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ctt

Consolidated Results

January-September 2020

committed to deliver

TABLE OF CONTENTS

HIGHLIGHTS	4
1. OPERATIONAL AND FINANCIAL PERFORMANCE OF THE BUSINESS UNITS	5
2. OTHER HIGHLIGHTS	15
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	18

CTT – CORREIOS DE PORTUGAL, S.A. – PUBLIC COMPANY

JANUARY TO SEPTEMBER 2020 CONSOLIDATED RESULTS

- **Revenues**¹ grew (+0.3%) in 3Q20, penalized by Mail & other² (-8.0%) and Financial Services & Retail² (-11.0%), maintaining the strong dynamics of the growth levers Express & Parcels and Banco CTT that posted double-digit growth in 3Q20 (24.5% and 10.4%, respectively). In the 9M20, revenues stood at €534.3m (-€5.3m or -1.0%) due to the impact of COVID-19 in 2Q20.
- **EBITDA**³ of 3Q20 reached €24.3m (-9.6%). Excluding the effect of the elections in 3Q19, the drop is only €0.7m (-2.7%). In the 9M20, it reached €57.7m, €15.6m (-21.3%) below the result of the 9M19, due to the strong impact of Mail & other (-€31.4m or -53.2%). The EBITDA of the remaining business units grew significantly in the 9M20 (+€15.8m or +111.3%).
- **Express & Parcels Portugal** posted record revenues of €29.4m in 3Q20.
- **Banco CTT**, with a strong performance in 3Q20, achieves net profit, thus allowing to reach positive EBIT in the 9M20.
- **EBIT** of €17.3m in the 9M20, -€17.0m (-49.6%) vis-à-vis the 9M19, substantially penalized by the decline of EBITDA (-€15.6m), strongly impacted in the 2Q20 by the growth of impairments and provisions (+€9.2m) and depreciation and amortization (+€6.6m) not fully compensated by the reduction in specific items (-€13.9m).
- **Operating cash flow** amounted to €16.0m in the 9M20, -€7.6m compared to the same period of 2019.
- **Net profit**⁴ of €4.3m, -€18.5m (-81.1%) versus the 9M19, strongly impacted by the negative evolution of EBIT (-€17.0m) and of the income tax for the period (+€1.0m).

Consolidated results

	€ million		
	9M19	9M20	Δ 20/19
Revenues ¹	539.6	534.3	-1.0%
Mail & other	353.2	310.8	-12.0%
Mail ²	350.1	308.8	-11.8%
Central Structure	3.1	2.0	-36.5%
Express & Parcels	110.1	131.5	19.5%
Banco CTT	42.9	59.7	39.3%
Financial Services & Retail ²	33.4	32.3	-3.3%
Operating costs ³	466.3	476.6	2.2%
EBITDA ³	73.3	57.7	-21.3%
Leases (IFRS16)	20.4	21.0	2.6%
EBITDA including IFRS 16	93.7	78.6	-16.1%
Impairments & provisions	4.0	13.2	232.1%
Depreciation & amortization	39.5	46.1	16.7%
Specific items	16.0	2.1	-87.0%
EBIT	34.2	17.3	-49.6%
Financial results (+/-)	-7.9	-8.4	-5.9%
Income tax for the period	3.4	4.5	29.9%
Non-controlling interests	0.03	0.09	194.8%
Net profit for the period ⁴	22.9	4.3	-81.1%

¹ Excluding specific items.

² 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).

³ Excluding depreciation/amortization, impairments and provisions, as well as the impact of IFRS 16 and specific items.

⁴ Attributable to equity holders.

1. Operational and Financial Performance of the Business Units

Mail

Mail revenues reached €308.8m in the 9M20, -€41.4m (-11.8%) vis-à-vis the same period of 2019, mainly due to the decline in the revenues of **transactional** (-€39.7m; -13.1%) and **advertising mail** (-€3.6m; -21.6%), mitigated by the revenue growth in **business solutions** (+€4.6m; +58.6%).

In 3Q20, the gradual opening up from lockdown, in Portugal as well as in most international markets, has already allowed a recovery in the revenues of the **Mail** business unit, which stood at €105.9m, -€9.1m (-7.9%) compared with a decline of 13.7% in 1H20. It should be noted that, excluding the effect of volumes related to the elections of September 2019, the revenue decrease in the quarter would be only -3.5%.

Mail volumes						
	Million items					
	3Q19	3Q20	Δ	9M19	9M20	Δ
Transactional mail	127.0	108.5	-14.5%	405.9	336.7	-17.0%
Advertising mail	11.2	8.9	-21.2%	35.6	28.5	-20.0%
Editorial mail	8.2	7.0	-14.5%	25.5	22.1	-13.2%
Addressed mail	146.4	124.3	-15.1%	467.0	387.3	-17.1%
Unaddressed mail	138.9	122.2	-12.0%	376.5	305.3	-18.9%

Transactional mail volumes decreased (-17.0%) in the 9M20, due to reductions in all products, except for **green mail** (+58.6%), which continued to grow mostly as a result of product substitution (after discontinuation of the registered mail and priority mail prepaid products business lines), being a simpler and eco-friendly shipping form. The decline of **ordinary domestic mail** reached 16.2%, mainly in contractual clients of the banking and insurance, telecommunications, utilities, and Government segments. **Priority mail** volumes declined by 38.8% and **registered mail** ones by 18.1%.

International mail volumes recovered in 3Q20, particularly in **international inbound mail** (+6.5%) and the decrease stood at -14.8% in the 9M20 (-25.1% in 1H20). **International outbound mail** posted a decrease of 30.7% in the 9M20. Excluding the effect of the volumes associated with the elections in September 2019, that decrease would be 24.1%.

The **advertising mail** business has been significantly affected, as the pandemic crisis led to reduced utilization of this type of mail, in some cases, with full suspension of shipments and campaigns. The 3Q20 exhibited some pick-up vis-à-vis the drop recorded in 1H20 (-12.7% vs. -22.6%). Some improvement of the activity motivated by the Christmas season and consequent launching of campaigns by major advertisers is expected.

In the 9M20, the **business solutions** segment recorded revenues of €12.4m (+58.6%). This increase is the result of the intense commercial drive introduced in this business line, which has been achieved mainly through several new partnerships, serving corporate and public administration clients' different needs.

In the 9M20, **philately** revenues amounted to €3.8m, a decrease of 19.4% compared to 2019 (-€0.9m) due to the effects of the pandemic in the performance of the outlets' sales during the 2nd and the 3rd quarters.

The average price change of the Universal Service⁵ in the 9M20 was 1.5% vs. the same period of the previous year.

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

Express & Parcels

The **Express & Parcels revenues** totaled €131.5m in the 9M20, growing €21.4m (+19.5%) compared to the same period of 2019. In 3Q20, they reached €46.4m, +€9.1m (+24.5%) versus the same quarter of 2019, which illustrates the continued strong growth already seen in 2Q20.

Revenues in Portugal stood at €81.2m in the 9M20, 15.1% above those of the same period of 2019. Revenues of €29.4m obtained in 3Q20 (+19.5%) stood at record levels.

The business performance achieved in Portugal in the 9M20 resulted mostly from the growth of the **CEP** (Courier, Express and Parcels) business, which recorded revenues of €65.2m (+23.2%). The **banking** documents delivery business remained stable with revenues of €5.0m, while those of the **cargo** business amounted to €8.6m (-9.4%) and those of the **logistics** business to €1.7m (-25.7%). There was a recovery in cargo in 3Q20 (+7.6%) compared to the two previous quarters of declining revenues, particularly 2Q20, when the effect of the pandemic and the restrictions on economic activity were more severe.

1H20 was marked by the impacts of the COVID-19 pandemic and the restrictions imposed on most sectors of the economy, which substantially impacted shipments' profile, with a reduction in B2B volumes. In contrast, strong growth in e-commerce activity was observed and therefore also in the B2C segment. In 3Q20, the strong pace of e-commerce activity was maintained, and there was a recovery in the B2B segment.

In the 9M20, **CEP** volumes in Portugal totaled 17.8 million items, 34.5% more than in the same period of 2019. Contributing to this record-level activity was the strong boost of e-commerce, with very relevant growth in the sectors of food, sports and leisure, education and culture, and consumer electronics. In 3Q20, CEP volumes reached 6.6 million items, 33.6% above those of 3Q19, with the strong contribution of the "back-to-school".

The Dott marketplace⁶, launched in May 2019 in partnership with Sonae, had, at the end of September 2020, 1,240 registered vendors on the platform (an increase of 180 in 3Q20) and more than 2.5 million products available for purchase. At the end of September 2020, circa 170k users were registered (+13% vs. June 2020), evidencing the healthy growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at €48.2m in the 9M20, 27.4% above those of the same period of 2019. In 3Q20, they reached €16.3m, corresponding to more €4.4m (+ 36.7%) versus 3Q19.

Volumes totaled 16.7 million items, growing 44.0% vis-à-vis the same period of 2019. This evolution is a consequence of the COVID-19 pandemic during 2Q20, which led to strong volumes growth resulting from changes in consumption patterns that drove e-commerce purchases and captured the confidence of new B2C customers, as well as to commercial initiatives that resulted in agreements with major global e-tailers that started urgent delivery operations throughout the Iberian Peninsula.

The Company proceeds with its restructuring plan to position itself as a reference operator in the urgent delivery of parcels within the Iberian market, having invested in sorting machines for its main centers – in Madrid and Barcelona – and acquired mobile devices and new artificial intelligence software to optimize the day-to-day life of parcel carriers, their cargo loads and routes, and already has numerous vehicles operating with this equipment to improve the quality of service.

Revenues in Mozambique stood at €2.1m in the 9M20, 22.8% above those of the same period of the previous year. The CEP and the banking documents delivery businesses positively contributed to this growth, the latter underpinned by the 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.

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

Banco CTT

Banco CTT revenues reached €59.7m in the 9M20, a year-on-year growth of €16.9m (+39.3%), of which €12.3m originated in 321 Crédito, acquired in May 2019. Excluding this inorganic effect, the revenues would amount to €35.0m, up €4.6m (+14.9%) vis-à-vis the 9M19.

The revenue growth was driven by the positive performance of a €32.8m **net interest income** in the 9M20, €13.9m (+73.7%) above the level of the 9M19. Excluding 321 Crédito, the net interest income would be €12.8m in the 9M20, up €3.7m (+40.5%) versus the 9M19.

Banco CTT **commissions** received grew €3.4m (+56.5%), mainly due to customer transactionality (+16.8%), as well as accounts and debit cards (+517.2%), boosted, as from the beginning of April, by the introduction of debit card commissions.

The **consumer credit** commissions received in the 9M20 decreased by 17.3% (-€0.3m) vis-à-vis the 9M19, due to the reduction in production volumes in 2Q20 and 3Q20 and the increased risk arising from the current economic context.

PPR placements fell by 86.5% to €30.3m compared to the 9M19, although there was a recovery in PPR production in 3Q20 compared to 2Q20. In terms of commissions received, the product continues to grow, in this case, by €1.1m (+179.0%) versus the 9M19. The PPR product volume reached €386.9m (off-balance sheet), up 54.9% versus the 9M19. It should also be noted that the PPR production compared to the previous year is influenced by the change in the risk profile of the product, which no longer guarantees the preservation of the customer's capital, leading to a contraction in demand, as well as by the effects of the lockdown period.

The **payments** business line recorded a decrease of €2.6m (-16.8%) in commissions received in the 9M20 compared to the previous year's same period, with total revenues of €12.7m. The peak of the decline occurred in April, especially in the payment of tolls and invoices, but the 3Q20 already showed signs of recovery, with an improvement of 15.8 p.p. vis-à-vis 2Q20 (+€1.3m). Mention should also be made to the launch in September of a new payment solution: the Prepaid School Card for Municipalities.

The volume of **auto loan** production, with a credit portfolio net of impairments of €536.2m (+14.2% compared to December 2019), was strongly affected by the closure of auto dealerships as a result of the confinement measures. As a consequence, as of mid-March, the capture of new proposals generation entered a downward trend.

The net **mortgage loan** portfolio stood at €494.3m (22.0% above that of December 2019). The mortgage loan production decreased by 13.0% (-€17.5m) versus the 9M19, following year-on-year growth of 3.5% (+€2.9m) in 1H20.

Banco CTT business performance continued to allow for growth in customer **deposits** to €1,571m (+35.4% versus the 9M19 and +22.4% compared to the end of 2019) and in the number of accounts to 505k (66k more than in the 9M19 and 43k more than at the end of 2019). The loans-to-deposits ratio currently stands at 66.2%.

In the 9M20, total impairments and provisions of €8.5m were registered, of which €5.8m in 2Q20 reflects the credit portfolio's evolution. As a consequence of the worsening economic situation, 321 Crédito's impairments and provisions reached €7.9m in the 9M20, of which €5.5m in 2Q20 and €0.9m in 3Q20. These impairments mostly reflect forward-looking credit risk.

At the end of the 9M20, moratorium requests reached a total exposure of €41.2m, representing 3.9% of the total gross credit portfolio. The private auto credit moratoria in the amount of €27.6m ended on 30 September and represented 40.1% of the total moratorium requests. Public moratoria were extended until September 2021.

Financial Services & Retail

Financial Services & Retail revenues amounted to €32.3m in the 9M20 (€24.2m relative to Financial Services and €8.0m to Retail), with a decrease of €1.1m (-3.3%) compared to the same period of 2019.

The economic environment from 2Q20 onwards reversed the favorable trend of the business evolution registered in the first two months of 2020, when compared to the same period of the previous year, when +68.3% of revenues from Public Debt Securities subscriptions and +4.7% in the Retail business, in general, stood out.

In fact, the 2Q20 of this business unit was strongly influenced by 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, as well as by the limited access to the CTT retail network and the changes in post office opening hours.

Financial products obtained revenues of €24.2m in the 9M20, a decrease of €0.1m (-0.4%), due especially to:

- The **public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) that posted revenues of €17.9m, -€0.4m (-2.0%) vis-à-vis the 9M19 and €2,872.1m in subscriptions (+1.3%). In 3Q20, the average daily subscription amount was €14.2m per working day, while in April, the minimum was €6.1m per working day.
- **Money orders** revenues stood at €4.5m, +€0.4m versus the 9M19 (+8.8%), as the money order issuance service was used to pay unemployment and other welfare benefits, from year-end 2019 onwards.
- **CTT payment services** reached revenues of €1.1m in the 9M20, +€0.2m (+24.5%), as the **payment of taxes**, namely IMI – Municipal Property Tax – in 2Q20, absorbed the structural effect of e-substitution in this type of service.

With revenues of €8.0m in the 9M20, **retail products and services** recorded a decrease of €0.8m (-9.3%), reversing the growth trend of the first two months of 2020. In third-party retail products and services, essentially in the sale of lottery, books, and in the payment of the air transport subsidy (Azores and Madeira), the reduction was most felt. Conversely, merchandising posted a positive year-on-year growth of €1.1m (+390.4%) due to the successful introduction of the sale of products such as protective masks and sanitizer gel.

In retail, there was a gradual recovery of 18.1 p.p. in 3Q20 versus 2Q20, as CTT has been strengthening its position with the sale of new book issues, the establishment of new partnerships in telecommunications and merchandising, as well the increase in monthly sales of lotteries. In September, the sale of instant lottery (scratch-off lottery tickets) was introduced in the retail network, and it is estimated that it will reach 200 post offices by the end of the year.

Operating Costs

Operating costs⁷ amounted to €476.6m in the 9M20, a year-on-year increase of €10.3m (+2.2%), with a partly inorganic impact of €9.2m from 321 Crédito. Excluding 321 Crédito, operating costs totaled €467.4m (+1.3%).

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

Operating costs

	€ million			
	9M19	9M20	Δ	Δ%
Operating costs	466.3	476.6	10.3	2.2%
Staff costs	252.2	250.6	-1.5	-0.6%
ES&S	193.5	201.1	7.6	3.9%
Other operating costs	20.6	24.8	4.2	20.5%

Staff costs decreased €1.5m (-0.6%) in the 9M20 versus the same period of the previous year. Excluding the effect of 321 Crédito, those costs decreased €1.3m (-1.3%), mostly because health costs with active members of staff have decreased by €2.2m (-25.3%) as a consequence of the COVID-19 pandemic. This effect was partly offset by the reversal in liabilities with retirees carried out in 1Q19 related to reducing average mobile phone tariffs, which had a positive impact of €0.9m. Staff costs by business unit exhibit growth in the expanding business units of Express & Parcels (+€1.5m) and Banco CTT (+€0.7m). This growth is more than offset by the €5.9m decrease in the Mail & other business unit due to the optimization that has been carried out.

External supplies & services costs increased €7.6m (+3.9%), of which €1.4m resulted from the integration of 321 Crédito. Excluding the inorganic effect, the growth was €6.2m (+3.2%), which includes mainly the increase in direct costs (+€5.0m) and in costs related to temporary work (+€3.5m), particularly in the Express & Parcels business unit, which has been growing. This increase was partly offset by the reduction in physical resources, commercial and after-sales costs (-€2.4m).

Other operating costs grew €4.2m (+20.5%) compared to the same period of the previous year. Excluding the inorganic effect of 321 Crédito (+€1.2m), the increase would have been of €3.0m (+15.2%), mostly due to the launch of new partnerships (+€4.7m), which were partly offset by the reduction in other sales costs (-€0.5m) and the lower amount of indemnities paid to customers (-€1.0m).

Staff

As of 30 September 2020, the **CTT headcount** (permanent and fixed-term staff) consisted of 12,472 employees, 207 less (-1.6%) than 30 September 2019. As of 2020, the methodology for counting permanent staff changed; hence permanent staff under a suspension agreement, corresponding in the period under analysis to 49 employees, is no longer considered. Excluding this effect, the decrease in permanent staff would have been 158.

Headcount⁸

	30.09.2019	30.09.2020	Δ 2020/2019	
Mail & other	11,066	10,792	-274	-2.5%
Express & Parcels	1,170	1,219	49	4.2%
Banco CTT	405	428	23	5.7%
Financial Services & Retail	38	33	-5	-13.2%
Total, of which:	12,679	12,472	-207	-1.6%
Permanent	10,833	10,779	-54	-0.5%
Fixed-term contracts	1,846	1,693	-153	-8.3%
Portugal	12,207	11,922	-285	-2.3%
Other geographies	472	550	78	16.5%

⁸In 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.

There was a decrease in the number of staff (permanent staff and fixed-term employees) in the Mail & other (-274) and the Financial Services & Retail (-5) business units, which more than offset the staff increase in the Express & Parcels (+49) and Banco CTT (+23) business units.

Together, the areas of operations and distribution within the basic network (5,931 employees, of whom 4,342 delivery postmen and women) and the retail network (2,464 employees) represented circa 78% of CTT's permanent staff.

EBITDA

In the 9M20, the Company generated an **EBITDA**⁹ of €57.7m, €15.6m (-21.3%) less than in the 9M19, with a margin of 10.8% (versus 13.6% in the 9M19). This performance was strongly influenced by the impacts that occurred from March 2020, namely the COVID-19 pandemic restrictions, given that EBITDA was growing by €5.9m (+49.7%) in the first two months of 2020. Excluding the effect of the elections in 3Q19, EBITDA decreases only €0.7m (-2.7%), a recovery that is underpinned mainly by the Express & Parcels (+199.1%) and Banco CTT (+47.1%) business units.

Specific Items

In the 9M20, the Company recorded **specific items** in the amount of €2.1m, broken down as shown in the table below, proceeding with the policy of decreasing this type of costs followed in recent periods.

Specific items				
	9M19	9M20	Δ	Δ%
				€ million
Specific items	16.0	2.1	-13.9	-87.0%
Corporate restructuring costs and strategic projects	14.7	1.5	-13.2	-89.6%
Other non-recurring revenues and costs	1.3	0.5	-0.8	-58.8%

In the 9M20, specific items for an amount of €2.1m relate to (i) corporate restructuring for €0.8m (-€9.2m than in the same period of the previous year); (ii) strategic projects for €0.8m (-€3.9m), mainly studies to support the renegotiation of the new concession agreement; and (iii) other revenues and costs for €0.5m (-€0.8m), especially capital gains of €0.6m from the sale of real estate and costs associated with the COVID-19 pandemic, mainly personal protection equipment, nebulization, temperature measurement, and extra cleaning services, for an amount of €0.9m.

The decline of €13.2m 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 (-€8.3m) within the Human Resources Optimization Program, and consulting services (-€1.6m), both under the ongoing Operational Transformation Plan; (ii) fees related to the acquisition of 321 Crédito (-€1.3m); and (iii) the implementation of the changes to the Quality of Service Indicators measurement system required by ANACOM (-€1.0m).

EBIT and Net Profit

EBIT stood at €17.3m in the 9M20, -€17.0m (-49.6%) compared to the 9M19, with a margin of 3.2% (6.3% in the 9M19). It was strongly penalized by the decrease in EBITDA (-€15.6m) and the growth in impairments and provisions to cover potential losses from the projected economic downturn(+€9.2m), mainly within Banco CTT

⁹ Excluding depreciation/amortization, impairments and provisions, the impact of IFRS 16 and specific items.

business unit, particularly in auto loans, and also depreciation/amortization (+€6.6m) that result from strategic investments not offset by the decrease in specific items (-€13.9m).

Except for Mail & other, all the remaining business units, despite the adverse environment, managed to grow significantly in EBIT.

EBIT by business unit

	9M19	9M20	Δ	Δ%
EBIT	34.2	17.3	-17.0	-49.6%
Mail & other	32.7	4.7	-28.1	-85.7%
Mail	72.7	47.0	-25.7	-35.3%
Central Structure	-40.0	-42.4	-2.4	-6.0%
Express & Parcels	-7.8	-4.1	3.7	47.4%
Banco CTT	-5.9	0.4	6.3	107.6%
Financial Services & Retail	15.1	16.2	1.1	7.3%

€ million

The consolidated **financial results** totaled -€8.4m, corresponding to a deterioration of €0.5m (-5.9%) compared to the previous year's same period.

Financial results

	9M19	9M20	Δ	Δ%
Financial results	-7.9	-8.4	-0.5	-5.9%
Financial income, net	-7.3	-7.3	0.0	0.1%
Financial costs and losses	-7.5	-7.3	0.2	2.5%
Financial income	0.2	0.01	-0.2	-94.5%
Gains / losses in subsidiaries, associated companies and joint ventures	-0.6	-1.1	-0.5	-77.0%

€ million

Financial costs and losses incurred amounted to €7.3m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €3.3m, interest associated with financing leases liabilities linked to the implementation of IFRS 16 for an amount of €2.5m, and interest on the financial debt for an amount of €1.2m.

In the 9M20, CTT obtained a consolidated **net profit** attributable to CTT Group equity holders of €4.3m, €18.5m below (-81.1%) obtained in the same period of the previous year, strongly impacted by the negative evolution of EBIT (-€17.0m).

Investment

Capex stood at €18.2m, corresponding to €0.2m (-1.2%) less than in the same period of 2019.

The financial effort made in an economic environment strongly impacted by the pandemic continued to focus on the expanding business unit of Express & Parcels (+€5.6m) 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 (-€2.6m) and sorting equipment in the Mail & other business unit (-€3.6m) following the strong investment in this area in 2019.

Cash flow

In the 9M20, the Company generated an operating **cash flow** of €16.0m, -€7.6m versus the same period of 2019.

	Cash flow		
	€ million		
	9M19	9M20	Δ
EBITDA	73.3	57.7	-15.6
Specific items* (-)	14.6	2.1	-12.5
CAPEX (-)	18.5	18.2	-0.2
Δ Working capital (+)	-16.5	-21.3	-4.8
Operating cash flow¹⁰	23.7	16.0	-7.6
Employee benefits	-10.6	-8.3	2.3
Tax	3.1	-7.9	-11.0
Free cash flow	16.2	-0.2	-16.3
Debt (principal + interest)	59.1	-0.9	-60.0
Dividends	-15.0	0.0	15.0
Financial investments	-114.4	0.4	114.8
Net change in organic own cash	-54.2	-0.7	53.4
Changes to consolidation perimeter - 321 Crédito	6.8	0.0	-6.8
Change in own cash	-47.3	-0.7	46.6
Δ Liabilities related to Financial Services & other + Banco CTT, net ¹¹	22.8	-48.9	-71.8
Δ Other ¹²	6.3	-7.8	-14.1
Net change in cash (Balance Sheet)	-18.2	-57.4	-39.2

*Specific items affecting EBITDA.

The negative change in working capital compared to the same period of 2019 (-€4.8m) 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) leading to a negative evolution in working capital related to Capex in the amount of €6.8m in the 9M20 vs. the same period of 2019.

This change was partially offset by a positive evolution of working capital related to the current business, with a strong contribution from more effective management of accounts payable (+€1.2m) and various debtors/creditors (+€8.9m).

¹⁰ The 1Q19 operating cash flow was restated to be comparable with that of 1Q20. In 2Q19 the methodology for calculating the operating cash flow changed, in particular with respect to the change in working capital, which no longer includes a non-cyclical value related to the mobility allowance.

¹¹ The change in net liabilities of Financial Services 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.

¹² 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	30.09.2020	Δ	Δ%
				€ million
Non-current assets	1,734.7	1,923.9	189.2	10.9%
Current assets	778.8	795.6	16.8	2.2%
Assets	2,513.4	2,719.5	206.1	8.2%
Equity	131.4	136.2	4.8	3.6%
Liabilities	2,382.0	2,583.3	201.3	8.4%
Non-current liabilities	512.8	488.6	-24.2	-4.7%
Current liabilities	1,869.2	2,094.7	225.5	12.1%
Equity and Liabilities	2,513.4	2,719.5	206.1	8.2%

The key aspects of the comparison between the **balance sheet** as of 30.09.2020 and that as of 31.12.2019 are as follows:

- **Assets** increased €206.1m, mostly due to the increase in Credit to banking clients (+€153.8m), especially mortgage loans and Debt securities (+€79.1m). At the same time, Cash & cash equivalents decreased (-€57.4m), largely due to the drop in third-party cash amounts.
- **Equity** increased €4.8m following the generation of net income attributable to equity holders of CTT Group in the 9M20 amount of €4.3m.
- **Liabilities** increased €201.3m, with emphasis on the increase in Banking clients' deposits and other loans (+€249.3m) and the increase in Debt (+€12.0m) following the increment in lease contracts, partially offset by the decrease in Accounts payable (-€38.7m) as a direct consequence of the substantial reduction of Treasury Certificates subscriptions, and the decrease of Other banking financial liabilities (-€21.3m).

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

Consolidated balance sheet excluding Banco CTT

	31.12.2019	30.09.2020	Δ	Δ%
				€ million
Non-current assets	615.8	614.5	-1.3	-0.2%
Current assets	456.9	443.2	-13.7	-3.0%
Assets	1,072.8	1,057.7	-15.0	-1.4%
Equity	131.4	136.3	4.9	3.7%
Liabilities	941.3	921.4	-19.9	-2.1%
Non-current liabilities	432.0	432.3	0.3	0.1%
Current liabilities	509.3	489.1	-20.2	-4.0%
Equity and Liabilities	1,072.8	1,057.7	-15.0	-1.4%

As of 30 September 2020, the **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €285.2m, -€1.5m compared to December 2019, as specified in the table below:

Liabilities related to employee benefits

	31.12.2019	30.09.2020	Δ	Δ%
Total liabilities	286.7	285.2	-1.5	-0.5%
Healthcare	274.4	274.4	-0.1	0.0%
Healthcare (321 Crédito)	1.3	1.4	0.1	6.8%
Suspension agreements	3.1	1.9	-1.2	-39.8%
Other long-term employee benefits	7.1	6.9	-0.3	-3.6%
Other post-employment benefits	0.2	0.2	0.0	5.7%
Pension plan	0.4	0.4	0.0	-4.4%
Other benefits	0.1	0.2	0.0	26.9%

Consolidated net debt

Consolidated net debt

	31.12.2019	30.09.2020	Δ
Net debt	60.0	72.8	12.8
Short-term & long-term debt	175.4	187.4	12.0
of which financial leases (IFRS 16)	84.0	95.7	11.7
Own cash (I+II)	115.4	114.6	-0.7
Cash & cash equivalents	443.0	385.6	-57.4
Cash & cash equivalents at the end of the period (I)	414.9	365.2	-49.7
Other cash items	28.1	20.4	-7.8
Financial Services payables, net (II)	-299.5	-250.6	48.9

The key aspects of the comparison between the **consolidated net debt** as of 30.09.2020 and that as of 31.12.2019 are as follows:

- **Own cash** decreased €0.7m due mostly to the reduction in operating cash flow (-€7.6m), as the positive evolution of operating cash flow (+€16.0m) did not offset the payment of employee benefits (-€8.3m) and taxes (-€7.9m).
- **Short-term & long-term debt** increased €12.0m mainly due to the increase in the liabilities related to financial leases in the scope of IFRS 16 (+€11.7m), resulting from the network's expansion of logistics centers and operational fleet 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	30.09.2020	Δ
Net debt with Banco CTT under equity method	144.1	153.7	9.7
Short-term & long-term debt	173.2	185.3	12.0
of which financial leases (IFRS 16)	81.8	93.5	11.7
Own cash (I+II)	29.1	31.5	2.4
Cash & cash equivalents	268.2	238.0	-30.1
Cash & cash equivalents at the end of the period (I)	268.2	238.0	-30.2
Other cash items	-0.02	-0.02	0.00
Financial Services payables, net (II)	-239.1	-206.5	32.6

2. Other Highlights

REGULATORY ISSUES

Under the Universal Postal Service Concession Contract, on 13 March 2020, **CTT invoked force majeure before the Grantor**, following the World Health Organization's public health emergency of international scope. Since then, the CTT continued to comply with the competent authorities' public health standards and to adopt the necessary and appropriate measures to protect workers and customers while continuing to ensure the functioning and continuity of postal services. CTT also continues to periodically submit an update on the situation to the Government, as a counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the Universal Postal Service provision.

On 14 September 2020, ANACOM announced that it considered the results of the **cost accounting system of CTT** for the financial years of 2016 and 2017 were produced following ANACOM's decision on the reformulation of those results and imposing new criteria for the separation of costs between the postal activity and the banking activity of the Company. According to the reports of the audit firm appointed by ANACOM, the impact of the reformulation of the CTT cost accounting system results on the provision of the Universal Postal Service in those two years, on a like-for-like basis, was circa €1.3m in 2016 and circa €5m in 2017 of postal-related cost reduction and equivalent banking-allocated cost increase.

On 30 September 2020, CTT was notified of the decision to maintain the postal network **density targets and minimum offers of service** that would be in effect until that date – established by ANACOM's decision of 15 September 2017, supplemented by the same entity's decision of 21 August 2019 – until the approval of the new targets, under the terms of the concession contract.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the nine months of 2020, which are attached.

Lisbon, 4 November 2020

The Board of Directors

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

https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1.

CTT – Correios de Portugal, S.A.

Guy Pacheco
Market Relations Representative of CTT

Peter Tsvetkov
Director of Investor Relations of CTT

Contacts:

Email: investors@ctt.pt

Fax: + 351 210 471 996

Telephone: + 351 210 471 087

Disclaimer

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

Forward-looking statements

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

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

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

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

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

9 months report 2020

Interim condensed consolidated
financial statements

Interim condensed consolidated financial statements

CTT-CORREIOS DE PORTUGAL, S.A.

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

Euros

	NOTES	31.12.2019	Unaudited 30.09.2020
ASSETS			
Non-current assets			
Tangible fixed assets	4	263,443,040	272,254,936
Investment properties	6	7,653,000	7,049,838
Intangible assets	5	62,012,644	55,522,635
Goodwill		70,201,828	70,201,828
Investments in associated companies		293,434	481
Investments in joint ventures		2,723,803	2,950,638
Other investments		1,379,137	6,394
Debt securities	8	424,851,179	476,828,719
Other non-current assets		1,543,308	1,148,911
Credit to banking clients	10	792,469,611	935,925,713
Other banking financial assets	9	18,764,049	13,184,444
Deferred tax assets	25	89,329,806	88,838,685
Total non-current assets		1,734,664,839	1,923,913,222
Current assets			
Inventories		5,860,069	6,695,118
Accounts receivable		146,471,712	152,616,479
Credit to banking clients	10	93,350,959	103,686,487
Deferrals	11	7,305,261	8,491,806
Debt securities	8	31,560,152	58,724,483
Other current assets		35,766,227	41,004,540
Other banking financial assets	9	14,660,286	36,686,005
Cash and cash equivalents	12	442,995,724	385,566,428
		777,970,390	793,471,346
Non-current assets held for sale		805,675	2,117,535
Total current assets		778,776,065	795,588,881
Total assets		2,513,440,904	2,719,502,103
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(8)
Reserves	15	65,852,595	66,288,652
Retained earnings	15	10,867,301	40,011,490
Other changes in equity	15	(49,744,144)	(49,744,144)
Net profit		29,196,933	4,329,478
Equity attributable to equity holders		131,172,677	135,885,468
Non-controlling interests		242,255	321,696
Total equity		131,414,932	136,207,164
Liabilities			
Non-current liabilities			
Medium and long term debt	18	148,597,934	151,069,290
Employee benefits		267,286,679	266,193,677
Provisions	19	17,635,379	17,652,798
Deferrals	11	294,490	286,089
Other banking financial liabilities	9	76,060,295	50,572,083
Deferred tax liabilities	25	2,958,115	2,821,892
Total non-current liabilities		512,832,892	488,595,829
Current liabilities			
Accounts payable	20	373,790,665	335,100,314
Banking clients' deposits and other loans	21	1,321,418,042	1,570,754,041
Employee benefits		19,416,212	19,042,444
Income taxes payable	22	5,958,753	724,508
Short term debt	18	26,813,567	36,372,505
Deferrals	11	3,454,477	2,789,624
Other current liabilities		100,353,646	107,732,509
Other banking financial liabilities	9	17,987,719	22,183,165
Total current liabilities		1,869,193,080	2,094,699,110
Total liabilities		2,382,025,972	2,583,294,939
Total equity and liabilities		2,513,440,904	2,719,502,103

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2020
 Euros

		Nine months ended		Three months ended	
		Unaudited 30.09.2019	Unaudited 30.09.2020	Unaudited 30.09.2019	Unaudited 30.09.2020
Sales and services rendered	3	506,389,732	483,902,444	169,211,986	167,445,456
Financial margin		18,894,786	32,822,039	9,807,036	11,439,044
Other operating income		14,266,027	17,537,452	5,536,090	6,209,903
		539,550,545	534,261,935	184,555,112	185,094,403
Cost of sales		(9,456,408)	(13,320,299)	(3,110,872)	(4,609,543)
External supplies and services		(177,833,811)	(181,805,882)	(61,552,387)	(64,452,800)
Staff costs	23	(262,136,055)	(251,441,508)	(85,455,104)	(81,170,172)
Impairment of accounts receivable, net		(4,197,162)	(4,711,477)	(2,207,824)	(950,183)
Impairment of other financial banking assets		(1,686,179)	(7,583,228)	(1,171,609)	(1,179,663)
Provisions, net	19	511,271	(922,830)	314,381	(33,190)
Depreciation/ amortisation and impairment of investments, net		(39,462,952)	(46,054,866)	(13,022,185)	(16,020,694)
Other operating costs		(11,502,611)	(11,757,478)	(4,055,860)	(4,294,681)
Gains/losses on disposal of assets		454,222	606,778	234,702	20,284
		(505,309,685)	(516,990,790)	(170,026,759)	(172,690,642)
		34,240,860	17,271,145	14,528,353	12,403,761
Interest expenses	24	(7,500,181)	(7,309,878)	(2,561,645)	(2,564,772)
Interest income	24	196,869	10,755	83,460	4,544
Gains/losses in subsidiary, associated companies and joint ventures		(611,752)	(1,082,665)	(427,127)	76,338
		(7,915,064)	(8,381,788)	(2,905,312)	(2,483,889)
Earnings before taxes		26,325,796	8,889,356	11,623,041	9,919,872
Income tax for the period	25	(3,444,396)	(4,473,740)	2,271,635	(3,576,025)
Net profit for the period		22,881,400	4,415,616	13,894,676	6,343,847
Net profit for the period attributable to:					
Equity holders		22,852,183	4,329,478	13,863,738	6,313,811
Non-controlling interests		29,218	86,138	30,938	30,036
Earnings per share:	17	0.15	0.03	0.09	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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2020
 Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited 30.09.2019	Unaudited 30.09.2020	Unaudited 30.09.2019	Unaudited 30.09.2020
Net profit for the period		22,881,400	4,415,616	13,894,676	6,343,846
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(1,431)	(6,697)	(1,563)	(2,533)
Changes to fair value reserves	15	19,247	436,057	(1,607)	80,166
Other changes in equity		(151,823)	(52,744)	(1,563)	(2,533)
Other comprehensive income for the period after taxes		(134,007)	376,615	(4,733)	75,099
Comprehensive income for the period		22,747,394	4,792,232	13,889,944	6,418,946
Attributable to non-controlling interests		27,787	79,441	29,375	27,503
Attributable to shareholders of CTT		22,719,607	4,712,791	13,860,569	6,391,443

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		-	-	-	-	6,499,271	(21,499,271)	-	(15,000,000)
Actual gains/losses – Health Care, net from deferred taxes	15	-	-	-	-	-	-	(11,005)	(11,005)
Changes to fair value reserves	15	-	-	15,720	(18,750,714)	-	-	-	(18,750,714)
Adjustments from the application of the equity method	15	-	-	-	-	(10,954)	-	-	15,720
Net profit for the period		-	-	-	-	-	-	-	(10,954)
Comprehensive income for the period		-	-	15,720	(18,750,714)	(10,954)	29,196,933	87,767	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	-	-	-	-	(46,047)	-	(6,697)	(52,744)
Changes to fair value reserves	15	-	-	436,057	-	-	-	-	436,057
Adjustments from the application of the equity method	15	-	-	-	-	(6,697)	-	-	(6,697)
Net profit for the period		-	-	-	-	-	-	-	86,138
Comprehensive income for the period		-	-	436,057	-	(52,744)	4,329,478	79,441	4,792,232
Balance on 30 September 2020 (Unaudited)		75,000,000	(8)	66,288,652	(49,744,144)	40,011,490	4,329,478	321,696	136,207,164

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

CTT – CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2020
 Euro

	NOTES	Unaudited 30.09.2019	Unaudited 30.09.2020
Cash flow from operating activities			
Collections from customers		490,448,687	468,505,577
Payments to suppliers		(218,051,852)	(228,102,554)
Payments to employees		(238,295,501)	(225,693,437)
Banking customer deposits and other loans		276,245,279	287,419,354
Credit to banking clients		(156,262,009)	(155,908,385)
Cash flow generated by operations		154,084,604	146,220,556
Payments/receivables of income taxes		3,117,956	(7,890,301)
Other receivables/payments		48,517,104	10,600,603
Cash flow from operating activities (1)		205,719,663	148,930,859
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		152,580	870,185
Investment properties		1,102,200	55,000
Financial investments		-	2,401,250
Debt securities	8	51,780,709	198,490,677
Demand deposits at Bank of Portugal		-	10,485,534
Other banking financial assets	9	112,770,310	16,470,000
Interest income		72,075	25,670
Payments resulting from:			
Tangible fixed assets		(13,678,813)	(20,417,359)
Intangible assets		(13,918,310)	(9,153,411)
Financial investments		(114,407,523)	(2,045,054)
Debt securities	8	(49,861,401)	(278,565,662)
Demand deposits at Bank of Portugal		(5,574,047)	-
Other banking financial assets	9	(33,549,849)	(32,050,000)
Cash flow from investing activities (2)		(65,112,068)	(113,433,169)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	69,781,965	14,060,695
Other credit institutions' deposits		170,299,399	250,000
Payments resulting from:			
Loans repaid	18	(40,526,328)	(14,118,023)
Other credit institutions' deposits		(121,606,942)	(38,131,082)
Other banking financial liabilities	9	(213,504,425)	(25,294,138)
Interest expenses		(862,085)	(901,270)
Lease liabilities	18	(20,520,419)	(21,029,095)
Dividends		(15,000,000)	-
Cash flow from financing activities (3)		(171,938,834)	(85,162,913)
Net change in cash and cash equivalents (1+2+3)		(31,331,238)	(49,665,223)
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	390,339,029	365,200,346
Cash and cash equivalents at the end of the period			
Sight deposits at Bank of Portugal		11,791,465	15,438,500
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,406,868	4,947,068
Impairment of slight and term deposits		(20,170)	(19,486)
Cash and cash equivalents (Balance sheet)		404,517,191	385,566,428

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	23
2. Significant accounting policies	23
2.1 Basis of presentation	24
3. Segment reporting	24
4. Tangible fixed assets	27
5. Intangible assets	30
6. Investment properties	32
7. Companies included in the consolidation	33
8. Debt securities	34
9. Other banking financial assets and liabilities	38
10. Credit to banking clients	41
11. Deferrals	45
12. Cash and cash equivalents	46
13. Accumulated impairment losses	47
14. Equity	48
15. Own shares, Reserves, Other changes in equity and Retained earnings	50
16. Dividends	52
17. Earnings per share	52
18. Debt	52
19. Provisions, Guarantees provided, Contingent liabilities and commitments	54
20. Accounts payable	57
21. Banking clients' deposits and other loans	57
22. Income taxes receivable / payable	58
23. Staff costs	58
24. Interest expenses and Interest income	60
25. Income tax for the period	60
26. Related parties	63
27. Other information	64
28. Subsequent events	66

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 4 November 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 statement of results by nature and segment of the first 9 months of 2019 and 2020 are as follows:

Thousand Euros	Restated 30.09.2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	353,247	110,071	33,360	42,872	539,551
Sales and services rendered	348,694	109,679	32,757	15,260	506,390
Sales	6,020	560	6,032	-	12,611
Services rendered	342,674	109,119	26,726	15,260	493,779
Financial Margin	-	-	-	18,895	18,895
Other operating income	4,553	392	603	8,718	14,266
Operating costs excluding depreciations, amortizations, impairment and provisions	294,224	111,737	17,780	42,554	466,294
Staff costs	218,988	17,951	1,106	14,124	252,169
External supplies and services	76,025	93,505	2,329	21,686	193,545
Other costs	8,554	2,087	5,480	4,460	20,580
Internal services rendered	(9,343)	(1,806)	8,865	2,283	-
EBITDA	59,023	(1,666)	15,580	319	73,256
IFRS 16 (impact on EBITDA)	15,212	4,210	16	993	20,431
EBITDA including IFRS 16	74,235	2,544	15,597	1,312	93,688
Impairment and provisions	(48)	(2,106)	-	(1,825)	(3,980)
Depreciation / amortisation and impairment of investments, net	(29,052)	(6,120)	(227)	(4,064)	(39,463)
Specific Items	(12,397)	(2,075)	(245)	(1,288)	(16,004)
EBIT	32,739	(7,757)	15,125	(5,866)	34,241
Financial results					(7,915)
Interest expenses					(7,500)
Interest income					197
Gains/losses in subsidiary, associated companies and joint ventures					(612)
Earnings before taxes (EBT)					26,326
Income tax for the period					(3,444)
Net profit for the period					22,881
Non-controlling interests					(29)
Equity holders of parent company					22,852

Thousand Euros	30.09.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	310,752	131,516	32,263	59,731	534,262
Sales and services rendered	308,210	131,111	31,900	12,681	483,902
Sales	10,537	508	5,765	-	16,810
Services rendered	297,673	130,603	26,135	12,681	467,093
Financial Margin	0	-	-	32,822	32,822
Other operating income	2,542	405	363	14,227	17,537
Operating costs excluding depreciations, amortizations, impairment and provisions	283,157	130,478	15,865	47,099	476,598
Staff costs	213,005	19,479	1,439	16,725	250,647
External supplies and services	64,689	111,404	2,155	22,894	201,142
Other costs	12,733	1,381	4,946	5,750	24,809
Internal services rendered	(7,269)	(1,785)	7,325	1,729	-
EBITDA	27,595	1,038	16,398	12,632	57,663
IFRS 16 (impact on EBITDA)	14,850	4,895	84	1,126	20,956
EBITDA including IFRS 16	42,445	5,933	16,482	13,758	78,619
Impairment and provisions	(2,382)	(2,286)	-	(8,550)	(13,218)
Depreciation / amortisation and impairment of investments, net	(33,728)	(7,321)	(246)	(4,760)	(46,055)
Specific Items	(1,667)	(403)	(1)	(5)	(2,076)
EBIT	4,668	(4,077)	16,236	444	17,271
Financial results					(8,382)
Interest expenses					(7,310)
Interest income					11
Gains/losses in subsidiary, associated companies and joint ventures					(1,083)
Earnings before taxes (EBT)					8,889
Income tax for the period					(4,474)
Net profit for the period					4,416
Non-controlling interests					(86)
Equity holders of parent company					4,329

The amount recorded as specific items is €2.1m and relates to: (i) business restructurings of €0.8m, (ii) strategic projects recorded €0.8m, mainly in studies in support of the renegotiation of the new concession contract and (iii) other income and expenses recorded €0.5m, of which the gains with the sale of real estate (-€0.6m) and expenses related to the COVID-19 pandemic are highlighted, namely in individual protective equipment, nebulizations, temperature measurement and cleaning reinforcement (+€0.9m).

The revenues are detailed as follows:

Thousand Euros	Restated	
	30.09.2019	30.09.2020
Mail & Other	353,247	310,752
Transactional mail	302,999	263,322
Editorial mail	10,697	9,439
Parcels (USO)	4,481	4,737
Advertising mail	16,632	13,040
Philately	4,739	3,821
Business Solutions	7,836	12,429
Other	5,863	3,965
Express & Parcels	110,071	131,516
Portugal	70,547	81,224
Parcels	52,946	65,234
Cargo	9,458	8,566
Banking network	5,006	5,007
Logistics	2,329	1,731
Other	808	686
Spain	37,836	48,218
Mozambique	1,689	2,073
Financial Services & Retail	33,360	32,263
Savings & Insurance	19,283	18,535
Money orders	4,145	4,511
Payments	899	1,118
Retail	8,805	7,982
Other	228	116
Bank	42,872	59,731
Net interest income	9,090	12,768
Interest income	9,710	13,525
Interest expense	(620)	(756)
Fees & commissions income	6,046	9,459
Own products	3,790	5,846
Consumer credit & insurance	2,255	3,613
Payments & other	15,300	12,755
321 Crédito	12,437	24,749
	539,551	534,262

The assets by segment are detailed as follows:

Assets (Euros)	Restated					
	31.12.2019					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
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)	30.09.2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	20,684,577	5,272,101	192,094	26,891,529	2,482,335	55,522,636
Tangible fixed assets	219,983,712	44,319,053	67,379	3,154,921	4,729,871	272,254,936
Investment properties	-	-	-	-	7,049,838	7,049,838
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	88,838,685	88,838,685
Accounts receivable	-	-	-	-	152,616,479	152,616,479
Credit to bank clients	-	-	-	1,039,612,200	-	1,039,612,200
Debt securities	-	-	-	535,553,202	-	535,553,202
Other banking financial assets	-	-	-	49,870,449	-	49,870,449
Other assets	-	-	-	-	60,297,887	60,297,887
Cash and cash equivalents	-	9,784,809	-	147,552,605	228,229,014	385,566,428
Non-current assets held for sale	-	-	-	2,117,535	-	2,117,535
	246,829,615	62,331,716	259,473	1,865,837,190	544,244,108	2,719,502,103

Debt by segment is detailed as follows:

Other information (Euros)	Restated 31.12.2019				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
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)	30.09.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	124,512,237	24,858,529	46,412	1,652,111	151,069,290
Bank loans	74,897,593	-	-	-	74,897,593
Lease liabilities	49,614,644	24,858,529	46,412	1,652,111	76,171,697
Current debt	21,253,083	14,547,781	21,716	549,925	36,372,505
Bank loans	7,100,000	9,749,643	-	-	16,849,643
Lease liabilities	14,153,083	4,798,139	21,716	549,925	19,522,862
	145,765,320	39,406,311	68,128	2,202,036	187,441,795

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

Thousand Euros	30.09.2019	30.09.2020
Revenue – Portugal	427,786	394,854
Revenue – other countries	78,604	89,048
	506,390	483,902

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 nine-month period ended 30 September 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
Disposals	(11,962)	(302,339)	(1,085,186)	(828)	(10,822)	-	-	-	-	(2,411,137)
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	-	-	21,631,653	40,921,520
Disposals	(1,747)	(192,958)	(1,022,632)	(828)	(14,649)	-	-	-	-	(2,232,814)
Transfers and write-offs	-	-	-	-	-	-	-	-	-	(158,220)
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	1,040,994
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

30.09.2020										
	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	-	196,684	3,879,964	6,771	162,253	580,466	6,135,492	566,670	-	11,528,299
New contracts	-	-	-	-	-	-	-	-	24,104,812	24,104,812
Disposals	(8,099)	(149,792)	(116,720)	(11,218)	(5,908)	-	-	-	-	(251,738)
Transfers and write-offs	(120,713)	(1,624,538)	1,908,484	(4,359)	(2,856)	(5,351,960)	(2,567,677)	(396,516)	-	(8,160,135)
Terminated contracts	-	-	-	-	-	-	-	-	(10,161,689)	(10,161,689)
Remeasurements	-	-	-	-	-	-	-	-	6,009,702	6,009,702
Adjustments	-	(4,041)	(101,090)	(1,519)	(29,811)	(12,072)	-	-	-	(148,532)
Other movements	-	-	-	-	-	794,720	-	-	-	794,720
Closing balance	35,451,219	337,382,852	161,755,074	3,593,326	69,479,562	25,657,837	7,059,387	2,584,155	199,576,614	842,540,025
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	-	7,040,618	4,799,807	44,356	1,934,608	966,394	-	-	17,955,320	32,741,102
Disposals	(460)	(95,058)	(1,071,622)	(11,218)	(5,627)	-	-	-	-	(219,525)
Transfers and write-offs	(17,132)	(1,937,522)	(142,256)	(4,359)	28,356	(5,352,763)	-	-	-	(7,425,677)
Terminated contracts	-	-	-	-	-	-	-	-	(10,161,689)	(10,161,689)
Adjustments	-	(1,038)	(55,717)	(3,007)	(6,472)	(4,436)	-	-	-	(70,670)
Closing balance	3,719,814	224,986,639	131,199,747	3,382,114	64,359,029	19,887,668	-	-	116,725,906	570,260,917
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	24,172	-	-	-	24,172
Net Tangible fixed assets	31,731,404	112,396,213	24,555,327	211,211	5,120,534	5,745,997	7,059,387	2,584,155	82,850,708	272,254,936

The depreciation recorded in the **Group** amounting to 32,741,102 Euros (30,173,419 Euros on 30 September 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 September 2020, Land and natural resources and Buildings and other constructions include 530,657 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 September 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 e CTT Expresso.

The caption Transfers and Write-offs includes the amount of 1,415,667 Euros related to the transfer from Investment Properties, as well as the respective accumulated depreciations of 966,556 Euros, regarding a group of properties that were again assigned to the operational activity of the Group.

This heading also includes the transfer to the caption Non-current assets held for sale of the building located in Santarém held by CTT, following the conclusion of the promissory agreement for the sale of this property.

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 401 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 and the acquisition and assembly of sorting machines by CTT Expresso branch in Spain.

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
	30.09.2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	11,075,937	12,980,338	48,537	24,104,812
Terminated contracts	(9,426,610)	(724,193)	(10,886)	(10,161,689)
Remeasurements	6,009,702	-	-	6,009,702
Closing balance	165,101,454	32,908,464	1,566,696	199,576,614
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	13,265,797	4,444,723	244,800	17,955,320
Terminated contracts	(9,426,610)	(724,193)	(10,886)	(10,161,689)
Closing balance	105,496,276	10,398,925	830,705	116,725,906
Net Tangible fixed assets	59,605,178	22,509,539	735,990	82,850,708

The depreciation recorded, in the **Group**, in the amount of 17,955,320 Euros (16,446,918 Euros on 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 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:

	30.09.2020
Improvements in properties	1,537,077
Vehicles	350,930
Upgrades to mail sorting machines	82,643
Desktops e Laptops	71,836
Postal furniture	58,700
Hardware firewall networks	55,588
Security system	50,000
Postal delivery equipment	39,220
DVE - Explosives Detector	37,968
Access control systems	1,377
	2,285,340

5. Intangible assets

During the year ended 31 December 2019 and the nine-month period ended 30 September 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
	30.09.2020						
	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	-	842,598	47,696	-	5,817,540	-	6,707,833
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	13,023,259	-	-	(12,965,629)	-	57,630
Adjustments	-	-	(74,508)	-	(80,876)	-	(155,385)
Closing balance	4,380,552	127,742,510	16,821,627	444,739	8,859,774	-	158,249,202
Accumulated amortisation							
Opening balance	4,376,994	74,396,033	10,408,714	444,739	-	-	89,626,480
Amortisation for the period	955	12,246,891	885,226	-	-	-	13,133,072
Disposals	-	-	-	-	-	-	-
Transfers and write-offs	-	3,231	-	-	-	-	3,231
Adjustments	-	-	(36,216)	-	-	-	(36,216)
Closing balance	4,377,949	86,646,155	11,257,725	444,739	-	-	102,726,568
Net intangible assets	2,603	41,096,356	5,563,902	-	8,859,774	-	55,522,635

The amortisation in the **Group** for the nine-month period ended 30 September 2020, amounting to 13,133,072 Euros (9,161,087 Euros as at 30 September 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 nine-month period ended 30 September 2020, from Intangible assets in progress to Computer software refer to IT projects, which were completed during the referred periods.

The amounts of 821,884 Euros and 690,493 Euros were capitalised in computer software or in intangible assets in progress as at 30 September 2019 and 30 September 2020, respectively, related to **Group** staff costs incurred in the development of these projects.

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

	Group
New Payment Platform	864,256
OneBiller Solution	740,505
Data Governance - software	661,730
Digital Channels	569,851
CRM - Pilar Service	550,673
MiddleWare	486,775
Zero+ RAID	453,841
EPM & BI & Analytics	451,040
Ecosystem CTT Expresso	333,504
	5,112,175

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 September 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 1,422,552 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 nine-month period ended 30 September 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:

	30.09.2020
CBS - Core Banking System	1,500,000
PAC Fase 4	432,000
Data Ignition	350,000
Business Process Workflow	323,000
Projeto X	318,000
SAC New Release	172,000
Commercial Offers Software	74,010
Accipiens	62,791
	3,231,801

6. Investment properties

As at 31 December 2019 and 30 September 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

30.09.2020			
	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)
Transfers and write-offs	(75,916)	(1,339,751)	(1,415,667)
Closing balance	3,221,942	13,626,519	16,848,462
Accumulated depreciation			
Opening balance	213,853	9,706,133	9,919,985
Depreciation for the period	-	181,212	181,212
Disposals	-	(4,423)	(4,423)
Transfers and write-offs	(7,315)	(959,241)	(966,556)
Closing balance	206,538	8,923,682	9,130,220
Accumulated impairment			
Opening balance	-	749,144	749,144
Impairment for the period	-	(80,739)	(80,739)
Closing balance	-	668,405	668,405
Net Investment properties	3,015,405	4,034,433	7,049,838

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

Depreciation for the nine-month period ended on 30 September 2020, of 181,212 Euros (196,587 Euros on 30 September 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 September 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			30.09.2020		
			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.º13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º13 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.º13 1999-001 Lisboa	100	-	100	100	-	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisboa	-	100	100	-	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 September 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			30.09.2020		
			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. ("MKTPlace")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	-	50	50	-	50

On 1 July and 3 September 2020, the company MKTPlace - Comércio Eletrónico, S.A., was subject to capital increases in the amount of 2,045,054 Euros made by CTT.

Associated companies

As at 31 December 2019 and 30 September 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			30.09.2020		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Multicert - Serviços de Certificação Electrónica, S.A. ("Multicert")	Portugal	Lagoas Parque, Edifício 3, Piso 3 Oeiras	20	-	20	-	-	-
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.

In August 2020, the investment in Multicert – Serviços de Certificação Electrónica, S.A. was sold, resulting in a capital gain of 707,047 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

Other investments

In September 2020, the investment in Tagus Park was sold, resulting in a capital gain of 28,507 Euros, recorded in the caption Gains/losses in subsidiary, associated companies and joint ventures.

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	30.09.2020
Cash and cash equivalents	7,730,012	8,640,686
Other banking financial liabilities (Debt securities issued)	76,077,368	50,582,753

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 nine-month period ended 30 September 2020, there were no changes in the consolidation perimeter.

8. Debt securities

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

	31.12.2019	30.09.2020
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	528,420	11,491,862
Bonds issued by other entities	-	7,431,799
	528,420	18,923,661
Financial assets at amortised cost		
Government bonds	409,886,034	454,851,482
Bonds issued by other entities	14,605,943	3,232,078
Impairment	(169,217)	(178,503)
	424,322,759	457,905,057
	424,851,179	476,828,719
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	13,727	6,637,344
Bonds issued by other entities	-	518,263
	13,727	7,155,607
Financial assets at amortised cost		
Government bonds	31,536,069	39,101,369
Bonds issued by other entities	14,491	12,478,646
Impairment	(4,136)	(11,139)
	31,546,424	51,568,876
	31,560,152	58,724,483
	456,411,331	535,553,202

⁽¹⁾ As at 31 December 2019 and 30 September 2020 includes the amount of 225 Euros and 15,530 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 September 2020 is detailed as follows:

	31.12.2019						Total
	Current			Non-current			
	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	
Financial assets at fair value through other comprehensive income ⁽¹⁾							
Government bonds							
National	13,727	-	13,727	528,420	-	528,420	542,147
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						Total
	Current			Non-current			
	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	
Financial assets at amortised cost							
Government bonds							
National	4,538,504	4,717,697	9,256,202	41,143,284	236,717,591	277,860,875	287,117,077
Foreign	752,422	21,527,446	22,279,868	34,645,814	97,379,345	132,025,158	154,305,026
Bonds issued by other entities							
National	14,491	-	14,491	14,605,943	-	14,605,943	14,620,434
Foreign	-	-	-	-	-	-	-
	5,305,417	26,245,143	31,550,561	90,395,041	334,096,936	424,491,976	456,042,537

	30.09.2020						Total
	Current			Non-current			
	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	
Financial assets at fair value through other comprehensive income ⁽¹⁾							
Government bonds							
National	100,350	6,536,994	6,637,344	6,181,012	5,310,850	11,491,862	18,129,206
Foreign	-	-	-	-	-	-	-
Bonds issued by other entities							
National	14,618	503,645	518,263	7,431,799	-	7,431,799	7,950,062
Foreign	-	-	-	-	-	-	-
	114,969	7,040,639	7,155,607	13,612,811	5,310,850	18,923,661	26,079,268

⁽¹⁾ As at 30 September 2020 includes the amount of 15,530 Euros regarding Accumulated impairment losses.

	30.09.2020						Total
	Current			Non-current			
	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	
Financial assets at amortised cost							
Government bonds							
National	6,248,161	12,859,625	19,107,785	28,965,653	243,476,954	272,442,607	291,550,393
Foreign	1,413,770	18,579,813	19,993,583	15,994,760	166,414,114	182,408,875	202,402,458
Bonds issued by other entities							
National	9,007,435	3,471,211	12,478,646	3,232,078	-	3,232,078	15,710,724
Foreign	-	-	-	-	-	-	-
	16,669,365	34,910,650	51,580,015	48,192,492	409,891,068	458,083,560	509,663,574

The impairment losses, for the year ended 31 December 2019 and the nine-month period ended 30 September 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

	30.09.2020					
	Opening balance	Increases	Reversals	Utilisations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	225	11,182	(76)	-	(62)	11,269
Financial assets at amortised cost	169,217	26,911	(11,580)	-	(6,045)	178,503
	169,442	38,093	(11,656)	-	(6,107)	189,772
Current assets						
Financial assets at fair value through other comprehensive income	-	4,228	(29)	-	62	4,261
Financial assets at amortised cost	4,136	1,680	(723)	-	6,045	11,139
	4,136	5,908	(751)	-	6,107	15,400
Financial assets at fair value through other comprehensive income	225	15,410	(105)	-	-	15,530
Financial assets at amortised cost	173,353	28,591	(12,302)	-	-	189,641
	173,578	44,001	(12,408)	-	-	205,171

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 nine-month period ended 30 September 2020, they are detailed as follows:

	31.12.2019	30.09.2020
	Stage 1	Stage 1
Opening balance	127,790	225
Change in the accounting standards	-	-
Change in period:		
Increases due to origination and acquisition	-	15,411
Changes due to change in credit risk	19	(105)
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	15,530

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

	<u>31.12.2019</u>	<u>30.09.2020</u>
	<u>Stage 1</u>	<u>Stage 1</u>
Opening balance	127,790	225
Change in the accounting standards	-	-
Change in period:		
ECL income statement change for the period	(40,510)	15,305
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	15,530

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

	<u>31.12.2019</u>	<u>30.09.2020</u>
	<u>Stage 1</u>	<u>Stage 1</u>
Opening balance	182,825	173,353
Change in the accounting standards	-	-
Change in period:		
Increases due to origination and acquisition	13,008	13,764
Changes due to change in credit risk	(4,033)	6,661
Decrease due to derecognition repayments and disposals	(18,447)	(4,136)
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	189,641

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

	<u>31.12.2019</u>	<u>30.09.2020</u>
	<u>Stage 1</u>	<u>Stage 1</u>
Opening balance	182,825	173,353
Change in the accounting standards	-	-
Change in period:		
ECL income statement change for the period	(9,473)	16,289
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	189,641

According to the current accounting policy, Banco CTT 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 September 2020, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2019	30.09.2020
Non-current assets		
Investments in credit institutions	-	-
Loans to credit institutions	18,928,416	13,186,231
Impairment	(166,249)	(4,284)
Other	1,882	2,497
	18,764,049	13,184,444
Current assets		
Investments in credit institutions	1,650,072	26,000,061
Loans to credit institutions	11,551,960	8,515,381
Impairment	(47,303)	(23,870)
Other	5,688,014	5,458,903
Impairment	(4,182,457)	(3,264,470)
	14,660,286	36,686,005
	33,424,335	49,870,449
Non-current liabilities		
Debt securities issued	76,060,295	50,572,083
	76,060,295	50,572,083
Current liabilities		
Debt securities issued	17,073	10,669
Other	17,970,646	22,172,495
	17,987,719	22,183,165
	94,048,014	72,755,248

Investments in credit institutions and Loans to credit institutions

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

	31.12.2019	30.09.2020
Up to 3 months	3,367,931	19,723,257
From 3 to 12 months	9,834,101	14,792,185
From 1 to 3 years	13,689,301	11,172,651
Over 3 years	5,239,115	2,013,581
	32,130,448	47,701,674

Impairment

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

	31.12.2019					Changes in the consolidation perimeter	Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers		
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)	4,011,235	4,182,457
	207,945	249,672	(126,763)	-	(112,330)	4,011,235	4,229,760
	425,696	341,194	(371,190)	-	(10,927)	4,011,235	4,396,009

	30.09.2020						Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	
Non-current assets							
Investments and loans in credit institutions	166,249	3,429	(31,641)	-	(133,753)	-	4,284
	166,249	3,429	(31,641)	-	(133,753)	-	4,284
Current assets							
Investments and loans in credit institutions	47,303	19,103	(176,288)	-	133,753	-	23,870
Other	4,182,457	32,077	(950,064)	-	-	-	3,264,470
	4,229,760	51,179	(1,126,352)	-	133,753	-	3,288,340
	4,396,009	54,608	(1,157,993)	-	-	-	3,292,624

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

	31.12.2019	30.09.2020
	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	22,531
Changes due to change in credit risk	(64,377)	(182,801)
Decrease due to derecognition repayments and disposals	(189,576)	(25,128)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	213,552	28,154

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

	31.12.2019	30.09.2020
	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)	(185,398)
Stage transfers (net)	-	-
Disposals	-	-
Utilisations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	213,552	28,154

Debt securities issued

This caption showed the following composition:

	31.12.2019	30.09.2020
Securitisations	76,077,368	50,582,753
	76,077,368	50,582,753

As at 31 December 2019 and 30 September 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	

30.09.2020						
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.	36,463,916	36,472,841	
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	7,003,026	
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,885	
				50,563,916	50,582,753	

The movement of this item in the year ended 31 December 2019 and the nine-month period ended 30 September 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

30.09.2020						
	Opening balance	Changes in the consolidation perimeter	Issues	Repayments	Other movements	Closing balance
Chaves Funding No.7	-	-	-	-	-	-
Ulisses Finance No.1	76,077,368	-	-	(25,086,006)	(408,609)	50,582,753
	76,077,368	-	-	(25,086,006)	(408,609)	50,582,753

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

30.09.2020							
	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	10,669	-	10,669	-	50,572,083	50,572,083	50,582,753
	10,669	-	10,669	-	50,572,083	50,572,083	50,582,753

10. Credit to banking clients

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

	31.12.2019	30.09.2020
Performing loans	884,922,781	1,045,366,622
Mortgage Loans	405,168,238	494,819,980
Auto Loans	469,774,742	542,380,779
Leasings	8,977,360	6,989,913
Overdrafts	1,002,441	1,175,950
Other credits	-	-
Overdue loans	4,875,990	7,308,360
Overdue loans - less than 90 days	740,614	856,998
Overdue loans - more than 90 days	4,135,376	6,451,362
	889,798,770	1,052,674,982
Credit risk impairment	(3,978,200)	(13,062,781)
	885,820,571	1,039,612,200

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

	31.12.2019							
	Current				Non-current			
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	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

	30.09.2020							
	Current				Non-current			
	At sight / Undetermined	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Mortgage loans	475	3,439,016	10,138,710	13,578,201	27,983,656	453,258,598	481,242,254	494,820,455
Auto Loans	5,243,205	22,519,774	61,608,189	89,371,168	158,140,488	300,112,328	458,252,816	547,623,984
Leasings	455,658	373,862	1,672,651	2,502,172	3,083,680	1,859,720	4,943,400	7,445,571
Overdrafts	2,163,114	-	-	2,163,114	-	-	-	2,163,114
Other credits	621,858	-	-	621,858	-	-	-	621,858
	8,484,310	26,332,653	73,419,550	108,236,512	189,207,824	755,230,646	944,438,469	1,052,674,982

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

	31.12.2019	30.09.2020
Fixed rate	427,176,016	503,126,034
Floating rate	462,622,754	549,548,948
	889,798,770	1,052,674,982
Credit risk impairment	(3,978,200)	(13,062,781)
	885,820,571	1,039,612,200

As at 31 December 2019 and 30 September 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

30.09.2020					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	502,168,991	861,763	503,030,754	(1,254,462)	501,776,292
Other guaranteed Loans	536,386,941	2,801,798	539,188,738	(7,757,285)	531,431,453
Unsecured Loans	6,810,690	3,644,800	10,455,490	(4,051,034)	6,404,455
	1,045,366,622	7,308,360	1,052,674,982	(13,062,781)	1,039,612,200

The credit type analysis of the caption, as at 31 December 2019 and 30 September 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

30.09.2020					
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	494,819,980	475	494,820,455	(476,922)	494,343,532
Auto Loans	542,380,779	5,243,205	547,623,984	(11,607,290)	536,016,694
Leasings	6,989,913	455,658	7,445,571	(26,429)	7,419,143
Overdrafts	1,175,950	987,164	2,163,114	(890,148)	1,272,966
Other credits	-	621,858	621,858	(61,992)	559,865
	1,045,366,622	7,308,360	1,052,674,982	(13,062,781)	1,039,612,200

The analysis of credit to bank clients as at 31 December 2019 and 30 September 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

	30.09.2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,260,050	15,086	1,275,135	(40,714)	1,234,422
Mining and quarrying	130,440	0	130,440	(1,337)	129,104
Manufacturing	2,948,965	159,018	3,107,983	(85,635)	3,022,349
Water supply	156,092	5,712	161,803	(5,840)	155,963
Construction	6,214,827	633,913	6,848,741	(177,038)	6,671,703
Wholesale and retail trade	4,648,794	424,303	5,073,097	(18,215)	5,054,882
Transport and storage	1,331,475	21,485	1,352,960	(74,748)	1,278,212
Accommodation and food service activities	1,684,660	18,430	1,703,090	(61,532)	1,641,558
Information and communication	269,746	2,088	271,834	(2,854)	268,980
Financial and insurance activities	157,662	1,461	159,124	(3,236)	155,888
Real estate activities	1,437,266	11,450	1,448,716	(19,190)	1,429,526
Professional, scientific and technical activities	940,773	6,983	947,756	(23,661)	924,094
Administrative and support service activities	1,406,381	290,563	1,696,944	(80,269)	1,616,675
Public administration and defence, compulsory social	17,453	-	17,453	(185)	17,268
Education	588,655	1,005	589,660	(10,810)	578,850
Human health services and social work activities	810,491	3,800	814,292	(33,140)	781,152
Arts, entertainment and recreation	430,802	7,829	438,631	(31,700)	406,931
Other services	20,831,074	70,355	20,901,429	(456,525)	20,444,903
Individuals					
Mortgage Loans	494,819,980	475	494,820,455	(476,922)	494,343,532
Consumer Loans	505,281,038	5,634,402	510,915,440	(11,459,230)	499,456,211
	1,045,366,622	7,308,360	1,052,674,982	(13,062,781)	1,039,612,200

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

	31.12.2019	30.09.2020
Stage 1	834,895,752	980,153,237
Gross amount	836,958,434	985,371,476
Impairment	(2,062,682)	(5,218,239)
Stage 2	39,336,322	43,437,818
Gross amount	40,207,967	45,300,038
Impairment	(871,645)	(1,862,221)
Stage 3	11,588,496	16,021,146
Gross amount	12,632,369	22,003,468
Impairment	(1,043,873)	(5,982,322)
	885,820,571	1,039,612,200

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	30.09.2020
Amount of future minimum payments	9,632,194	7,534,598
Interest not yet due	(654,835)	(544,685)
Present value	8,977,360	6,989,913

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

	31.12.2019	30.09.2020
Due within 1 year	2,532,976	1,955,964
Due between 1 to 5 years	5,835,429	4,575,367
Over 5 years	1,263,789	1,003,268
Amount of future minimum payments	9,632,194	7,534,598

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

	31.12.2019	30.09.2020
Individuals	1,097,230	955,422
Home	95,072	90,531
Consumer	-	-
Others	1,002,158	864,892
Companies	7,880,129	6,034,491
Equipment	634,577	309,800
Real Estate	7,245,552	5,724,691
	8,977,360	6,989,913

Impairment losses

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

	31.12.2019							Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	PPA adjustments	Changes in the consolidation perimeter	
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

	30.09.2020							Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers	Other adjustments	Changes in the consolidation perimeter	
Non-current assets								
Credit to banking clients	2,591,450	6,647,793	(1,007,486)	(18,552)	1,064	298,489	-	8,512,757
	2,591,450	6,647,793	(1,007,486)	(18,552)	1,064	298,489	-	8,512,757
Current assets								
Credit to banking clients	1,386,750	3,553,210	(538,496)	(9,916)	(1,064)	159,540	-	4,550,024
	1,386,750	3,553,210	(538,496)	(9,916)	(1,064)	159,540	-	4,550,024
	3,978,200	10,201,003	(1,545,983)	(28,468)	0	458,029	-	13,062,781

The impairment losses of Credit to banking clients (increases net of reversals) in the **Group** for the nine-month period ended 30 September 2020, amounting to 8,655,020 Euros (1,923,754 Euros at 30 September 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 nine-month period ended 30 September 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)

	30.09.2020			
	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	1,630,658	442,421	216,089	2,289,168
Changes due to change in credit risk	1,372,349	1,133,164	4,421,576	6,927,089
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(163,815)	(31,607)	(365,815)	(561,237)
Write-offs	-	-	(28,468)	(28,468)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	436,253	(352,195)	(84,058)	-
Stage 2	(126,350)	236,602	(110,252)	-
Stage 3	(35,849)	(607,204)	643,053	-
Foreign exchange and other	42,311	169,395	246,324	458,030
Impairment	5,218,239	1,862,221	5,982,322	13,062,781
<i>Of which: POCI</i>	-	-	(720,935)	(720,935)

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

	30.09.2020			
	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	2,839,192	1,543,978	4,271,850	8,655,020
Stage transfers (net)	274,054	(722,797)	448,743	-
Disposals	-	-	-	-
Utilisations during the period	-	-	-	-
Write-offs	-	-	(28,468)	(28,468)
Write-off recoveries	-	-	-	-
Foreign exchange and other	42,311	169,395	246,324	458,030
Impairment	5,218,239	1,862,221	5,982,322	13,062,781

11. Deferrals

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

	31.12.2019	30.09.2020
Assets deferrals		
Current		
Rents payable	1,391,768	1,567,886
Meal allowances	1,486,218	1,451,792
Other	4,427,275	5,472,128
	7,305,261	8,491,806
Liabilities deferrals		
Non-current		
Investment subsidy	294,490	286,089
	294,490	286,089
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,533,212	1,411,762
Other	1,910,064	1,366,661
	3,454,477	2,789,624
	3,748,967	3,075,713

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 852,129 Euros (1,028,940 Euros on 31 December 2019 and to objects invoiced and not delivered on 30 September 2020 in the express segment, in the amount of 559,633 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 1,397,729 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 September 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	30.09.2020
Cash	59.266.424	97.385.310
Slight deposits	182.192.757	120.939.618
Demand deposits at Bank of Portugal	29.497.627	86.264.424
Deposits in other credit institutions	107.376.274	27.004.545
Term deposits	64.662.643	53.972.531
Cash and cash equivalents (Balance sheet)	442.995.724	385.566.428
Bank overdrafts	-	-
Sight deposits at Bank of Portugal	(25.924.034)	(15.438.500)
Outstanding checks / Checks clearing	(2.226.045)	(4.947.068)
Impairment of slight and term deposits	19.924	19.486
Cash and cash equivalents (Cash flow statement)	414.865.569	365.200.346

In accordance with the provisions of Regulation (EU) No. 1.358/2011 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 September 2020, a total amount of demand deposits of 86,264,424 Euros, of which 15,438,500 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 nine-month period ended 30 September 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

	30.09.2020				
	Opening balance	Increases	Reversals	Utilisations	Closing balance
Sight and term deposits	19,924	3,131	(3,568)	-	19,486
	19,924	3,131	(3,568)	-	19,486

The impairment losses (increases net of reversals) of sight and term deposits in the **Group** for the nine-month period ended 30 September 2020, amounting to (438) Euros ((1,126) Euros at 30 September 2019) was recorded under the heading Impairment of accounts receivable, net.

13. Accumulated impairment losses

During the year ended 31 December 2019 and the nine-month period ended 30 September 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	(16,723)	-	-	-	-	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

30.09.2020									
	Opening balance	Increases	Reversals	Utilisations	Transfers	Changes in the consolidation perimeter	Other movements	PPA adjustments	Closing balance
Non-current assets									
Tangible fixed assets	24,172	-	-	-	-	-	-	-	24,172
Investment properties	749,144	-	(80,739)	-	-	-	-	-	668,405
	773,316	-	(80,739)	-	-	-	-	-	692,577
Debt securities	169,441	38,093	(11,656)	-	(6,107)	-	-	-	189,771
Other non-current assets	2,099,796	-	-	-	398,684	-	-	-	2,498,480
Credit to banking clients	2,591,449	6,647,793	(1,007,486)	(18,552)	1,064	-	298,489	-	8,512,757
Other banking financial assets	166,249	3,429	(31,641)	-	(133,753)	-	-	-	4,284
	5,026,935	6,689,314	(1,050,783)	(18,552)	259,889	-	298,489	-	11,205,292
	5,800,251	6,689,314	(1,131,522)	(18,552)	259,889	-	298,489	-	11,897,868
Current assets									
Accounts receivable	37,981,832	3,994,509	(925,763)	(1,097,022)	624	-	-	-	39,954,180
Credit to banking clients	1,386,750	3,553,210	(538,497)	(9,915)	(1,064)	159,540	-	-	4,550,024
Debt securities	4,136	5,908	(751)	-	6,107	-	-	-	15,400
Other current assets	8,341,734	1,711,903	(68,735)	(49,822)	156,270	-	-	-	10,091,349
Other banking financial assets	4,229,759	51,179	(1,126,352)	-	133,753	-	-	-	3,288,339
Slight and term deposits	19,923	3,131	(3,567)	-	-	-	-	-	19,486
	51,964,134	9,319,840	(2,663,666)	(1,156,759)	295,689	-	159,540	-	57,918,778
Non-current assets held for sale	184,609	80,219	-	-	-	-	-	-	264,828
	184,609	80,219	-	-	-	-	-	-	264,828
Merchandise	2,116,305	448,373	-	(104,705)	-	-	-	-	2,459,973
Raw, subsidiary and consumable	725,188	17,840	(7,310)	(2,255)	-	-	-	-	733,463
	2,841,493	466,213	(7,310)	(106,960)	-	-	-	-	3,193,436
	54,990,236	9,866,272	(2,670,976)	(1,263,719)	295,689	-	159,540	-	61,377,042
	60,790,486	16,555,586	(3,802,499)	(1,282,271)	555,579	-	458,029	-	73,274,911

As at 30 September 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 September 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 September 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.

30.09.2020			
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⁾	10,020,000	6.680%	5,010,000
GreenWood Investors LLC ⁽³⁾	Total 10,020,000	6.680%	5,010,000
Norges Bank	Total 7,581,206	5.054%	3,790,603
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 91,117,781	60.745%	45,558,891
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..
- (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 September 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 September 2020, the **Group** 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

	30.09.2020				
	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	-	-	436,057	-	436,057
Closing balance	15,000,000	8	452,047	50,836,597	66,288,652

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 30 September 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 nine-month period ended 30 September 2020, the following movements were made in the **Group** heading Retained earnings:

	31.12.2019	30.09.2020
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)	-
Changes to accounting policies	-	-
Adjustments from the application of the equity method	(10,954)	(6,697)
Other movements	-	(46,047)
Closing balance	10,867,301	40,011,490

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 nine-month period ended 30 September 2020, the movements occurred in this heading, in the **Group**, were as follows:

	31.12.2019	30.09.2020
Opening balance	(30,993,430)	(49,744,144)
Actuarial gains/losses	(25,769,253)	-
Tax effect (Note 25)	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 September 2019 and 30 September 2020, the earnings per share were calculated as follows:

	30.09.2019	30.09.2020
Net income for the period	22,852,183	4,329,479
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.15	0.03
Diluted	0.15	0.03

The average number of shares is detailed as follows:

	30.09.2019	30.09.2020
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 September 2020, the number of own shares held is 1 and its average number for the year ended 30 September 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 September 2020, Debt of the **Group** showed the following composition:

	31.12.2019	30.09.2020
Non-current liabilities		
Bank loans	81,702,538	74,897,593
Lease liabilities	66,895,396	76,171,697
	148,597,934	151,069,290
Current liabilities		
Bank loans	9,749,470	16,849,643
Lease liabilities	17,064,097	19,522,862
	26,813,567	36,372,505
	175,411,501	187,441,795

As at 30 September 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 September 2020, the details of the **Group** bank loans were as follows:

	31.12.2019			30.09.2020		
	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	9,749,643	-
BBVA / Bankinter	75,000,000	-	46,891,381	-	7,250,000	40,029,480
Novo Banco	-	-	34,811,157	-	-	34,868,113
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	16,999,643	74,897,593

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 30 September 2020 the referred amount corresponded to 47,279,480 Euros. By a company decision, the remaining available amount was not 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 September 2020, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,868,113 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 September 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	30.09.2020
Due within 1 year	20,168,630	27,409,892
Due between 1 to 5 years	63,131,546	65,160,141
Over 5 years	14,737,518	20,687,828
Total undiscounted lease liabilities	98,037,694	113,257,860
Current	17,064,097	19,522,862
Non-current	66,895,396	76,171,697
Lease liabilities included in the statement of financial position	83,959,493	95,694,559

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

	30.09.2019	30.09.2020
Lease liabilities interests (note 24)	2,785,371	2,483,170
Variable payments not included in the measurement of the lease liability	1,978,235	2,314,591

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

	30.09.2019	30.09.2020
Total of lease payments	(20,520,419)	(21,029,095)

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 nine-month period ended 30 September 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					Changes in the consolidation perimeter	PPA adjustments	Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers			
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	397,421	10,381,956
Sub-total - caption "Provisions (increases)/reversals"	14,013,263	2,286,062	(3,191,312)	(734,035)	-	1,499,282	397,421	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	397,421	17,635,379

	30.09.2020					Changes in the consolidation perimeter	Closing balance
	Opening balance	Increases	Reversals	Utilisations	Transfers		
Non-current provisions							
– Litigations	2,848,977	720,150	(511,750)	(141,086)	(110,610)	-	2,805,681
– Restructuring	1,039,748	-	-	-	-	-	1,039,748
– Other provisions	10,381,956	985,918	(271,488)	(333,841)	110,610	-	10,873,155
Sub-total - caption "Provisions (increases)/reversals"	14,270,681	1,706,067	(783,237)	(474,927)	-	-	14,718,584
– Restructuring	679,141	149,861	-	(703,202)	-	-	125,800
– Other provisions	2,685,556	794,720	-	(671,863)	-	-	2,808,413
	17,635,379	2,650,648	(783,237)	(1,849,992)	-	-	17,652,798

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (511,271) Euros as at 30 September 2019 and 922,830 Euros as at 30 September 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 511,750 Euros as at 30 September 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 125,800 Euros as at 30 September 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 September 2020 the value has not been changed.

Other provisions

As at 30 September 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 6,701,284 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 September 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.

As at 30 September 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 1,952,449 Euros to cover costs of operational vehicles restoration.

Guarantees provided

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

Description	31.12.2019	30.09.2020
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC – Comisión Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition – Spain)	3,148,845	3,148,845
Autonidade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	8,211,715	2,261,290
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
AMBIMOBILIÁRIA- INVESTIMENTOS ENEGÓCIOS, S.A. (Real estate company)	-	480,000
O Feliz - Imobiliária (Real estate company)	381,553	381,553
EUROGOLD (Real estate company)	288,384	288,384
Courts	281,830	275,830
CIVILRIA (Real estate company)	-	224,305
TRANSPORTES BERNARDO MARQUES, S.A.	-	223,380
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 Office)	85,056	85,056
Solred (Repsol's fuel cards)	80,000	80,000
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
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
Other entities	16,144	22,144
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460
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 of the Lisbon Area)	13,000	13,000
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	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 city of Aveiro)	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 Institute)	3,718	3,719
EMARP - Empresa de Águas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of P	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 of Alto Minho)	466	466
	16,991,290	11,968,552

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 September 2020, in the **Group**.

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 September 2020, the **Group** subscribed promissory notes amounting to approximately 43.7 thousand Euros and 35.9 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 September 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 September 2020, the **Group's** heading Accounts payable showed the following composition:

	31.12.2019	30.09.2020
Current		
Advances from customers	2,824,160	2,895,687
CNP money orders	87,890,044	89,930,182
Suppliers	76,261,148	75,822,666
Invoices pending confirmation	10,560,107	8,890,979
Fixed assets suppliers	14,189,288	4,173,777
Invoices pending confirmation (fixed assets)	9,543,900	3,111,840
Values collected on behalf of third parties	8,495,311	6,290,521
Postal financial services	153,139,714	128,957,644
Advances regarding disposals	14,108	125,081
Other accounts payable	10,872,886	14,901,936
	373,790,665	335,100,314
	373,790,665	335,100,314

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 and treasury 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 treasury certificates.

21. Banking clients' deposits and other loans

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

	31.12.2019	30.09.2020
Sight deposits	961,771,839	1,134,647,771
Term deposits	169,581,292	158,403,337
Savings deposits	152,214,134	277,702,933
Banking clients' deposits	1,283,567,265	1,570,754,041
Other credit institutions' deposits	37,850,777	-
Other credit institutions' deposits	37,850,777	-
	1,321,418,042	1,570,754,041

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 slight 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 September 2020, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2019					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits 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

	30.09.2020					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Sight deposits and saving accounts	1,412,350,703	-	-	-	-	1,412,350,703
Term deposits	-	68,881,854	89,521,483	-	-	158,403,337
Banking clients' deposits	1,412,350,703	68,881,854	89,521,483	-	-	1,570,754,041
Other credit institutions' deposits	-	-	-	-	-	-
Other credit institutions' deposits	-	-	-	-	-	-
	1,412,350,703	68,881,854	89,521,483	-	-	1,570,754,041

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 September 2020 the caption reflects the difference between the estimated income tax regarding the nine-month period ended 30 September 2020 and the amounts already paid regarding payments on account and additional payments on account.

23. Staff costs

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

	30.09.2019	30.09.2020
Remuneration	197,429,060	196,999,058
Employee benefits	2,392,805	3,703,602
Indemnities	9,678,075	722,542
Social Security charges	43,695,734	43,152,138
Occupational accident and health insurance	3,348,841	3,239,963
Social welfare costs	5,557,609	3,523,281
Other staff costs	33,930	100,925
	262,136,055	251,441,508

Remuneration

The change in the "Remuneration" caption arises essentially from the combined effects of the workers exits observed at the end of 2019 under the HR Optimization Program and absenteeism following COVID-19, both with an impact on the remunerations of 2020.

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

Company	30.09.2019				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,903,141	140,357	41,850	14,000	2,099,348
Annual variable remuneration	-	-	-	-	-
	1,903,141	140,357	41,850	14,000	2,099,348
Long-term remuneration					
Defined contribution plan RSP	157,554	-	-	-	157,554
Long-term variable remuneration	38,160	-	-	-	38,160
	195,714	-	-	-	195,714
	2,098,855	140,357	41,850	14,000	2,295,062

Company	30.09.2020				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,854,834	121,998	26,960	14,000	2,017,792
Annual variable remuneration	-	-	-	-	-
	1,854,834	121,998	26,960	14,000	2,017,792
Long-term remuneration					
Defined contribution plan RSP	199,892	-	-	-	199,892
Long-term variable remuneration	-	-	-	-	-
	199,892	-	-	-	199,892
	2,054,726	121,998	26,960	14,000	2,217,684

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 benefit "Telephone subscription charge" which occurred during the nine-month period ended on 30 September 2019.

Indemnities

During the period ended 30 September 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 September 2019 and 30 September 2020, the **Group** heading Staff costs includes the amounts of 600,754 Euros and 406,183 Euros respectively, related to expenses with workers' representative bodies.

For the period ended 30 September 2020, the average number of staff of the **Group** was 12,172 employees (12,386 employees in the period ended 30 September 2019).

24. Interest expenses and Interest income

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

	30.09.2019	30.09.2020
Interest expenses		
Bank loans	35,031	1,241,045
Lease liabilities	2,785,371	2,483,170
Other interest	635,832	169,846
Interest costs from employee benefits	4,021,073	3,345,437
Other interest costs	22,873	70,380
	7,500,181	7,309,878

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

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

	30.09.2019	30.09.2020
Interest income		
Deposits in credit institutions	33,390	10,755
Other supplementary income	163,479	-
	196,869	10,755

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 Euros up to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Espresso, 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 – Espresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., through the Special Regime for the Taxation of Groups of Companies (“RETGS”). The remaining companies are taxed individually.

Reconciliation of the income tax rate

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

	30.09.2019	30.09.2020
Earnings before taxes (a)	26,325,796	8,889,357
Nominal tax rate	21.0%	21.0%
	5,528,417	1,866,765
Tax Benefits	(341,585)	(279,964)
Accounting capital gains/(losses)	(89,014)	(129,057)
Tax capital gains/(losses)	733	69,750
Equity method	128,468	381,826
Provisions not considered in the calculation of deferred taxes	17,059	8,783
Impairment losses and reversals	99,450	415,160
Compensation for insurable events	129,988	52,813
Depreciation and car rental charges	47,837	50,178
Credits uncollectible	20,804	8,120
Fines, interest, compensatory interest and other charges	10,102	34,703
Other situations, net	683,059	(506,670)
Adjustments related with - autonomous taxation	468,811	456,716
Adjustments related with - undistributed variable remuneration	241,543	904,893
Tax losses without deferred tax	1,867,956	-
Insufficiency / (Excess) estimated income tax	(7,681,188)	(165,075)
Subtotal (b)	1,132,440	3,168,941
(b)/(a)	4.30%	35.65%
Adjustments related with - Municipal Surcharge	655,381	355,314
Adjustments related with - State Surcharge	1,656,575	949,486
Income taxes for the period	3,444,396	4,473,740
Effective tax rate	13.08%	50.33%
Income taxes for the period		
Current tax	6,263,396	4,366,441
Deferred tax	4,862,188	272,374
Insufficiency / (Excess) estimated income tax	(7,681,188)	(165,075)
	3,444,396	4,473,740

Deferred taxes

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

	31.12.2019	30.09.2020
Deferred tax assets		
Employee benefits - healthcare	76,839,990	76,854,171
Employee benefits - pension plan	84,668	80,926
Employee benefits - other long-term benefits	2,868,626	2,450,527
Impairment losses and provisions	5,032,656	5,096,841
Tax losses carried forward	1,289,985	1,289,985
Impairment losses in tangible fixed assets	385,810	437,849
Land and buildings	356,809	356,809
Tangible assets' tax revaluation regime	1,924,292	1,683,755
Other	546,970	587,822
	89,329,806	88,838,685
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	2,137,282	1,986,827
Suspended capital gains	718,036	697,531
Non-current assets held for sale	83,010	83,010
Other	19,787	54,524
	2,958,115	2,821,892

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 September 2020 the deferred tax asset amounts to 1,683,755 Euros.

As at 30 September 2020, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.2 million Euros and 0.2 million Euros, respectively, regarding the **Group**.

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

	31.12.2019	30.09.2020
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)	14,181
Employee benefits - pension plan	(10,581)	(3,742)
Employee benefits - other long-term benefits	223,382	(418,099)
Impairment losses and provisions	(287,039)	64,185
Tax losses carried forward	(2,904)	-
Impairment losses in tangible fixed assets	102,337	52,039
Land and buildings	(95,203)	-
Tangible assets' tax revaluation regime	(320,715)	(240,537)
Other	(47,157)	40,852
Effect on equity		
Employee benefits - healthcare	7,000,770	-
Employee benefits - pension plan		
Closing balance	89,329,806	88,838,685

	31.12.2019	30.09.2020
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)	(150,455)
Suspended capital gains	(27,341)	(20,505)
Other	(5,610)	34,737
Closing balance	2,958,115	2,821,892

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 September 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 September 2019 and 30 September 2020, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

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

	30.09.2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies					
Associated companies	-	-	6,675	63,788	-
Jointly controlled	343,583	-	845,547	500	-
Members of the (Note 23)					
Board of Directors	-	848	-	1,876,582	-
Audit Committee	-	-	-	121,998	-
Remuneration Committee	-	-	-	26,960	-
General Meeting	-	-	-	14,000	-
	343,583	848	852,221	2,103,828	-

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 March 2020, CTT invoked force majeure before the Grantor, following the public health emergency of international scope declared by the World Health Organization. Since then, the need for CTT to comply with the public health standards issued by the competent authorities has been maintained, as well as the necessary and appropriate measures to protect workers and customers, while continuing to ensure the functioning and continuity of postal services. CTT also continues to periodically submit an 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 legal proceedings relating to ANACOM's 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. The arbitration proceedings brought against the Portuguese State, as the grantor in the Concession Agreement, are 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 resolution regarding the new measurement procedures to be applied to the quality of service indicators, there were no relevant developments.

The process related to the proposal of the imposition of 11 contractual fines, initiated in 2018 by ANACOM, within the scope of the Universal Postal Service Concession Agreement, based on alleged breaches of contract obligations during 2015, 2016 and 2017 and the administrative proceedings had no significant developments.

ANACOM is currently analysing the price proposal for international mail services within the scope of the universal postal service, which was presented by CTT on 15 September 2020.

ANACOM has determined the application of the compensation mechanism to users for non-compliance in 2019 with the QoS performance targets, i.e. (a) the deduction of 1 percentage point from the weighted average change in the prices of the basket of letter mail, parcels and editorial mail services, allowed for the year 2020, a variation which corresponds 0.41% and will benefit all the users of those services; and (b) the deduction of

0.31% from the prices in force for bulk mail subject to special prices in the domestic service. The form of its implementation is under consideration.

On 14 September, ANACOM announced that it considered the results of the cost accounting system of CTT for the financial years of 2016 and 2017 were produced in accordance with ANACOM's decision on the reformulation of those results and imposing new criteria for the separation of costs between the postal activity and the banking activity of the Company. According to the reports of the audit firm appointed by ANACOM, the impact of the reformulation of the results of CTT cost accounting system on the provision of the Universal Postal Service in those two years was of around €1.3m in 2016 and circa €5m in 2017, on a like-for-like basis.

The results of the public consultation that took place between 26 June and 18 August regarding the provision of the universal postal service after the expiration of the current concession are awaited. CTT timely presented its contribution, hence ANACOM's public consultation report and its final decision are awaited. It should be noted that the current concession contract is in force until the end of this year.

COVID-19 Impact

Following the public health emergency declared by the World Health Organization and as in the 3rd quarter of 2020 a gradual opening up from lockdown took place in Portugal as well as in most international markets, which allowed for some economic recovery, the CTT Group has been implementing the measures taken in the meantime to strengthen its financial position and liquidity and ensure its operational response, while preserving the value of traditional services and focusing on and boosting 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 Shops), an offer that allows SMEs to create online shops and facilitates the sale of their products. There are currently 1,060 registered online shops and at the end of September there were 312 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.

Although the performance of the E&P business unit also resented the effect of the COVID-19 pandemic, it was strongly impacted by the growth of CEP in the nine months of 2020, even if the 1H20 was particularly affected by the COVID-19 pandemic and the effects of the restrictions imposed on most sectors of the economy, which had a strong impact on the profile of shipments, with a reduction in B2B volumes and, on the other hand, strong growth in e-commerce activity. In 3Q20, the strong pace of e-commerce activity was maintained and there was a recovery in the B2B segment.

The Financial Services & Retail business unit was most impacted, with a significant reduction in Public Debt Certificates subscriptions, particularly in 2Q20, a situation which is already showing a sustainable trend towards recovery.

In Banco CTT business unit the impacts were more visible in terms of mortgage loans 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. As at 30 September public moratorium requests reached a total exposure of €41.2m, representing 3.91% of the total gross credit portfolio. On 30 September, the private auto credit moratoria in the amount of €27.7m ended, which represented 5.42% of the total of this portfolio.

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 the 9-month period ended on 30 September 2020 and as the pandemic context is maintained, the Group continued to carry out the following assessments:

- Review of expected credit losses (“ECL”) to be applied to amounts receivable and bank deposits as at 30 September 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), the Banco CTT Group has, as at 30 September 2020, 743 active moratoria corresponding to €41.2m and representing 3.91% of the credit to clients portfolio. On 30 September the 2,246 private auto credit moratoria (within APB (Portuguese Banking Association) and ASFAC (Association of Specialised Credit Institutions)) which corresponded to €27.7m ended, excluding 59 contracts in default that were already settled on this date. As at 30 September 2020, there were no sector moratoria;
- 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 2020;
- Analysis of whether there are 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;
- Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified;
- In order to strengthen its financial position and manage liquidity risk, the Group contracted a new financing in the amount of €25m, of which no amount had yet been used as at 30 September 2020;
- Recognition of incremental costs associated with COVID-19, namely related to personal protection equipment and additional security and hygiene measures amounting to around €0.9 million.

Although the high uncertainty regarding the evolution of the pandemic and its effects on the Group's businesses continues, 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 September 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.