to the digital public and to customers. In addition, CTT sponsored once again the Smart Cities initiative, which will organise a set of conferences and showcases of some of the most advanced solutions of urban sustainability and will disclose 30 initiatives aimed at making Portuguese cities more intelligent and therefore more sustainable.



05

Corporate Governance

**We
go further
in**

Confidence

We go further to bring the world closer.



5. CORPORATE GOVERNANCE

5.1 Corporate Bodies and Management ¹⁷

Board of Directors ¹⁸

Chairman:	Raul Catarino Galamba de Oliveira
Executive Chairman:	João Afonso Ramalho Sopas Pereira Bento (CEO)
Members:	<p>António Pedro Ferreira Vaz da Silva</p> <p>Guy Patrick Guimarães de Goyri Pacheco (CFO)</p> <p>João Carlos Ventura Sousa</p> <p>João Miguel Gaspar da Silva (COO)</p> <p>Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia</p> <p>Steven Duncan Wood</p> <p>Duarte Palma Leal Champalimaud</p> <p>Isabel Maria Pereira Aníbal Vaz</p> <p>João Eduardo Moura da Silva Freixa</p> <p>Jürgen Schröder</p> <p>Margarida Maria Correia de Barros Couto</p> <p>María del Carmen Gil Marín</p> <p>Susanne Ruoff</p>

Board of the General Meeting ¹⁸

Chairman:	Pedro Miguel Duarte Rebelo de Sousa
Vice-Chairwoman:	Teresa Sapiro Anselmo Vaz Ferreira Soares

Remuneration Committee ¹⁸

Chairman:	Fernando Paulo de Abreu Neves de Almeida
Members:	<p>Manuel Carlos de Melo Champalimaud</p> <p>Christopher James Torino</p>

¹⁷ As at the date of approval of this Interim Integrated Report of the 1st Half of 2020.

¹⁸ Members elected at the Annual General Meeting of CTT - Correios de Portugal, S.A. (CTT) held on April 29, 2020 for the term of office 2020/2022.

Executive Committee ¹⁹

Chairman: João Afonso Ramalho Sopas Pereira Bento (CEO)

Members: António Pedro Ferreira Vaz da Silva
Guy Patrick Guimarães de Goyri Pacheco (CFO)
João Carlos Ventura Sousa
João Miguel Gaspar da Silva (COO)

Audit Committee ¹⁸

Chairwoman: Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Members: Steven Duncan Wood
María del Carmen Gil Marín

Corporate Governance, Evaluation and Nominating Committee ¹⁹

Chairman: Raul Catarino Galamba de Oliveira

Members: Isabel Maria Pereira Aníbal Vaz
Duarte Palma Leal Champalimaud

Statutory Auditor ²⁰

Statutory Auditor: KPMG & Associados, SROC, S.A., representada por Paulo Alexandre Martins Quintas Paixão

Alternate Statutory Auditor: Vítor Manuel da Cunha Ribeirinho

¹⁹ Appointed by resolution of the Board of Directors of April 29, 2020 for the term of office 2020/2022.

²⁰ Elected at the Annual General Meeting of CTT on April 18, 2018 for the 2018/2020 term of office. Considering the conclusion of the current Statutory Auditor term of office, Ernst & Young Audit & Associados, SROC, S.A. (EY) was already elected at the Annual General Meeting of CTT on April 29, 2020, as CTT's Statutory Auditor for the term of office of 2021/2023, assuming the term of office for which it was appointed as CTT's Statutory Auditor as from January 1, 2021.

MANAGEMENT ORGANIZATION – CORPORATE STRUCTURE

	João Bento CEO	Guy Pacheco CFO	António Pedro Silva Retail & Postal FS P&L B2C Commercial HR	João Sousa Express, C. & Log. P&L B2B Commercial	João Gaspar da Silva COO
Executive Committee					
support offices	Institutional Relations	Finance, Risk & M&A		E-commerce	Operations Transformation Programme
Departments	Strategy & Business Development	Investor Relations			
	Audit & Quality	Procurement & Logistics	Philately	Public Administration	Customer Support & Quality of Operations
	Communication & Sustainability	Accounting & Taxes	Management of B2C External Channels	Medium Enterprises	Operations Control
	Digital, Transformation & Innovation	Digital, Transformation & Innovation	Retail Network Management	Large Enterprises South	Express, Cargo & Logistics Operations
	Legal Office & General Secretariat	Planning & Control	Management of Retail, Savings & Payments Products	Large Enterprises North	International & Autonomous Regions Operations
	Human Resources (Development)	Physical Assets	Management of Mail Products	Small Enterprises	Mail Production Operations
	Regulation & Competition	Information Systems	Management of B2C Segment	Communication & Sustainability (marketing & advertising)	Business Solutions Operations
			Human Resources (Management)	Express, Cargo & Logistics Product Management	Transport & Delivery Operations
			B2C Commercial Support	Management of B2B Segment	Operations Planning & Development
				Business Solutions & Advertising Management	
				B2B Commercial Support	
Subsidiaries operating abroad				CORRE (Correio Expresso de Moçambique)	
				CTT Expresso (Branch in Spain)	

5.2 Business transactions with the Company and performance of other activities by the current directors

Pursuant to the internal control mechanisms implemented in accordance with the Regulation on Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interest (the "Regulation on Related Parties") available at www.ctt.pt, the Audit Committee is responsible for implementing internally, among others, the control procedures with respect to transactions with related parties aiming at reinforcing the mechanisms for the prevention, identification and resolution of conflicts of interest and thus increase the degree of transparency and objectivity in the management of this kind of transactions.

In terms of internal functioning, the Executive Committee of CTT is responsible for submitting to the Audit Committee for analysis and then to the Board of Directors for authorization, the terms and conditions of transactions to be contracted by CTT with related parties, which include qualified Shareholders, senior managers and third parties related to any of these through relevant commercial or personal interests (pursuant to the terms of IAS 24) and also subsidiaries, associated companies and joint ventures.

Pursuant to the aforementioned internal control procedures in place, and for the purposes of articles 66(5)(e) and 397 of the Portuguese Companies Code, it was authorized by resolution of the Board of Directors of April 28, 2020, and prior favorable opinion from the Audit Committee, the acquisition of individual protection equipment (Face Shields) to GLNPLAST, S.A. company fully controlled by GLN - Engineering, Molding and Plastics, S.A., which is owned by Manuel Champalimaud S.G.P.S., S.A., a related party of CTT non-executive Director Duarte Palma Leal Champalimaud.

For the purposes of reporting as provided for in article 398 of the Portuguese Companies Code, none of the Directors of CTT have exercised, during the first half of 2020, in the Company or in companies related to it through a control or group relationship, any temporary or permanent positions under an employment contract, whether subordinate or autonomous.

The list below indicates the internal and external positions held by members of the management and supervisory bodies at the Company as at the date of approval of this Interim Management Report:

Members of the Board of Directors	Internal Appointments	External Appointments
Raul Catarino Galamba de Oliveira	<ul style="list-style-type: none"> Chairman (non-executive) of the Board of Directors of CTT Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT 	<ul style="list-style-type: none"> Member of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. Member of the Board of Directors of José de Mello Capital, S.A. Member of the Board of Directors of José de Mello Saúde, S.A. Chairman of the Board of Directors of Fundação Manuel Violante
João Afonso Ramalho Sopas Pereira Bento	<ul style="list-style-type: none"> Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. Member of the Board of Directors of CTT and Chief Executive Officer Member of the Selection and Remuneration Committee (elected at the General Meeting) of Banco CTT, S.A. Member of the Selection Committee (elected at the General Meeting) of Payshop (Portugal), S.A. Member of the Selection Committee (elected at the General Meeting) of 321 Crédito – Instituição Financeira de Crédito, S.A. Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (CORRE) 	<ul style="list-style-type: none"> Member of the Board of Directors of the International Post Corporation (IPC) Director at QPDM Consulting, S.A. (since 2019 he is the Chairman of the Board of Directors) Member of the Strategic Innovation Council of VdA – Vieira de Almeida & Associados, Sociedade de Advogados, RL Member of the General Council of IPCG (Portuguese Institute of Corporate Governance) Member of the Advisory Council of ANI (National Innovation Agency) Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal) Vice-Chairman of Academia de Engenharia Honorary President of ASECAP (European Association of Operators of Toll Road Infrastructures)
António Pedro Ferreira Vaz da Silva	<ul style="list-style-type: none"> Member of the Board of Directors of Payshop (Portugal), S.A. Member of the Board of Directors and of the Executive Committee of CTT Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. Non-executive Member of the Board of Directors of Banco CTT, S.A. 	
Guy Patrick Guimarães de Goyri Pacheco	<ul style="list-style-type: none"> Non-executive Member of the Board of Directors of Banco CTT, S.A. Member of the Board of Directors and Chief Financial Officer (CFO) of CTT 	<ul style="list-style-type: none"> Member of the Board of Directors of New Finerge, S.A. Member of the Board of AEM (Portuguese Issuers Association)

Members of the Board of Directors	Internal Appointments	External Appointments
	<ul style="list-style-type: none"> Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. 	
João Carlos Ventura Sousa	<ul style="list-style-type: none"> Chairman of the Board of Directors of CTT Contacto, S.A. Member of the Board of Directors and of the Executive Committee of CTT Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. 	
João Miguel Gaspar da Silva	<ul style="list-style-type: none"> Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. Member of the Board of Directors and of the Executive Committee of CTT Member of the Board of Directors of CTT Contacto, S.A. 	
Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia	<ul style="list-style-type: none"> Non-executive Member of the Board of Directors of CTT Chairwoman of the Audit Committee of CTT 	<ul style="list-style-type: none"> Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE Non-executive Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A. (formerly Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A.) Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A. Non-executive Member of the Board of Directors and Member of the Audit Committee of Impresa, SGPS, S.A. Member of the Management Board of Ordem dos Revisores Oficiais de Contas and its representative in the Accountancy Europe Member of the General Council and of the Executive Committee of Comissão de Normalização Contabilística, representing Ordem dos Revisores Oficiais de Contas Managing Partner of Novais, Anacoreta & Associado, SROC Member of the Scientific Council of Associação Fiscal Portuguesa Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre) Assistant Professor at Católica Porto Business School

Members of the Board of Directors	Internal Appointments	External Appointments
Steven Duncan Wood	<ul style="list-style-type: none"> • Member of the Audit Committee of CTT • Non-executive Member of the Board of Directors of CTT 	<ul style="list-style-type: none"> • Founder and Managing Member of the Builders Institute, Inc. • Founder and Managing Member of Greenwood Investors, LLC • Managing Member of GreenWood Performance Investors, LLC • Advisory Board Member of Cortland Associates, Inc.
Duarte Palma Leal Champalimaud	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT 	<ul style="list-style-type: none"> • Manager of Sotaque – Assessoria de Comunicação e Traduções, Lda. • Member of the Board of Directors of Manuel Champalimaud, SGPS, S.A. (having been appointed Vice-Chairman in 2019) • Chairman of the Board of the General Meeting of APIP (Portuguese Plastics Industry Association)
Isabel Maria Pereira Aníbal Vaz	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT • Member of the Corporate Governance, Evaluation and Nominating Committee of CTT 	<ul style="list-style-type: none"> • Member of the Board of Directors of Sonae Capital, SGPS, S.A. • Chairwoman of the Board of Directors of Capital Criativo HealthCare Investments II • Chairwoman of the Board of Directors of Hospital da Luz – Coimbra S.A. • Chairwoman of the Board of Directors of H.M.E. – Gestão Hospitalar, S.A. • Member of the Board of Directors of S. C. H. – Sociedade de Clínica Hospitalar S.A. • Chairwoman of the Board of Directors of Hospital da Luz – Guimarães, S.A. • Chairwoman of the Board of Directors of GLSMED Learning Health, S.A. • Chairwoman of the Board of Directors of Luz Saúde – Serviços, A.C.E. • Chairwoman of the Board of Directors of Hospital da Luz – Centro Clínico da Amadora, S.A. • Chairwoman of the Board of Directors of SGHL – Sociedade Gestora do Hospital de Loures, S.A. • Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior, S.A. • Chairwoman of the Board of Directors of CRB – Clube Residencial da Boavista, S.A. • Chairwoman of the Board of Directors of Hospital da Luz – Oeiras, S.A.

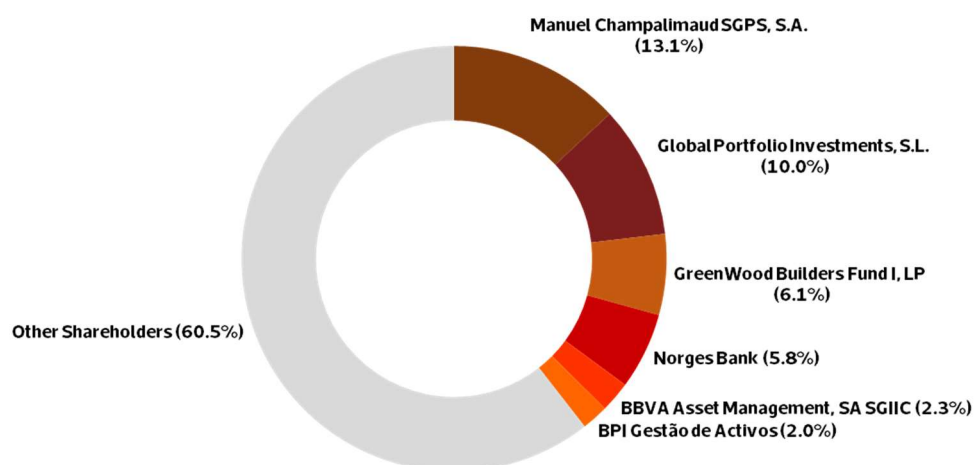
Members of the Board of Directors	Internal Appointments	External Appointments
		<ul style="list-style-type: none"> • Chairwoman of the Board of Directors of Hospital da Luz, S.A. (LISBOA) • Chairwoman of the Board of Directors of Surgicare – Unidades de Saúde, S.A. • Chairwoman of the Board of Directors of Vila Lusitano – Unidades de Saúde, S.A. • Chairwoman of the Board of Directors of Hospital Residencial do Mar, S.A. • Chairwoman of the Board of Directors of Hospor – Hospitais Portugueses, S.A. • Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior de Carnaxide, S.A. • Member of the Board of Directors of Genomed-Diagnósticos de Medicina Molecular, S.A. • Chairwoman of the Board of Directors of RML – Residência Medicalizada de Loures, SGPS, S.A. • Chairwoman of the Board of Directors of Hospital da Arrábida – Gaia, S.A. • Chairwoman of the Board of Directors of Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, S.A. • Chairwoman of the Board of Directors of Cliria – Hospital Privado de Aveiro, S.A. • Vice -Chairwoman of the Board of Directors and Chairwoman of the Executive Committee of Luz Saúde, S.A. • Member of the International Advisory Board of The Lisbon MBA of Nova School of Business and Economics of Universidade Nova de Lisboa
João Eduardo Moura da Silva Freixa	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT 	<ul style="list-style-type: none"> • Managing Partner of F2NG, Consultores de Gestão, Unipessoal, Lda.
Jürgen Schröder	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT 	<ul style="list-style-type: none"> • Executive Partner of JS-Rat & Tat GmbH • Board Member of ISR (International School on the Rhine) (Germany) • Board Member of Marketing Club Düsseldorf (Germany)
Margarida Maria Correia de Barros Couto	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT 	<ul style="list-style-type: none"> • Chairwoman of GRACE (Group for Reflection and Support for Corporate Citizenship) • Member of the board of Directors and Chief Executive Officer (CEO) of Fundação Vasco Vieira de Almeida

Members of the Board of Directors	Internal Appointments	External Appointments
		<ul style="list-style-type: none"> • Secretary of the General Assembly of Forum Oceano – Association of the Sea Economy • Secretary of the General Assembly of BCSD Portugal – <i>Business Council for Sustainable Development</i> • Chairwoman of the Board of VdA Academia
María del Carmen Gil Marín	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT • Member of the Audit Committee of CTT 	<ul style="list-style-type: none"> • Executive Member of the Board of Directors of Novabase, SGPS, S.A. • Executive Member of the Board of Directors of Novabase IMS2, S.A. • Executive Member of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A. • Member of the General Board of AEM (Portuguese Issuers Association) • Chairwoman of the Board of the General Meeting of Celfocus- Soluções Informáticas para Telecomunicações, S.A. • Chairwoman of the Board of the General Meeting of Novabase Enterprise Applications – Sistemas de Informação de Gestão Empresarial, S.A. • Chairwoman of the Board of the General Meeting of GLOBALEDA – Telecomunicações e Sistemas de Informação, S.A. • Member of the Board of Fórum de Investor Relations (FIR) – Associação Portuguesa de Responsáveis pelas Relações com Investidores (Portuguese Association of Investor Relations Officers), having previously been a member of the Supervisory Board (2011–2013) • Member of the Advisory Committee of FCRISTARTI
Susanne Ruoff	<ul style="list-style-type: none"> • Non-executive Member of the Board of Directors of CTT 	<ul style="list-style-type: none"> • Member of the Board of Eldora AG (Switzerland) • Chief Executive Officer (CEO) of Ruoff Advisory GmbH (Switzerland) • Member of the Strategic Advisory Board of EPFL – École Polytechnique Fédérale de Lausanne (Switzerland)

5.3 Capital structure

In the 1st half of 2020, the share capital of CTT, amounting to €75,000,000, was fully subscribed and paid-up, represented by 150,000,000 ordinary shares with a nominal value of €0.50 each. These shares are registered and in book-entry form having no different categories. All shares representing the capital of the Company are admitted to trading on the regulated market Euronext Lisbon.

As at 30 June 2020, CTT shareholder structure in terms of qualifying holdings was as follows:



5.4 Holders of qualifying holdings

At the end of the 1st half of 2020, based on the communications made to the Company, the qualifying holdings in CTT were as follows:

Shareholders		No. of shares	% Share capital	% Voting rights
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾		19,330,084	12.887%	12.887%
Manuel Carlos de Melo Champalimaud		353,185	0.235%	0.235%
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total	19,683,269	13.122%	13.122%
Global Portfolio Investments, S.L. ⁽²⁾		15,057,937	10.039%	10.039%
Indumenta Pueri, S.L. ⁽²⁾	Total	15,057,937	10.039%	10.039%
GreenWood Builders Fund I, LP ⁽³⁾		9,210,000	6.140%	6.140%
GreenWood Investors LLC ⁽³⁾	Total	9,210,000	6.140%	6.140%
Norges Bank	Total	8,741,023	5.827%	5.827%
BBVA Asset Management, SA SGIC ⁽⁴⁾	Total	3,495,499	2.330%	2.330%
BPI Gestão de Activos ⁽⁵⁾	Total	3,044,307	2.030%	2.030%
CTT, S.A. (own shares) ⁽⁶⁾	Total	1	0.000%	0.000%
Other shareholders	Total	90,767,964	60.512%	60.512%
TOTAL		150,000,000	100.000%	100.000%

⁽¹⁾ Includes 19,246,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 83,269 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 Vice-Chairman. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

⁽²⁾ Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..

⁽³⁾ 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.

⁽⁴⁾ BBVA ASSET MANAGEMENT, SA, SGIC 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, SGIC.

⁽⁵⁾ This holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos, as well as held by portfolios regarding which BPI Gestão de Activos Fundos carries out the discretionary management.

⁽⁶⁾ As at this date, CTT holds 1 own share with the nominal value of €0.50 corresponding to 0.000% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the Portuguese Companies Code.

Updated information on qualifying holdings in the Company as at the date of approval of this report can be found at www.ctt.pt and the Portuguese Securities Commission (CMVM) website www.cmvm.pt.

5.5 Own shares

As at 30 June 2020 and on this date, CTT holds 1 own share with the nominal value of €0.50 corresponding to 0.000% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the Portuguese Companies Code.



06

**Interim Condensed
Consolidated Financial
Statements**



6. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 30 JUNE 2020

Euros

	NOTES	31.12.2019	Unaudited 30.06.2020
ASSETS			
Non-current assets			
Tangible fixed assets	4	263,443,040	265,136,318
Investment properties	6	7,653,000	7,471,129
Intangible assets	5	62,012,644	56,697,868
Goodwill		70,201,828	70,201,828
Investments in associated companies		293,434	293,434
Investments in joint ventures		2,723,803	1,564,799
Other investments		1,379,137	1,379,137
Debt securities	8	424,851,179	467,262,375
Other non-current assets		1,543,308	1,375,750
Credit to banking clients	10	792,469,611	889,771,436
Other banking financial assets	9	18,764,049	14,782,937
Deferred tax assets	25	89,329,806	88,971,392
Total non-current assets		1,734,664,839	1,864,908,402
Current assets			
Inventories		5,860,069	5,931,880
Accounts receivable		146,471,712	150,649,003
Credit to banking clients	10	93,350,959	98,577,986
Deferrals	11	7,305,261	10,444,323
Debt securities	8	31,560,152	56,028,797
Other current assets		35,766,227	35,152,473
Other banking financial assets	9	14,660,286	20,990,381
Cash and cash equivalents	12	442,995,724	396,589,505
		777,970,390	774,364,348
Non-current assets held for sale		805,675	990,199
Total current assets		778,776,065	775,354,547
Total assets		2,513,440,904	2,640,262,949
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(8)
Reserves	15	65,852,595	66,208,486
Retained earnings	15	10,867,301	40,014,024
Other changes in equity	15	(49,744,144)	(49,744,144)
Net profit		29,196,933	(1,984,332)
Equity attributable to equity holders		131,172,677	129,494,026
Non-controlling interests		242,255	294,193
Total equity		131,414,932	129,788,219
Liabilities			
Non-current liabilities			
Medium and long term debt	18	148,597,934	149,366,434
Employee benefits		267,286,679	266,677,002
Provisions	19	17,635,379	17,187,706
Deferrals	11	294,490	288,890
Other banking financial liabilities	9	76,060,295	60,881,194
Deferred tax liabilities	25	2,958,115	2,881,374
Total non-current liabilities		512,832,892	497,282,600
Current liabilities			
Accounts payable	20	373,790,665	313,295,888
Banking clients' deposits and other loans	21	1,321,418,042	1,511,891,168
Employee benefits		19,416,212	19,167,857
Income taxes payable	22	5,958,753	6,962,459
Short term debt	18	26,813,567	29,694,789
Deferrals	11	3,454,477	3,087,122
Other current liabilities		100,353,646	106,780,312
Other banking financial liabilities	9	17,987,719	22,312,535
Total current liabilities		1,869,193,080	2,013,192,130
Total liabilities		2,382,025,972	2,510,474,730
Total equity and liabilities		2,513,440,904	2,640,262,949

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

CTT - CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2020
Euros

		Six months ended		Three months ended	
		Unaudited 30.06.2019	Unaudited 30.06.2020	Unaudited 30.06.2019	Unaudited 30.06.2020
Sales and services rendered	3	337,177,746	316,456,988	167,025,762	153,063,959
Financial margin		9,087,750	21,382,995	6,587,380	10,957,420
Other operating income		8,729,937	11,327,549	4,520,799	5,236,706
		354,995,433	349,167,532	178,133,941	169,258,085
Cost of sales		(6,345,536)	(8,710,756)	(3,131,411)	(5,732,342)
External supplies and services		(116,281,424)	(117,353,082)	(58,551,476)	(58,772,489)
Staff costs	23	(176,680,951)	(170,271,336)	(86,744,196)	(81,952,417)
Impairment of accounts receivable, net		(1,989,338)	(3,761,294)	(1,368,007)	(2,559,130)
Impairment of other financial banking assets		(514,570)	(6,403,565)	(547,825)	(5,783,468)
Provisions, net	19	196,890	(889,640)	50,091	114,061
Depreciation/amortisation and impairment of investments, net		(26,440,767)	(30,034,172)	(13,157,365)	(15,567,800)
Other operating costs		(7,446,751)	(7,462,797)	(3,845,440)	(3,412,243)
Gains/losses on disposal of assets		219,520	586,494	193,835	9,510
		(335,282,926)	(344,300,148)	(167,101,794)	(173,656,318)
		19,712,507	4,867,384	11,032,147	(4,398,233)
Interest expenses	24	(4,938,536)	(4,745,106)	(2,554,453)	(2,230,753)
Interest income	24	113,409	6,211	91,240	3,068
Gains/losses in subsidiary, associated companies and joint ventures		(184,625)	(1,159,003)	(469,586)	(601,043)
		(5,009,752)	(5,897,899)	(2,932,799)	(2,828,729)
Earnings before taxes		14,702,755	(1,030,515)	8,099,348	(7,226,962)
Income tax for the period	25	(5,716,031)	(897,715)	(2,803,016)	1,587,477
Net profit for the period		8,986,724	(1,928,230)	5,296,332	(5,639,484)
Net profit for the period attributable to:					
Equity holders		8,988,445	(1,984,332)	5,290,291	(5,665,874)
Non-controlling interests		(1,720)	56,102	6,041	26,390
Earnings per share:	17	0.06	(0.01)	0.04	(0.04)

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

CTT - CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2020
Euros

	NOTES	Six months ended		Three months ended	
		30.06.2019	Unaudited 30.06.2020	30.06.2019	Unaudited 30.06.2020
Net profit for the period		8,986,724	(1,928,230)	5,296,332	(5,639,484)
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	132	(4,164)	(610)	(2,615)
Changes to fair value reserves	15	20,854	355,891	(1,650)	390,392
Other changes in equity		(150,260)	(50,211)	(610)	(2,416)
Other comprehensive income for the period after taxes		(129,275)	301,516	(2,871)	385,361
Comprehensive income for the period		8,857,450	(1,626,714)	5,293,461	(5,254,123)
Attributable to non-controlling interests		(1,589)	51,938	5,431	23,974
Attributable to shareholders of CTT		8,859,038	(1,678,652)	5,288,030	(5,278,097)

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 2019 AND 30 SEPTEMBER 2020
Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2018 Restated		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)
Other movements	15	-	-	-	-	6,499,271	(21,499,271)	-	(15,000,000)
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	(18,750,714)	-	-	(11,005)	(11,005)
Changes to fair value reserves	15	-	-	15,720	-	-	-	-	(18,750,714)
Adjustments from the application of the equity method	15	-	-	-	-	(10,954)	-	-	15,720
Net profit for the period		-	-	-	-	-	29,196,933	87,767	(10,954)
Comprehensive income for the period		-	-	15,720	(18,750,714)	(10,954)	29,196,933	76,762	29,284,700
Balance on 31 December 2019		75,000,000	(8)	65,852,595	(49,744,144)	10,867,301	29,196,933	242,255	131,414,932
Appropriation of net profit for the year of 2019		-	-	-	-	29,196,933	(29,196,933)	-	-
Other movements	15	-	-	-	-	29,196,933	(29,196,933)	-	-
Changes to fair value reserves	15	-	-	-	-	(46,047)	-	(4,164)	(50,211)
Adjustments from the application of the equity method	15	-	-	355,891	-	-	-	-	355,891
Net profit for the period		-	-	-	-	(4,164)	-	-	(4,164)
Comprehensive income for the period		-	-	355,891	-	(50,211)	(1,984,332)	56,102	(1,928,230)
Balance on 30 June 2020 (Unaudited)		75,000,000	(8)	66,208,486	(49,744,144)	40,014,024	(1,984,332)	294,193	129,788,219

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2020

Euro

	NOTES	Unaudited 30.06.2019	Unaudited 30.06.2020
Cash flow from operating activities			
Collections from customers		325,629,220	310,935,758
Payments to suppliers		(144,013,706)	(149,815,466)
Payments to employees		(159,226,740)	(146,675,063)
Banking customer deposits and other loans		179,579,170	228,496,058
Credit to banking clients		(90,969,025)	(105,376,978)
Cash flow generated by operations		110,998,920	137,564,308
Payments/receivables of income taxes		(1,646,660)	615,550
Other receivables/payments		43,010,939	(28,193,253)
Cash flow from operating activities (1)		152,363,199	109,986,605
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		148,100	870,185
Investment properties		420,720	55,000
Debt securities	8	41,708,952	85,432,793
Demand deposits at Bank of Portugal		-	11,731,434
Other banking financial assets	9	102,455,000	13,565,000
Interest income		50,824	16,220
Payments resulting from:			
Tangible fixed assets		(8,510,540)	(16,556,056)
Intangible assets		(9,052,504)	(6,191,062)
Financial investments		(112,932,247)	-
Debt securities	8	(32,832,813)	(152,334,478)
Demand deposits at Bank of Portugal		(5,774,422)	-
Other banking financial assets	9	(37,330,000)	(15,550,000)
Cash flow from investing activities (2)		(61,648,930)	(78,960,963)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	45,005,668	11,259,039
Other credit institutions' deposits		106,009,399	250,000
Payments resulting from:			
Loans repaid	18	(38,221,444)	(11,307,511)
Other credit institutions' deposits		(43,823,906)	(38,131,082)
Other banking financial liabilities	9	(204,022,327)	(15,168,848)
Interest expenses		(693,920)	(717,067)
Lease liabilities	18	(13,793,455)	(13,399,816)
Dividends		(15,000,000)	-
Cash flow from financing activities (3)		(164,539,984)	(67,215,286)
Net change in cash and cash equivalents (1+2+3)		(73,825,715)	(36,189,644)
Changes in the consolidation perimeter		6,823,653	-
Cash and equivalents at the beginning of the period		414,846,614	414,865,569
Cash and cash equivalents at the end of the period	12	347,844,552	378,675,926
Cash and cash equivalents at the end of the period		347,844,552	378,675,926
Sight deposits at Bank of Portugal		11,991,840	14,192,600
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		3,876,188	3,747,910
Impairment of sight and term deposits		(28,930)	(26,931)
Cash and cash equivalents (Balance sheet)		363,683,650	396,589,505

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)

TABLE OF CONTENTS

1. INTRODUCTION	66
2. SIGNIFICANT ACCOUNTING POLICIES	66
2.1 Basis of presentation.....	67
3. SEGMENT REPORTING.....	67
4. TANGIBLE FIXED ASSETS	70
5. INTANGIBLE ASSETS	73
6. INVESTMENT PROPERTIES	75
7. COMPANIES INCLUDED IN THE CONSOLIDATION	76
8. DEBT SECURITIES.....	77
9. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES.....	80
10. CREDIT TO BANKING CLIENTS	83
11. DEFERRALS	88
12. CASH AND CASH EQUIVALENTS	89
13. ACCUMULATED IMPAIRMENT LOSSES	89
14. EQUITY	90
15. OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS	92
16. DIVIDENDS	94
17. EARNINGS PER SHARE	94
18. DEBT	95
19. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS	96
20. ACCOUNTS PAYABLE	99
21. BANKING CLIENTS' DEPOSITS AND OTHER LOANS	99
22. INCOME TAXES RECEIVABLE / PAYABLE	100
23. STAFF COSTS	100
24. INTEREST EXPENSES AND INTEREST INCOME	102
25. INCOME TAX FOR THE PERIOD	102
26. RELATED PARTIES	105
27. OTHER INFORMATION	106
28. SUBSEQUENT EVENTS	109

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-organizations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT – Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law 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 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A..

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

During the financial year ended 31 December 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 holding and 6.36% by allocation.

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

The shares of CTT are listed on Euronext Lisbon.

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

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 31 August 2020.

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 2019.

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 2020, and in accordance with IAS 34 - Interim Financial Reporting.

3. Segment reporting

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

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

The Retail Products previously reported in the Mail segment and the respective operating costs, in order to reflect the changes made in the business organization, were migrated, along with their respective history, to the segment previously designated "Financial Services" and which now was renamed "Financial Services & Retail".

The period of 2019 was restated, for comparison purposes, according to the changes performed.

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

- **Mail** – CTT Contacto S.A. and CTT, S.A. excluding:
 - Business related to postal financial services and retail products – Financial Services & Retail;
 - The business of payments related collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.
- **Express & Parcels** – includes CTT Expresso and CORRE;
- **Financial Services & Retail** – Postal Financial Services and the sale of products and services in the retail network of CTT, S.A;
- **Bank** – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payments business (mentioned above).

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 1st half of 2019 and 2020 are as follows:

Thousand Euros	Restated 30.06.2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	237,414	72,805	21,221	23,556	354,995
Sales and services rendered	234,187	72,487	20,715	9,788	337,178
Sales	3,876	389	3,931	-	8,195
Services rendered	230,312	72,098	16,785	9,788	328,982
Financial Margin	-	-	-	9,088	9,088
Other operating income	3,227	318	506	4,680	8,730
Operating costs excluding depreciations, amortizations, impairment and provisions	196,226	73,572	11,895	26,905	308,598
Staff costs	147,569	11,832	961	8,860	169,222
External supplies and services	48,975	61,634	1,602	13,664	125,875
Other costs	5,762	1,313	3,540	2,886	13,501
Internal services rendered	(6,079)	(1,207)	5,792	1,494	-
EBITDA	41,188	(768)	9,326	(3,349)	46,397
IFRS 16 (impact on EBITDA)	10,356	2,742	11	621	13,730
EBITDA including IFRS 16	51,544	1,975	9,337	(2,728)	60,128
Impairment and provisions	(56)	(1,610)	-	(641)	(2,307)
Depreciation/amortisation and impairment of investments, net	(19,619)	(4,023)	(124)	(2,675)	(26,441)
Specific Items	(9,614)	(607)	(245)	(1,202)	(11,667)
EBIT	22,256	(4,265)	8,968	(7,246)	19,713
Financial results					(5,010)
Interest expenses					(4,939)
Interest income					113
Gains/losses in subsidiary, associated companies and joint ventures					(185)
Earnings before taxes (EBT)					14,703
Income tax for the period					(5,716)
Net profit for the period					8,987
Non-controlling interests					2
Equity holders of parent company					8,988

Thousand Euros	30.06.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	204,182	85,120	21,465	38,400	349,168
Sales and services rendered	202,398	84,841	21,229	7,989	316,457
Sales	6,926	394	3,454	-	10,774
Services rendered	195,472	84,447	17,774	7,989	305,683
Financial Margin	-	-	-	21,383	21,383
Other operating income	1,784	279	237	9,028	11,328
Operating costs excluding depreciations, amortizations, impairment and provisions	188,853	84,972	10,788	31,162	315,775
Staff costs	145,105	12,817	1,062	11,165	170,149
External supplies and services	40,972	72,212	1,457	14,992	129,633
Other costs	8,190	942	3,032	3,829	15,993
Internal services rendered	(5,414)	(999)	5,237	1,176	-
EBITDA	15,329	148	10,677	7,238	33,393
IFRS 16 (impact on EBITDA)	9,363	2,940	56	992	13,351
EBITDA including IFRS 16	24,692	3,088	10,733	8,230	46,744
Impairment and provisions	(1,958)	(1,722)	-	(7,374)	(11,054)
Depreciation/amortisation and impairment of investments, net	(22,172)	(4,586)	(176)	(3,100)	(30,034)
Specific Items	(540)	(238)	-	(9)	(787)
EBIT	21	(3,457)	10,558	(2,254)	4,868
Financial results					(5,898)
Interest expenses					(4,745)
Interest income					6
Gains/losses in subsidiary, associated companies and joint ventures					(1,159)
Earnings before taxes (EBT)					(1,030)
Income tax for the period					(898)
Net profit for the period					(1,928)
Non-controlling interests					(56)
Equity holders of parent company					(1,984)

The amount recorded as specific items amounts to €0.8m, mainly related to expenses regarding the COVID-19 pandemic, namely personal protection equipment, nebulisation, temperature measurement and cleaning reinforcement (+€0.6m), works related to studies and advisory for strategic projects (+€0.5m) and other expenses (+€0.3m) that were partially offset by capital gains related to the sale of fixed assets (-€0.6m).

The revenues are detailed as follows:

Thousand Euros	Restated 30.06.2019	30.06.2020
Mail	237,414	204,182
Transactional mail	203,340	173,092
Editorial mail	7,400	6,435
Parcels (USO)	3,063	2,652
Advertising mail	10,939	8,606
Philately	3,035	2,422
Business Solutions	5,548	8,309
Other	4,090	2,666
Express & Parcels	72,805	85,120
Portugal	45,923	51,807
Parcels	34,514	41,491
Cargo	6,498	5,380
Banking network	3,319	3,360
Logistics	1,442	1,185
Other	150	391
Spain	25,881	31,880
Mozambique	1,001	1,434
Financial Services & Retail	21,221	21,465
Savings & Insurance	11,872	12,616
Money orders	2,798	3,007
Payments	644	780
Retail	5,631	4,952
Other	275	111
Bank	23,556	38,400
Net interest income	5,093	8,312
Interest income	5,468	8,834
Interest expense	(375)	(522)
Fees & commissions income	3,553	5,773
Own products	2,318	3,439
Consumer credit & insurance	1,235	2,333
Payments & other	9,826	8,046
321 Crédito	5,084	16,270
	354,995	349,168

The assets by segment are detailed as follows:

Assets (Euros)	Restated 31.12.2019					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	20,426,590	5,514,463	200,198	27,682,577	8,188,816	62,012,644
Tangible fixed assets	222,255,084	33,599,340	42,095	3,204,855	4,341,666	263,443,040
Investment properties	-	-	-	-	7,653,000	7,653,000
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	89,329,806	89,329,806
Accounts receivable	-	-	-	-	146,471,712	146,471,712
Credit to bank clients	-	-	-	885,820,569	-	885,820,569
Debt securities	-	-	-	456,411,331	-	456,411,331
Other banking financial assets	-	-	-	33,424,335	-	33,424,335
Other assets	-	-	-	-	54,871,239	54,871,239
Cash and cash equivalents	-	5,403,455	-	174,819,282	262,772,987	442,995,724
Non-current assets held for sale	-	-	-	805,675	-	805,675
	248,843,001	47,473,011	242,294	1,643,253,372	573,629,227	2,513,440,904

Assets (Euros)	30.06.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	23,257,548	4,913,009	211,333	27,032,020	1,283,958	56,697,868
Tangible fixed assets	221,977,002	35,340,229	72,718	3,153,345	4,593,023	265,136,318
Investment properties	-	-	-	-	7,471,129	7,471,129
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	88,971,392	88,971,392
Accounts receivable	-	-	-	-	150,649,003	150,649,003
Credit to bank clients	-	-	-	988,349,422	-	988,349,422
Debt securities	-	-	-	523,291,172	-	523,291,172
Other banking financial assets	-	-	-	35,773,318	-	35,773,318
Other assets	-	-	-	-	56,141,796	56,141,796
Cash and cash equivalents	-	10,497,678	-	180,139,974	205,951,854	396,589,505
Non-current assets held for sale	-	-	-	990,199	-	990,199
	251,395,877	53,706,669	284,051	1,819,814,198	515,062,156	2,640,262,949

Debt by segment is detailed as follows:

Other information (Euros)	Restated 31.12.2019					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank		
Non-current debt	127,309,217	19,770,671	30,858	1,487,187		148,597,934
Bank loans	81,702,538	-	-	-		81,702,538
Lease liabilities	45,606,680	19,770,671	30,858	1,487,187		66,895,396
Current debt	12,896,744	13,203,570	11,589	701,665		26,813,567
Bank loans	-	9,749,470	-	-		9,749,470
Lease liabilities	12,896,744	3,454,099	11,589	701,665		17,064,097
	140,205,961	32,974,241	42,447	2,188,852		175,411,501

Other information (Euros)	30.06.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank		
Non-current debt	129,100,629	18,561,195	51,869	1,652,741		149,366,434
Bank loans	81,803,310	-	-	-		81,803,310
Lease liabilities	47,297,319	18,561,195	51,869	1,652,741		67,563,124
Current debt	15,218,688	13,882,194	21,638	572,268		29,694,789
Bank loans	-	9,748,498	-	-		9,748,498
Lease liabilities	15,218,688	4,133,696	21,638	572,268		19,946,291
	144,319,318	32,443,389	73,507	2,225,009		179,061,223

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

Thousand Euros	30.06.2019	30.06.2020
Revenue - Portugal	284,106	260,292
Revenue - other countries	53,072	56,165
	337,178	316,457

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.

4. Tangible fixed assets

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

31.12.2019										
	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	217,781,407	827,577,785
Acquisitions	-	289,864	5,397,771	205,223	4,132,769	1,087,015	5,037,328	10,933,074	-	27,083,044
New contracts	-	-	-	-	-	-	-	-	6,995,186	6,995,186
Disposals	(11,962)	(302,339)	(1,085,186)	(828)	(10,822)	-	-	-	-	(1,411,137)
Transfers and write-offs	-	3,990,959	8,798,878	(199,167)	714,914	(14,188)	(3,990,959)	(8,693,236)	(1,023,301)	(416,100)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Remeasurements	-	-	-	-	-	-	-	-	2,200,608	2,200,608
Adjustments	-	497	12,141	461	875	590	-	-	108,299	122,863
Changes in the consolidation perimeter	-	420,472	-	-	692,154	175,664	-	-	1,549,917	2,838,207
Other movements	-	-	-	-	-	1,826,550	35,907	-	-	1,862,457
Closing balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Accumulated depreciation										
Opening balance	3,739,154	210,562,512	127,971,545	3,428,245	58,772,955	22,311,709	-	-	136,058,784	562,844,906
Depreciation for the period	-	9,445,914	5,641,044	56,981	2,342,240	1,803,688	-	-	121,631,653	40,921,520
Disposals	(1,747)	(192,958)	(1,022,632)	(828)	(14,649)	-	-	-	-	(1,232,814)
Transfers and write-offs	-	-	107,382	(128,381)	640,734	40,895	-	-	(858,850)	(198,220)
Terminated contracts	-	-	-	-	-	-	-	-	(47,988,327)	(47,988,327)
Adjustments	-	89	7,736	325	759	506	-	-	-	9,415
Changes in the consolidation perimeter	-	164,081	-	-	666,123	121,676	-	-	89,014	1,040,894
Closing balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Accumulated impairment										
Opening balance	-	-	-	-	-	24,255	-	-	-	24,255
Other variations	-	-	-	-	-	(83)	-	-	-	(83)
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	31,842,624	118,984,901	23,479,360	247,308	6,947,721	5,344,038	3,491,573	2,414,000	70,691,514	263,443,040

30.06.2020										
	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	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Acquisitions	-	163,412	3,260,649	6,771	259,543	326,290	3,540,944	19,950	-	7,577,559
New contracts	-	-	-	-	-	-	-	-	9,727,798	9,727,798
Disposals	(8,099)	(149,792)	(98,624)	(11,218)	(3,809)	-	-	-	-	(271,543)
Transfers and write-offs	-	192,835	242,544	(4,359)	1,102	(4,966,900)	(192,835)	(303,347)	-	(5,030,960)
Terminated contracts	-	-	-	-	-	-	-	-	(10,161,689)	(10,161,689)
Remeasurements	-	-	-	-	-	-	-	-	5,449,353	5,449,353
Adjustments	-	(2,701)	(67,406)	(3,587)	(27,319)	(10,450)	-	-	-	(111,463)
Closing balance	35,571,931	339,168,293	159,521,600	3,591,257	69,585,401	24,995,624	6,839,682	2,130,603	184,639,251	826,043,643
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Depreciation for the period	-	4,724,581	3,240,985	29,577	1,279,866	618,482	-	-	11,350,910	21,244,402
Disposals	(460)	(95,058)	(92,006)	(11,218)	(3,527)	-	-	-	-	(202,270)
Transfers and write-offs	-	-	(41,393)	(4,359)	32,314	(5,334,615)	-	-	-	(5,348,053)
Terminated contracts	-	-	-	-	-	-	-	-	(10,161,689)	(10,161,689)
Adjustments	-	(673)	(36,248)	(1,968)	(4,312)	(3,411)	-	-	-	(46,611)
Closing balance	3,736,946	224,608,489	135,776,414	3,368,374	63,712,504	19,558,929	-	-	110,121,496	560,883,153
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	31,834,985	114,559,804	23,745,186	222,883	5,872,897	5,412,523	6,839,682	2,130,603	74,517,755	265,136,318

The depreciation recorded in the **Group** amounting to 21,244,402 Euros (20,188,942 Euros on 30 June 2019), is booked under the heading Depreciation/amortisation and impairment of investments, net.

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. acquired in May 2019.

In the **Group** as at 30 June 2020, Land and natural resources and Buildings and other constructions include 538.681 Euros (554,730 Euros as at 31 December 2019), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

During the year ended 30 June 2020, 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.

Basic equipment:

The amount of acquisitions mainly relates to the acquisition of parcel sorting machines in the amount of 3,186 thousand Euros by CTT.

Office equipment:

The amount of acquisitions relates essentially the acquisition of office furniture for approximately 88 thousand Euros by CTT.

Other tangible fixed assets:

The amount of acquisitions mainly relates to prevention and safety equipment for approximately 289 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:

31.12.2019				
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	187,977,519	28,092,244	1,711,643	217,781,407
New contracts	3,275,146	3,643,838	76,202	6,995,186
Transfers and write-offs	(1,004,078)	(19,223)	-	(1,023,301)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Remeasurements	2,200,608	-	-	2,200,608
Adjustments	24,605	56,854	26,839	108,299
Changes in the consolidation perimeter	1,419,084	130,833	-	1,549,917
Closing balance	157,442,425	20,652,319	1,529,045	179,623,789
Accumulated depreciation				
Opening balance	123,639,470	11,900,424	518,891	136,058,784
Depreciation for the period	15,252,183	6,015,929	363,540	21,631,653
Transfers and write-offs	(855,861)	(2,989)	-	(858,850)
Terminated contracts	(36,450,459)	(11,252,228)	(285,640)	(47,988,327)
Adjustments	5	(5)	-	-
Changes in the consolidation perimeter	71,751	17,264	-	89,014
Closing balance	101,657,089	6,678,395	596,791	108,932,275
Net Tangible fixed assets	55,785,336	13,973,924	932,254	70,691,514

30.06.2020				
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	2,911,142	6,768,120	48,537	9,727,798
Terminated contracts	(9,426,610)	(724,193)	(10,886)	(10,161,689)
Remeasurements	5,449,353	-	-	5,449,353
Closing balance	156,376,310	26,696,246	1,566,696	184,639,251
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	8,525,907	2,659,354	165,650	11,350,910
Terminated contracts	(9,426,610)	(724,193)	(10,886)	(10,161,689)
Closing balance	100,756,386	8,613,555	751,555	110,121,496
Net Tangible fixed assets	55,619,924	18,082,691	815,141	74,517,755

The depreciation recorded, in the **Group**, in the amount of 11,350,910 Euros (11,057,998 Euros on 30 June 2019), is booked under the heading Depreciation/amortisation and impairment of investments, net.

Information on the liabilities associated with these leases as well as the interest expenses are disclosed on the notes 18 - Debt and 24 - Interest expenses and Interest income, respectively.

In the six-month period ended 30 June 2020, the **Group** entered into a sale & lease back agreement for the building held in Sintra. This operation met the requirements of IFRS 15 to be accounted for as a sale of the asset, having originated a capital gain in the amount of 590 thousand Euros, recognised in the caption "Gains / losses on disposal of assets", as well as the registration of a right of use in the amount of 9,629 Euros and a Lease liability of 117,353 Euros.

In the six-month period ended 30 June 2020, no interest on loans was capitalised, in the **Group**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

According to the analysis of impairment signs with reference to 30 June 2020, no events or circumstances were identified that indicate that the amount for which the **Group's** tangible fixed assets are recorded may not be recovered.

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

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

	30.06.2020
Mail Sorting Machines	1,476,109
Improvements in properties	737,724
DVE - Explosives Detector	31,882
	2,245,715

5. Intangible assets

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortisation, were as follows:

	31.12.2019						
	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	-	1,106,752	2,365,069	-	14,817,787	69,072	18,358,681
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	13,595,464	8,579	-	(14,331,297)	(69,072)	(796,326)
Adjustments	-	1,400	9,098	-	-	-	10,498
Changes in the consolidation perimeter	-	1,092,007	213,269	-	462,568	-	1,767,844
Closing balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Accumulated amortisation							
Opening balance	4,375,722	61,288,015	9,419,396	444,739	-	-	75,527,871
Amortisation for the period	1,272	12,754,618	782,218	-	-	-	13,538,108
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	(730,878)	3,624	-	-	-	(727,254)
Adjustments	-	1,400	4,087	-	-	-	5,487
Changes in the consolidation perimeter	-	1,082,878	199,390	-	-	-	1,282,268
Closing balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Net intangible assets	3,558	39,480,622	6,439,725	-	16,088,740	-	62,012,644

	30.06.2020						
	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	113,876,654	16,848,440	444,739	16,088,740	-	151,639,125
Acquisitions	-	334,696	-	-	2,990,649	-	3,325,345
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	11,915,616	-	-	(11,857,986)	-	57,630
Adjustments	-	-	(49,977)	-	(80,876)	-	(130,854)
Closing balance	4,380,552	126,126,966	16,798,462	444,739	7,140,527	-	154,891,246
Accumulated amortisation							
Opening balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Amortisation for the period	637	7,989,964	597,072	-	-	-	8,587,673
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	3,231	-	-	-	-	3,231
Adjustments	-	-	(24,006)	-	-	-	(24,006)
Closing balance	4,377,631	82,389,228	10,981,780	444,739	-	-	98,193,378
Net intangible assets	2,921	43,737,738	5,816,682	-	7,140,527	-	56,697,868

The amortisation in the **Group** for the six-month period ended 30 June 2020, amounting to 8,587,673 Euros (6,112,141 Euros as at 30 June 2019) was recorded under Depreciation / amortisation and impairment of investments, net.

In the year ended 31 December 2019, the caption Changes in the consolidation perimeter in the **Group**, relates to the balances of the company 321 Crédito – Instituição Financeira de Crédito, S.A. as at the acquisition date.

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

The transfers occurred in the year ended 31 December 2019 and the six-month period ended 30 June 2020, from Intangible assets in progress to Computer software refer to IT projects, which were completed during the referred periods.

The amounts of 474,392 Euros and 481,562 Euros were capitalised in computer software or in intangible assets in progress as at 30 June 2019 and 30 June 2020, respectively, related to **Group** staff costs incurred in the development of these projects.

As at 30 June 2020 the **Group** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group
OneBiller Solution	740,505
New Payment Platform	651,788
Data Governance - software	538,369
MiddleWare	486,775
EPM & BI & Analytics	451,445
Transaction Monitoring - software	450,140
Zero+ RAID	420,283
CRM - Pilar Service	404,873
Digital channels	298,547
Ecosystem CTT Espresso	271,870
	4,714,596

The **Group** has not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. According to the analysis of impairment signs with reference to 30 June 2020, no events or circumstances were identified that indicate that the amount for which the **Group's** intangible assets are recorded may not be recovered.

Most of the projects are expected to be completed in 2020.

The amount of research and development expenses incurred by the **Group** in 2019, in the amount of 1,063,800 Euros was disclosed in Note 25.

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

In the six-month period ended 30 June 2020, no interest on loans were capitalised, in the **Group**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

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

	30.06.2020
CBS - Core Banking System	1,200,000
Account Opening Process	485,000
Data Ignition	365,000
Projeto X	302,000
Sharepoint Sunset	270,000
	2,622,000

6. Investment properties

As at 31 December 2019 and 30 June 2020, the **Group** has the following assets classified as investment properties:

31.12.2019			
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,508,355	16,538,633	20,046,988
Additions	-	-	-
Disposals	(195,997)	(1,528,862)	(1,724,859)
Closing balance	3,312,358	15,009,771	18,322,129
Accumulated depreciation			
Opening balance	234,974	10,388,531	10,623,505
Depreciation for the period	-	261,092	261,092
Disposals	(21,122)	(943,491)	(964,612)
Closing balance	213,853	9,706,133	9,919,985
Accumulated impairment			
Opening balance	-	1,243,502	1,243,502
Impairment for the period	-	(494,358)	(494,358)
Closing balance	-	749,144	749,144
Net Investment properties	3,098,506	4,554,494	7,653,000

30.06.2020			
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,312,358	15,009,771	18,322,129
Additions	-	-	-
Disposals	(14,500)	(43,500)	(58,000)
Closing balance	3,297,858	14,966,271	18,264,129
Accumulated depreciation			
Opening balance	213,853	9,706,133	9,919,985
Depreciation for the period	-	128,293	128,293
Disposals	-	(4,423)	(4,423)
Closing balance	213,853	9,830,003	10,043,856
Accumulated impairment			
Opening balance	-	749,144	749,144
Impairment for the period	-	-	-
Closing balance	-	749,144	749,144
Net Investment properties	3,084,006	4,387,123	7,471,129

These assets are not allocated to the **Group** operating activities, being in the market available for lease.

Depreciation for the three-month period ended on 30 June 2020, of 128,293 Euros (139,812 Euros on 30 June 2019) was recorded in the caption Depreciation/amortisation and impairment of investments, net.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2019 which were conducted by independent entities, amounts to 12,261,900 Euros.

In the year ended 31 December 2019, the amount recorded under the disposals heading relates to the sale of three properties having the corresponding accounting gains, of 353 thousand Euros, been recorded in the caption Gains/Losses on disposal of assets.

Impairment losses for the year ended 31 December 2019 amounting to (494,358) Euros were recorded in the caption Depreciation/amortisation and impairment of investments, net and are explained by the market value reduction observed in some buildings.

7. Companies included in the consolidation

Subsidiary companies

As at 31 December 2019 and 30 June 2020, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	31.12.2019			30.06.2020		
			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
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
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7.º B 1050-083 Lisboa	-	100	100	-	100	100

In relation to the company CORRE, as the **Group** has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

Joint ventures

As at 31 December 2019 and 30 June 2020, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	31.12.2019			30.06.2020		
			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 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 2019 and 30 June 2020, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2019			30.06.2020		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Eletrónica, 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 CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajería, SLU), which currently has no activity.

Structured entities

Additionally, considering the requirements of IFRS 10, the **Group's** consolidation perimeter includes the following structured entities:

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 ^(*)	2017	Portugal	12.2%	Full
Chaves Funding No.8 ^(*)	2019	Portugal	100%	Full

(*) Entities incorporated in the scope of securitisation operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the percentage held in the residual interests (equity piece) of the respective vehicles.

The main impacts of the consolidation of these structured entities on the **Group's** accounts are the following:

	31.12.2019	30.06.2020
Cash and cash equivalents	7,730,012	8,535,418
Other banking financial liabilities (Debt securities issued)	76,077,368	60,891,968

Changes in the consolidation perimeter

In the year ended 31 December 2019, the consolidation perimeter was changed following the acquisition of 321 Crédito – Instituição Financeira de Crédito, S.A..

During the six-month period ended 30 June 2020, there were no changes in the consolidation perimeter.

8. Debt securities

As at 31 December 2019 and 30 June 2020, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2019	30.06.2020
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	528,420	6,230,918
Bonds issued by other entities	-	8,375,361
	528,420	14,606,279
Financial assets at amortised cost		
Government bonds	409,886,034	449,037,515
Bonds issued by other entities	14,605,943	3,797,936
Impairment	(169,217)	(179,355)
	424,322,759	452,656,096
	424,851,179	467,262,375
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	13,727	537,231
Bonds issued by other entities	-	4,414
	13,727	541,646
Financial assets at amortised cost		
Government bonds	31,536,069	28,948,055
Bonds issued by other entities	14,491	26,556,025
Impairment	(4,136)	(16,929)
	31,546,424	55,487,151
	31,560,152	56,028,797
	456,411,331	523,291,172

⁽¹⁾ As at 31 December 2019 and 30 June 2020 includes the amount of 225 Euros and 10,455 Euros, respectively, regarding Accumulated impairment losses.

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortised cost, by remaining maturity, as at 31 December 2019 and 30 June 2020 is detailed as follows:

	31.12.2019					
	Current		Total	Non-current		Total
	Due within 3 months	Over 3 months and less than 1 year		Over 1 year and less than 3 years	Over 3 years	
Financial assets at fair value through other comprehensive income ⁽¹⁾						
Government bonds						
National	13,727	-	13,727	528,420	-	528,420
Foreign	-	-	-	-	-	-
Bonds issued by other entities						
National	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
	13,727	-	13,727	528,420	-	528,420
						542,147

⁽¹⁾ As at 31 December 2019 includes the amount of 225 Euros regarding Accumulated impairment losses.

	31.12.2019					
	Current		Total	Non-current		Total
	Due within 3 months	Over 3 months and less than 1 year		Over 1 year and less than 3 years	Over 3 years	
Financial assets at amortised cost						
Government bonds						
National	4,538,504	4,717,697	9,256,202	41,143,284	236,717,591	287,117,077
Foreign	752,422	21,527,446	22,279,868	34,645,814	97,379,345	154,305,026
Bonds issued by other entities						
National	14,491	-	14,491	14,605,943	-	14,620,434
Foreign	-	-	-	-	-	-
	5,305,417	26,245,143	31,550,561	90,395,041	334,096,936	456,042,537

	30.06.2020					
	Current		Total	Non-current		Total
	Due within 3 months	Over 3 months and less than 1 year		Over 1 year and less than 3 years	Over 3 years	
Financial assets at fair value through other comprehensive income ⁽¹⁾						
Government bonds						
National	19,711	517,520	537,231	992,118	5,238,800	6,768,149
Foreign	-	-	-	-	-	-
Bonds issued by other entities						
National	4,414	-	4,414	8,375,361	-	8,379,775
Foreign	-	-	-	-	-	-
	24,126	517,520	541,646	9,367,479	5,238,800	15,147,924

⁽¹⁾ As at 31 March 2020 includes the amount of 3,501 Euros regarding Accumulated impairment losses.

	30.06.2020					
	Current		Total	Non-current		Total
	Due within 3 months	Over 3 months and less than 1 year		Over 1 year and less than 3 years	Over 3 years	
Financial assets at amortised cost						
Government bonds						
National	5,058,374	10,496,603	15,554,977	30,348,114	244,223,063	290,126,154
Foreign	7,884,336	5,508,741	13,393,078	29,089,759	145,376,579	187,859,416
Bonds issued by other entities						
National	21,009,723	5,546,302	26,556,025	3,797,936	-	30,353,961
Foreign	-	-	-	-	-	-
	33,952,434	21,551,646	55,504,080	63,235,809	389,599,642	508,339,531

The impairment losses, for the year ended 31 December 2019 and the six-month period ended 30 June 2020, are detailed as follows:

	31.12.2019					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	504	19	(40,529)	(299)	40,529	225
Financial assets at amortised cost	164,379	31,512	(43,292)	-	16,618	169,217
	164,883	31,531	(83,821)	(299)	57,147	169,442
Current assets						
Financial assets at fair value through other comprehensive income	127,286	-	-	(86,757)	(40,529)	-
Financial assets at amortised cost	18,447	2,678	(370)	-	(16,618)	4,136
	145,733	2,678	(370)	(86,757)	(57,147)	4,136
Financial assets at fair value through other comprehensive income	127,790	19	(40,529)	(87,056)	-	225
Financial assets at amortised cost	182,826	34,190	(43,662)	-	-	173,353
	310,616	34,209	(84,191)	(87,056)	-	173,578

	30.06.2020				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Non-current assets					
Financial assets at fair value through other comprehensive income	225	9,913	(48)	-	10,081
Financial assets at amortised cost	169,217	29,069	(8,116)	-	179,355
	169,442	38,982	(8,165)	-	189,436
Current assets					
Financial assets at fair value through other comprehensive income	-	368	(2)	-	374
Financial assets at amortised cost	4,136	2,744	(766)	-	16,929
	4,136	3,112	(768)	-	17,303
Financial assets at fair value through other comprehensive income	225	10,280	(50)	-	10,455
Financial assets at amortised cost	173,353	31,813	(8,883)	-	196,284
	173,578	42,094	(8,932)	-	206,739

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the year ended 31 December 2019 and the six-month period ended 30 June 2020, they are detailed as follows:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	127,790	225
Change in the accounting standards	-	-
Change in period:		
Increases due to origination and acquisition	-	10,281
Changes due to change in credit risk	19	(50)
Decrease due to derecognition repayments and disposals	(127,585)	-
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	225	10,455

The reconciliation of accounting movements related to impairment losses is presented below:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	127,790	225
Change in the accounting standards	-	-
Change in period:		
ECL income statement change for the period	(40,510)	10,231
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	(87,056)	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	225	10,455

For the impairment losses of Financial assets at amortised cost, the movements by stages, in the year ended 31 December 2019 and the six-month period ended 30 June 2020, they are detailed as follows:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	182,825	173,353
Change in the accounting standards	-	-
Change in period:		
Increases due to origination and acquisition	13,008	16,887
Changes due to change in credit risk	(4,033)	8,846
Decrease due to derecognition repayments and disposals	(18,447)	(2,802)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	173,353	196,284

The reconciliation of accounting movements related to impairment losses is presented below:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	182,825	173,353
Change in the accounting standards	-	-
Change in period:		
ECL income statement change for the period	(9,473)	22,931
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortised cost	173,353	196,284

According to the current accounting policy, the Group regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at fair value through other comprehensive income and other financial assets at amortized cost, following the criteria defined in the accounting policies.

9. Other banking financial assets and liabilities

As at 31 December 2019 and 30 June 2020, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2019	30.06.2020
Non-current assets		
Investments in credit institutions	-	-
Loans to credit institutions	18,928,416	14,783,340
Impairment	(166,249)	(4,803)
Other	1,882	4,401
	18,764,049	14,782,937
Current assets		
Investments in credit institutions	1,650,072	10,000,001
Loans to credit institutions	11,551,960	9,325,960
Impairment	(47,303)	(17,947)
Other	5,688,014	4,931,891
Impairment	(4,182,457)	(3,249,525)
	14,660,286	20,990,381
	33,424,335	35,773,318
Non-current liabilities		
Debt securities issued	76,060,295	60,881,194
	76,060,295	60,881,194
Current liabilities		
Debt securities issued	17,073	10,774
Other	17,970,646	22,301,761
	17,987,719	22,312,535
	94,048,014	83,193,729

Investments in credit institutions and Loans to credit institutions

Regarding the above-mentioned captions, the scheduling by maturity is as follows:

	31.12.2019	30.06.2020
Up to 3 months	3,367,931	2,907,688
From 3 to 12 months	9,834,101	16,418,274
From 1 to 3 years	13,689,301	11,848,163
Over 3 years	5,239,115	2,935,177
	32,130,448	34,109,301

Impairment

The impairment losses, for the year ended 31 December 2019 and the six-month period ended 30 June 2020, are detailed as follows:

31.12.2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	217,751	91,523	(244,427)	-	101,403	166,249
	217,751	91,523	(244,427)	-	101,403	166,249
Current assets						
Investments and loans in credit institutions	197,018	24,916	(73,229)	-	(101,403)	47,303
Other	10,927	224,755	(53,534)	-	(10,927)	4,182,457
	207,945	249,672	(126,763)	-	(112,330)	4,011,235
	425,696	341,194	(371,190)	-	(10,927)	4,396,009

30.06.2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	166,249	3,332	(43,616)	-	(121,161)	4,803
	166,249	3,332	(43,616)	-	(121,161)	4,803
Current assets						
Investments and loans in credit institutions	47,303	12,449	(162,967)	-	121,161	17,947
Other	4,182,457	17,132	(950,064)	-	-	3,249,525
	4,229,760	29,581	(1,113,031)	-	121,161	3,267,472
	4,396,009	32,913	(1,156,647)	-	-	3,272,275

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the year ended 31 December 2019 and the six-month period ended 30 June 2020, they are detailed as follows:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	414,769	213,552
Change in the accounting standards	-	-
Change in period:		
Increases due to origination and acquisition	52,737	15,781
Changes due to change in credit risk	(64,377)	(194,660)
Decrease due to derecognition repayments and disposals	(189,576)	(11,923)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	213,552	22,750

The reconciliation of accounting movements related to impairment losses is presented below:

	31.12.2019	30.06.2020
	Stage 1	Stage 1
Opening balance	414,769	213,552
Change in the accounting standards	-	-
Change in period:		
ECL income statement change for the period	(201,217)	(190,802)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	213,552	22,750

Debt securities issued

This caption showed the following composition:

	31.12.2019	30.06.2020
Securitisations	76,077,368	60,891,968
	76,077,368	60,891,968

As at 31 December 2019 and 30 June 2020 the Debt securities issued are analysed as follows:

31.12.2019					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	61,938,000	61,963,646
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,004,497
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,109,225
				76,038,000	76,077,368

30.06.2020					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M + 85 b.p.	46,769,205	46,782,283
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,003,124
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,561
				60,869,205	60,891,968

The movement of this item in the year ended 31 December 2019 and the six-month period ended 30 June 2020 is as follows:

31.12.2019						
	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	201,660,418	-	(201,600,000)	(60,418)	-
Ulisses Finance No.1	-	101,060,139	-	(25,007,517)	24,746	76,077,368
	-	302,720,556	-	(226,607,517)	(35,672)	76,077,368

30.06.2020						
	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	-	-	-	-	-
Ulisses Finance No.1	76,077,368	-	-	(14,780,716)	(404,683)	60,891,968
	76,077,368	-	-	(14,780,716)	(404,683)	60,891,968

The scheduling by maturity regarding this caption is as follows:

31.12.2019							
	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	17,073	-	17,073	-	76,060,295	76,060,295	76,077,368
	17,073	-	17,073	-	76,060,295	76,060,295	76,077,368

30.06.2020							
	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	10,774	-	10,774	-	60,881,194	60,881,194	60,891,968
	10,774	-	10,774	-	60,881,194	60,881,194	60,891,968

10. Credit to banking clients

As at 31 December 2019 and 30 June 2020, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2019	30.06.2020
Performing loans	884,922,781	993,805,846
Mortgage Loans	405,168,238	473,122,107
Auto Loans	469,774,742	511,920,272
Leasings	8,977,360	7,716,054
Overdrafts	1,002,441	1,047,413
Other credits	-	-
Overdue loans	4,875,990	6,302,977
Overdue loans - less than 90 days	740,614	857,863
Overdue loans - more than 90 days	4,135,376	5,445,114
	889,798,770	1,000,108,823
Credit risk impairment	(3,978,200)	(11,759,401)
	885,820,571	988,349,422

The maturity analysis of the Credit to bank clients as at 31 December 2019 and 30 June 2020 is detailed as follows:

31.12.2019								
	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	563	2,963,207	8,424,196	11,387,966	22,801,200	370,979,635	393,780,835	405,168,801
Auto Loans	3,120,988	21,508,729	53,448,350	78,078,067	138,181,295	256,636,368	394,817,663	472,895,730
Leasings	445,221	671,623	1,843,173	2,960,017	3,962,260	2,500,304	6,462,564	9,422,580
Overdrafts	1,682,194	-	-	1,682,194	-	-	-	1,682,194
Other credits	629,465	-	-	629,465	-	-	-	629,465
	5,878,431	25,143,559	63,715,719	94,737,709	164,944,755	630,116,307	795,061,062	889,798,770

30.06.2020								
	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	271	3,282,743	9,865,956	13,148,970	26,687,403	433,286,005	459,973,408	473,122,378
Auto Loans	4,592,694	21,255,047	58,148,228	83,995,968	149,259,200	283,257,797	432,516,997	516,512,965
Leasings	188,057	412,702	1,846,413	2,447,172	3,404,025	2,052,916	5,456,941	7,904,112
Overdrafts	1,945,292	-	-	1,945,292	-	-	-	1,945,292
Other credits	624,076	-	-	624,076	-	-	-	624,076
	7,350,390	24,950,492	69,860,596	102,161,478	179,350,628	718,596,717	897,947,345	1,000,108,823

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

	31.12.2019	30.06.2020
Fixed rate	427,176,016	472,482,731
Floating rate	462,622,754	527,626,092
	889,798,770	1,000,108,823
Credit risk impairment	(3,978,200)	(11,759,401)
	885,820,571	988,349,422

As at 31 December 2019 and 30 June 2020, the analysis of this caption by type of collateral, is presented as follows:

31.12.2019					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	414,131,534	733,350	414,864,883	(410,314)	414,454,569
Other guaranteed Loans	463,692,443	1,651,366	465,343,809	(1,938,840)	463,404,969
Unsecured Loans	7,098,804	2,491,274	9,590,078	(1,629,045)	7,961,033
	884,922,781	4,875,990	889,798,770	(3,978,200)	885,820,570

30.06.2020					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	480,875,135	776,688	481,651,823	(1,125,989)	480,525,834
Other guaranteed Loans	483,459,149	2,351,723	485,810,872	(7,050,074)	478,760,798
Unsecured Loans	29,471,562	3,174,566	32,646,128	(3,583,338)	29,062,790
	993,805,846	6,302,977	1,000,108,823	(11,759,401)	988,349,422

The credit type analysis of the caption, as at 31 December 2019 and 30 June 2020 is detailed as follows:

31.12.2019					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Auto Loans	469,774,742	3,120,988	472,895,730	(3,339,385)	469,556,345
Leasings	8,977,360	445,221	9,422,580	(99,647)	9,322,933
Overdrafts	1,002,441	679,753	1,682,194	(434,392)	1,247,802
Other credits	-	629,465	629,465	(10,101)	619,364
	884,922,781	4,875,990	889,798,770	(3,978,200)	885,820,571

30.06.2020					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	473,122,107	271	473,122,378	(432,843)	472,689,534
Auto Loans	511,920,272	4,592,694	516,512,966	(10,583,658)	505,929,309
Leasings	7,716,054	188,057	7,904,111	(28,709)	7,875,403
Overdrafts	1,047,413	897,879	1,945,292	(695,671)	1,249,621
Other credits	-	624,076	624,076	(18,521)	605,555
	993,805,846	6,302,977	1,000,108,823	(11,759,401)	988,349,422

The analysis of credit to bank clients as at 31 December 2019 and 30 June 2020, by sector of activity, is as follows:

	31.12.2019				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,111,340	8,581	1,119,921	(19,854)	1,100,067
Mining and quarrying	22,559	-	22,559	(130)	22,430
Manufacturing	3,414,359	82,939	3,497,297	(53,265)	3,444,032
Water supply	192,904	5,712	198,615	(5,806)	192,809
Construction	8,289,160	198,054	8,487,214	(46,230)	8,440,985
Wholesale and retail trade	5,370,786	654,597	6,025,382	(41,074)	5,984,309
Transport and storage	1,459,131	27,086	1,486,217	(35,098)	1,451,119
Accommodation and food service activities	1,969,233	15,598	1,984,831	(40,979)	1,943,852
Information and communication	347,009	1,459	348,467	(2,804)	345,663
Financial and insurance activities	167,845	702	168,547	(2,503)	166,044
Real estate activities	1,788,935	10,730	1,799,665	(12,427)	1,787,238
Professional, scientific and technical activities	1,107,319	7,105	1,114,424	(12,141)	1,102,283
Administrative and support service activities	1,611,610	289,475	1,901,084	(19,749)	1,881,336
Education	648,410	997	649,407	(4,634)	644,773
Human health services and social work activities	876,026	851	876,878	(14,683)	862,195
Arts, entertainment and recreation	478,756	2,074	480,830	(9,266)	471,564
Other services	14,038,952	34,985	14,073,937	(106,888)	13,967,049
Individuals					
Mortgage Loans	405,168,238	563	405,168,801	(94,675)	405,074,126
Consumer Loans	436,860,210	3,534,481	440,394,691	(3,455,994)	436,938,697
	884,922,781	4,875,989	889,798,770	(3,978,200)	885,820,570

	30.06.2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,159,807	11,769	1,171,576	(41,024)	1,130,552
Mining and quarrying	61,601	0	61,601	(623)	60,979
Manufacturing	3,026,466	90,668	3,117,133	(96,653)	3,020,481
Water supply	168,350	5,712	174,062	(5,847)	168,215
Construction	6,946,541	333,781	7,280,322	(179,690)	7,100,632
Wholesale and retail trade	4,717,500	419,204	5,136,705	(8,880)	5,127,824
Transport and storage	1,340,243	19,947	1,360,191	(78,754)	1,281,437
Accommodation and food service activities	1,697,775	19,975	1,717,750	(71,787)	1,645,963
Information and communication	307,593	1,459	309,052	(3,116)	305,937
Financial and insurance activities	129,807	1,463	131,270	(2,842)	128,428
Real estate activities	1,489,411	11,450	1,500,861	(18,795)	1,482,066
Professional, scientific and technical activities	968,598	7,326	975,924	(26,439)	949,485
Administrative and support service activities	1,439,418	289,684	1,729,101	(34,228)	1,694,873
Education	605,208	763	605,971	(11,206)	594,765
Human health services and social work activities	822,654	3,709	826,362	(31,325)	795,037
Arts, entertainment and recreation	446,192	6,139	452,331	(30,458)	421,873
Other services	19,135,819	113,536	19,249,355	(420,952)	18,828,403
Individuals					
Mortgage Loans	473,122,107	271	473,122,378	(432,843)	472,689,534
Consumer Loans	476,220,757	4,966,121	481,186,877	(10,263,940)	470,922,937
	993,805,846	6,302,977	1,000,108,823	(11,759,401)	988,349,422

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

	31.12.2019	30.06.2020
Stage 1	834,895,752	925,548,571
Gross amount	836,958,434	930,418,542
Impairment	(2,062,682)	(4,869,971)
Stage 2	39,336,322	47,844,601
Gross amount	40,207,967	50,234,134
Impairment	(871,645)	(2,389,533)
Stage 3	11,588,496	14,956,250
Gross amount	12,632,369	19,456,147
Impairment	(1,043,873)	(4,499,897)
	885,820,571	988,349,422

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.

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

	31.12.2019	30.06.2020
Amount of future minimum payments	9,632,194	8,330,454
Interest not yet due	(654,835)	(614,400)
Present value	8,977,360	7,716,054

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

	31.12.2019	30.06.2020
Due within 1 year	2,532,976	2,281,079
Due between 1 to 5 years	5,835,429	4,977,675
Over 5 years	1,263,789	1,071,700
Amount of future minimum payments	9,632,194	8,330,454

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

	31.12.2019	30.06.2020
Individuals	1,097,230	1,015,855
Home	95,072	92,179
Consumer	-	-
Others	1,002,158	923,676
Companies	7,880,129	6,700,199
Equipment	634,577	570,875
Real Estate	7,245,552	6,129,325
	8,977,360	7,716,054

Impairment losses

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the movement in the **Group** under the Accumulated impairment losses caption (Note 13) was as follows:

	31.12.2019						Changes in the consolidation perimeter	
	Opening balance	Increases	Reversals	Utilisations	Transfers	PPA adjustments		Closing balance
Non-current assets								
Credit to banking clients	225,968	2,298,517	(1,777,703)	(469,677)	611,781	(5,446,614)	7,149,174	2,591,450
	225,968	2,298,517	(1,777,703)	(469,677)	611,781	(5,446,614)	7,149,174	2,591,450
Current assets								
Credit to banking clients	231,556	5,409,498	(2,876,295)	(705,364)	(611,781)	(12,694,345)	12,633,482	1,386,750
	231,556	5,409,498	(2,876,295)	(705,364)	(611,781)	(12,694,345)	12,633,482	1,386,750
	457,525	7,708,015	(4,653,998)	(1,175,041)	-	(18,140,959)	19,782,656	3,978,200

	30.06.2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Changes in the consolidation perimeter
Non-current assets							
Credit to banking clients	2,591,450	5,509,123	(298,704)	(12,540)	174,457	212,124	-
	2,591,450	5,509,123	(298,704)	(12,540)	174,457	212,124	-
Current assets							
Credit to banking clients	1,386,750	2,414,642	(130,922)	(5,496)	(174,457)	92,974	-
	1,386,750	2,414,642	(130,922)	(5,496)	(174,457)	92,974	-
	3,978,200	7,923,765	(429,626)	(18,036)	-	305,098	-

The impairment losses of Credit to banking clients (increases net of reversals) in the **Group** for the six-month period ended 30 June 2020, amounting to 7,494,139 Euros (711,871 Euros at 30 June 2019) was recorded under the caption Impairment of accounts receivable, net.

Regarding the movements in impairment losses by stages, in the year ended 31 December 2019 and the six-month period ended 30 June 2020, they are detailed as follows:

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	184,341	67,195	205,989	457,525
Change in period:				
Increases due to origination and acquisition	2,553,925	305,614	230,886	3,090,425
Changes due to change in credit risk	(842,651)	1,469,995	(49,602)	577,742
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(139,146)	(64,702)	(410,302)	(614,150)
Write-offs	-	-	(1,175,041)	(1,175,041)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	403,848	(373,530)	(30,318)	-
Stage 2	(82,928)	121,868	(38,940)	-
Stage 3	(14,707)	(717,728)	732,435	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	2,062,682	871,644	1,043,873	3,978,200
<i>Of which: POCI</i>	-	-	(1,293,376)	(1,293,376)

	30.06.2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,062,682	871,644	1,043,873	3,978,200
Change in period:				
Increases due to origination and acquisition	1,039,816	285,814	36,714	1,362,344
Changes due to change in credit risk	1,600,812	1,791,914	3,086,983	6,479,709
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(104,629)	(19,950)	(223,334)	(347,914)
Write-offs	-	-	(18,036)	(18,036)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	437,564	(337,940)	(99,624)	-
Stage 2	(144,741)	178,071	(33,330)	-
Stage 3	(23,906)	(534,616)	558,523	-
Foreign exchange and other	2,373	154,595	148,129	305,098
Impairment	4,869,971	2,389,533	4,499,897	11,759,401
<i>Of which: POCI</i>	-	-	(822,338)	(822,338)

The reconciliation of accounting movements related to impairment losses is presented below:

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	184,341	67,195	205,989	457,525
Change in period:				
ECL income statement change for the period	1,572,128	1,710,907	(229,018)	3,054,017
Stage transfers (net)	306,213	(969,390)	663,177	-
Disposals	-	-	-	-
Utilisations during the period	-	-	-	-
Write-offs	-	-	(1,175,041)	(1,175,041)
Write-off recoveries	-	-	-	-
Foreign exchange and other	-	62,932	1,578,765	1,641,697
Impairment	2,062,682	871,644	1,043,873	3,978,200

	30.06.2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,062,682	871,644	1,043,873	3,978,200
Change in period:				
ECL income statement change for the period	2,535,998	2,057,778	2,900,363	7,494,139
Stage transfers (net)	268,916	(694,485)	425,568	-
Disposals	-	-	-	-
Utilisations during the period	-	-	-	-
Write-offs	-	-	(18,036)	(18,036)
Write-off recoveries	-	-	-	-
Foreign exchange and other	2,373	154,595	148,129	305,098
Impairment	4,869,971	2,389,533	4,499,897	11,759,401

11. Deferrals

As at 31 December 2019 and 30 June 2020, the Deferrals included in current assets and current and non-current liabilities of the **Group** showed the following composition:

	31.12.2019	30.06.2020
Assets deferrals		
Current		
Rents payable	1,391,768	1,537,277
Meal allowances	1,486,218	1,461,654
Other	4,427,275	7,445,392
	7,305,261	10,444,323
Liabilities deferrals		
Non-current		
Investment subsidy	294,490	288,890
	294,490	288,890
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,533,212	1,608,135
Other	1,910,064	1,467,787
	3,454,477	3,087,122
	3,748,967	3,376,012

The variation in the caption Other assets deferrals essentially results from the renewal of software license contracts and insurance contracts.

The caption "Contractual liabilities" results from the application 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.

The "Contractual liabilities" recognised by the **Group** essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 871,156 euros (1,028,940 euros on 31 December 2019 and to objects invoiced and not delivered on 30 June 2020 in the express segment, in the amount of 736,978 euros (504,272 euros as of 31 December 2019), whose revenue is recognised upon delivery in the following month.

The revenue recognised by the **Group** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 754,504 Euros.

No "Assets resulting from contracts" associated with the application of IFRS 15 – Revenue from contracts with customers were recognised.

12. Cash and cash equivalents

As at 31 December 2019 and 30 June 2020, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	31.12.2019	30.06.2020
Cash	59,266,424	61,971,706
Sight deposits	182,192,757	85,583,790
Demand deposits at Bank of Portugal	29,497,627	119,449,269
Deposits in other credit institutions	107,376,274	26,863,599
Term deposits	64,662,643	102,721,141
Cash and cash equivalents (Balance sheet)	442,995,724	396,589,505
Sight deposits at Bank of Portugal	(25,924,034)	(14,192,600)
Outstanding checks / Checks clearing	(2,226,045)	(3,747,910)
Impairment of sight and term deposits	19,924	26,931
Cash and cash equivalents (Cash flow statement)	414,865,569	378,675,926

In accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of deposits and other liabilities.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 30 June 2020, a total amount of demand deposits of 119,449,269 Euros, of which 14,192,600 Euros were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

Impairment

In the scope of IFRS 9 – Financial instruments the Group has begun to recognised impairment on sight and term deposits as well as on investments in credit institutions. Therefore, in the year ended 31 December 2019 and the six-month period ended 30 June 2020, the movement recorded under the caption “Impairment of sight and term deposits” (Note 13) related to the **Group** is detail as follows:

	31.12.2019				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Sight and term deposits	21,295	5,351	(6,723)	-	19,924
	21,295	5,351	(6,723)	-	19,924

	31.03.2020				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Sight and term deposits	19,924	12,378	(5,371)	-	26,930
	19,924	12,378	(5,371)	-	26,930

The impairment losses (increases net of reversals) of sight and term deposits in the **Group** for the six-month period ended 30 June 2020, amounting to 7,007 Euros (7,635 Euros at 30 June 2019) was recorded under the heading Impairment of accounts receivable, net.

13. Accumulated impairment losses

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the following movements occurred in the **Group's** impairment losses:

31.12.2019								
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	PPA adjustments	Closing balance
Non-current assets								
Tangible fixed assets	24,256	-	(83)	-	-	-	-	24,173
Investment properties	1,243,502	-	(494,358)	-	-	-	-	749,144
	1,267,758	-	(494,442)	-	-	-	-	773,316
Debt securities	164,883	31,531	(83,821)	(299)	57,147	-	-	169,441
Other non-current assets	1,982,890	-	-	-	116,906	-	-	2,099,796
Credit to banking clients	225,968	2,298,517	(1,777,703)	(469,674)	611,781	7,149,174	(5,446,614)	2,591,449
Other banking financial assets	217,751	91,523	(244,428)	-	101,403	-	-	166,249
	2,591,492	2,421,571	(2,105,952)	(469,973)	887,237	7,149,174	(5,446,614)	5,026,935
	3,859,250	2,421,571	(2,600,394)	(469,973)	887,237	7,149,174	(5,446,614)	5,800,251
Current assets								
Accounts receivable	33,436,621	7,204,092	(766,236)	(1,892,645)	-	-	-	37,981,832
Credit to banking clients	231,556	5,409,498	(2,876,295)	(705,365)	(611,781)	12,633,482	(12,694,345)	1,386,750
Debt securities	145,733	2,678	(370)	(86,758)	(57,147)	-	-	4,136
Other current assets	7,516,988	1,585,794	(100,275)	(554,795)	(105,979)	-	-	8,341,734
Other banking financial assets	207,945	249,671	(126,763)	-	(112,330)	4,011,236	-	4,229,759
Slight and term deposits	21,295	5,352	(6,723)	-	-	-	-	19,923
	41,560,139	14,457,085	(3,876,662)	(3,239,562)	(887,237)	16,644,718	(12,694,345)	51,964,134
Non-current assets held for sale	-	9	(3,059)	-	-	187,659	-	184,609
	-	9	(3,059)	-	-	187,659	-	184,609
Merchandise	1,824,111	313,018	(1,129)	(19,695)	-	-	-	2,116,305
Raw, subsidiary and consumable	633,526	91,662	-	-	-	-	-	725,188
	2,457,637	404,680	(1,129)	(19,695)	-	-	-	2,841,493
	44,017,776	14,861,773	(3,880,850)	(3,259,257)	(887,237)	16,832,377	(12,694,345)	54,990,236
	47,877,025	17,283,344	(6,481,244)	(3,729,231)	-	23,981,551	(18,140,959)	60,790,487

30.06.2020								
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current assets								
Tangible fixed assets	24,173	-	-	-	-	-	-	24,173
Investment properties	749,144	-	-	-	-	-	-	749,144
	773,316	-	-	-	-	-	-	773,317
Debt securities	169,441	38,981	(8,165)	-	(10,821)	-	-	189,436
Other non-current assets	2,099,796	-	-	-	364,519	-	-	2,464,315
Credit to banking clients	2,591,449	5,509,123	(298,704)	(12,540)	174,457	-	212,124	8,175,909
Other banking financial assets	166,249	3,332	(43,616)	-	(121,161)	-	-	4,804
	5,026,935	5,551,436	(350,485)	(12,540)	406,994	-	212,124	10,834,465
	5,800,251	5,551,436	(350,485)	(12,540)	406,994	-	212,124	11,607,782
Current assets								
Accounts receivable	37,981,832	3,122,749	(785,482)	(452,029)	-	-	-	39,867,071
Credit to banking clients	1,386,750	2,414,642	(1,30,922)	(5,496)	(174,457)	-	92,974	3,583,491
Debt securities	4,136	3,112	(768)	-	10,822	-	-	17,302
Other current assets	8,341,734	1,427,021	(10,001)	(49,823)	190,435	-	-	9,899,366
Other banking financial assets	4,229,759	29,581	(1,113,031)	-	121,161	-	-	3,267,470
Slight and term deposits	19,923	12,378	(5,371)	-	-	-	-	26,930
	51,964,134	7,009,483	(2,045,575)	(507,348)	147,961	-	92,974	56,661,630
Non-current assets held for sale	184,609	73,804	-	-	-	-	-	258,413
	184,609	73,804	-	-	-	-	-	258,413
Merchandise	2,116,305	373,003	-	(104,705)	-	-	-	2,384,603
Raw, subsidiary and consumable	725,188	-	(13,510)	(2,255)	-	-	-	709,423
	2,841,493	373,003	(13,510)	(106,960)	-	-	-	3,094,026
	54,990,236	7,456,290	(2,059,085)	(614,308)	147,961	-	92,974	60,014,069
	60,790,487	13,007,726	(2,409,570)	(626,848)	554,955	-	305,098	71,621,851

As at 30 June 2020, the Group review the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around €3.2m in the consolidated accounts of the Group.

14. Equity

As at 30 June 2020, the Company share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

As at 31 December 2019 and 30 June 2020 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

31.12.2019

Shareholder	No. of shares	%	Nominal value
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,271,134	12.847%	9,635,567
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total 19,624,319	13.083%	9,812,160
GreenWood Builders Fund I, LP ⁽²⁾	8,759,082	5.839%	4,379,541
GreenWood Investors LLC ⁽²⁾	Total 8,759,082	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 8,492,745	5.662%	4,246,373
Norges Bank	Total 5,834,490	3.890%	2,917,245
BlackRock, Inc. ⁽⁴⁾	Total 4,496,864	2.998%	2,248,432
BBVA Asset Management, SA SGIIC ⁽⁵⁾	Total 3,495,499	2.330%	1,747,750
Wellington Management Group LLP ⁽⁶⁾	Total 3,321,219	2.214%	1,660,610
BPI Gestão de Activos ⁽⁷⁾	Total 3,044,307	2.030%	1,522,154
CTT, S.A. (own shares) ⁽⁸⁾	Total 1	0.000%	1
Other shareholders	Total 92,931,474	61.954%	46,465,737
Total	150,000,000	100.000%	75,000,000

- (1) Includes 19,146,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 124,319 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 Vice-Chairman. 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 14 November 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 is shown as attachment to the qualifying holding press release of 2 December 2019 and available on CTT website (www.ctt.pt).
- (7) is holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos, as well as held by portfolios regarding which BPI Gestão de Activos Fundos carries out the discretionary management.
- (8) 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.

30.06.2020

Shareholder	No. of shares	%	Nominal value
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,330,084	12.887%	9,665,042
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total 19,683,269	13.122%	9,841,635
Global Portfolio Investments, S.L. ⁽²⁾	15,057,937	10.039%	7,528,969
Indumenta Pueri, S.L. ⁽²⁾	Total 15,057,937	10.039%	7,528,969
GreenWood Builders Fund I, LP ⁽³⁾	9,210,000	6.140%	4,605,000
GreenWood Investors LLC ⁽³⁾	Total 9,210,000	6.140%	4,605,000
Norges Bank	Total 8,741,023	5.827%	4,370,512
BBVA Asset Management, SA SGIC ⁽⁴⁾	Total 3,495,499	2.330%	1,747,750
BPI Gestão de Activos ⁽⁵⁾	Total 3,044,307	2.030%	1,522,154
CTT, S.A. (own shares) ⁽⁶⁾	Total 1	0.000%	1
Other shareholders	Total 90,767,964	60.512%	45,383,982
Total	150,000,000	100.000%	75,000,000

- (1) Includes 19,246,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 83,269 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 Vice-Chairman. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L.
- (3) 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.
- (4) BBVA ASSET MANAGEMENT, SA, SGIC 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, SGIC. BBVA Asset Management, SA, SGIC 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, SGIC.
- (5) This holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos, as well as held by portfolios regarding which BPI Gestão de Activos Fundos carries out the discretionary management.
- (6) 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

Own shares

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

As at 30 June 2020, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

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

Reserves

As at 31 December 2019 and 30 June 2020, the **Group's** and **Company's** heading Reserves showed the following composition:

31.12.2019					
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	270	50,836,597	65,836,875
Assets fair value	-	-	15,720	-	15,720
Closing balance	15,000,000	8	15,990	50,836,597	65,852,595

30.06.2020					
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	15,990	50,836,597	65,852,595
Assets fair value	-	-	355,891	-	355,891
Closing balance	15,000,000	8	371,881	50,836,597	66,208,486

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 June 2020, 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 articles of association, nor constituted pursuant to contracts signed by the Company.

Retained earnings

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the following movements were made in the **Group** heading Retained earnings:

	31.12.2019	30.06.2020
Opening balance	4,378,984	10,867,301
Application of the net profit of the prior year	21,499,271	29,196,933
Distribution of dividends	(15,000,000)	-
Adjustments from the application of the equity method	(10,954)	(4,164)
Other movements	-	(46,047)
Closing balance	10,867,301	40,014,024

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 2019 and the six-month period ended 30 June 2020, the movements occurred in this heading, in the **Group**, were as follows:

	31.12.2019	30.06.2020
Opening balance	(30,993,430)	(49,744,144)
Actuarial gains/losses	(25,769,253)	-
Tax effect	7,018,539	-
Closing balance	(49,744,144)	(49,744,144)

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.

At the General Meeting of Shareholders, which was held on 29 April 2020, the non-distribution of dividends regarding the year ended 31 December 2019 was proposed and approved. The net income in the amount of 29,196,933 Euros was transferred to retained earnings.

17. Earnings per share

During the periods ended 30 June 2019 and 30 June 2020, the earnings per share were calculated as follows:

	30.06.2019	30.06.2020
Net income for the period	8,988,445	(1,984,332)
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.06	(0.01)
Diluted	0.06	(0.01)

The average number of shares is detailed as follows:

	30.06.2019	30.06.2020
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 June 2020, the number of own shares held is 1 and its average number for the year ended 30 June 2020 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 2019 and 30 June 2020, Debt of the **Group** showed the following composition:

	31.12.2019	30.06.2020
Non-current liabilities		
Bank loans	81,702,538	81,803,310
Lease liabilities	66,895,396	67,563,124
	148,597,934	149,366,434
Current liabilities		
Bank loans	9,749,470	9,748,498
Lease liabilities	17,064,097	19,946,291
	26,813,567	29,694,789
	175,411,501	179,061,223

As at 30 June 2020, the interest rates applied to bank loans were between 1.25% and 1.875% (31 December 2019: 1.25% and 1.875%).

Bank loans and other loans

As at 31 December 2019 and 30 June 2020, the details of the **Group** bank loans were as follows:

	31.12.2019			30.06.2020		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,749,470	-	11,250,000	9,748,498	-
BBVA / Bankinter	75,000,000	-	46,891,381	-	-	47,118,398
Novo Banco	35,000,000	-	34,811,157	-	-	34,684,912
Banco Montepio	-	-	-	25,000,000	-	-
BIM - (Mozambique)	44,870	-	-	40,928	-	-
Other loans						
BIM - (Mozambique)	-	-	-	-	-	-
	121,294,870	9,749,470	81,702,538	36,290,928	9,748,498	81,803,310

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 June 2020 the referred amount corresponded to 47,118,398 Euros. By a company decision, the remaining available amount will not be used.

On 22 April 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 June 2020, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,684,912 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 30 June 2020, no amount was used.

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 payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	31.12.2019	30.06.2020
Due within 1 year	20,168,630	26,014,237
Due between 1 to 5 years	63,131,546	59,897,514
Over 5 years	14,737,518	19,856,472
Total undiscounted lease liabilities	98,037,694	105,768,224
Current	17,064,097	19,946,291
Non-current	66,895,396	67,563,124
Lease liabilities included in the statement of financial position	83,959,493	87,509,415

The amounts recognised in the income statement are detailed as follows:

	30.06.2019	30.06.2020
Lease liabilities interests (note 24)	1,886,770	1,641,275
Variable payments not included in the measurement of the lease liability	1,120,343	1,631,095

The amounts recognised in the Cash flow statement are as follows:

	30.06.2019	30.06.2020
Total of lease payments	(13,793,455)	(13,399,816)

The movement in the rights of use underlying these lease liabilities can be analysed in note 4.

19. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the year ended 31 December 2019 and the six-month period ended 30 June 2020, in order to face legal proceedings and other liabilities arising from past events, the **Group** recognised provisions, which showed the following movement:

	31.12.2019						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	3,149,620	1,975,191	(1,652,175)	(691,483)	67,824	-	2,848,977
Restructuring	1,842,159	100,826	(863,627)	(39,610)	-	-	1,039,748
Other provisions	9,021,484	210,045	(675,510)	(2,942)	(67,824)	1,499,282	10,381,956
Sub-total - caption "Provisions (increases)/reversals"	14,013,263	2,286,062	(3,191,312)	(734,035)	-	1,499,282	14,270,681
Restructuring	1,026,902	7,504,481	-	(7,852,242)	-	-	679,141
Other provisions	979,174	1,826,549	-	(120,167)	-	-	2,685,556
	16,019,339	11,617,093	(3,191,312)	(8,706,444)	-	1,499,282	17,635,379

	30.06.2020						
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Closing balance
Non-current provisions							
Litigations	2,848,977	373,663	(367,208)	(125,931)	13,941	-	2,743,442
Restructuring	1,039,748	-	-	-	-	-	1,039,748
Other provisions	10,381,956	1,029,469	(146,284)	(2,400)	(284,532)	-	10,978,209
Sub-total - caption "Provisions (increases)/reversals"	14,270,681	1,403,132	(513,492)	(128,331)	(270,591)	-	14,761,399
Restructuring	679,141	24,728	-	(663,075)	-	-	40,794
Other provisions	2,685,556	-	-	(671,863)	371,820	-	2,385,513
	17,635,379	1,427,860	(513,492)	(1,463,269)	101,229	-	17,187,706

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 196,890 Euros as at 30 June 2019 and 889,640 Euros as at 30 June 2020.

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 their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of 1,652,175 Euros as at 31 December 2019 and 367,208 Euros as at 30 June 2020, essentially results from lawsuits whose decision, which was made known in the course of 2019 or 2020, respectively, proved to be favourable to the Group, or, not being favourable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

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. Following the maintenance, in 2018 and 2019, on the HR optimisation programme, the provision created for this purpose amounted to 40,794 Euros as at 30 June 2020, in the **Group** and has been recorded against the caption Staff costs in the income statement. It is expected that this provision will be substantially used in 2020.

The utilisations recorded in the same period 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 period 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 31 December 2019 following an update/revision of the underlying criteria, the provision, in the **Group**, amounted to 1,039,748 Euros. As at 30 June 2020 the value has not been changed.

Other provisions

As at 30 June 2020 the provision, in the **Group** to cover any contingencies relating to labour litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,775,067 Euros (6,891,248 Euros as at 31 December de 2019). The amount of the provision corresponds to the Group's best estimate for the outflow, and it is not possible to estimate the expected moment for the outflow as it depends on the moment when proceedings are initiated by the Group's employees.

As at 30 June 2020, a provision is recognised in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition, which has now been the subject of an appeal to the Spanish Audiencia Nacional (National High Court). The amount provisioned, of 1,400,000 Euros, is the result of the evaluation carried out by its legal advisors and the Group is awaiting the outcome of the process.

The amount provisioned in 321 Crédito, S.A. amounting to 2,331,871 Euros as at 30 June 2020 (1,499,282 Euros at the acquisition date) is essentially the result of the risk assessment associated with tax contingencies.

As at 30 June 2020, in addition to the previously mentioned situations, this heading also includes in the **Group**:

- the amount of 71,228 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 550,000 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 Expresso, with a labour legal proceeding;
- the amount of 1,530,050 Euros to cover costs of operational vehicles restoration.

Guarantees provided

As at 31 December 2019 and 30 June 2020, the **Group** had provided bank guarantees to third parties as follows:

Description	31.12.2019	30.06.2020
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	8,211,715	8,211,715
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
O Feliz – Imobiliária (Real estate company)	381,553	381,553
EUROGOLD (Real estate company)	288,384	288,384
Courts	281,830	281,830
CIVILRIA (Real estate company)	–	224,305
TIP – Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Municipalities	118,658	118,658
INCM – Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing)	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)	68,895	68,895
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	55,000
ANA – Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
EMEL, S.A. (Municipal company managing parking in Lisbon)	26,984	26,984
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Manager)	21,557	21,557
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water and Waste)	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
Other entities	16,144	16,144
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
Administração Regional de Saúde – Lisboa e Vale do Tejo (Regional Health Authority)	13,000	13,000
Lagos em Forma – Gestão desportiva, E.M., S.A. (Municipal company managing sports)	11,000	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 region)	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910
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)	3,718	3,718
EMARP – Empresa de Águas e Resíduos de Portimão (Services of Water Supply and Waste)	3,100	3,100
IFADAP (National Support Institute for Farming and Fishing)	1,746	1,746
ADAM – Águas do Alto Minho (Services of Water Supply and Sanitation of the Region)	466	466
	16,991,290	17,215,596

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2019 and 30 June 2020, in the **Group**.

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. The litigation proceedings in the arbitral tribunal have already been concluded with a favourable decision to CTT, however, and due to the administrative procedures involved, bank guarantees have not yet been cancelled.

CTT Expresso branch in Spain 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 CTT Expresso branch in Spain in the National Audience in Spain proceeds.

Commitments

As at 31 December 2019 and 30 June 2020, the **Group** subscribed promissory notes amounting to approximately 43.7 thousand Euros and 38.5 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 30 June 2020.

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

The **Group** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 4 and 5.

20. Accounts payable

As at 31 December 2019 and 30 June 2020, the **Group's** heading Accounts payable showed the following composition:

	31.12.2019	30.06.2020
Current		
Advances from customers	2,824,160	2,907,763
CNP money orders	87,890,044	97,295,333
Suppliers	76,261,148	78,046,856
Invoices pending confirmation	10,560,107	12,726,303
Fixed assets suppliers	14,189,288	5,357,212
Invoices pending confirmation (fixed assets)	9,543,900	3,295,297
Values collected on behalf of third parties	8,495,311	7,247,763
Postal financial services	153,139,714	94,252,087
Advances regarding disposals	14,108	125,081
Other accounts payable	10,872,886	12,042,192
	373,790,665	313,295,888
	373,790,665	313,295,888

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will 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, whose settlement date should occur in the month following the end of the period. The decrease seen is mainly due to the significant reduction observed in the subscription of savings certificates.

21. Banking clients' deposits and other loans

As at 31 December 2019 and 30 June 2020, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2019	30.06.2020
Sight deposits	961,771,839	1,110,558,075
Term deposits	169,581,292	165,503,361
Savings deposits	152,214,134	235,829,731
Banking clients' deposits	1,283,567,265	1,511,891,168
Other credit institutions' deposits	37,850,777	-
Other credit institutions' deposits	37,850,777	-
	1,321,418,042	1,511,891,168

The above-mentioned amounts relate to Banco CTT clients' deposits. Savings deposits are deposits associated with current accounts and which allow the client to obtain a remuneration above the sight deposits, which can be mobilised at any time, with no subscription limit, and it is possible to schedule transfers from and for this account. These deposits are different from term deposits as they have a definite date of constitution and maturity, and the savings accounts are fully mobilizable without penalty on remuneration.

As at 31 December 2019 and 30 June 2020, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2019					
	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	Total
Sight deposits and saving accounts	1,113,985,973	-	-	-	-	1,113,985,973
Term deposits	-	53,164,869	116,416,423	-	-	169,581,292
Banking clients' deposits	1,113,985,973	53,164,869	116,416,423	-	-	1,283,567,265
Other credit institutions' deposits	-	37,850,777	-	-	-	37,850,777
Other credit institutions' deposits	-	37,850,777	-	-	-	37,850,777
	1,113,985,973	53,164,869	116,416,423	-	-	1,321,418,042

	30.06.2020					
	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	Total
Sight deposits and saving accounts	1,346,387,807	-	-	-	-	1,346,387,807
Term deposits	-	83,648,770	81,854,591	-	-	165,503,361
Banking clients' deposits	1,346,387,807	83,648,770	81,854,591	-	-	1,511,891,168
Other credit institutions' deposits	-	-	-	-	-	-
Other credit institutions' deposits	-	-	-	-	-	-
	1,346,387,807	83,648,770	81,854,591	-	-	1,511,891,168

The caption Other credit institutions' deposits refer to sales transactions with a repurchase agreement by credit institutions abroad.

22. Income taxes receivable /payable

As at 30 June 2020 the caption reflects the estimated income tax regarding 2019, which has not yet been paid, as well as the estimated income tax regarding the six-month period ended 30 June 2020.

23. Staff costs

During the periods ended 30 June 2019 and 30 June 2020, the composition of the **Group** heading Staff Costs was as follows:

	30.06.2019	30.06.2020
Remuneration	132,626,124	134,012,853
Employee benefits	768,020	2,148,088
Indemnities	7,660,871	470,758
Social Security charges	29,364,705	29,440,691
Occupational accident and health insurance	2,250,894	2,181,713
Social welfare costs	3,988,727	1,960,586
Other staff costs	21,610	56,648
	176,680,951	170,271,336

Remuneration

The change in the "Remuneration" caption arises essentially from fact that on 30 June 2020 the contribution of 321 Crédito, SA was already being considered, an acquisition that only took place in May 2019, thus affecting only two months of the six-month period ended on 30 June 2019.

As at 30 June 2019 and 30 June 2020, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

Company	30.06.2019				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,340,715	94,286	27,900	14,000	1,476,901
Annual variable remuneration	-	-	-	-	-
	1,340,715	94,286	27,900	14,000	1,476,901
Long-term remuneration					
Defined contribution plan RSP	111,667	-	-	-	111,667
Long-term variable remuneration	25,440	-	-	-	25,440
	137,107	-	-	-	137,107
	1,477,822	94,286	27,900	14,000	1,614,008

Company	30.06.2020				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,138,053	80,596	22,010	14,000	1,254,659
Annual variable remuneration	-	-	-	-	-
	1,138,053	80,596	22,010	14,000	1,254,659
Long-term remuneration					
Defined contribution plan RSP	150,467	-	-	-	150,467
Long-term variable remuneration	-	-	-	-	-
	150,467	-	-	-	150,467
	1,288,520	80,596	22,010	14,000	1,405,126

For the year ended 31 December 2019, the amount of 801,968 Euros was recognised as Annual Variable Compensation for the members of the Statutory Bodies which was determined by the Remuneration Committee supported on a study carried out by an independent entity. Due to the COVID-19 pandemic, and by resolution of the Annual General Meeting, the non-payment of profit-sharing bonuses was approved, and the annual variable remuneration was suspended.

Employee benefits

The change registered in the caption Employee benefits mainly reflects the liability reduction related to the benefits "Telephone subscription charge" and "Suspension of employment contracts" which occurred on 30 June 2019.

Indemnities

During the period ended 30 June 2020, this caption includes mainly indemnities related to the termination of employment contracts.

Social welfare cost

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

As at 30 June 2019 and 30 June 2020, the **Group** heading Staff costs includes the amounts of 338,703 Euros and 260,596 Euros respectively, related to expenses with workers' representative bodies.

For the period ended 30 June 2020, the average number of staff of the **Group** was 12,031 employees (12,247 employees in the period ended 30 June 2019).

24. Interest expenses and Interest income

For the periods ended 30 June 2019 and 30 June 2020, the heading Interest Expenses of the **Group** had the following detail:

	30.06.2019	30.06.2020
Interest expenses		
Bank loans	365,021	827,127
Lease liabilities	1,886,770	1,641,275
Other interest	48	2
Interest costs from employee benefits (Note 31)	2,680,715	2,230,292
Other interest costs	5,981	46,411
	4,938,536	4,745,106

The amount of 345,126 Euros previously reported as Other interest as at 30 June 2019 was reclassified to the caption Bank loans

During the periods ended 30 June 2019 and 30 June 2020, the **Group** heading Interest income was detailed as follows:

	30.06.2019	30.06.2020
Interest income		
Deposits in credit institutions	26,664	6,211
Other supplementary income	86,745	-
	113,409	6,211

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 above 1,500,000 Euros and 5% of taxable profit above 7,500,000 up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Expresso, S.A., Spain branch is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades – "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

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

Reconciliation of the income tax rate

For the periods ended 30 June 2019 and 30 June 2020, the reconciliation between the nominal rate and the effective income tax rate of the **Group** was as follows:

	Group	
	30.06.2019	30.06.2020
Earnings before taxes (a)	14,702,756	(1,030,515)
Nominal tax rate	21.0%	21.0%
	3,087,579	(216,408)
Tax Benefits	(255,999)	(194,979)
Accounting capital gains/(losses)	(40,914)	(125,794)
Tax capital gains/(losses)	9,107	71,591
Equity method	38,771	243,391
Provisions not considered in the calculation of deferred taxes	27,223	374,604
Impairment losses and reversals	39,101	315,749
Compensation for insurable events	84,562	21,613
Depreciation and car rental charges	66,037	20,876
Credits uncollectible	17,120	7,258
Difference between current and deferred tax rates	(1,648)	-
Fines, interest, compensatory interest and other charges	5,561	23,227
Other situations, net	858,776	(469,697)
Adjustments related with - autonomous taxation	259,955	280,463
Adjustments related with - undistributed variable remuneration	253,145	898,639
Tax losses without deferred tax	1,035,476	-
Insufficiency / (Excess) estimated income tax	(830,610)	(821,163)
Subtotal (b)	4,653,242	429,370
(b)/(a)	31.65%	-41.67%
Adjustments related with - Municipal Surcharge	297,977	141,302
Adjustments related with - State Surcharge	764,812	327,043
Income taxes for the period	5,716,031	897,715
Effective tax rate	38.88%	-87.11%
Income taxes for the period		
Current tax	1,644,932	1,521,731
Deferred tax	4,901,708	197,147
Insufficiency / (Excess) estimated income tax	(830,610)	(821,163)
	5,716,031	897,715

Deferred taxes

As at 31 December 2019 and 30 June 2020, the balance of the **Group** deferred tax assets and liabilities was composed as follows:

	31.12.2019	30.06.2020
Deferred tax assets		
Employee benefits - healthcare	76,839,990	76,981,826
Employee benefits - pension plan	84,668	82,251
Employee benefits - other long-term benefits	2,868,626	2,504,279
Impairment losses and provisions	5,032,656	5,034,506
Tax losses carried forward	1,289,985	1,289,985
Impairment losses in tangible fixed assets	385,810	429,714
Land and buildings	356,809	356,809
Tangible assets' tax revaluation regime	1,924,292	1,763,934
Other	546,970	528,087
	89,329,806	88,971,391
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,137,282	2,036,976
Suspended capital gains	718,036	704,366
Non-current assets held for sale	83,010	83,010
Other	19,787	57,022
	2,958,115	2,881,374

The deferred tax asset related to Tangible assets tax revaluation regime was recognised following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 30 June 2020 the deferred tax asset amounts to 1,763,934 Euros.

As at 30 June 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 2.5 million Euros and 0.2 million Euros, respectively, regarding the **Group**.

During the year ended 31 December 2019 and the six-month period ended 30 June 2020, the movements which occurred under the deferred tax headings of the **Group** were as follows:

	31.12.2019	30.06.2020
Deferred tax assets		
Opening balances	81,734,114	89,329,806
Changes in the consolidation perimeter	1,679,394	-
Effect on net profit		
Employee benefits - healthcare	(664,362)	141,835
Employee benefits - pension plan	(10,581)	(2,417)
Employee benefits - other long-term benefits	223,382	(364,347)
Impairment losses and provisions	(287,039)	(92,766)
Tax losses carried forward	(2,904)	-
Impairment losses in tangible fixed assets	102,337	43,904
Land and buildings	(95,203)	-
Tangible assets' tax revaluation regime	(320,715)	(160,358)
Other	(47,157)	75,734
Effect on equity		
Employee benefits - healthcare	7,000,770	-
Employee benefits - pension plan	17,769	-
Other	-	-
Closing balance	89,329,806	88,971,391

	31.12.2019	30.06.2020
Deferred tax liabilities		
Opening balances	3,108,662	2,958,115
Changes in the consolidation perimeter	83,010	-
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(200,606)	(100,306)
Suspended capital gains	(27,341)	(13,670)
Other	(5,610)	37,235
Closing balance	2,958,115	2,881,374

The tax losses carried forward are related to the losses of the previous subsidiaries Tourline and Transporta (currently CTT Expresso, branch in Spain and CTT Expresso, respectively), which were merged by incorporation into CTT Expresso, S.A. and are detailed as follows:

Company	Tax losses	Deferred tax assets
CTT - Expresso, S.A., branch in Spain	47,586,402	-
CTT Expresso/Transporta	6,142,786	1,289,985
Total	53,729,188	1,289,985

Regarding CTT - Expresso, S.A., branch in Spain (prior 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, 2016, 2017 and 2018 have no time limit for deduction. Regarding CTT Expresso the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 5 years.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.2 million Euros in the **Group**.

SIFIDE

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

For the year ended 31 December 2018 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.

According to the notification of the Certification Commission, for eligible expenses incurred with R&D in the amount of 682,312 Euros, a tax credit of 230,328 Euros was attributed.

For the year ended 31 December 2019, with the delivery of the application, the expenses incurred with R&D, of 1,422,552 Euros the **Group** will have the possibility of benefiting from a tax deduction in corporate income tax estimated at 753,235 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 2017 and onwards may still be reviewed and corrected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 30 June 2020.

26. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a "relevant commercial or personal interest" in relation to (i) close family members of the managers and qualified shareholder(s) who, at each moment, have significant influence (as defined above) on CTT, as well as (ii) controlled entities (individually or jointly), either by management, qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when the party has, directly or indirectly, the power to guide the financial and operational policies of an entity in order to obtain benefits from its activities. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

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

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

During the periods ended 30 June 2019 and 30 June 2020, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

	30.06.2019				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	15,000,000
Group companies					
Associated companies	2,435	-	5,454	-	-
Jointly controlled	1,070,835	-	173,124	34,477	-
Members of the (Note 23)					
Board of Directors	-	-	-	1,340,715	-
Audit Committee	-	-	-	94,286	-
Remuneration Committee	-	-	-	27,900	-
General Meeting	-	-	-	14,000	-
	1,073,270	-	178,578	1,511,378	15,000,000

	30.06.2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies					
Associated companies	2,489	-	5,507	47,677	-
Jointly controlled	614,767	-	621,040	-	-
Members of the					
Board of Directors	-	9,287	-	1,144,681	-
Audit Committee	-	-	-	80,596	-
Remuneration Committee	-	-	-	22,010	-
General Meeting	-	-	-	14,000	-
	617,255	9,287	626,546	1,308,964	-

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received in addition to the comfort letters assumed regarding CTT Espresso, branch in Spain, mentioned in Note 19.

No provision was recognised for doubtful debts or expenses recognised during the period in respect of bad or doubtful debts owed by related parties.

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

27. Other information

Under the Universal Postal Service Concession Contract, on 13.03.2020, CTT invoked force majeure before the Grantor, following the public health emergency of international scope, declared by the World Health Organization on 30.01.2020 and the subsequent classification of COVID-19 as a pandemic, on 11 March. In view of the seriousness and magnitude of the facts, which are public and notorious, and in order to comply with the public health instructions issued by the competent authorities, CTT could not fail to take the necessary and appropriate measures to protect workers and customers.

Pursuant to the provisions of the concession contract, CTT continues to ensure the functioning and continuity of postal services, taking the necessary and appropriate measures to the situation of force majeure, in terms of planning, operation prevention and human resources, submitting a daily update of the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The legal proceedings relating to the ANACOM Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, are still pending. In the arbitration proceedings brought against the Portuguese State, as grantor, in the Concession Agreement, is in the stage of producing evidence. In the administrative proceedings brought against ANACOM, the first regarding the same decision and the second concerning the December 2018 determination regarding the new measurement procedures to be applied to the quality of service indicators, there were no relevant developments. It should be recalled that these proceedings were motivated by the fact that CTT considered that the set of new indicators imposed by ANACOM in July 2018, unprecedented and unparalleled at European level, would be impossible to comply with.

Following the non-compliance with the Quality of Service Indicators, announced by CTT in March this year, on 27 August ANACOM issued a draft decision which, if confirmed, could lead to a penalty of -1% for the average annual variation in the basket of prices of the universal postal service, composed of mail, newspapers and periodicals, and parcels services, which are subject to prior approval, and of -0.31% for bulk mail prices.

The process related to the proposal of the application of 11 contractual fines, initiated in 2018 by ANACOM, 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 additional submission of evidence determined by the grantor.

The administrative proceedings for the alleged infringement 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, had no significant developments.

Following ANACOM's decision on the 2016 cost accounting system results, under which new criteria for the allocation of costs between the postal activity and the banking activity of the Company were identified, and specified that the cost accounting system for the 2016 and 2017 financial years in this regard should be restated, CTT submitted the restated results regarding those years as well as the results of the 2018 according to the new criteria, as determined. The results of the audits for the three financial years are awaited.

On 30.06.2020 ANACOM started a public consultation regarding the provision of the universal postal service after the end of the current concession on 31.12.2020, namely on the terms and conditions to be associated with the provision of the universal service (USO) and the terms under which the USO will be provided by the universal service provider(s) designated under Article 17(1)(b) of Law 17/2012 of 26 April (Postal Law).

For that purpose, on the same date ANACOM published six draft decisions regarding:

- Criteria setting the formation of the prices of the universal postal service;
- Quality of service parameters and performance targets associated with provision of the universal postal service;
- Delivery of postal items at premises other than the domicile;
- Concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service;
- Methodology for calculating the net costs of the universal postal service (CLSU); and
- Information to be provided by the universal service provider(s) to the users.

These draft decisions were submitted to public consultation until 18.08.2020 and CTT made its specific contributions on each one of the issues mentioned above. The procedure awaits ANACOM's public consultation report and its final decision.

COVID-19 Impact

On 11 March 2020, the World Health Organization declared the public health emergency caused by the COVID-19 disease as a pandemic. This situation has evolved very rapidly, and measures have been taken internationally to severely restrict the rights of free movement and economic freedom, thus seeking to prevent the transmission of the virus. Several governments, authorities and economic agents are implementing a series of initiatives with a very relevant impact on the populations and on the global and national economic activity. The COVID-19 pandemic affected consumers and companies and, although the Group has maintained its activity and has been associated from the outset with the "stay at home" movement in the various geographies where it operates and carried out various initiatives aimed at facilitating access for all to the services provided, business has generally been negatively influenced.

Due to the context of uncertainty, at the Annual General Meeting of 29 April, CTT decided to suspend the payment of the 2019 dividend and allocate the 2019 net profit to Retained Earnings.

In this context, the Group has been implementing additional measures to strengthen its financial position and liquidity and ensure its operational response, while seeking to preserve the value of traditional businesses and invest in new ones, more linked to digital platforms and e-commerce. As an example, the following services were created:

- **CTT Comércio Local** (CTT Local Trade) is a digital platform that ensures the entire process of selling and buying to traders and end customers. Vendors can join the service at the respective City Hall and have thus a new means of selling their products, while consumers can make their purchases safely without leaving home.
- **Lojas Online** (Online Stores), an offer that allows SMEs to create online stores and facilitates the sale of their products. There are currently 1,020 registered online stores and at the end of June there were 297 in operation, covering various sectors of activity, with emphasis on food products, clothing and footwear.
- **Home delivery of medical supplies** in partnership with the National Association of Pharmacies, which allows the users to order medicines by e-mail or telephone directly to the participating pharmacies, while CTT ensures the next-day delivery.
- **Expresso para Hoje** (Express for Today), a comprehensive online service for urgent delivery of parcels, goods or documents within 2 hours in a partnership CTT entered into with Uber.

The E&P business unit also resented the effect of the COVID-19 pandemic, with the end of March and the beginning of April particularly affected by the restrictions imposed on most sectors of the economy. These restrictions had a strong impact on the profile of shipments, with a reduction in B2B volumes, both parcels and cargo, and strong growth in e-commerce activity. The growth of e-commerce has since supported the growth of this business area.

The Financial Services & Retail business unit was most impacted, with a significant reduction in Public Debt Certificates subscriptions, a situation which is already showing a sustainable trend towards recovery.

In Banco CTT business unit the impacts were more visible in terms of consumer credit and auto loans. The volume of auto loans production was strongly affected by the closure of auto dealerships, as a result of the confinement measures, and began in mid-March a downward trend of new proposals captured which lasted until the second week of May, when the trend was reversed.

In the context of the pandemic, the Group also carried out the following assessments:

- Review of expected credit losses ("ECL") to be applied to amounts receivable and bank deposits as at 30 June 2020, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. This revision of the parameters had an impact of around €3.2m in the consolidated accounts of the Group;
- Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020) and sector moratoria (within APB (Portuguese Banking Association) and ASFAC (Association of Specialised Credit Institutions)), the Banco CTT Group has already approved 2,900 moratoria corresponding to €66.6m and representing 7 % of the consumer credit portfolio;
- Due to the great uncertainty regarding the evolution of the pandemic and its real effects on the national and international economy, the Group is updating its business plans for 2019;
- The Group analysed whether there were additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the Group, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognised;
- Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;
- Monitored the evolution of compliance with the financing covenants, not having identified situations of default;

- In order to strengthen its financial position and manage liquidity risk, the Group contracted a new financing in the amount of 25 M €, of which no amount had yet been used as at 30 June 2020;
- Recognition of incremental costs associated with COVID-19, namely related to personal protection equipment and additional security and hygiene measures amounting to around €0.6 million.

On 30 June 2020, the Group received around €0.2 million in support for families in connection with the closure of schools.

Despite the high uncertainty regarding the evolution of the pandemic and its effects on the Group's businesses, it is the understanding of the Board of Directors that in view of its financial and liquidity situation, the Group will overcome the negative impacts of this crisis, without jeopardizing the continuity of the business. Management will continue to monitor the threat evolution and its implications in the business and provide all necessary information to its stakeholders.

28. Subsequent events

After 30 June 2020 and up to the present date, no relevant or material facts have occurred in the Group's activity that have not been disclosed in the notes to the financial statements.



07

Declaration of Conformity



7. DECLARATION OF CONFORMITY

Pursuant article 246(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby state that, to the best of their knowledge, the interim condensed consolidated accounts relative to the first half of 2020 were prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, and that the interim report faithfully presents the important events which occurred in the first half of 2020 and their impact on the interim condensed consolidated accounts, as well as the main risks and uncertainties for the second half of the year.

Lisbon, 31 August 2020

The Board of Directors

Non-Executive Chairman of the Board of Directors

Raul Catarino Galamba de Oliveira

Chief Executive Officer (CEO)

João Afonso Ramalho Sopas Pereira Bento

Member of the Board of Directors and of the Executive Committee

António Pedro Ferreira Vaz da Silva

Member of the Board of Directors and of the Executive Committee (CFO)

Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and of the Executive Committee

João Carlos Ventura Sousa

Member of the Board of Directors and of the Executive Committee (COO)

João Miguel Gaspar da Silva

Non-Executive Member of the Board of Directors and Chairwoman of the Audit Committee

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Non-Executive Member of the Board of Directors and of the Audit Committee

Steven Duncan Wood

Non-Executive Member of the Board of Directors

Duarte Palma Leal Champalimaud

Non-Executive Member of the Board of Directors

Isabel Maria Pereira Aníbal Vaz

Non-Executive Member of the Board of Directors

João Eduardo Moura da Silva Freixa

Non-Executive Member of the Board of Directors

Jürgen Schröder

Non-Executive Member of the Board of Directors

Margarida Maria Correia de Barros Couto

Non-Executive Member of the Board of Directors and of the Audit Committee

María del Carmen Gil Marín

Non-Executive Member of the Board of Directors

Susanne Ruoff

(SIGNED ON THE ORIGINAL)



08

Audit Report





KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício FPM41 - Avenida Fontes Pereira de Melo, 41 – 15º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

LIMITED REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

We have performed a limited review of the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. (the Group), which comprise the condensed consolidated statement of financial position as of 30 June 2020 (that presents a total of Euro 2,640,262,949 and total equity of Euro 129,788,219, including non-controlling interests of Euro 294,193 and a negative consolidated net profit attributable to the shareholders of Euro 1,984,332), the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management responsibilities

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with the International Standard on Limited Review on Financial Statements and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we have performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained. The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of CTT – Correios de Portugal, S.A. on 30 June 2020, are not prepared, in all material respects, in accordance with the IAS 34 – Interim Financial Reporting as adopted by the European Union.

Emphasis of matter

Without modifying our conclusion, we draw attention to note 27, which describes the measures taken in the context of the pandemic resulting from the spread of the new coronavirus ("COVID-19") to strengthen its financial position and liquidity and ensure its operational response, as well as the impacts by business area and the analyses carried out in the preparation of the financial statements. In the same note, it is mentioned that, despite the high uncertainty regarding the evolution of the pandemic and its effects on the Group's businesses, it is the understanding of the Board of Directors that in view of its financial situation and liquidity, the Group will overcome the negative impacts of this crisis, without impacting the business continuity.

31 August 2020

SIGNED IN THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A.
(registered at CMVM under the nr. 20161489 and at
OROC under the nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr 1427)



09

Investor Support



9. INVESTOR SUPPORT

Investor support is carried out by the **Investor Relations Department (IR)**, a team of 3 people managed by Peter Tsvetkov.

9.1 Contacts

E-mail: investors@ctt.pt

Telephone: +351 210 471 087

Fax: +351 210 471 996

9.2 Press releases and disclosure of financial information

During the 1st half of 2020, CTT's disclosure of material information to the market consisted of:

- The Integrated Report of 2019, as well as the consolidated results presentations and press releases regarding the full year 2019 and the 1st quarter of 2020; and
- 9 press releases with material information (including the Notice to Convene the 2020 Annual General Meeting of Shareholders, and quarterly results press releases and presentations), 18 press releases regarding qualifying holdings in CTT and 17 concerning management transactions of CTT shares. In total, 44 communications to the market were produced in the period.

9.3 Events

Throughout the semester, CTT took part in multiple events, including virtual events from March onwards due to the COVID-19 pandemic, as follows:

- 4 conferences – of which two were attended in person, hosted in Lyon and Madrid by the brokers ODDO BHF and Santander, respectively, and two virtual conferences, organised by Ahorro Corporación Financiera and Goldman Sachs;
- 2 roadshows – both virtual, arranged by CM-CIC with investors from New York and Boston, and by CaixaBank BPI for European investors;
- 3 virtual meetings – organised by CaixaBank BPI, CaixaBI and JB Capital Markets; these meetings, named as E-Talks or Virtual Breakfasts, were attended by institutional investors from the United Kingdom, Spain and Portugal;
- 1 Webinar – organised by Banco BIG, where 90 retail investors from Portugal participated;
- 1 visit – CTT also received the visit of one investor in Lisbon.

Additionally, reference should also be made to the large number of conference calls with investors and research analysts, which together with the events mentioned above, allowed CTT to contact more than 100 capital market participants throughout the semester.

9.4 Financial calendar

CTT financial calendar for the 2nd half of 2020 foresees the following corporate events:

Event	Date
1 st Half 2020 Results	5 August 2020*
1 st Half 2020 Integrated Interim Report	31 August 2020*
9 Months 2020 Results	4 November 2020*

* After market close.

CONTACTS

HEADQUARTERS

Avenida D. João II, no. 13
1999-001 Lisboa
PORTUGAL
Telephone: +351 210 471 836
Fax: +351 210 471 994

Customers

Email: informacao@ctt.pt
CTT Line +351 210 471 616
Workdays from 08:30 am till 07:30 pm

Market Relations Representative

Guy Pacheco

Investor Relations Department

Peter Tsvetkov
Email: investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996

Media

Communication & Sustainability Department
Media Advisory
Cátia Cruz Simões
Email: gabinete.imprensa@ctt.pt
Telephone: +351 210 471 800

Website

www.ctt.pt

att