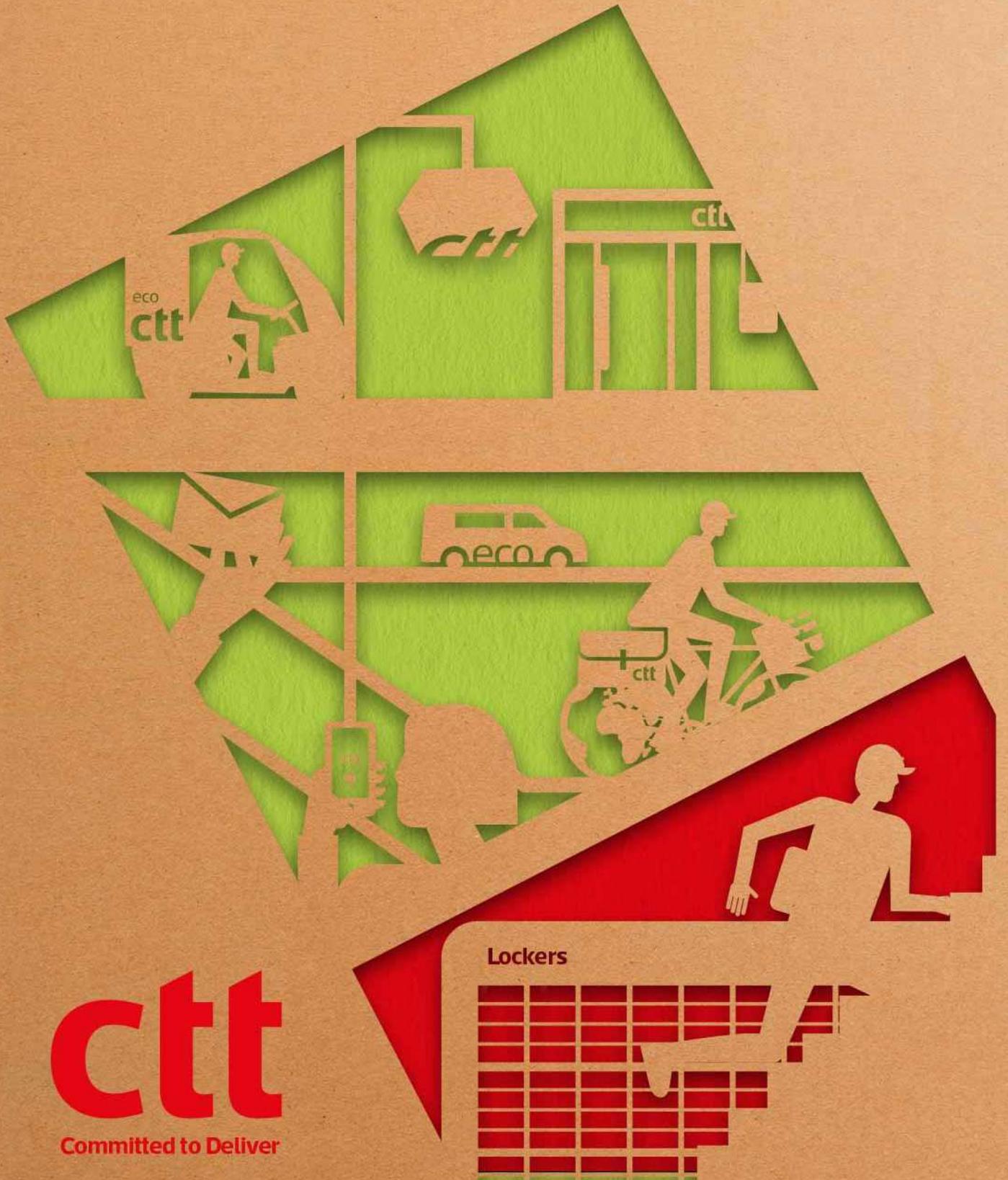


Consolidated Results

January-September 2022



ctt
Committed to Deliver

Lockers

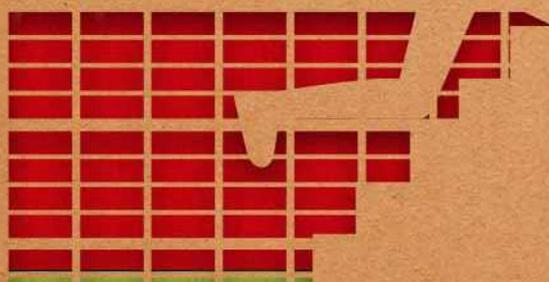


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CTT – CORREIOS DE PORTUGAL, S.A.

JANUARY TO SEPTEMBER 2022 CONSOLIDATED RESULTS

- **Revenues¹** grew by 8.1% to €662.8m in 9M22, an increase of €49.9m compared to 9M21 that reflects the growth in all business units: Mail & Other (+€26.6m; +8.3% y.o.y), Banco CTT (+€17.9m; +24.9% y.o.y), Financial Services & Retail (+€4.0m; +11.2% y.o.y) and Express & Parcels (+€1.4m; +0.8% y.o.y).
- **Mail & Other** was positively impacted in 9M22 by the growth of the business solutions base (+€38.9m), due to the consolidation of NewSpring Services (+€14.6m) and penalized by the strong decrease of the revenues from international inbound mail (-€12.6m), affected by the end of the VAT exemption on lower-value extra-EU products (*de minimis*) that entered into force on 1 July 2021.
- **Express & Parcels** has been experiencing an upturn in a challenging economic environment. In 3Q22, Portugal recorded a 4.0% year-on-year growth in revenues (in 9M22 revenues reached €94.3m (-€4.8m; -4.8% y.o.y). CEP performance in Portugal in 3Q22 confirms the recovery that took place since 2Q22. In Spain, revenues grew to €90.7m in 9M22, up by €5.8m (+6.8% y.o.y) relative to 9M21, and a positive trend was also observed in 3Q22 revenues.
- **Banco CTT** continued to grow, with the recurring EBIT increasing to €9.6m in 9M22 (+66.5% y.o.y). The growth path was anchored on the growth of the auto loan portfolio, where it should be underlined that production reached a new peak in 3Q22 (€67.4m), totaling €192.9m in 9M22 (+28.0% y.o.y). as well as in the growth of the consumer credit portfolio.
- **Financial Services & Retail**, which grew by 11.2% y.o.y in 9M22 to €39.5m (+29.1% y.o.y in 3Q22 to €15.3m) benefited, especially in 3Q22, from the 40.5% increase in subscription of public debt certificates, mainly savings certificates, as their attractiveness has been increasing since the beginning of the year due to a new interest rate conjuncture that places public debt as a more interesting investment alternative.
- **Recurring EBIT** stood at €38.8m in 9M22, reaching €20.1m in 3Q22 (€2.0m in 2Q22 and €6.7m in 1Q22), with an improvement in the trend throughout 2022.
- **Operating cash flow** stood at €59.0m in 9M22, up €7.6m (+14.9% y.o.y) compared to 9M21.
- **Net profit⁴** reached €28.3m, an increase of €2.0m (+7.6% y.o.y) vis-à-vis 9M21.

Consolidated results

	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
Revenues¹	612.9	662.8	49.9	8.1%	200.1	216.4	16.3	8.1%
Mail & Other	318.9	345.5	26.6	8.3%	101.3	103.9	2.6	2.5%
Express & Parcels	186.3	187.8	1.4	0.8%	60.5	65.1	4.6	7.6%
Banco CTT	72.1	90.0	17.9	24.9%	26.4	32.1	5.7	21.5%
Financial Services & Retail	35.6	39.5	4.0	11.2%	11.9	15.3	3.5	29.1%
Operating costs (EBITDA)²	530.0	576.0	46.0	8.7%	174.5	180.0	5.5	3.1%
EBITDA³	82.9	86.8	3.9	4.7%	25.6	36.4	10.8	42.1%
Depreciation & amortization	43.2	48.1	4.9	11.2%	14.6	16.3	1.7	11.4%
Recurring EBIT	39.7	38.8	-0.9	-2.4%	11.0	20.1	9.1	82.7%
Specific items	-5.8	-4.3	1.5	26.3%	-3.5	-2.2	1.3	36.8%
EBIT	45.5	43.0	-2.5	-5.4%	14.5	22.3	7.8	54.1%
Financial results (+/-)	-8.1	-7.1	0.9	11.6%	-2.7	-2.5	0.2	8.7%
Income tax for the period	11.0	7.6	-3.4	-30.7%	2.6	6.1	3.5	135.9%
Non-controlling interests	0.1	-0.0	-0.2	-118.6%	0.1	-0.0	-0.1	-164.2%
Net profit for the period⁴	26.3	28.3	2.0	7.6%	9.1	13.8	4.6	50.8%

€ million

¹ Excluding specific items.

² From 2021 onwards, operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.

³ Excluding depreciation & amortization and specific items.

⁴ Attributable to equity holders.

1. Operational and Financial Performance

Consolidated revenues

In 9M22, **CTT revenues** grew by 8.1% to €662.8m, an increase of €49.9m compared to 9M21 that reflects the growth in all business units: Mail & Other (+€26.6m; +8.3% y.o.y), Banco CTT (+€17.9m; +24.9% y.o.y), Financial Services & Retail (+€4.0m; +11.2% y.o.y) and Express & Parcels (+€1.4m; +0.8% y.o.y).

Mail

Mail & Other revenues amounted to €345.5m in 9M22, which corresponded to a growth of €26.6m (+8.3% y.o.y) relative to 9M21.

The growth registered in this business unit was boosted by the **business solutions** segment (+€38.9m) reflecting the integration of NewSpring Services in CTT's Business Solutions base offer in September 2021 (+€14.6m) and the €24.3m growth of the business solutions base largely explained by the revenue related to a laptop sale project started in the last quarter of 2021 (+€21.5m).

In 9M22, **mail revenues** reached €290.6m, representing a decline of €13.4m (-4.4% y.o.y) compared to 9M21, penalized mainly by the strong decrease in the revenues of **international inbound mail** (-€12.6m; -48.4% y.o.y).

To be noted is the year-on-year growth of **registered mail** (+€3.8m; +4.2% y.o.y), **priority mail** (+€0.2m; +3.2% y.o.y) and **international outbound mail** revenues (+€2.8m; +9.6% y.o.y) in the period, which, excluding the additional revenue in the month of February due to the rerun of the legislative elections in the European constituency, would have slightly decreased by €0.7m (-2.5%).

The remaining business lines posted decreases: **ordinary mail** (-€4.0m; -3.7% y.o.y), **green mail** (-€1.4m; -18.4% y.o.y), **editorial mail** (-€0.5m; -5.0% y.o.y), **advertising mail** (-€0.4m; -3.0% y.o.y), **parcels** (-€0.4m; -7.1% y.o.y) and **philately** (-€0.7m; -17.7% y.o.y). **Other mail products and services** stabilized (+€0.02m; +0.7% y.o.y).

Business solutions recorded revenues of €51.7m (+€38.9m) as a result of the integration of NewSpring Services (+€14.6m) and the revenue related to the laptop sales project (+€21.5m). Excluding these effects, revenues grew by 26.3% y.o.y. due to the continued focus on diversifying the offer and strengthening existing skills.

Worthy of note in the area of business solutions is (1) the growth of the **document management** business, which attracted new customers and new municipalities for the solution of management of administrative offences; (2) the launch of the new **e-Carta** hybrid mail platform, which allows small and medium-sized companies to digitalize their mail processes; and (3) the presentation of a comprehensive and simplified **cybersecurity** offer, aimed at small and medium-sized companies to improve their cyber resilience.

In 9M22, the average variation in prices of the universal postal service⁵ was +5.53% y.o.y.

Mail volumes

In 9M22, **addressed mail** volumes declined by 3.9% compared to 9M21.

Mail volumes

	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
Transactional mail	313.5	298.9	-14.5	-4.6%	97.5	92.3	-5.2	-5.3%
Advertising mail	26.9	28.2	1.3	5.0%	7.8	8.7	0.9	11.2%
Editorial mail	21.4	20.4	-1.0	-4.8%	6.7	6.5	-0.2	-2.5%
Addressed mail	361.7	347.5	-14.2	-3.9%	111.9	107.5	-4.5	-4.0%
Unaddressed mail	333.1	315.0	-18.2	-5.5%	111.0	106.8	-4.2	-3.8%

In 9M22, **transactional mail** volumes decreased by 4.6% y.o.y, mainly due to the declines in **ordinary mail** (-4.0% y.o.y) and **international inbound mail** (-32.2% y.o.y).

⁵ Including letter mail, editorial mail, and parcels of the universal postal service, excluding international inbound mail.

It should be noted that the downward trend in **international inbound mail** observed since 2H21 continued in 9M22 due to the entry into force as of 1 July 2021 of the abolition of the VAT exemption on postal items below €22 ("*de minimis*"), leading to the need for customs clearance of all items of extra-EU origin, which resulted in an increase in customs transit times.

In the opposite direction, **registered mail** volumes grew (+5.0% y.o.y) in 9M22 vs. 9M21, driven by the dynamics of contractual customers, especially the government and services sector, as did **priority mail** (+5.0% y.o.y).

In 9M22, **addressed advertising mail** volumes increased by 5.0% y.o.y. while **unaddressed advertising mail** decreased by 5.5% y.o.y.

The following projects were further developed: (i) the CTT Ads Creativity solution, in partnership with the Milford agency, for the strategic and creative development of communication campaigns, and (ii) the "CTT Ads Success Stories" campaign, with the aim of boosting the advertising offer for clients with online businesses, to promote trial of advertising solutions.

Express & Parcels

Express & Parcels **revenues** amounted to €187.8m in 9M22, a year-on-year increase of €1.4m (+0.8%).

It should be noted that 1Q22 was impacted by a difficult year-on-year comparison, as 1Q21 was a quarter affected by the effect of the restrictions associated with the COVID-19 pandemic, particularly the second lockdown, which strongly boosted the e-commerce activity.

In 9M22, **revenues in Portugal** recorded €94.3m, a year-on-year decrease of €4.8m (-4.8% y.o.y), and volumes totaled 23.3 million items (-2.4% y.o.y).

CEP revenues amounted to €84.3m in 9M22, corresponding to -2.7% y.o.y. It is important to note that in 3Q22 revenues grew 4.0% over 3Q21, maintaining the CEP activity growth trajectory in terms of volumes per working day (+7.5% y.o.y), driven essentially by e-commerce (B2C) customers, with a particular focus on large global marketplaces.

The **logistics** product line, which is a pillar of the development of the vertical integration strategy with CEP, recorded revenues of €2.5m in 9M22 (+6.9% y.o.y), a growth based on attracting new customers, which in 1Q22 enabled the full logistical operation of supplying computers and peripherals to Portuguese schools to be carried out.

Revenues of the **cargo** product line amounted to €3.8m in 9M22 (-39.5% y.o.y), a reduction related to the change in the operating strategy, which aimed to find a solution to position this product line at positive margin levels.

The **banking** documents delivery product line recorded revenues of €3.2m (-6.0% y.o.y). Although still under pressure in a context of continued reduction of the capillarity of banking networks, as well as of lower collection/delivery frequency, it is worth noting that there was a 0.5% growth in 3Q22 compared to 3Q21.

CTT continued to roll out its **24-hour Locker** strategy to both the general public and private premises (both residential and corporate), as well as Click&Collect product. These allow clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). As at the end of September 2022, CTT's parcel locker network comprised 390 24-hour Lockers in various locations around the country, namely in hospitals, intermodal transport platforms, shopping centres, university campuses, physical retail networks, parking lots, gas stations or, in the case of private lockers, in condominiums and in office/business areas.

In late 2021, CTT entered into a partnership with Zongteng Group and created the Open Lockers joint-venture to manage and develop the 24-hour Lockers business in the Iberian Peninsula, aiming to install a vast network of lockers in Portugal by the end of 2022.

Revenues in Spain stood at €90.7m in 9M22, corresponding to 6.8% above 9M21 and a 33.8% growth of the contribution margin⁶, anchored on an increase in the average price, which was higher than the evolution of unit costs. The implementation of a new commercial model and expansion of the offer will allow for the consolidation of the growth trajectory by the end of 2022.

⁶ Revenues less direct operating costs (excluding overheads, essentially buildings and fleet).

The Company continues to work towards its goal of becoming the leader in the Iberian express parcel market and, during 3Q22, proceeded with its strategy of investing in innovation, technology and new premises to reinforce the parcel network and be prepared for the next Black Friday and Christmas campaigns. New sorting centres were recently opened in Logroño, Málaga, Jaén and Alicante, the latter equipped with a new automation that will allow the fast sorting of parcels and will serve as the main hub for goods between Spain and Portugal.

Revenues in Mozambique in 9M22 stood at €2.8m, 18.8% above those of 9M21. The growth achieved was supported by the partnership with a freight forwarder in Africa.

Banco CTT

Banco CTT **revenues** reached €90.0m in 9M22, an increase of €18.0m (+249% y.o.y) over 9M21.

Revenue growth was due to the positive performance of **net interest income**, which totaled €53.5m in 9M22, €13.1m above 9M21 (+32.2% y.o.y).

The **Cartão Universo** consumer credit portfolio generated revenues of €16.3m in 9M22, with a net balance sheet volume of €344.1m in September 2022, a growth of €52.0m (+17.8%) compared to December 2021.

Interest from **consumer credit** reached €33.0m in 9M22, up €5.3m (+19.4% y.o.y) compared to 9M21 and **auto loans** reached a loan portfolio net of impairments of €730.3m (+12.6% vs. December 2021). Auto loans production stood at €192.9m (+28.0% y.o.y).

Interest from **mortgage loans** recorded a year-on-year increase of 9.1%, with a €643.4m mortgage loan portfolio net of impairments (+8.2% vs. December 2021). Mortgage loan production amounted to €104.8m, a year-on-year growth of €4.3m (+4.3% y.o.y).

Commissions received in this business unit reached €33.5m, a year-on-year growth of €4.7m (+16.4% y.o.y). Worthy of note are the positive contributions of (i) commissions from **accounts and cards**, which amounted to €9.2m (+€1.5m; +19.4% y.o.y), (ii) **savings products** (off-balance sheet), which totaled €3.4m (+€0.8m; +31.7% y.o.y) as a result of a net volume off-balance sheet of €852.9m, 20.4% above December 2021, (iii) **consumer credit** (off-balance sheet) amounting to €2.0m (+€0.7m; +47.8% y.o.y), and (iv) **payments**, which totaled €13.8m (+€0.9m; +6.6% y.o.y).

Banco CTT's good commercial performance continued to allow for growth in **customer deposits** to €2,296.0m (+8.2% vs. December 2021) and in the **number of accounts** to 591k (18k more than in December 2021).

The **loan-to-deposit ratio** reached 75.0% as at the end of September 2022.

Financial Services & Retail

Financial Services & Retail **revenues** amounted to €39.5m in 9M22, representing a year-on-year increase of €4.0m (+11.2% y.o.y). There was a positive evolution in revenues in 3Q22, with a growth of €3.5m (+29.1% y.o.y) compared to 3Q21.

Financial services (excluding other revenues) obtained revenues of €26.0m, a year-on-year increase of €2.3m (+9.8% y.o.y), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth) posted revenues of €19.8m in 9M22, up €2.1m (+12.2% y.o.y) compared to 9M21.

Subscriptions of these certificates amounted to €3,847.4m in 9M22, an average of €20.4m/day versus €18.7m/day in 9M21. The 3Q22 saw an increase in this type of savings with subscriptions 71.1% up compared to 2Q22 and 40.5% up compared to 3Q21. This growth was supported mainly by Savings Certificates, as their attractiveness has been increasing since the beginning of the year due to a new interest rate conjuncture that places public debt as a more interesting investment alternative.

- Subscriptions of **non-banking financial products**, in the area of non-life insurance and health plans, reached €46.2m of subscriptions in 9M22. Aiming to gain materiality in financial retail, CTT, in articulation with business partners, intends to achieve growth in this line of activity in future quarters.

- **Money orders** recorded revenues of €4.4m in 9M22, up by €0.2m (+4.4% y.o.y) compared to 9M21. The additional issues of other social benefits, created under the current macroeconomic framework, have contributed to mitigate the structural decline associated with the substitution of this means of payment.
- **CTT payment services** posted revenues of €1.1m in 9M22, remaining stable in relation to the same period of the previous year.

Retail products and services (excluding other revenues) reached €12.6m in revenues in 9M22, a year-on-year increase of €1.0m (+8.2% y.o.y), boosted by the services provided for the payment of the allowance for air transport of the islands (+101.4% y.o.y) with the increased mobility of populations after the pandemic, and by the distribution of social gambling (+12.5% y.o.y).

Amongst the initiatives carried out in 3Q22, the focus on the commercialization of smartphones and convenience technology, now with a new partnership, which were very well accepted by the customers, should be highlighted.

In strategic terms, CTT has been reinforcing its positioning in the retail segment through a more robust, more regular and more comprehensive offer in the Retail network and CTT points, promoting recurrent and impulse buying.

Operating costs

Operating costs totaled €619.8m in 9M22, a year-on-year growth of €52.4m (+9.2% y.o.y).

Operating costs								
	€ million							
	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
Staff costs	259.3	263.5	4.2	1.6%	82.0	85.0	3.0	3.7%
ES&S	235.1	249.1	14.1	6.0%	80.4	83.7	3.3	4.0%
Impairments & provisions	8.8	17.4	8.6	97.2%	3.0	4.2	1.2	38.6%
Other costs	26.8	46.0	19.1	71.3%	9.0	7.1	-2.0	-21.8%
Operating costs (EBITDA)⁷	530.0	576.0	46.0	8.7%	174.5	180.0	5.5	3.1%
Depreciation & amortization	43.2	48.1	4.9	11.2%	14.6	16.3	1.7	11.4%
Specific items	-5.8	-4.3	1.5	26.3%	-3.5	-2.2	1.3	36.8%
Corporate restructuring costs and strategic projects	9.9	5.4	-4.5	-45.7%	0.4	1.8	1.3	»
Other non-recurring revenues and costs	-15.6	-9.6	6.0	38.5%	-3.9	-3.9	-0.0	-0.8%
Operating costs	567.4	619.8	52.4	9.2%	185.6	194.1	8.4	4.5%

Staff costs increased by €4.2m (+1.6% y.o.y) in 9M22, essentially in the Mail & Other business unit (+€4.2m y.o.y), due to the acquisition of NewSpring Services (+€8.8m). Excluding the change in the consolidation perimeter, these costs would have declined by €4.5m (-1.7%), as a result of the measures taken to increase productivity and the focus on operating efficiency.

External supplies & services costs increased by €14.1m (+6.0% y.o.y) compared to the same period of the previous year, both due to the inorganic effect of the acquisition of NewSpring Services (+€4.9m y.o.y), and to business growth, with emphasis on: direct costs, impacted by the effect of legislative elections (+€3.3m), by the partnerships (+€0.9m) and by the sales support material (+€0.4m); temporary work (+€1.9m); as well as physical and technological resources (+€3.3m). Other costs decreased by €0.5m.

Impairments and provisions increased by €8.6m in 9M22 (+97.2% y.o.y), as a result of the growth in the auto loan portfolio and the Universo credit card.

Other costs grew by €19.1m (+71.3% y.o.y), mainly in the Mail & Other business unit due to the growth of business solutions (+€20.7m y.o.y in connection with the laptop sale project).

Depreciation & amortization increased by €4.9m (+11.2% y.o.y) compared to the same period of the previous year, not only due to the inorganic effect of the acquisition of NewSpring Services (+€1.1m y.o.y)

⁷ From 2021 onwards, operating costs (EBITDA) include impairments and provisions; also, the impact of the leases covered by IFRS 16 is presented pursuant to this standard.

but also due to investment in IT systems (+€2.0m y.o.y) and postal equipment (+€0.5m y.o.y), and to new building and vehicle lease contracts which impacted amortization (+€2.1m y.o.y), due to the IFRS 16 accounting standard.

Specific items amounted to -€4.3m, due to: (i) other non-recurring revenues and costs (-€9.6m y.o.y) which include gross gains from the appreciation of contracted derivatives (-€11.2m y.o.y) and penalty for early termination of the lease of the head office building (+€2.0m); (ii) restructuring costs (+€3.4my.o.y), including suspension agreements of employment contracts; and (iii) strategic projects (+€1.9m y.o.y).

The valuation of the derivative structure in the amount of €11.2m, as mentioned above, is the result of the MTM (Mark to Market) of the interest rate derivatives in the form of a Cap Agreement (associated with the Ulisses 1 and Ulisses 2 securitization operations) and Interest Rate Swap (associated with the Ulisses 3 securitization operation and a derivative existing in Banco CTT).

Staff

As at 30 September 2022, the **CTT headcount** (permanent and fixed-term staff) consisted of 12,788, a decrease of 136 (-1.1%) compared to 30 September 2021.

Headcount

	30.09.2021	30.09.2022	Δ	Δ%
Mail & Other	11,194	10,961	-233	-2.1%
Express & Parcels	1,247	1,305	58	4.7%
Banco CTT	451	487	36	8.0%
Financial Services & Retail	32	35	3	9.4%
Total, of which:	12,924	12,788	-136	-1.1%
Permanent	11,189	11,230	41	0.4%
Fixed-term contracts	1,735	1,558	-177	-10.2%
Portugal	12,330	12,111	-219	-1.8%
Other geographies	594	677	83	14.0%

There was a decrease in the number of staff in Mail & Other (-233) where projects to increase the productivity of operations are ongoing, which have adapted the network to the new profile of the mail flows and reduced the need for additional hiring, as well as the HR optimization program underway mainly in the central structure.

Together, the areas of operations and distribution within the mail network (5,441 employees, of whom 4,140 are delivery postmen and women) and the retail network (2,295 employees) represented circa 68.9% of CTT's permanent staff.

Recurring EBIT

Recurring EBIT stood at €38.8m in 9M22, decreasing by €0.9m (-2.4% y.o.y) vis-à-vis 9M21, with a margin of 5.8% (6.5% in 9M21). Banco CTT's recurring EBIT posted growth (+€3.8m; +66.5% y.o.y), as well as Financial Services & Retail (+€2.5m; +14.6% y.o.y), while the remaining business units posted decrease. In Mail & Other, the decrease (-€5.0m; -50.8% y.o.y) was mainly due to the decline in higher-value and higher-margin mail volumes. In Express & Parcels (-€2.3m; -32.5% y.o.y), it was due to the increased costs associated with the expansion of sorting centres and the increase in fuel prices, and in Portugal there was also a decrease in the average revenue per item due to the change of the product mix (greater flows of smaller items).

The recurring EBIT also benefited from the cost savings associated with the change of CTT's headquarters already envisaged in the quick wins shared with the market, namely those related with the optimization of facilities. The impact in 2022 is €3.4m and there will be an equivalent annual impact in 2023 and going forward.

Recurring EBIT by business unit

	€ million							
	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
Recurring EBIT by Business Unit	39.7	38.8	-0.9	-2.4%	11.0	20.1	9.1	82.7%
Mail & Other	9.8	4.8	-5.0	-50.8%	0.2	6.6	6.4	»
Express & Parcels	7.1	4.8	-2.3	-32.5%	1.6	1.1	-0.6	-35.2%
Banco CTT	5.8	9.6	3.8	66.5%	3.4	4.1	0.7	21.8%
Financial Services & Retail	17.1	19.6	2.5	14.6%	5.9	8.4	2.6	43.8%

It is worth pointing out that in 3Q22, recurring EBIT increased by 82.7% y.o.y to €20.1m, benefiting from the expansion of the recurring EBIT generated by the Mail & Other business unit. The performance of this business unit reflected the trends already anticipated and benefited from the impact of the various initiatives focused on increasing profitability. In 3Q22, the Financial Services & Retail business unit also made a decisive contribution to the expansion of recurring EBIT, as well as Banco CTT, in both cases as a result of the dynamics identified above.

Financial Results and Net Profit

Consolidated financial results amounted to -€7.1m, corresponding to an improvement of €0.9m (+11.6% y.o.y) compared to 9M21.

Financial Results

	€ million							
	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
Financial results	-8.1	-7.1	0.9	11.6%	-2.7	-2.5	0.2	8.7%
Financial income, net	-6.4	-6.9	-0.5	-8.6%	-2.1	-2.4	-0.2	-11.5%
Financial costs and losses	-6.4	-6.9	-0.5	-8.5%	-2.1	-2.4	-0.3	-12.1%
Financial income	0.0	0.0	-0.0	-7.8%	-0.0	0.0	0.0	111.0%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.7	-0.2	1.5	88.2%	-0.6	-0.1	0.5	83.2%

Financial costs and losses incurred amounted to €6.9m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €2.9m, interest expense associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €2.4m and interest expense on bank loans for an amount of €1.2m.

In 9M22, CTT obtained a **consolidated net profit** attributable to equity holders of €28.3m, which is €2.0m above 9M21, positively impacted by financial results (+€0.9m y.o.y) and by the corporate income tax for the period (-€3.4m y.o.y).

Investment

Capex stood at €19.9m in 9M22, down by €1.5m (-7.2% y.o.y) compared to 9M21.

This evolution is mainly justified by the financial effort made in the same period of 2021 in the acquisition of mail sorting machines and in construction and renovation work, resulting in an overall decrease of €3.4m. On the other hand, investment was made in the renewal of the light vehicle fleet (+€0.5m y.o.y) and in information systems, to support the banking activity (+€0.4m y.o.y) and to implement the physical-digital omnichannel strategy for the private customers segment (+€1.1m y.o.y).

Cash flow

In 9M22, the Company generated an operating **cash flow** of €59.0m, a year-on-year increase of €7.6m (+14.9% y.o.y). The €59.0m operating cash flow in 9M22 is largely explained by the positive performance of EBITDA, but it was outweighed by the investment made in the period as well as by the payments made in 9M22 still related to the investment made back in 4Q21.

It is worth highlighting that in 3Q22, operating cash flow reached €40.0m, having increased by €26.5m when compared to 3Q21. The improved performance in terms of generated operating cash flow was mainly due to the recovery in the Company's current assets, as a result of a strong focus on customer receivables. In fact, in terms of working capital, the evolution observed also results from a quite positive

performance of EBITDA-related items, reflecting the effort of the teams and a more efficient management of accounts receivable, namely with other postal operators.

Cash flow

	€ million							
	9M21	9M22	Δ	Δ%	3Q21	3Q22	Δ	Δ%
EBITDA	82.9	86.8	3.9	4.7%	25.6	36.4	10.8	42.1%
Non-cash items*	-13.9	-7.8	6.1	44.0%	-4.6	-4.4	0.2	3.3%
Specific items**	5.8	4.3	-1.5	-26.3%	3.5	2.2	-1.3	-36.8%
Capex	-21.5	-19.9	1.5	7.2%	-9.7	-8.0	1.8	18.2%
Δ Working capital	-2.0	-4.4	-2.4	-120.8%	-1.2	13.8	15.1	»
Operating cash flow	51.4	59.0	7.6	14.9%	13.5	40.0	26.5	»
Employee benefits	-9.5	-11.4	-1.9	-19.9%	-3.0	-3.9	-0.9	-31.3%
Tax	-2.4	-15.6	-13.3	«	-2.4	-8.0	-5.6	«
Free cash flow	39.4	31.9	-7.5	-19.1%	8.1	28.1	19.9	»
Debt (principal + interest)	-10.1	-15.4	-5.3	-52.2%	-7.3	-7.4	-0.1	-0.7%
Dividends	-12.8	-17.7	-4.9	-38.5%	0.0	0.0	-0.0	-100.0%
Acquisition of own shares	-6.4	-21.6	-15.2	«	0.0	-6.2	-6.2	«
Disposal of buildings	2.2	0.0	-2.1	-98.5%	2.2	0.0	-2.2	-99.8%
Financial investments	-15.0	-0.7	14.3	95.7%	-14.2	-0.5	13.7	96.5%
Inorganic cash flow - NewSpring	4.9	0.0	-4.9	-100.0%	4.9	0.0	-4.9	-100.0%
Change in adjusted cash	2.3	-23.4	-25.6	«	-6.3	14.0	20.3	»
Δ Liabilities related to Financial Serv. & others and Banco CTT, net ⁸	410.4	-557.9	-968.3	«	282.4	-551.9	-834.3	«
Δ Other ⁹	2.1	13.3	11.1	»	2.2	0.5	-1.6	-75.2%
Net change in cash	414.8	-568.0	-982.8	«	278.2	-537.4	-815.7	«

*Impairments, Provisions and IFRS 16 affecting EBITDA

**Specific items affecting EBITDA

Consolidated Balance sheet

Consolidated Balance sheet

	€ million			
	31.12.2021	30.09.2022	Δ	Δ%
Non-current assets	1,970.3	2,222.0	251.6	12.8%
Current assets	1,614.9	1,739.6	124.8	7.7%
Assets	3,585.2	3,961.6	376.4	10.5%
Equity	174.5	199.8	25.2	14.4%
Liabilities	3,410.7	3,761.8	351.2	10.3%
Non-current liabilities	705.3	825.3	120.1	17.0%
Current liabilities	2,705.4	2,936.5	231.1	8.5%
Equity and consolidated liabilities	3,585.2	3,961.6	376.4	10.5%

The key aspects of the comparison between the **consolidated balance sheet** as at 30.09.2022 and that as at 31.12.2021 are as follows:

- **Assets** grew by €376.4m, mostly due to the growth in credit to banking clients (+€180.9m), especially mortgage credit and auto loans, as well as to the increase in investments in securities at amortized cost (+€247.8m), and in other banking financial assets (+€515.0m) as a result of the bank applications made by Banco CTT in Banco de Portugal. These increases were partly attenuated by the decrease in cash and cash equivalents (-€568.0m) given the aforementioned bank applications made by Banco CTT, as well as the payment of dividends and the acquisition of own shares.
- **Equity** increased by €25.2m following the net profit attributable to shareholders of the CTT Group in 9M22 in the amount of €28.3m, the increase in reserves as a result of the constitution of the reserve associated with the share plan (+€1.2m), and the increase in other changes in equity (+€34.0m) following the reduction in liabilities related to Employee benefits net of deferred tax

⁸ The change in net liabilities of Financial Services & Retail and Banco CTT reflects the evolution of credit balances with third parties, depositors or other banking financial liabilities, net of the amounts invested in credit or investments in securities / banking financial assets, of entities of the CTT Group providing financial services, namely the financial services of CTT, Payshop, Banco CTT and 321 Crédito.

⁹ The change in other cash items reflects the evolution of Banco CTT's sight deposits at Banco de Portugal, outstanding cheques / clearing of Banco CTT cheques, and impairment of sight and term deposits and bank applications.

assets. In the opposite direction, there was the acquisition of own shares in the amount of €21.6m and the payment of dividends in the amount of €17.7m.

- Liabilities** increased by €351.2m, underpinned by the increase in banking clients' deposits and other loans (+€155.8m), the increase in accounts payable (+€61.1m) largely due to the increase in the value of money orders payable following the support measure for pensioners, the payment of which is due to take place in October 2022, and the increase in other banking financial liabilities (+€202.3m) following the Ulisses Finance No.3 securitization operation. In the opposite sense, there was a decrease in employee benefits (-€49.3m), due to the recalculation of the respective liabilities resulting from the upward revision of the discount rate used to calculate them, as well as a reduction in medium and long-term debt (-€19.1m), essentially as a result of the amortization of bank loans.

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

Consolidated Balance sheet with Banco CTT under equity method

	31.12.2021	30.09.2022	Δ	Δ%
				€ million
Non-current assets	680.2	675.0	-5.1	-0.8%
Current assets	454.9	465.2	10.3	2.3%
Assets	1,135.0	1,140.2	5.2	0.5%
Equity	173.9	200.0	26.1	15.0%
Liabilities	961.1	940.2	-20.9	-2.2%
Non-current liabilities	422.5	346.6	-75.9	-18.0%
Current liabilities	538.6	593.6	55.0	10.2%
Equity and consolidated liabilities	1,135.0	1,140.2	5.2	0.5%

Liabilities related to employee benefits (post-employment and long-term benefits) stood at €235.0m in September 2022, down by €48.1m compared to December 2021, broken down as specified in the table below:

Liabilities related to employee benefits

	31.12.2021	30.09.2022	Δ	Δ%
				€ million
Total liabilities	283.1	235.0	-48.1	-17.0%
Healthcare	263.5	214.3	-49.2	-18.7%
Healthcare (321 Crédito)	1.5	1.1	-0.4	-25.8%
Suspension agreements	9.5	10.6	1.1	11.8%
Other long-term employee benefits	6.5	5.4	-1.1	-17.2%
Other long-term benefits (321 Crédito)	0.2	0.2	-0.0	-11.0%
Pension plan	0.3	0.2	-0.0	-15.7%
Other benefits	1.6	3.3	1.6	100.0%
Deferred tax assets	-78.6	-65.7	12.9	16.4%
Current amount of after-tax liabilities	204.5	169.4	-35.2	-17.2%

The decrease in Healthcare (-€49.2m) results from the recalculation of liabilities due to the upward revision of the discount rate used in their calculation.

These liabilities related to employee benefits are associated with deferred tax assets amounting to €65.7m, which brings the current amount of liabilities related to employee benefits net of deferred tax assets associated with them to €169.4m.

Consolidated net debt

Consolidated net debt

	31.12.2021	30.09.2022	Δ	Δ%
Net debt	58.9	63.2	4.3	7.3%
ST & LT debt	201.1	182.0	-19.1	-9.5%
of which Finance leases (IFRS16)	115.3	111.9	-3.4	-2.9%
Adjusted cash (I+II)	142.3	118.9	-23.4	-16.4%
Cash & cash equivalents	877.9	309.8	-568.0	-64.7%
Cash & cash equivalents at the end of the period (I)	857.0	275.7	-581.3	-67.8%
Other cash items	20.9	34.2	13.3	63.4%
Other Financial Services liabilities, net (II)	-714.7	-156.8	557.9	78.1%

The key aspects of the comparison between the **consolidated net debt** as at 30.09.2022 and that as at 31.12.2021, are as follows:

- **Adjusted cash** decreased by €23.4m, as the positive performance of the operating cash flow (+€59.0m) did not offset the payment of employee benefits (-€11.4m), tax payments (-€15.6m), debt service (-€15.4m), the acquisition of own shares (-€21.6m), and the payment of dividends (-€17.7m).
- **Short-term & long-term debt** decreased by €19.1m essentially due to the reductions in lease liabilities (-€3.4m) and bank loans (-€14.2m).

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 with Banco CTT under equity method

	31.12.2021	30.09.2022	Δ	Δ%
Net debt with Banco CTT under equity method	182.4	204.5	22.1	12.1%
ST & LT debt	198.5	178.2	-20.3	-10.2%
of which Finance leases (IFRS16)	112.6	108.1	-4.6	-4.0%
Adjusted cash (I+II)	16.1	-26.2	-42.4	«
Cash & cash equivalents	215.2	233.6	18.4	8.6%
Cash & cash equivalents at the end of the period (I)	215.2	233.6	18.4	8.5%
Other cash items	0.0	0.0	0.0	77.9%
Other Financial Services liabilities, net (II)	-199.1	-259.8	-60.8	-30.5%

2. Other Highlights

REGULATORY ISSUES

On 23 December 2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The new **concession agreement** thus came into force and will have a duration of approximately seven years – until 31 December 2028.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the universal postal service under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

Pursuant to the new concession agreement of 6 January 2022 and Decree-Law no. 22-A/2022 published on 7 February 2022, the first year of the agreement is the transition period, hence, the prices of the services included in the universal postal service offer shall respect a maximum annual average variation of 6.80%, which considers the decline in mail volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021. The special prices of the postal services

included in the universal postal service offer applicable to bulk mail senders were also updated on 7 March 2022. These updates correspond to an average annual price variation of 5.84% for the year 2022.

While some impacts of the pandemic persist in 2022, CTT continued to periodically report the status of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service until 21 February 2022 in the wake of the end of the state of calamity and beginning of the state of alert that was in force until 30 September 2022.

By deliberations dated 6 May 2022 and 6 July 2022, ANACOM granted CTT's requests regarding the deduction of the records of mail items in all national flows directly affected by the COVID-19 pandemic in the 2nd half of 2021, for the purposes of calculating the Quality of Service Indicators (QSI) of the year 2021, and in the months of January and February 2022, for the purposes of calculating the QSI of the year 2022.

On 27 July 2022, a **Convention** was signed between the sector regulator (ANACOM), the Directorate-General for the Consumer (DGC) and the universal service provider (CTT), defining the criteria to be applied to the pricing of postal services included in the basket of the universal postal service for the three-year period 2023-2025, in accordance with the provisions of article 14(4) of Law no. 17/2012 of 26 April (Postal Law), as amended by Decree-Law no. 22-A/2022 of 7 February, which has been notified to the Government.

The scope of the Convention thus covers the services of letter mail, parcels, and newspapers and periodicals which are part of the universal postal service offer, including registered mail services used in legal or administrative proceedings, and not applying to special prices of postal services included in the universal service offer applicable to bulk mail senders (subject to the specific regime provided for in article 14-A of the Postal Law).

The main features of the **pricing** of the services covered by the Convention are as follows:

- The maintenance of a maximum annual variation of the prices of the basket of services covered by the Convention, which will be ascertained as per the following formula:
$$\text{CPI} - \Delta\text{Volumes} * (1 - \text{VC}) - \text{E} + \text{K}.$$

The referred maximum annual price variation thus takes into consideration historical figures relative to the inflation rate (CPI) in the last 12 months, the variation in volumes ($\Delta\text{Volumes}$) excluding an indicator of the weight of variable costs (VC) in total costs associated to the universal service (value defined at 16% for each year) and an efficiency factor (E) associated to CTT's activity within the universal postal service (value defined at 0.5 percentage points for each year). In the event of significant contextual changes related to the conditions for the provision of the universal postal service, the application of an additional factor (K) is foreseen, the value of which shall be determined by agreement, upon proposal of any of the parties of the Convention.
- The definition for each price of a maximum annual variation of 15% and a maximum overall variation of 30% for the three-year period 2023-2025.
- The setting of a maximum annual variation of 4 cents for the price of ordinary domestic mail up to 20 grams, used by the occasional segment.
- The continued application of the principle of uniform tariffs, with the application of a single price throughout the territory, to domestic letter mail items up to 50 grams sent by users in the occasional segment and in registered mail items of the service of judicial and other postal notifications weighing up to 50 grams.
- The provision by CTT, free of charge, in the national and international service, of mail dispatches for the blind and partially sighted, with the exception of airmail surcharges, if any.

On 28 June 2022, CTT was notified of ANACOM's decision which granted CTT's application for deferring the date for the entry into force of ANACOM's decision of 29 April 2021 on the delivery of postal items at premises other than the domicile.

MAIN ESG MILESTONES ACHIEVED

Human Capital

- **Getting back to normal after COVID** –The 3rd quarter coincided with the easing of measures under COVID-19. In CTT, the decrease in cases was also accompanied with mitigation measures in line with the guidelines of the Directorate General of Health.
- **Plan for Equality 2023** – The Plan was prepared and presented in September and includes an in-depth reporting exercise, with a self-diagnosis of issues such as the wage ratio between men

and women, detailed by professional group, and an analysis of retention and return rates after parental leave.

- **Health and Safety Programs** – Within the Vitoria program, a new model of analysis of the most perennial and complex cases of conditioned fitness with changes of functions was implemented. In the Viver program, webinar cycles were coupled with materials on health prevention.
- **Vaccination and occupational health** – The annual flu vaccination campaign was held whereby 4,387 occupational health exams were performed, including periodic, occasional and admission exams.
- **Accident prevention** – For accident prevention and ergonomics, around 150 interventions were carried out in the 3rd quarter to assess working conditions. In this period, 549 work accidents were registered, a decrease of 5% compared to 9M21.
- **ROADPOL Safety Days** – Coinciding with the European Mobility Week, CTT joined this initiative that aims at zero traffic fatalities in Europe on at least one day a year.

Intellectual Capital

- **Green innovation award** – Registrations for the CTT E-Commerce Awards 2022 are already open. The "Green e-Commerce" category, one of eight in competition, will reward initiatives that stand out for their positioning in terms of sustainability.
- **Innovation at the service of clients** – The new Business Services Portal, with a client area and a shipping module, led to uniformization and simplification of processes. A new toll experience was also developed in the Customer Area of the CTT website.

Social Capital

- **A Tree for the Forest** – After the launch of the campaign and the start of sales in CTT post offices and online shop, two more ambassadors joined the project: chef António Alexandre and musician Paulo Furtado, better known as the Legendary Tigerman.
- **Launch of EPIS Social Grants** – CTT received applications for the five scholarships, which will support female students enrolled in professional courses in the area of information technologies, in order to promote the entry of women into this highly male-dominated sector.
- **Stamp in Solidarity with Ukraine** – On 27 September, CTT launched a stamp issue dedicated to the people of Ukraine the proceeds of which will revert in full to their relief. This issue is composed of one stamp, with a face value of €0.95, and had a print run of 75k copies.
- **Educational project "Ask an Ecologist"** – CTT has associated with the Portuguese Ecological Society in an educational project – throughout the school year, students from Oeiras and Alenquer will ask questions to ecologists, by letter, and CTT will take on the postage costs.
- **Good practices by NewSpring Services** – Among the usual activities, special note to the blood donations in Lisbon and Évora, as well as the donation of foodstuffs to two NGOs dedicated to sheltering abandoned animals.
- **Money transfers to Ukraine** – In March, an action took place at CTT counters, in partnership with Western Union, which allowed money to be sent to Ukraine free of charge, with a total of 1,078 money transfers amounting to €271.7k.
- **Recognition by Portal da Queixa (Complaints Portal)** – 321 Crédito received an important recognition for its work with the seal Marca Recomendada (Recommended Brand) 2022, attributed by Portal da Queixa.

Natural Capital

- **Expansion of electric vehicles fleet** – CTT already has over 400 fully electric vehicles in circulation, including 52 Citroen AMI electric quadricycles, a novelty in Portugal. Five Delivery Offices are already fully 'green': Cascais, Arroios and Junqueira (Lisbon), Graciosa (Azores) and Porto Santo (Madeira).
- **PostEurop's CSR Coups de Cœur 2022 Award** – CTT won, for the second time in its history, the prestigious CSR Coups de Cœur award, attributed by PostEurop, distinguishing the COVID-19 mask recycling project, in partnership with To-Be-Green.
- **Reinforcement of the partnership with To-Be-Green** – The circular economy program broadened its scope, focusing on material used in CTT's operations, such as international mail bags, to produce trays for use in postal distribution, with the reintroduction of recycled polypropylene.
- **European Mobility Week** – CTT joined this initiative once again, with a plan to raise the awareness of employees that included the event "One day cycling, why not?" promoted by the Lisbon Energy and Environment Agency.

- **CTT Express in mobility platform** – CTT Express, in Spain, has become a member of the "Companies for Sustainable Mobility" platform, aiming to promote efficient and responsible mobility in the distribution and transport sector.
- **Green Postal Day** – CTT and a record number of 18 other postal operators worldwide celebrated Green Postal Day once again. This IPC - International Post Corporation initiative marked the sector's achievements in reducing emissions, electrifying the fleet, and saving energy.
- **GreenFest 2022** – CTT exhibited one of its new Citroen AMI, which are intended to make the postmen's rounds usually made by motorbike safer and less polluting. The results of the partnerships with To-Be-Green and Quercus were also presented.
- **Portugal Mobi Summit** – CTT participated in this summit, which brought together leading players in sustainable mobility, smart cities, energy transition, digital transition, innovation and public policies for transport and urban planning.
- **Support for the purchase of electric and hybrid cars** – 321 Crédito launched a pilot aimed at financing second-hand electric or hybrid cars. The campaign consists in the offer of a coupon, worth €300, to be used in a specialized app.
- **Porto Climate Pact** – CTT joined the Porto Climate Pact, demonstrating its commitment to the decarbonization of its activity, through responsible consumption and the development of its portfolio of more ecological products.
- **Carbon and energy performance** – The cumulative forecast values of carbon emissions and scope 1 and 2 energy consumption of CTT (fuel, gas and electricity consumption and use of air conditioning) in 9M22 are 12.0 kton and 273.2 TJ, respectively, (-0.5% and +1.0% compared to 9M21).

OUTLOOK FOR 2022

CTT's 9M22 results confirm the anticipated recovery trend. The Company remains committed to continuing to take the necessary initiatives to deliver on the guidance, which naturally depends on external factors, namely the evolution of inflation and consumption both in Portugal and Spain.

3. Subsequent Events

On 31 October 2022, CTT - Correios de Portugal, S.A. incorporated the subsidiary CTT IMO Yield, S.A. The business purpose of this company is the leasing and management of real estate, as well as the purchase and sale of real estate. As disclosed in note 4 of the 9-month Interim condensed consolidated financial statements, this company was incorporated with the purpose of owning and managing CTT's real estate yield portfolio and will essentially comprise (1) properties associated with CTT's retail network and (2) warehouses and logistics centres and delivery offices of CTT's operational network in Portugal.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the nine months of 2022, which are attached hereto.

Lisbon, 3 November 2022

The Board of Directors



CTT – Correios de Portugal, S.A.

This information to the market and the general public is made under the terms and for the purposes of article 29-Q of the Portuguese Securities Code. It is also available on CTT website at: <https://www.ctt.pt/grupo-ctt/investidores/comunicados/index>.

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Forward-looking statements

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

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

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

Forward-looking statements (in particular, the objectives, estimates and projections as well as the corresponding assumptions) do neither represent a commitment regarding the models and plans to be implemented, nor are they guarantees of future performance, nor have they been reviewed by the auditors of CTT. You are cautioned not to place undue reliance on the forward-looking statements herein. All forward-looking statements included herein speak only as at the date of this document. Except as required by applicable law, CTT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



9 months report 2022

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 2021 AND 30 SEPTEMBER 2022 (Euros)

	NOTES	31.12.2021	Unaudited 30.09.2022
ASSETS			
Non-current assets			
Tangible fixed assets	4	296,287,578	290,521,242
Investment properties	6	6,327,424	6,168,452
Intangible assets	5	63,507,247	65,349,842
Goodwill		81,471,314	80,256,739
Investments in associated companies		481	481
Investments in joint ventures		17,992	—
Other investments		311,684	961,684
Financial assets at fair value through profit or loss		2,261,947	25,655,643
Debt securities at fair value through other comprehensive income	8	4,906,841	—
Debt securities at amortized cost	8	294,986,658	434,200,262
Other non-current assets		1,772,136	1,233,148
Credit to banking clients	10	1,125,984,322	1,242,524,271
Other banking financial assets	9	5,237,710	2,013,006
Deferred tax assets	26	87,255,087	73,072,370
Total non-current assets		1,970,328,421	2,221,957,140
Current assets			
Inventories		6,872,274	8,965,271
Accounts receivable		160,930,050	159,073,340
Credit to banking clients	10	415,924,171	480,272,676
Income taxes receivable	23	8,268	4,001,930
Prepayments	11	8,725,934	11,311,591
Financial assets at fair value through profit or loss		24,999,138	26,122,328
Debt securities at fair value through other comprehensive income	8	1,188,069	2,313,239
Debt securities at amortized cost	8	39,173,861	147,715,788
Other current assets		68,848,382	62,097,332
Other banking financial assets	9	9,721,536	527,898,626
Cash and cash equivalents	12	877,872,696	309,848,902
		1,614,264,379	1,739,621,023
Non-current assets held for sale		605,798	277
Total current assets		1,614,870,177	1,739,621,300
Total assets		3,585,198,598	3,961,578,440
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(6,404,963)	(27,978,938)
Reserves	15	67,078,351	68,264,199
Retained earnings	15	43,904,074	64,723,159
Other changes in equity	15	(43,998,612)	(9,957,085)
Net profit		38,404,113	28,305,860
Equity attributable to equity holders		173,982,963	198,357,195
Non-controlling interests		563,106	1,393,573
Total equity		174,546,069	199,750,768
Liabilities			
Non-current liabilities			
Medium and long term debt	18	149,336,438	127,582,140
Employee benefits	19	260,805,742	211,699,833
Provisions	20	14,679,520	10,674,263
Prepayments	11	272,088	263,687
Other banking financial liabilities	9	277,760,616	465,625,135
Deferred tax liabilities	26	2,427,513	9,503,052
Total non-current liabilities		705,281,917	825,348,110
Current liabilities			
Accounts payable	21	350,304,332	411,428,472
Banking clients' deposits and other loans	22	2,121,511,345	2,277,262,265
Employee benefits	19	21,090,144	20,915,055
Income taxes payable	23	11,611,897	—
Short term debt	18	51,783,012	54,466,980
Prepayments	11	3,452,240	3,481,204
Other current liabilities		118,594,781	127,439,611
Other banking financial liabilities	9	27,022,862	41,485,976
Total current liabilities		2,705,370,613	2,936,479,563
Total liabilities		3,410,652,530	3,761,827,673
Total equity and liabilities		3,585,198,598	3,961,578,440

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021 AND 30 SEPTEMBER 2022

Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited	Unaudited	Unaudited	Unaudited
		30.09.2021	30.09.2022	30.09.2021	30.09.2022
Sales and services rendered	3	548,485,894	579,305,443	176,294,085	185,074,626
Financial margin		40,447,134	53,500,054	14,706,033	19,079,554
Other operating income		23,952,912	29,984,946	9,102,109	12,207,118
		612,885,940	662,790,443	200,102,227	216,361,298
Cost of sales		(13,869,276)	(35,547,141)	(4,635,122)	(5,731,744)
External supplies and services		(237,835,303)	(251,116,444)	(80,867,765)	(84,425,161)
Staff costs	24	(267,682,275)	(266,132,801)	(82,189,488)	(86,058,565)
Impairment of accounts receivable, net		(1,698,740)	(2,791,054)	(885,020)	(1,467,528)
Impairment of other financial banking assets		(9,766,395)	(17,164,495)	(3,465,744)	(6,410,381)
Provisions, net	20	1,297,051	2,596,850	1,325,759	3,684,196
Depreciation/amortization and impairment of investments, net		(43,213,815)	(48,073,192)	(14,600,976)	(16,270,989)
Net gains/(losses) of assets and liabilities at fair value through profit or loss		—	12,271,530	—	6,333,556
Net gains/(losses) of other financial assets at fair value through other comprehensive income		—	—	(12,171,894)	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost		17,776,526	—	15,565,715	—
Other operating costs		(13,312,671)	(15,091,991)	(4,592,187)	(4,964,624)
Gains/losses on disposal of assets		905,878	1,276,084	890,757	1,253,617
		(567,399,020)	(619,772,654)	(185,625,965)	(194,057,623)
		45,486,920	43,017,789	14,476,262	22,303,675
Interest expenses	25	(6,386,502)	(6,931,854)	(2,112,550)	(2,369,166)
Interest income	25	15,093	13,914	(11,189)	1,235
Gains/losses in subsidiary, associated companies and joint		(1,678,837)	(197,822)	(576,068)	(96,967)
		(8,050,246)	(7,115,762)	(2,699,807)	(2,464,898)
Earnings before taxes		37,436,674	35,902,027	11,776,455	19,838,777
Income tax for the period	26	(10,999,065)	(7,620,135)	(2,594,232)	(6,120,807)
Net profit for the period		26,437,609	28,281,892	9,182,223	13,717,970
Net profit for the period attributable to:					
Equity holders		26,308,662	28,305,860	9,121,948	13,756,677
Non-controlling interests		128,947	(23,966)	60,273	(38,707)
Earnings per share:	17	0.18	0.19	0.06	0.09

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

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021 AND 30 SEPTEMBER 2022

Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited	Unaudited	Unaudited	Unaudited
		30.09.2021	30.09.2022	30.09.2021	30.09.2022
Net profit for the period		26,437,609	28,281,892	9,182,223	13,717,970
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	19,250	71,413	6,903	28,028
Changes to fair value reserves	15	(37,583)	(29,152)	(18,867)	(21,012)
Employee benefits (non re-classifiable adjustment to profit and loss)	15	—	47,275,716	—	—
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	15	—	(13,234,189)	—	—
Other changes in equity		15,147	854,433	2,800	148,124
Other comprehensive income for the period after taxes		(3,187)	34,938,221	(9,165)	155,140
Comprehensive income for the period		26,434,422	63,220,115	9,173,056	13,873,110
Attributable to non-controlling interests		144,093	830,467	63,073	109,417
Attributable to shareholders of CTT		26,290,329	62,389,648	9,109,983	13,763,693

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 2021 AND 30 SEPTEMBER 2022

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 2020		75,000,000	(8)	65,919,935	(47,600,236)	39,962,419	16,669,309	323,675	150,275,094
Appropriation of net profit for the year of 2020		—	—	—	—	16,669,309	(16,669,309)	—	—
Dividends		—	—	—	—	(12,750,000)	—	—	(12,750,000)
Acquisition of own shares	15	—	(6,404,954)	—	—	—	—	—	(6,404,954)
Share plan	15	—	—	1,215,000	—	—	—	—	1,215,000
		—	(6,404,954)	1,215,000	—	3,919,309	(16,669,309)	—	(17,939,954)
Other movements	15	—	—	—	—	—	—	52,242	52,242
Actuarial gains/losses - Health Care, net from deferred taxes	15	—	—	—	3,601,623	—	—	—	3,601,623
Changes to fair value reserves	15	—	—	(56,584)	—	—	—	—	(56,584)
Adjustments from the application of the equity method	15	—	—	—	—	22,345	—	—	22,345
Net profit for the period		—	—	—	—	—	38,404,113	187,190	38,591,303
Comprehensive income for the period		—	—	(56,584)	3,601,623	22,345	38,404,113	239,431	42,210,930
Balance on 31 December 2021		75,000,000	(6,404,963)	67,078,351	(43,998,612)	43,904,074	38,404,113	563,106	174,546,069
Appropriation of net profit for the year of 2021		—	—	—	—	38,404,113	(38,404,113)	—	—
Dividends		—	—	—	—	(17,656,441)	—	—	(17,656,441)
Acquisition of own shares	15	—	(21,573,976)	—	—	—	—	—	(21,573,976)
Share plan	15	—	—	1,215,000	—	—	—	—	1,215,000
		—	(21,573,976)	1,215,000	—	20,747,672	(38,404,113)	—	(38,015,417)
Other movements	15	—	—	—	—	—	—	854,433	854,433
Actuarial gains/losses - Health Care, net from deferred taxes	15	—	—	—	34,041,527	—	—	—	34,041,527
Changes to fair value reserves	15	—	—	(29,152)	—	—	—	—	(29,152)
Adjustments from the application of the equity method	15	—	—	—	—	71,413	—	—	71,413
Net profit for the period		—	—	—	—	—	28,305,860	(23,966)	28,281,894
Comprehensive income for the period		—	—	(29,152)	34,041,527	71,413	28,305,860	830,467	63,220,115
Balance on 30 September 2022		75,000,000	(27,978,938)	68,264,199	(9,957,085)	64,723,159	28,305,860	1,393,573	199,750,768

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 2021 AND 30 SEPTEMBER 2022

Euro

	NOTES	Unaudited 30.09.2021	Unaudited 30.09.2022
Cash flow from operating activities			
Collections from customers		594,295,916	595,549,053
Payments to suppliers		(341,012,571)	(333,163,883)
Payments to employees		(234,591,750)	(239,044,009)
Banking customer deposits		298,162,508	155,755,620
Credit to bank clients		(359,259,977)	(186,540,735)
Cash flow generated by operations		(42,405,874)	(7,443,954)
Payments/receivables of income taxes		(2,378,382)	(15,640,781)
Other receivables/payments		37,665,117	123,746,479
Cash flow from operating activities (1)		(7,119,139)	100,661,744
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		2,168,750	32,080
Financial investments		—	2
Investment in securities at fair value through other comprehensive income	8	9,000,867	4,880,866
Investment in securities at amortized cost	8	380,145,221	406,681,491
Demand deposits at Bank of Portugal		—	19,937,800
Other banking financial assets	9	24,185,000	5,991,731,500
Interest income		23,909	69,466
Payments resulting from:			
Tangible fixed assets		(11,254,837)	(11,669,927)
Intangible assets		(10,802,378)	(14,390,001)
Financial investments		(14,962,369)	(650,000)
Investment in securities at fair value through other comprehensive income	8	—	(1,146,911)
Investment in securities at amortized cost	8	(142,950,283)	(658,922,859)
Demand deposits at Bank of Portugal		(3,679,300)	—
Other banking financial assets	9	(800,000)	(6,506,286,500)
Cash flow from investing activities (2)		231,074,579	(769,732,993)
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	59,832,194	81,512,115
Capital realizations and other equity instruments		—	867,000
Other credit institutions' deposits		—	1,084,674
Other banking financial liabilities		251,500,000	201,500,000
Payments resulting from:			
Loans repaid	18	(69,801,786)	(96,735,602)
Other credit institutions' deposits		—	(1,084,308)
Interest expenses		(202,572)	(292,751)
Lease liabilities	18	(22,745,609)	(25,272,935)
Other banking financial liabilities	9	(15,610,415)	(11,556,284)
Acquisition of own shares	16	(6,404,954)	(21,573,976)
Dividends	16	(12,750,000)	(17,656,441)
Cash flow from financing activities (3)		183,816,856	110,791,492
Net change in cash and cash equivalents (1+2+3)		407,772,296	(558,279,757)
Changes in the consolidation perimeter		4,915,814	—
Cash and equivalents at the beginning of the period		498,826,781	856,957,546
Cash and cash equivalents at the end of the period	12	911,514,891	298,677,789
Cash and cash equivalents at the end of the period			
Sight deposits at Bank of Portugal		19,474,900	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,005,465	11,176,687
Impairment of slight and term deposits		(14,885)	(5,573)
Cash and cash equivalents (Balance sheet)		932,980,372	309,848,902

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

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the interim condensed consolidated financial statements

(Amounts expressed in Euros)

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1. Introduction

CTT – Correios de Portugal, S.A. (“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 privatization 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 privatization 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 main currency of the Group’s operations.

These financial statements were approved by the Board of Directors and authorized for issue on 3 November 2022.

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 2021, except for the new standards and amendments effective from 1 January 2022.

2.1 New standards or amendments adopted by the Group

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

- **Amendments to IFRS 3 – References to the Conceptual Framework for Financial Reporting** - This amendment updates the references to the Conceptual Framework in the text of IFRS 3, and no changes have been made to the accounting requirements for business combinations. The accounting treatment to be adopted in relation to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified.
- **Amendments to IAS 16 – Income obtained before entry into operation** - Clarifies the accounting treatment given to the consideration obtained with the sale of products that result from the production in the test phase of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognizes the income obtained from the sale of such products and the costs of their production in profit or loss.
- **Amendments to IAS 37 – Onerous contracts – costs of complying with a contract** - This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of the tangible assets used to perform the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract. This amendment shall apply to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without the need to restate the comparative.
- **Amendments to IFRS 1 - Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies that, when the subsidiary chooses to measure its assets and liabilities at the amounts included in the consolidated financial statements of the parent company (assuming that no adjustment has occurred in the consolidation process), the measurement of accumulated translation differences of all foreign operations can be carried out at the amounts that would be recorded in the consolidated financial statements, based on the parent company's transition date for IFRS.

- **Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 percent' variation test (included in the annual improvements for the 2018-2020 cycle) -** This improvement clarifies which fees an entity must include when evaluating whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that in the scope of derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and creditor should be included, including commissions paid or received by the debtor or creditor on behalf of the other.
- **Amendments to IAS 41 – Taxation and fair value measurement (included in the annual improvements for the 2018-2020 cycle) -** This improvement eliminates the requirement to exclude tax cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 – Fair value.

The Group did not register significant changes with the adoption of these standards and interpretations.

2.2 Basis of preparation

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 2022, and in accordance with IAS 34 - Interim Financial Reporting.

The consolidated financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, except for the financial assets and liabilities accounted at fair value.

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.

Since 2021, in the segment reporting, the calculation of EBITDA was simplified with the inclusion of impairments and provisions and with the leases impact covered by IFRS 16. Accordingly, the only difference between EBITDA and EBIT is depreciation and amortization and specific items.

The business of CTT is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., NewSpring Services S.A., CTT IMO - Sociedade Imobiliária, S.A. MedSpring, S.A. and CTT, S.A. excluding:
 - Business related to postal financial services and retail products - Financial Services & Retail;
 - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.
- **Express & Parcels** – includes CTT Expresso S.A., CORRE S.A., Fundo Inovação Techtree and Open Lockers, S.A.;

- **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., S.A., Payshop S.A., 321 Crédito S.A. and CTT's payment business (mentioned above).

The business segregation by segment is based on management information produced internally and presented to the “chief operating decision maker”.

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

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

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 several 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. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line “Internal Services Rendered”.

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) are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of the nine months of 2021 and 2022 are as follows:

Thousand Euros	30.09.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	318,906	186,346	35,555	72,080	612,886
Sales and services rendered	314,994	185,958	35,077	12,456	548,486
<i>Sales</i>	6,668	174	9,291	—	16,133
<i>Services rendered</i>	308,326	185,784	25,786	12,456	532,353
Financial Margin	—	—	—	40,447	40,447
Other operating income	3,912	388	477	19,176	23,953
Operating costs - EBITDA	280,053	170,854	18,371	60,693	529,971
Staff costs	216,170	22,891	817	19,411	259,289
External supplies and services	60,676	147,594	1,882	24,901	235,052
Other costs	10,356	1,143	8,701	6,625	26,825
Impairment and provisions	(317)	721	—	8,400	8,804
Internal services rendered	(6,832)	(1,494)	6,971	1,355	—
EBITDA	38,853	15,491	17,184	11,387	82,915
Depreciation/amortization and impairment of investments, net	29,076	8,425	76	5,636	43,214
EBIT recurring	9,776	7,066	17,108	5,751	39,701
Specific items	8,606	776	1	(15,168)	(5,786)
<i>Business restructurings</i>	8,015	354	—	—	8,369
<i>Strategic studies and projects costs</i>	982	124	—	382	1,488
<i>Other non-recurring income and expenses</i>	(391)	298	1	(15,550)	(15,642)
EBIT	1,170	6,290	17,107	20,920	45,487
Financial results					(8,050)
Net Financial Income					(6,371)
<i>Interest expenses</i>					(6,387)
<i>Interest income</i>					15
<i>Gains/losses in subsidiary, associated companies and joint ventures</i>					(1,679)
Earnings before taxes (EBT)					37,437
Income tax for the period					10,999
Net profit for the period					26,438
Non-controlling interests					129
Equity holders of parent company					26,308

Thousand Euros	30.09.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	345,480	187,764	39,532	90,014	662,790
Sales and services rendered	340,274	187,315	38,287	13,430	579,305
Sales	27,888	17	9,760	—	37,664
Services rendered	312,386	187,298	28,528	13,430	541,642
Financial Margin	—	—	—	53,500	53,500
Other operating income	5,206	449	1,245	23,085	29,985
Operating costs - EBITDA	309,767	171,720	19,852	74,622	575,961
Staff costs	220,407	22,229	739	20,160	263,535
External supplies and services	70,538	148,573	1,674	28,328	249,113
Other costs	28,294	1,660	9,165	6,835	45,954
Impairment and provisions	(2,330)	711	1,140	17,838	17,359
Internal services rendered	(7,142)	(1,453)	7,134	1,461	—
EBITDA	35,713	16,044	19,680	15,392	86,829
Depreciation/amortization and impairment of investments, net	30,899	11,278	79	5,818	48,074
EBIT recurring	4,814	4,766	19,601	9,574	38,755
Specific items	5,856	746	3	(10,866)	(4,261)
Business restructurings	2,866	579	—	—	3,445
Strategic studies and projects costs	1,627	144	—	139	1,910
Other non-recurring income and expenses	1,363	23	3	(11,005)	(9,616)
EBIT	(1,042)	4,020	19,598	20,440	43,017
Financial results					(7,116)
Interest expenses					(6,932)
Interest income					14
Gains/losses in subsidiary, associated companies and joint ventures					(198)
Earnings before taxes (EBT)					35,902
Income tax for the period					7,620
Net profit for the period					28,282
Non-controlling interests					(24)
Equity holders of parent company					28,305

As at 30 September 2022, the specific items amounted to -4.3 million euros, due to: (i) gross gains and losses related to the valuation of contracted derivatives (-11.2 million euros) (ii) a penalty for the early termination of the head office building lease agreement (+2.0 million euros); (iii) restructuring costs (+3.4 million euros), including suspension agreements of employment contracts; and (iv) strategic projects (+1.9 million euros).

The valuation of the derivative structure in the amount of 11.2 million euros, as mentioned above, is the result of the MTM (Mark to Market) of the interest rate derivatives in the form of a Cap Agreement (associated with the Ulisses 1 and Ulisses 2 securitization operations) and Interest Rate Swap (associated with the Ulisses 3 securitization operation and a derivative existing in Banco CTT).

The revenues are detailed as follows:

Thousand Euros	30.09.2021	30.09.2022
Mail	318,906	345,479
Transactional mail	268,275	256,838
Editorial mail	9,504	9,027
Parcels (USO)	5,782	5,371
Advertising mail	13,283	12,880
Philately	3,957	3,258
Business Solutions	12,760	51,691
Other	5,347	6,415
Express & Parcels	186,346	187,764
Portugal	99,091	94,302
Parcels	86,606	84,257
Cargo	6,256	3,783
Banking network	3,387	3,184
Logistics	2,341	2,502
Other	501	576
Spain	84,898	90,663
Mozambique	2,357	2,800
Financial Services & Retail	35,555	39,532
Savings & Insurance	18,241	20,338
Money orders	4,207	4,390
Payments	1,144	1,127
Retail	11,644	12,603
Other	319	1,074
Bank	72,079	90,014
Net interest income	40,447	53,501
Interest income (+)	41,108	57,074
Interest expense (-)	(661)	(3,573)
Fees & commissions income (+)	28,797	33,512
Credits	2,992	3,915
Savings & Insurance	4,250	5,522
Accounts and Cards	8,600	10,220
Payments	12,924	13,779
Other commissions received	31	77
Other	2,836	3,002
	612,886	662,790

The revenue detail, related to sales and services rendered and financial margin, for the year ended 31 June 2021 and 30 September 2022, by the revenue's sources, are detailed as follows:

Nature	30.09.2021				Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	
Postal Services	290,586,775	—	—	—	290,586,775
Express services	—	185,957,866	—	—	185,957,866
Merchandising products sales	—	—	1,649,348	—	1,649,348
PO Boxes	—	—	1,238,511	—	1,238,511
International mail services (*)	24,407,586	—	—	—	24,407,586
Financial Services fees	—	—	32,189,591	52,903,349	85,092,941
"Sales and Services rendered" and "Financial Margin" total	314,994,362	185,957,866	35,077,451	52,903,349	588,933,027

(*) Inbound Mail

Nature	30.09.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	328,538,745	—	—	—	328,538,745
Express services	—	187,314,851	—	—	187,314,851
Merchandising products sales	—	—	1,274,591	—	1,274,591
PO Boxes	—	—	1,144,900	—	1,144,900
International mail services (*)	11,734,836	—	—	—	11,734,836
Financial Services fees	—	—	35,867,681	66,929,893	102,797,574
"Sales and Services rendered" and "Financial Margin" total	340,273,581	187,314,851	38,287,172	66,929,893	632,805,497

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2021					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	21,289,971	6,849,250	174,038	26,927,847	8,266,141	63,507,247
Tangible fixed assets	227,402,730	62,708,795	64,571	4,227,555	1,883,926	296,287,578
Investment properties	—	—	—	—	6,327,424	6,327,424
Goodwill	17,430,813	2,955,753	—	61,084,749	—	81,471,314
Deferred tax assets	—	—	—	—	87,255,087	87,255,087
Accounts receivable	—	—	—	—	160,930,050	160,930,050
Credit to bank clients	—	—	—	1,541,908,493	—	1,541,908,493
Financial assets at fair value through profit or loss	—	—	—	27,261,085	—	27,261,085
Debt securities at fair value through other comprehensive income	—	—	—	6,094,910	—	6,094,910
Debt securities at amortized cost	—	—	—	334,160,519	—	334,160,519
Other banking financial assets	—	—	—	14,959,246	—	14,959,246
Other assets	14,891,188	17,690,710	34,608,628	6,739,026	12,627,597	86,557,151
Cash and cash	—	15,590,602	—	662,721,068	199,561,026	877,872,696
Non-current assets held for sale	—	—	—	605,798	—	605,798
	281,014,703	105,795,111	34,847,237	2,686,690,296	476,851,252	3,585,198,598

Assets (Euros)	30.09.2022					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	24,873,683	7,503,323	212,803	25,639,940	7,120,093	65,349,842
Tangible fixed assets	205,590,487	78,344,979	10,341	5,172,604	1,402,830	290,521,242
Investment properties	—	—	—	—	6,168,452	6,168,452
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	73,072,370	73,072,370
Accounts receivable	—	—	—	—	159,073,340	159,073,340
Credit to bank clients	—	—	—	1,722,796,947	—	1,722,796,947
Financial assets at fair value through profit or loss	—	—	—	51,777,971	—	51,777,971
Debt securities at fair value through other comprehensive income	—	—	—	2,313,239	—	2,313,239
Debt securities at amortized cost	—	—	—	581,916,050	—	581,916,050
Other banking financial assets	—	—	—	529,911,632	—	529,911,632
Other assets	11,671,896	25,995,789	22,827,556	9,631,357	18,444,838	88,571,437
Cash and cash	—	25,890,915	—	91,311,557	192,646,431	309,848,902
Non-current assets held for sale	—	—	—	277	—	277
	258,352,303	140,690,759	23,050,700	3,081,556,323	457,928,354	3,961,578,440

The non-current assets acquisitions by segment, are detailed as follows:

	31.12.2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	10,687,971	3,967,727	125,669	3,897,385	—	18,678,753
Tangible fixed assets	20,153,598	23,903,875	—	1,561,666	458,948	46,078,087
	30,841,569	27,871,602	125,669	5,459,051	458,948	64,756,839

	30.09.2022					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	5,529,028	3,057,136	124,210	3,264,143	—	11,974,518
Tangible fixed assets	15,826,144	23,537,767	—	2,495,998	—	41,859,908
	21,355,172	26,594,903	124,210	5,760,141	—	53,834,427

The detail of the underlying reasons to the non-allocation of the following assets to any segment, is as follows:

- “Intangible assets” (7,120,093 Euros): the unallocated amount is related to part of the intangible assets in progress, which are allocated to the underlying segment in the moment they become firm assets;
- “Tangible fixed assets” (1,402,830 Euros): This amount corresponds to a part of the tangible fixed assets in progress and advances payments to suppliers, which are allocated to the related segment at the time of the transfer to firm assets;

- “Investment properties” (6,168,452 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- “Deferred tax assets” (73,072,370 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 26 - Income tax for the period. CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- “Accounts receivables” (159,073,340 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- “Other assets” (18,444,838 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- “Cash and cash equivalents (192,646,431 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments' Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT's businesses.

Debt by segment is detailed as follows:

Other information (Euros)	31.12.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	114,127,927	33,250,570	34,807	1,923,133	149,336,438
Bank loans	62,161,852	—	—	—	62,161,852
Lease liabilities	51,966,076	33,250,570	34,807	1,923,133	87,174,586
Current debt	35,785,578	15,240,151	27,024	730,259	51,783,012
Bank loans	14,436,742	7,732,258	—	—	22,169,000
Confirming	—	1,500,152	—	—	1,500,152
Lease liabilities	21,348,836	6,007,741	27,024	730,259	28,113,860
	149,913,506	48,490,722	61,831	2,653,392	201,119,450

Other information (Euros)	30.09.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	79,287,087	45,318,583	17,928	2,958,543	127,582,140
Bank loans	40,883,920	—	—	—	40,883,920
Lease liabilities	38,403,167	45,318,583	17,928	2,958,543	86,698,220
Current debt	38,208,679	15,354,428	23,664	880,209	54,466,980
Bank loans	21,474,235	7,763,978	—	—	29,238,213
Lease liabilities	16,734,444	7,590,450	23,664	880,209	25,228,767
	117,495,766	60,673,011	41,592	3,838,752	182,049,120

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

Thousand Euros	30.09.2021	30.09.2022
Revenue - Portugal	414,795	453,075
Revenue - other countries	133,691	126,230
	548,486	579,305

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 87,832 thousand Euros.

4. Tangible fixed assets

During the year ended 31 December 2021 and the nine-months period ended 30 September 2022, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, were as follows:

31.12.2021

	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	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,818	231,178,507	881,820,624
Acquisitions	90,151	1,147,764	4,148,073	13,168	1,139,994	1,524,618	5,878,872	3,525,258	—	17,467,898
New contracts	—	—	—	—	—	—	—	—	28,610,189	28,610,189
Disposals	(222,547)	(7,914,602)	(7,094,964)	(21,041)	(1,742)	—	—	—	—	(15,254,896)
Transfers and write-offs	275,780	7,653,725	2,551,680	—	(126,872)	(311,937)	(8,287,534)	—	(6,528,059)	(4,773,218)
Remeasurements	—	—	—	—	—	—	—	—	1,179,139	1,179,139
Adjustments	—	4,652	158,587	8,868	9,590	5,727	1,918	—	(558,663)	(369,322)
Remeasurements lease terms	—	—	—	—	—	—	—	—	600,570	600,570
Change in the consolidation perimeter	—	469,081	868,215	3,500	393,551	58,375	—	—	2,189,935	3,982,657
Closing balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Accumulated depreciation										
Opening balance	3,723,758	227,546,379	138,324,288	3,395,091	64,977,312	20,231,064	—	—	128,613,895	586,811,787
Depreciation for the period	—	8,880,869	6,507,580	60,416	1,685,243	1,310,469	—	—	26,397,955	44,842,534
Disposals	(203,240)	(8,423,387)	(6,925,351)	(20,498)	(1,465)	—	—	—	—	(15,573,941)
Transfers and write-offs	42,108	1,588,052	7,155	—	(126,338)	(285,824)	—	—	(2,996,447)	(1,771,295)
Adjustments	—	1,640	79,391	4,395	7,848	5,347	—	—	—	98,621
Change in the consolidation perimeter	—	264,751	859,406	2,139	247,118	5,949	—	—	1,169,535	2,548,897
Closing balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	32,060,584	110,618,196	30,231,146	165,855	5,265,913	6,083,227	3,612,902	4,763,076	103,486,680	296,287,578

30.09.2022

	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	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Acquisitions	—	289,746	1,415,546	150,915	962,094	394,363	3,842,159	907,130	—	7,961,953
New contracts	—	—	—	—	—	—	—	—	33,897,955	33,897,955
Disposals	—	(50,779)	(505,164)	—	(27,931)	—	—	—	—	(583,874)
Transfers and write-offs	—	931,427	6,353,508	—	(11,275)	(5,633)	(2,114,607)	(5,618,537)	(55,353,709)	(55,818,826)
Remeasurements	—	—	—	—	—	—	—	—	1,258,411	1,258,411
Adjustments	—	3,504	176,314	6,269	29,528	161,879	10,665	—	(4,193)	383,966
Closing balance	35,623,210	341,650,397	176,523,819	3,764,582	73,008,047	27,920,301	5,351,119	51,669	236,470,081	900,363,226
Accumulated depreciation										
Opening balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Depreciation for the period	—	6,784,207	5,112,214	52,065	1,263,474	1,025,076	—	—	21,841,199	36,078,235
Disposals	—	(43,028)	(504,044)	—	(17,192)	—	—	—	—	(564,264)
Transfers and write-offs	—	(40,693)	(16,814)	—	(8,007)	(5,941)	—	—	(42,853,700)	(42,925,156)
Adjustments	—	1,607	84,411	4,554	6,256	4,120	—	—	179,494	280,443
Closing balance	3,562,627	236,560,396	143,528,235	3,498,162	68,034,250	22,290,259	—	—	132,351,930	609,825,859
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Other variations	—	—	—	—	—	(3,335)	—	—	—	(3,335)
Closing balance	—	—	—	—	—	16,125	—	—	—	16,125
Net Tangible fixed assets	32,060,584	105,090,002	32,995,583	266,420	4,973,798	5,613,917	5,351,119	51,669	104,118,151	290,521,242

The depreciation recorded in the Group amounting to 36,078,235 Euros (33,587,953 Euros on 30 September 2021), is booked under the caption Depreciation/amortization and impairment of investments, net.

In the period ended 31 December 2021, the caption “Changes in the consolidation perimeter” refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. on the date of its acquisition.

As at 30 September 2022, Land and natural resources and Buildings and other constructions include 466,465 Euros (490,537 Euros as at 31 December 2021), related to land and property in co-ownership with the company MEO – Serviços de Comunicações e Multimédia, S.A..

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

As under the concession contract, the grantor does not control any significant residual interest in CTT’s postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

During the nine-months period ended 30 September 2022, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

The movements associated to acquisitions and transfers mostly relate to the capitalization of repairs in own and third parties’ buildings of CTT and CTT Expresso.

Basic equipment:

The amount related to acquisitions is mainly related with the upgrade of mail handling machines in the amount of 79 thousand euros, the acquisition of several postal equipment in the amount of 103 thousand euros by CTT Expresso and the acquisition of motorcycles and goods vehicles in the amount of 514 thousand euros by CORRE.

The amount related to transfers mainly related to the entry into operation of CTT Expresso’s sorters in the amount of 4,900 thousand euros and the machine for handling orders subject to customs clearance (“Tax Machine”) at CTT, in the amount of 688 thousands of euros.

Office equipment:

The amount relating to acquisitions mainly concerns to the acquisition of several microcomputer equipment in the amount of 594 thousand Euros and the acquisition of furniture in the amount of 74 thousand Euros, at CTT and the acquisition of several microcomputer equipment in the amount of 120 thousand Euros and the acquisition of furniture in the amount of 36 thousand Euros at CTT Expresso.

Other tangible fixed assets:

The acquisitions caption essentially includes prevention and safety equipment in the amount of approximately 201 thousand Euros and the acquisition of air conditioning equipment for an approximate amount of 98 thousand Euros at CTT.

Tangible fixed assets in progress and advance payments to suppliers:

Under the acquisitions of tangible fixed assets in progress and advances payments to suppliers caption are, essentially, booked works in progress at CTT in the amount of 1,126 thousand euros, the sorters construction by CTT Expresso (Spain) in the amount of 2,595 thousand euros and the acquisition of treatment machines in the approximate amount of 907 thousand euros by CTT Expresso.

Rights of Use

The rights of use recognized are detailed as follows, by type of underlying asset:

	31.12.2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	25,753,442	2,720,633	136,114	28,610,189
Transfers and write-offs	(5,941,969)	(586,090)	—	(6,528,059)
Remeasurements	1,779,709	—	—	1,779,709
Regularizations	(557,788)	(876)	—	(558,663)
Changes in the consolidation perimeter	2,096,605	93,330	—	2,189,935
Closing balance	221,150,166	33,910,310	1,611,141	256,671,618
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	19,348,499	6,835,484	213,973	26,397,955
Transfers and write-offs	(2,614,116)	(382,331)	—	(2,996,447)
Changes in the consolidation perimeter	1,117,563	51,971	—	1,169,535
Closing balance	135,142,142	17,015,249	1,027,547	153,184,938
Net Tangible fixed assets	86,008,024	16,895,061	583,595	103,486,680
30.09.2022				
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	221,150,166	33,910,310	1,611,141	256,671,618
New contracts	28,451,255	3,199,663	2,247,037	33,897,955
Transfers and write-offs	(55,423,011)	69,302	—	(55,353,709)
Remeasurements	1,189,265	69,146	—	1,258,411
Regularizations	(6,273)	2,080	—	(4,193)
Closing balance	195,361,402	37,250,501	3,858,178	236,470,081
Accumulated depreciation				
Opening balance	135,142,142	17,015,249	1,027,547	153,184,938
Depreciation for the period	15,872,952	5,476,071	492,176	21,841,199
Transfers and write-offs	(42,754,479)	(99,221)	—	(42,853,700)
Regularizations	179,075	419	—	179,494
Closing balance	108,439,690	22,392,518	1,519,723	132,351,930
Net Tangible fixed assets	86,921,713	14,857,983	2,338,456	104,118,151

The depreciation recorded, in the amount of 21,841,199 Euros (19,722,438 Euros on 30 September 2021), is booked under the caption “Depreciation/amortization and impairment of investments, net.”

As at 31 December 2021, the amounts related to changes in the consolidation perimeter refer to the incorporation of NewSpring Services and HCCM - Outsourcing Investment.

As at 30 September 2022, the “transfers and write-offs” caption essentially refers to the derecognition of the right of use associated with the lease agreement of the current CTT head office building - Báltico, within the scope of the decision to change the facilities of the headquarters. The derecognition corresponding to a gross amount of 52,413 thousand euros and accumulated amortization in the amount of 40,990 thousand euros, resulting in a gain of 3,424 thousand euros recognized under the caption “Gains/losses on disposal of assets”. Additionally, a contractual penalty in the amount of 2,018 thousand euros was recognized in the same caption (note 3), corresponding to rents falling due until the end of the contractual period. Therefore, an amount of 4.373 thousand Euros was recognized under the caption “New contracts”, relating to the lease contract for the new CTT head office building – Green Park.

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 18) and Interest expenses and income (Note 25), respectively.

For the nine-months period ended 30 September 2022, no interest on loans was capitalized, 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 triggers as at 30 September 2022, 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.

The real estate assets of CTT are comprised of two portfolios with different characteristics:

1. Yield Portfolio:

As disclosed in the press release to the market on 19 June 2022, CTT has entered into exclusive negotiations with a third party (“Third Party”) aimed at creating a vehicle (“Vehicle”) to own and manage this portfolio which essentially comprises (1) CTT's points of presence, particularly own retail stores and (2) the warehouses and logistics / distribution centers that are core part of CTT's operational network in Portugal.

The management of this Yield Portfolio aims at the exploitation, internally and with third parties, of properties that are part of CTT's current and future network and which currently do not have relevant real estate development opportunities.

2. Development Portfolio

Regarding to the Development Portfolio, this comprises, among others, properties that may become, in the near future, non-essential for CTT's logistics networks and which have a potential for real estate development and promotion in specific projects.

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 contractual commitments related to Tangible fixed assets at 30 September 2022, amount to 353,568 Euros.

5. Intangible assets

During the year ended 31 December 2021 and the nine-months period ended 30 September 2022, the movements which occurred in the main categories of the Intangible assets, as well as the respective accumulated amortization, were as follows:

	31.12.2021					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Acquisitions	—	2,269,684	1,129,377	—	15,279,692	18,678,753
Disposals	—	(255,750)	—	—	—	(255,750)
Transfers and write-offs	—	12,620,694	(102,919)	—	(12,621,044)	(103,269)
Adjustments	—	—	85,168	—	—	85,168
Changes in the consolidation perimeter	—	—	432,868	1,053,154	—	1,486,022
Closing balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Amortization for the period	1,272	11,694,901	1,366,535	—	—	13,062,708
Transfers and write-offs	—	(59)	(102,919)	—	—	(102,978)
Adjustments	—	—	45,958	—	—	45,958
Changes in the consolidation perimeter	—	—	281,178	1,053,154	—	1,334,332
Closing balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Accumulated impairment						
Opening balance	—	—	—	—	—	—
Impairment losses for the period	—	—	—	—	60,617	60,617
Closing balance	—	—	—	—	60,617	60,617
Net intangible assets	1,013	45,979,220	5,720,345	—	11,806,669	63,507,247

	30.09.2022					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Acquisitions	—	1,944,134	357,793	—	9,672,592	11,974,518
Transfers and write-offs	—	9,343,279	(54,584)	(1,053,154)	(9,343,279)	(1,107,738)
Adjustments	—	—	64,151	—	(19,000)	45,151
Other movements - PPA NewSpring Services	—	—	—	1,864,330	—	1,864,330
Closing balance	4,380,552	159,638,192	19,187,589	2,309,070	12,177,599	197,693,001
Accumulated amortization						
Opening balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Amortization for the period	954	10,413,608	1,197,652	390,908	—	12,003,121
Transfers and write-offs	—	—	(54,514)	(1,053,154)	—	(1,107,668)
Adjustments	—	—	38,213	—	—	38,213
Closing balance	4,380,493	112,785,167	14,281,235	835,647	—	132,282,542
Accumulated impairment						
Opening balance	—	—	—	—	60,617	60,617
Closing balance	—	—	—	—	60,617	60,617
Net intangible assets	59	46,853,025	4,906,354	1,473,422	12,116,982	65,349,842

The amortization for the period ended 30 September 2022, amounting to 12,033,121 Euros (9,566,476 Euros as at 30 September 2021) was recorded under Depreciation / amortization and impairment of investments, net.

In the period ended 31 December 2021, the caption “Changes in the consolidation perimeter” refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. on the date of its acquisition.

In the period ended 30 September 2022, the caption “Other movements - PPA NewSpring Services” refers to the customer contracts portfolio acquired as part of the NewSpring Services’ shares acquisition transaction, and determined within the PPA scope (note 7).

The caption Industrial property in the 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 amortized, being subject to impairment tests on a minimum annual basis or when there are indications of impairment.

The transfers occurred in the period ended 30 September 2022 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 1,186,512 Euros and 1,962,567 Euros were capitalized in computer software and in Intangible assets in progress as at 31 December 2021 and 30 September 2022, respectively, related to staff costs incurred in the development of these projects.

During the period ended 30 September 2022, the most significant movements in Intangible assets were the following:

Computer software:

The acquisitions item essentially includes acquisitions by CTT Expresso of the “Minerva / web clients” software in the amount of 321 thousand euros, the CRM software in the amount of 125 thousand euros, the software “Nova Arquitetura” in the amount of 306 thousand Euros and the software “Portal de Fornecedores” (suppliers portal) in the amount of 368 thousand Euros, as well as the software “Accipiens” in the amount of 313 thousand Euros at 321 Crédito.

The transfers amount essentially refers to the entry into operation of the software CRM (847 thousand euros), Deminimis (1,920 thousand euros) and “Área Cliente” (Customers area) (1,247 thousand euros).

Industrial property:

The acquisitions caption essentially includes the acquisitions, by CTT, of “Storage and Backup” licenses in the amount of 80 thousand Euros and “Desk Management” licenses in the amount of 165 thousand Euros.

The intangible assets in progress as at 30 September 2022 refer to IT projects that are being developed, the most significant being the following:

	30.09.2022
OneBiller Solution	854,287
Centralized Settlement Collections - software	680,691
SAP Hana & Hybris Billing	677,119
New Mobile App for Field Force	595,200
Lockers Tuga - Software	513,579
New Ecosystem Operations - Software	429,094
Digital channels - software	394,872
Client Area B2B - Software	388,670
Deminimis	376,457
Data Ignition - Software	280,611
Mailmanager - software	271,852
App CTT	260,507
OnBoarding Digital	254,164
Multi application platform - software	253,029
Client Area B2C - Software	238,671
CRM - software	225,556
	6,694,359

The Group has not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability.

Most of the projects are expected to be completed in 2022.

The amount of research and development expenses incurred by the Group in 2021, in the amount of 6,474,190 Euros was disclosed in Note 26.

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-months period ended 30 September 2022, no interest on loans was capitalized, 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 related intangible assets at 30 September 2022, amount to 6,702,886 Euros.

6. Investment properties

During the year ended 31 December 2021 and the nine-months period ended 30 September 2022, the Group has the following assets classified as properties:

31.12.2021			
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,192,033	13,282,551	16,474,584
Disposals	(26,832)	(126,599)	(153,431)
Transfers and write-offs	(275,780)	(1,925,784)	(2,201,564)
Closing balance	2,889,422	11,230,168	14,119,589
Accumulated depreciation			
Opening balance	202,509	8,745,858	8,948,368
Depreciation for the period	—	216,293	216,293
Disposals	(1,752)	(96,754)	(98,505)
Transfers and write-offs	(42,108)	(1,624,817)	(1,666,925)
Closing balance	158,649	7,240,580	7,399,229
Accumulated impairment			
Opening balance	—	450,308	450,308
Impairment for the period	—	(57,372)	(57,372)
Closing balance	—	392,936	392,936
Net Investment properties	2,730,773	3,596,652	6,327,424

30.09.2022			
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,889,422	11,230,168	14,119,589
Closing balance	2,889,422	11,230,168	14,119,589
Accumulated depreciation			
Opening balance	158,649	7,240,580	7,399,229
Depreciation for the period	—	158,973	158,973
Closing balance	158,649	7,399,553	7,558,202
Accumulated impairment			
Opening balance	—	392,936	392,936
Closing balance	—	392,936	392,936
Net Investment properties	2,730,773	3,437,679	6,168,452

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

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 2021 which were conducted by independent entities, amounts to 10,345,517 Euros.

On 31 December 2021, the caption Transfers and Write-offs includes the amount of 2,201,564 Euros related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 1,666,925 Euros of a group of properties that were again assigned to the operational activity of the Group.

The depreciation for the nine-months period ended 30 September 2022, of 158,973 Euros (170,906 Euros on 30 September 2021) was recorded in the caption Depreciation/amortization and impairment of investments, net.

For the nine-months period ended 30 September 2022, the rents amount charged by the Group for properties and equipment leases classified as investment properties was 29,407 Euros (30 September 2021: 22,608 Euros).

On 31 December 2021, impairment losses, amounting to (57,372) Euros, were recorded in the caption “Depreciation/amortization and impairment of investments, net” and are explained by the properties transferred to tangible fixed assets.

7. Companies included in the consolidation

Subsidiary companies

As at 31 December 2021 and 30 September 2022, 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	31.12.2021			30.09.2022		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
<u>Parent company:</u>								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	—	—
<u>Subsidiaries:</u>								
CTT Expresso - Serviços Postais e Logística, S.A. (“CTT Expresso”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Payshop Portugal, S.A. (“Payshop”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	100	100	—	100	100
CTT Contacto, S.A. (“CTT Con”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. (“CTT Sol”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. (“CORRE”)	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Moçambique	50	—	50	50	—	50
Banco CTT, S.A. (“BancoCTT”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Fundo Inovação TechTree (“TechTree”)	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Esq 1070-072 Lisboa	60	40	100	60	40	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
HCCM - Outsourcing Investment, S.A. (“HCCM”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	100	100	—	—	—
NewSpring Services, S.A. (“NSS”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	100	100	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. (“CTTI”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	—	100	100	—	100
Open Lockers, S.A. (“Lock”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	26	41	66	—	66	66
MedSpring, S.A. (“Med”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	—	—	—	—	100	100

Regarding 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.

On 25 January 2021, CTT - Correios de Portugal, S.A. subscribed a share capital increase in the subsidiary Banco CTT, S.A., with a cash contribution in the amount of 10,000,000 Euros and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 Euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 Euros increased to 296,400,000 Euros.

On 30 August 2021, the total share capital of NewSpring Services, S.A. ("NewSpring Services") and its holding HCCM - Outsourcing Investment, S.A. ("HCCM – Outsourcing Investment"), companies operating in the Business Process Outsourcing (BPO) and Contact Center market were acquired for an amount of 10,701,086 Euros, which amount was fully satisfied by financial settlement on that date.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, S.A., was established with the purpose of the purchase, exchange, sale and lease of real estate, and resale of the acquired assets for this purpose.

On 30 December 2021, the company Open Lockers, S.A was established. This company was the result of a partnership agreement between CTT and YunExpress, the logistics business unit of the Chinese company Zongteng Group, which resulted in the creation of this partnership that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. CTT holds a 66% majority participation in the new company and YunExpress holds a 34% participation.

On 9 March 2022, the entity MedSpring, S.A., owned by NewSpring Services, was established, whose corporate purpose is insurance mediation in the category of insurance agent.

As of 31 March 2022, CTT - Correios de Portugal, S.A. and CTT - Soluções Empresariais - S.A. proceeded with the sale of their investments in Open Lockers, S.A., of 25.5% and 15%, respectively, to CTT Expresso - Serviços Postais e Logística, S.A., which now concentrates the CTT Group's investments in the entity. Therefore, this operation did not result in a change in the equity interests held by the Group.

On 20 April 2022, CTT Expresso subscribed for a share capital increase in the subsidiary Open Lockers, through a contribution in kind, in the amount of 492,232 Euros. The capital increase was subscribed in proportion to the shareholding held by each of the shareholders, CTT Expresso and Yun Express, and with the issuance of 750,000 new shares with no par value, ordinary, nominative and with an issue value of 1 euro each.

On 27 June 2022, the company HCCM - Outsourcing Investment, S.A. was subject to a merger by incorporation into the company CTT Soluções Empresariais, S.A., through the global transfer of the assets of the merged company to the acquiring company, and subsequent dissolution of the merged company. The present merger operation is part of the simplification process of the CTT Group's corporate structure. The merger took effect on 1 January 2022.

On 30 June 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 396,000 Euros.

As part of a corporate reorganization in the Group, on 8 July 2022 the Board of Directors of Banco CTT approved the sale of its subsidiary Payshop Portugal, and its terms, to CTT - Correios de Portugal, S.A., with its implementation is still dependent on the contract signature with the buyer and the non-opposition of the regulator, which is expected to occur within 1 year. Therefore, as at 30 September 2022, at the level of the individual and consolidated accounts of Banco CTT, Payshop's assets and liabilities are classified as discontinued assets and liabilities. This reclassification does not, however, have an impact on the consolidated accounts of the CTT group.

On 29 July 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 792,000 Euros.

Joint ventures

As at 31 December 2021 and 30 September 2022, the Group held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	31.12.2021			30.09.2022		
			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
Wolfspring, ACE	Portugal	Urbanização do Passil, nº100-A 2890-852 Alcochete	—	50	50	—	50	50
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	—	50	—	—	—

The entity Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., corresponds to an e-commerce platform that provides integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, as at 31 December 2021, owned 50% of the share capital of the referred entity.

As of 31 December 2021, the entity Wolfspring ACE is part of the jointly controlled entities whose interests are held by the Group. The participation in this entity is held by NewSpring Services (entity that integrated the consolidation perimeter in 2021) and results from a partnership with Reisswolf – Tratamento confidencial e reciclagem de dados e serviços, S.A. for the provision of services in the area of custody and file management.

On 13 January 2022, the investment in Mktplace - Comércio Eletrónico, SA, (Dott) was sold to Worten - Equipamentos para o Lar, SA. The sale of the investment in Dott, created as an e-commerce benefit with the purpose of promoting the digitization of companies and entry into e-commerce, arise in the context of strengthening the partnership between CTT and Worten in the area of e-commerce. As two logistics companies working to deepen their partnership at the Iberian level, in areas such as instant delivery, several distribution flows for e-commerce and business orders, including fulfilment for sellers on the Worten marketplace, in order to maximize their respective business growth.

Associated companies

As at 31 December 2021 and 30 September 2022, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2021			30.09.2022		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL ^(a)	Espanha	Castellon - Espanha	—	25	25	—	25	25
Urpacsur, SL ^(a)	Espanha	Málaga - Espanha	—	30	30	—	30	30

^(a) Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajería, SLU), which currently has no activity.

Structured entities

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

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 (*)	2017	Portugal	42.9 %	Full
Ulisses Finance No.2 (*)	2021	Portugal	0.00040 %	Full
Ulisses Finance No.3 (*)	2022	Portugal	0.00050 %	Full
Chaves Funding No.8 (*)	2019	Portugal	100 %	Full
Next Funding No.1 (*)	2021	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 and to the extent that the Group substantially owns the risks and rewards associated with the underlying assets and has the ability to affect these same risks and rewards.*

In the consolidated financial statements at 31 December 2021, was included the structured entity Next Funding No.1. This entity was the result of a partnership between Banco CTT and Sonae Financial Services for the financing of the Universo card and the related management of credit risk exposure. The underlying assets of the Next Funding No.1 operation were consolidated and recognized in Banco CTT's consolidated accounts, considering that Banco CTT is i) responsible for all relevant activities inherent to the management of the underlying assets, ii) has exposure to variable income and iii) has the ability to affect its variable returns through the power to manage the relevant activities.

Also in 2021, the CTT Bank Group issued a new securitization operation (Ulisses Finance No. 2) related to the auto loan portfolio originated by 321 Crédito in the amount of 250 million Euros. Considering IFRS10, this operation became part of the Group's consolidation perimeter.

On 1 June 2022, the Group issued a new securitization operation named Ulisses Finance nº 3, through its subsidiary 321 Crédito. This operation aimed to finance the growth of Banco CTT's activity, optimizing its capital and diversifying its sources of liquidity, through the securitization of 200 million euros of car loans. Considering the provisions of IFRS10, this operation became part of the Group's consolidation perimeter.

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

	31.12.2021	30.09.2022
Cash and cash equivalents	20,092,235	21,862,413
Financial assets at fair value through profit and loss (Derivatives)	2,261,947	25,655,643
Financial assets at amortized cost - Credit to Banking clients (Note 10)	298,716,076	344,079,833
Other banking financial liabilities (Debt securities issued) - note 9	277,795,753	465,824,625

Changes in the consolidation perimeter

As of 31 December 2021, the structured entities Next Funding No.1 and Ulisses Finance No.2 was included in the consolidation perimeter.

During the period ended 31 December 2021, the consolidation perimeter was also changed following the acquisition of NewSpring Services and its holding HCCM - Outsourcing Investment. On 16 June 2021,

CTT through its subsidiary CTT Soluções Empresariais, S.A. entered into a purchase agreement for the acquisition of the total share capital of these companies, operating in the Business Process Outsourcing (BPO) and Contact Center market.

The acquisition was carried out on 30 August 2021 (transaction closing date), for an initial fixed price of 7,000,000 Euros, subject to adjustments, based on the accounts prepared at the transaction close, related to the net financial debt and working capital of the acquired companies, with the acquisition price of 10,701,086 Euros. Additionally, earnouts were agreed depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

The Group incurred, in 2021, in expenses related to the acquisition of NewSpring Services of 190,716 Euros related to the transaction, namely financial advice and legal costs. These expenses were recorded in the External Supplies and Services item.

Recognition and measurement of identifiable assets acquired and liabilities assumed according with IFRS:

The Goodwill recognition on the acquisition date of HCCM - Outsourcing Investment and NewSpring Services is as follows:

	Amount
Assets acquired (HCCM)	5,887,230
Liabilities acquired (HCCM)	50,992
Net assets acquired (HCCM)	5,836,238
Assets acquired (NSS)	9,875,561
Assets acquired (NSS)	6,995,252
Net assets acquired (NSS)	2,880,309
Net assets acquired (NSS) - CTT-SE Participation (*)	139,292
Fair Value Adjustments:	
Intangible Assets	1,864,330
Deferred Taxes Liabilities	(522,013)
Fair Value of the acquired assets (HCCM e NSS)	7,317,847
Contingent components	4,500,000
Acquisition Price	10,701,086
Goodwill	7,883,238

(*) Acquisition by CTT-SE of 4,84% of the share capital of NSS, with the remaining 95,16% belonging to HCCM.

The contingent components are related to the earnouts described above, and their fair value was determined based on the best estimate at the operation closing date, subject to revaluation at each reporting date. As at 30 September 2022, the contingent components, in the amount of 4,500,000 Euros, have been materialized, and no differences from the initial estimate was found.

The goodwill is mainly attributable to the NewSpring Services' human capital skills and the synergies expected to be obtained from the company's integration into the Group's existing businesses. It should be noted that the calculated Goodwill, was fully allocated to the NewSpring Services Cash Generating Unit, since HCCM – Outsourcing investment had as its sole activity the shareholding management in this entity.

The fair value measurement methods applied by the Group are detailed as follows:

- **Intangible Assets:** The intangible assets are related to the portfolio of customer contracts acquired as part of the NewSpring Services share acquisition transaction. These contracts were measured at fair value on the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was estimated as the discounted value of expected future cash-flows of the acquired contracts, considering the term and their time value.
- **Deferred tax liabilities:** The estimated value for PPA purposes is related to the amount of deferred taxes resulting from differences between the fair value and the net book value of intangible assets related to customer contracts.

The assets acquired from HCCM – Outsourcing investment and NewSpring Services, as at 30 August 2021, was detailed as follows:

HCCM – Outsourcing investment	Initial recognition
Non current assets	
Tangible fixed assets	54,118
Goodwill	2,171,673
Intangible assets	70
Investments in subsidiaries	2,736,914
Other investments	4,121
Non current assets	4,966,896
Current assets	
Income tax receivables	7,498
Other current assets	1,091
Prepayments	3,798
Cash and cash equivalents	907,947
Current assets	920,334
Assets acquired (HCCM)	5,887,230

NewSpring Services	Initial recognition
Non current assets	
Tangible fixed assets	1,337,688
Intangible assets	151,620
Investments in joint ventures	54,045
Other investments	221,726
Non current assets	1,765,079
Current assets	
Account receivables	2,487,856
Other current assets	1,488,112
Prepayments	126,647
Cash and cash equivalents	4,007,867
Current assets	8,110,482
Assets acquired (NSS)	9,875,561

The detail of accounts receivable from NewSpring Services, as at 30 August 2021, was detailed as follows:

	Initial Recognition
Accounts receivables - National	2,487,856
Doubtful debts	51,648
Accumulated Impairment Losses	(51,648)
Total	2,487,856

The net book value of accounts receivable on the acquisition date amounts to 2,487,856 Euros, with no differences in relation to their fair value within the scope of IFRS 3.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, SA was established and on 30 December 2021 the company Open Lockers, S.A was established, which results from a partnership agreement between the Group and YunExpress, in which the Group holds a 66% majority participation in the new company and YunExpress, a 34% participation.

During nine-months period ended 30 September 2022, the entity MedSpring, S.A. was established and the structured entity Ulisses Finance no.3 was created, having both integrated the consolidation perimeter.

8. Debt securities

As at 31 December 2021 and 30 September 2022, the caption Debt securities, showed the following composition:

	31.12.2021	30.09.2022
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	—	—
Bonds issued by other entities	4,906,841	—
	4,906,841	—
Financial assets at amortized cost		
Government bonds	295,098,611	434,333,045
Bonds issued by other entities	—	—
Impairment	(111,953)	(132,783)
	294,986,658	434,200,262
	299,893,499	434,200,262
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	849,374	87,181
Bonds issued by other entities	338,695	2,226,058
	1,188,069	2,313,239
Financial assets at amortized cost		
Government bonds	38,795,904	127,316,828
Bonds issued by other entities	386,509	20,409,172
Impairment	(8,552)	(10,212)
	39,173,861	147,715,788
	40,361,930	150,029,027
	340,255,429	584,229,290

⁽¹⁾ As at 31 December 2021 and 30 September 2022 includes the amount of 3,194 Euros and 459 Euros, respectively, regarding Accumulated impairment losses.

During 2021, there were carried out sales of debt securities at amortized cost in the amount of 204 million Euros (nominal value) which resulted in a gain of 17,777 thousand Euros. As at 30 September 2022, the increase in debt securities essentially refers to investment in Portuguese, Spanish, Italian and French debt securities.

For “Financial assets at fair value through other comprehensive income”, the changes in fair value are reflected in other comprehensive income.

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortized cost, by remaining maturity, as at 31 December 2021 and 30 September 2022 is detailed as follows:

	31.12.2021						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	4,384	844,990	849,374	—	—	—	849,374
Bonds issued by other entities							
National	338,695	—	338,695	4,906,841	—	4,906,841	5,245,536
	343,079	844,990	1,188,069	4,906,841	—	4,906,841	6,094,910

⁽¹⁾ As at 31 December 2021 includes the amount of 3,194 Euros regarding Accumulated impairment losses.

	30.09.2022						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	87,181	—	87,181	—	—	—	87,181
Bonds issued by other entities							
National	1,293	2,224,764	2,226,058	—	—	—	2,226,058
	88,475	2,224,764	2,313,239	—	—	—	2,313,239

⁽¹⁾ As at 30 September 2022 includes the amount of 459 Euros regarding Accumulated impairment losses.

	31.12.2021						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 amortized cost							
Government bonds							
National	2,521,147	22,264,251	24,785,398	38,565,156	122,194,456	160,759,612	185,545,010
Foreign	1,013,181	12,997,325	14,010,506	11,098,271	123,240,728	134,338,999	148,349,505
Bonds issued by other entities							
National	386,509	—	386,509	—	—	—	386,509
	3,920,837	35,261,576	39,182,413	49,663,427	245,435,184	295,098,611	334,281,023

	30.09.2022						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 amortized cost							
Government bonds							
National	26,115,500	—	26,115,500	37,604,666	181,531,448	219,136,114	245,251,614
Foreign	1,373,228	99,828,100	101,201,328	13,047,749	202,149,182	215,196,931	316,398,259
Bonds issued by other entities							
National	20,409,172	—	20,409,172	—	—	—	20,409,172
	47,897,900	99,828,100	147,726,000	50,652,415	383,680,630	434,333,045	582,059,045

The impairment losses, for the year ended 31 December 2021 and nine-months period ended 30 September 2022, are detailed as follows:

	31.12.2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	2,572
Financial assets at amortized cost	175,486	32,617	(89,741)	—	(6,410)	111,952
	181,404	32,617	(94,760)	—	(4,737)	114,524
Current assets						
Financial assets at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	623
Financial assets at amortized cost	6,505	2,492	(6,855)	—	6,410	8,552
	10,016	2,492	(8,070)	—	4,737	9,175
Financial assets at fair value through other comprehensive income	9,429	—	(6,235)	—	—	3,194
Financial assets at amortized cost	181,991	35,109	(96,595)	—	—	120,505
	191,420	35,109	(102,830)	—	—	123,699

	30.09.2022					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	2,572	—	—	—	(2,572)	—
Financial assets at amortized cost	111,952	46,019	(25,136)	—	(54)	132,783
	114,524	46,019	(25,136)	—	(2,626)	132,783
Current assets						
Financial assets at fair value through other comprehensive income	623	97	(2,833)	—	2,572	459
Financial assets at amortized cost	8,552	3,539	(1,933)	—	54	10,212
	9,175	3,637	(4,766)	—	2,626	10,671
Financial assets at fair value through other comprehensive income	3,194	97	(2,833)	—	—	459
Financial assets at amortized cost	120,505	49,558	(27,069)	—	—	142,994
	123,699	49,656	(29,902)	—	—	143,453

The impairment of “Financial assets at fair value against other comprehensive income” is reflected in other comprehensive income.

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, for the year ended 31 December 2021 and nine-months period ended 30 September 2022, they are detailed as follows:

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	9,429	3,194
Change in period:		
Increases due to origination and acquisition	—	97
Changes due to change in credit risk	(4,090)	(2,661)
Decrease due to derecognition repayments and disposals	(2,145)	(172)
Impairment - Financial assets at fair value through other comprehensive income	3,194	459

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

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	9,429	3,194
Change in period:		
ECL income statement change for the period	(6,235)	(2,736)
Impairment - Financial assets at fair value through other comprehensive income	3,194	459

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the year ended 31 December 2021 and nine-months period ended 30 September 2022, they are detailed as follows:

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	181,991	120,505
Change in period:		
Increases due to origination and acquisition	35,109	34,441
Changes due to change in credit risk	(78,141)	(10,916)
Decrease due to derecognition repayments and disposals	(18,455)	(1,034)
Impairment - Financial assets at amortized cost	120,505	142,994

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

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	181,991	120,505
Change in period:		
ECL income statement change for the period	(61,487)	22,490
Impairment - Financial assets at amortized cost	120,505	142,994

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

9. Other banking financial assets and liabilities

As at 31 December 2021 and 30 September 2022, the caption “Other banking financial assets” and “Other banking financial liabilities” showed the following composition:

	31.12.2021	30.09.2022
Non-current assets		
Loans to credit institutions	5,239,419	2,013,581
Impairment	(1,709)	(575)
	5,237,710	2,013,006
Current assets		
Investments in central banks	—	516,810,767
Investments in credit institutions	2,350,000	4,700,000
Loans to credit institutions	6,185,069	4,808,166
Impairment	(2,197)	(2,473)
Other	2,988,970	3,411,069
Impairment	(1,800,306)	(1,828,903)
	9,721,536	527,898,626
	14,959,246	529,911,632
Non-current liabilities		
Debt securities issued	277,760,616	465,625,135
	277,760,616	465,625,135
Current liabilities		
Debt securities issued	35,137	199,490
Other	26,987,725	41,286,487
	27,022,862	41,485,976
	304,783,478	507,111,112

Investments in credit institutions and Loans to credit institutions

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

	31.12.2021	30.09.2022
Up to 3 months	2,337,172	519,343,398
From 3 to 12 months	6,197,897	6,975,535
From 1 to 3 years	5,239,419	2,013,581
	13,774,489	528,332,514

The caption "Investments at credit institutions" showed an annual average return of 1.361% (31 December 2021: 1.191%).

The amount of 516,810,767 Euros recorded in applications with central banks corresponds to overnight deposits with the Bank of Portugal remunerated at a rate of 0.75%.

As at 30 September 2022, the cash flow statement caption “Receivables from other banking financial assets”, from investing activities, presented an amount of 5,991,731,500 Euros (30 September 2021: 24,185,000 Euros), showing a large increase in relation to the previous period. Likewise, the caption “Payments from other banking financial assets” presented an amount of (6,506,286,500) Euros (30 September 2021: (800,000) Euros). The change in relation to the same period of the previous year in the

two captions is essentially explained by the fact that, in September, Banco CTT started to perform overnight investments with the Bank of Portugal.

Impairment

The impairment losses, in the year ended 31 December 2021 and nine-months period ended 30 September 2022, are detailed as follows:

31.12.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	555	(10,964)	—	8,406	1,709
	3,712	555	(10,964)	—	8,406	1,709
Current assets						
Investments and loans in credit institutions	23,980	713	(14,090)	—	(8,406)	2,197
Other	3,238,971	30,268	(22,533)	(1,446,399)	—	1,800,307
	3,262,951	30,981	(36,623)	(1,446,399)	(8,406)	1,802,504
	3,266,663	31,536	(47,587)	(1,446,399)	—	1,804,213

30.09.2022						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	1,709	343	(505)	—	(973)	575
	1,709	343	(505)	—	(973)	575
Current assets						
Investments and loans in credit institutions	2,197	1,475	(2,172)	—	973	2,473
Other	1,800,306	44,886	(2,363)	(13,927)	—	1,828,903
	1,802,504	46,361	(4,534)	(13,927)	973	1,831,376
	1,804,213	46,704	(5,039)	(13,927)	—	1,831,950

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2021 and nine-months period ended 30 September 2022, they are detailed as follows:

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	27,692	3,906
Change in period:		
Increases due to origination and acquisition	1,261	1,818
Changes due to change in credit risk	(1,067)	(1,791)
Decrease due to derecognition repayments and disposals	(23,980)	(885)
Impairment	3,906	3,048

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

	31.12.2021	30.09.2022
	Stage 1	Stage 1
Opening balance	27,692	3,906
Change in period:		
ECL income statement change for the period	(23,786)	(858)
Impairment	3,906	3,048

Debt securities issued

This caption showed the following composition:

	31.12.2021	30.09.2022
Securizations	277,795,753	465,824,625
	277,795,753	465,824,625

As at 31 December 2021 and 30 September 2022, the Debt securities issued are analyzed as follows:

31.12.2021						
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value	
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	10,421,009	10,424,113	
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	7,001,507	
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,617	
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	203,700,000	205,737,929	
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	10,000,000	9,986,657	
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	20,000,000	19,976,063	
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	11,300,000	11,290,713	
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,700,000	3,697,727	
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,300,000	1,299,790	
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	1,275,000	1,274,637	
				275,796,009	277,795,753	

30.09.2022						
	Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class B	July 2017	July 2017	July 2033	Euribor 1M + 160 b.p.	6,989,725	6,993,146
Ulisses Finance No.1 – Class C	July 2017	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,108,140
Ulisses Finance No.2 – Class A	September 2021	September 2021	September 2038	Euribor 1M + 70 b.p.	203,700,000	205,315,355
Ulisses Finance No.2 – Class B	September 2021	September 2021	September 2038	Euribor 1M + 80 b.p.	10,000,000	9,992,523
Ulisses Finance No.2 – Class C	September 2021	September 2021	September 2038	Euribor 1M + 135 b.p.	20,000,000	19,987,490
Ulisses Finance No.2 – Class D	September 2021	September 2021	September 2038	Euribor 1M + 285 b.p.	11,300,000	11,296,699
Ulisses Finance No.2 – Class E	September 2021	September 2021	September 2038	Euribor 1M + 368 b.p.	3,700,000	3,699,601
Ulisses Finance No.2 – Class F	September 2021	September 2021	September 2038	Euribor 1M + 549 b.p.	1,300,000	1,300,383
Ulisses Finance No.2 – Class G	September 2021	September 2021	September 2038	Euribor 1M + 500 b.p.	600,000	600,111
Ulisses Finance No.3 - Class A	June 2022	June 2022	June 2039	Euribor 1M + 90 bps	168,000,000	167,664,507
Ulisses Finance No.3 - Class B	June 2022	June 2022	June 2039	Euribor 1M + 200 bps	8,000,000	7,805,373
Ulisses Finance No.3 - Class C	June 2022	June 2022	June 2039	Euribor 1M + 370 bps	12,000,000	11,705,098
Ulisses Finance No.3 - Class D	June 2022	June 2022	June 2039	Euribor 1M + 525 bps	6,000,000	5,627,073
Ulisses Finance No.3 - Class E	June 2022	June 2022	June 2039	Euribor 1M + 650 bps	5,000,000	4,729,879
Ulisses Finance No.3 - Class F	June 2022	June 2022	June 2039	Euribor 1M + 850 bps	1,000,000	960,965
Ulisses Finance No.3 - Class G	June 2022	June 2022	June 2039	Euribor 1M + 785 bps	1,050,000	1,038,282
					465,739,725	465,824,625

During the year ended on 31 December 2021 and nine-months period ended 30 September 2022, the movement of this item is as follows:

31.12.2021					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	—	(19,980,815)	(4,872)	24,532,237
Ulisses Finance No.2	—	251,500,000	(225,000)	1,988,517	253,263,517
					44,517,924
					251,500,000
					(20,205,815)
					1,983,644
					277,795,753

During the period ended 31 December 2021, the movements recorded in “Issues” caption are related with a new securitization operation (Ulisses Finance No. 2) on the auto loan portfolio originated by 321 Crédito. The caption “other movements” includes an amount of 2,314,824 Euros related to the issue premium of Note Class A of Ulisses Finance No.2 and an amount of 350,486 Euros of assembly cost at the amortized cost of Ulisses Finance No.2.

30.09.2022

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	24,532,237	—	(10,431,284)	334	14,101,286
Ulisses Finance No.2	253,263,517	—	(675,000)	(396,354)	252,192,163
Ulisses Finance No.3	—	201,500,000	(2,249,000)	280,176	199,531,176
	277,795,753	201,500,000	(13,355,284)	(115,844)	465,824,625

In nine-months period ended 30 September 2022, the movements booked in “Issues” is related to the issuance of a new credit securitization operation called Ulisses Finance nº 3, carried out through 321 Crédito.

The scheduling by maturity regarding this caption is as follows:

31.12.2021

	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	
Securitized	35,137	—	35,137	—	277,760,616	277,760,616	277,795,753
	35,137	—	35,137	—	277,760,616	277,760,616	277,795,753

30.09.2022

	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	
Securitized	199,490	—	199,490	—	465,625,135	465,625,135	465,824,625
	199,490	—	199,490	—	465,625,135	465,625,135	465,824,625

Asset securitization

Ulisses Finance No.1

This securitization operation was originated in July 2017 and issued by Sagres - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulysses) with the Ulisses Finance No.1 operation being placed on the market. The operation was set up with the collaboration of the banks Citibank and Deutsche Bank, and included a Consumer Credit portfolio created by 321 Crédito. The structure of the Transaction includes five Tranches from A to E. Tranches A to C are dispersed in the market and Tranches D and E have been retained. This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, Tranches A, B and C.

This transaction includes an optional early repayment clause that allows the Issuer to redeem the notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitization transaction.

The operation has incorporated an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer of the securitization operation (Sagres – STC, S.A.).

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channeling the amounts received, through the respective deposit to the credit securitization company.

The underlying assets of Ulisses Finance No.1 operations were not derecognised from the Consolidated Statement of Financial Position as the Group substantially maintained the risks and rewards associated with their holding.

Chaves Funding No.8

This private securitization operation was issued in November 2019 by Tagus, Sociedade de Titularização de Créditos, S.A.. It included a Consumer Credit portfolio originated by 321 Crédito. The operation was set up with the collaboration of Sociedade de Advogados PLMJ and Deutsche Bank. The operation's structure includes a Tranche A and a Tranche B in the notes issued, both of which are fully owned by the Group.

This operation includes an optional early amortization clause that allows the Issuer to redeem the Notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitization operation.

The underlying assets of Chaves Funding No.8 operation were not derecognised from the Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Ulisses Finance No.2

This securitization operation was created in September 2021 and issued by Tagus - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulysses) with the Ulisses Finance No.2 operation being placed on the market. The operation was set up with the collaboration of Sociedade de Advogados PLMJ and Banco Deutsche Bank, and included a consumer credit portfolio originated by 321 Crédito, whose initial total amount was 250,000 thousand euros, to be maintained over the 12 months of revolving period.

The structure of the transaction includes six collateralized Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.5 million euros and which presents the 30 September 2022 a value of 1,000 euros.

This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, that is, Tranches A to G.

The Ulisses Finance No.2 operation has the characteristics of STS (simple, transparent and standardized) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.2 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approach), the company reduced its "Risk Weight Assets" with regard to the contracts securitized within the scope of this operation.

The operation has incorporated an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitization operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.2 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Next Funding No.1

The Next Funding No.1 operation, issued by Tagus – STC, SA in April 2021 and in which Banco CTT is a single investor, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services. Additionally, Banco CTT grants the operation an overdraft facility (Liquidity Facility) with the sole purpose of acquiring receivables (credit card balances) between the interest payment dates. On each interest payment date (IPD) the balance of the Liquidity Facility will be settled by converting it into the note value.

In the consolidated accounts, taking into account the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitization operation is consolidated, insofar as the Group substantially holds the risks and benefits associated with the underlying assets and is able to affect these same risks and benefits.

Ulisses Finance No. 3

This securitization operation was created in June 2022 and issued by Tagus - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulisses) with the Ulisses Finance No.3 operation being placed on the market. The operation was set up with the collaboration of “Sociedade de Advogados PLMJ” and “Banco Deutsche Bank”, and included a consumer credit portfolio originated by 321 Crédito, whose initial total amount was 200,000 thousand euros, to be maintained over the 12 months of revolving period.

The structure of the Transaction includes six collateralized Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.8 million euros.

This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, that is, Tranches A to G.

The Ulisses Finance No.3 operation has the characteristics of STS (simple, transparent and standardized) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.3 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approached), the company reduced its “Risk Weight Assets” regarding to the contracts securitized within the scope of this operation.

The operation incorporates an interest rate swap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitization operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.3 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and rewards associated with their holding.

The caption “Other current liabilities” essentially books the balance of banking operations pending of financial settlement and the liability associated with the fair value of an interest rate SWAP derivative.

10. Credit to banking clients

As at 31 December 2021 and 30 September 2022, the caption Credit to banking clients was detailed as follows:

	31.12.2021	30.09.2022
Performing loans	1,560,653,792	1,752,710,627
Mortgage Loans	595,419,629	644,369,987
Auto Loans	660,982,844	746,537,781
Credit Cards	297,943,534	357,211,665
Leasings	4,975,252	3,530,316
Overdrafts	1,332,534	1,060,878
Overdue loans	12,345,092	17,898,284
Overdue loans - less than 90 days	1,165,016	2,326,983
Overdue loans - more than 90 days	11,180,076	15,571,301
	1,572,998,883	1,770,608,910
Credit risk impairment	(31,090,390)	(47,811,963)
	1,541,908,493	1,722,796,947

The maturity analysis of the Credit to banking clients as at 31 December 2021 and 30 September 2022 is detailed as follows:

	31.12.2021								
	Current					Non-current			Total
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	
Mortgage loans	—	4,529,387	13,058,049	—	17,587,436	35,360,412	542,471,779	577,832,191	595,419,626
Auto Loans	—	27,206,248	73,256,613	9,611,208	110,074,069	188,259,391	372,260,592	560,519,983	670,594,052
Credit Cards	—	297,943,534	—	772,542	298,716,076	—	—	—	298,716,076
Leasings	—	460,233	1,281,167	76,935	1,818,335	2,717,445	516,407	3,233,852	5,052,187
Overdraft	1,332,534	—	—	1,278,857	2,611,391	—	—	—	2,611,391
Other credits	—	—	—	605,550	605,550	—	—	—	605,550
	1,332,534	330,139,402	87,595,829	12,345,092	431,412,857	226,337,248	915,248,778	1,141,586,026	1,572,998,883

As of 31 December 2021, the Credit Cards caption represents a portfolio of credit cards acquired within the scope of the Universo Partnership with Sonae Financial Services. This portfolio was recognized in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitization operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitization operation is consolidated.

	30.09.2022								
	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,741,205	13,186,657	9,100	17,936,962	36,276,839	590,165,286	626,442,125	644,379,086
Auto Loans	—	30,727,715	82,738,652	13,016,686	126,483,053	212,626,923	420,444,491	633,071,414	759,554,467
Credit Cards	—	357,211,665	—	3,244,457	360,456,122	—	—	—	360,456,122
Leasings	—	326,570	909,084	125,163	1,360,818	1,928,232	366,430	2,294,663	3,655,480
Overdraft	1,060,878	—	—	1,502,877	2,563,755	—	—	—	2,563,755
	1,060,878	393,007,154	96,834,393	17,898,284	508,800,709	250,831,994	1,010,976,207	1,261,808,201	1,770,608,910

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

	31.12.2021	30.09.2022
Fixed rate	926,351,787	1,079,277,581
Floating rate	646,647,096	691,331,329
	1,572,998,883	1,770,608,910
Credit risk impairment	(31,090,390)	(47,811,963)
	1,541,908,493	1,722,796,947

As at 31 December 2021 and 30 September 2022, the analysis of this caption by type of collateral, is presented as follows:

	31.12.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	600,433,555	1,510,327	601,943,882	(2,409,164)	599,534,718
Other guaranteed Loans	645,072,323	4,775,730	649,848,053	(17,150,161)	632,697,892
Unsecured Loans	315,147,914	6,059,034	321,206,948	(11,531,064)	309,675,884
	1,560,653,792	12,345,092	1,572,998,883	(31,090,390)	1,541,908,493

	30.09.2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	647,921,636	45,860	647,967,496	(1,045,072)	646,922,423
Other guaranteed Loans	728,571,251	5,930,359	734,501,610	(22,978,192)	711,523,418
Unsecured Loans	376,217,740	11,922,065	388,139,805	(23,788,699)	364,351,105
	1,752,710,627	17,898,284	1,770,608,910	(47,811,963)	1,722,796,947

The credit type analysis of the caption, as at 31 December 2021 and 30 September 2022 is detailed as follows:

	31.12.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	595,419,629	—	595,419,629	(596,281)	594,823,348
Auto Loans	660,982,844	9,611,208	670,594,052	(22,024,094)	648,569,958
Credit Cards	297,943,534	772,542	298,716,076	(6,617,578)	292,098,498
Leasings	4,975,252	76,935	5,052,186	(98,307)	4,953,880
Overdrafts	1,332,534	1,278,857	2,611,391	(1,148,581)	1,462,810
Other credits	—	605,550	605,550	(605,550)	—
	1,560,653,792	12,345,092	1,572,998,883	(31,090,390)	1,541,908,493

30.09.2022

	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	644,369,987	9,100	644,379,086	(921,728)	643,457,358
Auto Loans	746,537,781	13,016,686	759,554,467	(29,275,577)	730,278,890
Credit Cards	357,211,665	3,244,457	360,456,122	(16,376,289)	344,079,833
Leasings	3,530,316	125,163	3,655,479	(68,654)	3,586,826
Overdrafts	1,060,878	1,502,877	2,563,755	(1,169,715)	1,394,040
	1,752,710,627	17,898,284	1,770,608,910	(47,811,963)	1,722,796,947

The analysis of credit to bank clients as at 31 December 2021 and 30 September 2022, by sector of activity, is as follows:

31.12.2021

	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	56,009,899	1,584,427	57,594,325	(2,227,312)	55,367,014
Agriculture, forestry and fishing	4,233,937	38,988	4,272,925	(131,975)	4,140,950
Mining and quarrying	694,899	211	695,109	(4,777)	690,333
Manufacturing	6,007,208	137,158	6,144,366	(173,610)	5,970,756
Water supply	123,735	—	123,735	(230)	123,506
Construction	9,894,287	300,665	10,194,952	(386,725)	9,808,227
Wholesale and retail trade	10,126,222	428,000	10,554,222	(530,948)	10,023,274
Transport and storage	4,168,460	87,594	4,256,054	(115,008)	4,141,046
Accommodation and food service activities	4,182,495	90,792	4,273,288	(146,261)	4,127,027
Information and communication	644,625	421	645,046	(4,991)	640,054
Financial and insurance activities	307,998	2,231	310,229	(3,766)	306,463
Real estate activities	1,706,577	2,052	1,708,628	(21,028)	1,687,600
Professional, scientific and technical activities	1,657,181	8,011	1,665,192	(45,590)	1,619,602
Administrative and support service activities	3,471,167	329,223	3,800,390	(379,908)	3,420,482
Education	721,135	575	721,711	(9,691)	712,019
Human health services and social work activities	1,305,341	14,931	1,320,271	(23,464)	1,296,808
Arts, entertainment and recreation	897,261	73,013	970,274	(65,933)	904,342
Other services	5,867,371	70,562	5,937,933	(183,407)	5,754,525
Individuals	1,504,643,890	10,760,664	1,515,404,554	(28,863,077)	1,486,541,477
Mortgage Loans	595,515,589	—	595,515,589	(598,198)	594,917,391
Consumer Loans	909,128,301	10,760,664	919,888,965	(28,264,879)	891,624,086
	1,560,653,792	12,345,092	1,572,998,883	(31,090,390)	1,541,908,493

	30.09.2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	65,941,756	1,466,185	67,407,944	(2,307,954)	65,099,989
Agriculture, forestry and fishing	6,869,607	101,003	6,970,610	(213,446)	6,757,164
Mining and quarrying	1,165,280	890	1,166,170	(15,255)	1,150,915
Manufacturing	6,214,326	155,113	6,369,439	(185,480)	6,183,958
Water supply	91,089	—	91,089	(159)	90,930
Construction	11,532,636	409,592	11,942,228	(533,848)	11,408,380
Wholesale and retail trade	10,359,701	160,455	10,520,157	(253,092)	10,267,065
Transport and storage	6,015,401	201,986	6,217,387	(218,129)	5,999,258
Accommodation and food service activities	4,895,776	103,948	4,999,723	(220,246)	4,779,478
Information and communication	699,148	744	699,892	(4,431)	695,461
Financial and insurance activities	246,204	5,144	251,348	(14,198)	237,150
Real estate activities	1,567,581	5,982	1,573,564	(44,639)	1,528,925
Professional, scientific and technical activities	1,889,255	21,387	1,910,642	(66,246)	1,844,396
Administrative and support service activities	3,693,307	87,437	3,780,744	(159,970)	3,620,774
Public administration and defence, compulsory social security	16,383	—	16,383	(67)	16,316
Education	737,453	2,591	740,045	(13,181)	726,864
Human health services and social work activities	1,342,118	15,895	1,358,014	(29,730)	1,328,283
Arts, entertainment and recreation	989,524	96,992	1,086,516	(86,918)	999,598
Other services	7,616,967	97,026	7,713,993	(248,919)	7,465,074
Individuals	1,686,768,868	16,432,099	1,703,200,968	(45,504,012)	1,657,696,955
Mortgage Loans	644,460,934	9,100	644,470,034	(923,399)	643,546,635
Consumer Loans	1,042,307,934	16,422,999	1,058,730,934	(44,580,613)	1,014,150,320
	1,752,710,627	17,898,284	1,770,608,910	(47,811,963)	1,722,796,947

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

	31.12.2021	30.09.2022
Stage 1	1,428,289,210	1,616,847,121
Gross amount	1,434,762,828	1,623,333,439
Impairment	(6,473,618)	(6,486,318)
Stage 2	82,564,071	72,094,213
Gross amount	87,166,648	77,654,442
Impairment	(4,602,577)	(5,560,229)
Stage 3	31,055,213	33,855,612
Gross amount	51,069,407	69,621,029
Impairment	(20,014,194)	(35,765,417)
	1,541,908,493	1,722,796,947

The caption “credit to banking clients” includes the effect of traditional securitization transactions, carried out through securitization vehicles, consolidated pursuant to IFRS 10.

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

	31.12.2021	30.09.2022
Amount of future minimum payments	5,352,218	3,898,216
Interest not yet due	(376,966)	(367,900)
Present value	4,975,252	3,530,316

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

	31.12.2021	30.09.2022
Due within 1 year	2,106,914	1,684,179
Due between 1 to 5 years	2,727,068	1,851,522
Over 5 years	518,236	362,515
Amount of future minimum payments	5,352,218	3,898,216

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

	31.12.2021	30.09.2022
Individuals	622,998	457,692
Home	91,154	85,521
Others	531,844	372,171
Companies	4,352,254	3,072,624
Equipment	198,954	183,940
Real Estate	4,153,300	2,888,684
	4,975,252	3,530,316

Impairment losses

During year ended on 31 December 2021 and nine-months period ended 30 September 2022, the movement under the Accumulated impairment losses caption (Note 13) was as follows:

	31.12.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	575,237	15,601,705
	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	575,237	15,601,705
Current assets							
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	571,071	15,488,685
	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	571,071	15,488,685
	16,665,083	29,308,011	(15,174,010)	(685,180)	(169,822)	1,146,308	31,090,390
	30.09.2022						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	15,601,705	12,742,281	(5,844,122)	(255,487)	(3,062,063)	101,616	19,283,930
	15,601,705	12,742,281	(5,844,122)	(255,487)	(3,062,063)	101,616	19,283,930
Current assets							
Credit to banking clients	15,488,685	18,850,525	(8,645,609)	(377,960)	3,062,063	150,328	28,528,033
	15,488,685	18,850,525	(8,645,609)	(377,960)	3,062,063	150,328	28,528,033
	31,090,390	31,592,807	(14,489,731)	(633,447)	—	251,944	47,811,963

The impairment losses of Credit to banking clients (net of reversals) for the period ended 30 September 2022 amounted to 17,103,076 Euros (9,858,698 Euros as of 30 September 2021) was booked in the caption "Impairment of other financial banking assets."

The movements in impairment losses by stages, in the year ended on 31 December 2021 and nine-months period ended 30 September 2022, they are detailed as follows:

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	4,161,745	2,224,575	10,278,763	16,665,083
Change in period:				
Increases due to origination and acquisition	3,754,079	2,937,210	2,506,799	9,198,088
Changes due to change in credit risk	(1,623,295)	(369,984)	8,187,354	6,194,075
Decrease due to derecognition repayments and disposals	(407,088)	(154,824)	(696,251)	(1,258,163)
Write-offs	—	—	(685,180)	(685,180)
Transfers to:				
Stage 1	1,011,657	(360,513)	(651,144)	—
Stage 2	(203,586)	1,686,749	(1,483,163)	—
Stage 3	(164,668)	(1,481,613)	1,646,281	—
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	6,473,618	4,602,577	20,014,195	31,090,390
<i>Of which: POCI</i>	—	—	1,462,841	1,462,841

Changes due to changes in exposure or risk parameters verified in the period ended 31 December 2021 are fundamentally due to the entry into force of the new definition of Default by EBA.

	30.09.2022			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,473,618	4,602,577	20,014,195	31,090,390
Change in period:				
Increases due to origination and acquisition	1,387,392	850,269	1,227,898	3,465,559
Changes due to change in credit risk	(2,917,820)	1,788,262	18,386,018	17,256,460
Changes due to modifications without derecognition	(291,633)	(110,917)	(3,145,812)	(3,548,362)
Decrease due to derecognition repayments and disposals	(43,844)	(5,474)	(21,263)	(70,581)
Write-offs	—	—	(633,447)	(633,447)
Changes due to update in the institution's methodology for estimation	—	—	—	—
Transfers to:				
Stage 1	2,392,463	(1,330,889)	(1,061,574)	—
Stage 2	(381,723)	1,554,614	(1,172,891)	—
Stage 3	(146,873)	(1,724,125)	1,870,998	—
Foreign exchange and other	14,738	(64,089)	301,295	251,944
Impairment	6,486,318	5,560,229	35,765,417	47,811,963
<i>Of which: POCI</i>	—	—	1,311,550	1,311,550

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

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	4,161,745	2,224,575	10,278,763	16,665,083
Change in period:				
ECL income statement change for the period	1,723,696	2,412,403	9,997,902	14,134,001
Stage transfers (net)	643,403	(155,377)	(488,026)	—
Write-offs	—	—	(685,180)	(685,180)
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	6,473,619	4,602,577	20,014,194	31,090,390

	30.09.2022			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,473,619	4,602,577	20,014,195	31,090,390
Change in period:				
ECL income statement change for the period	(1,865,906)	2,522,140	16,446,841	17,103,076
Stage transfers (net)	1,863,867	(1,500,399)	(363,467)	—
Write-offs	—	—	(633,447)	(633,447)
Foreign exchange and other	14,738	(64,089)	301,295	251,944
Impairment	6,486,318	5,560,229	35,765,417	47,811,963

Sensitivity Analysis

Given the high uncertainty of macroeconomic projections and considering that deviations from the presented scenarios may have an impact on the value of estimated expected losses, sensitivity analyzes were carried out on the distribution of the portfolio by stage and the respective impact on impairment.

The Group considers that the most sensitive parameters assumed, as they are based on benchmarks, dependent on methodological options or because they are more susceptible to changes in the economic cycle, are the Probability of Default (PD) for most portfolios and the Loss Given Default (LGD) for the credit card case.

In this context, a sensitivity analysis was carried out to determine what would be the impairment of the global portfolio if those parameters suffered a relative deterioration of 10%, conclude that the increase in impairment would be 2,103 thousand euros, corresponding to about 4%.

11. Prepayments

As at 31 December 2021 and 30 September 2022, the Prepayments included in current assets and current and non-current liabilities showed the following composition:

	31.12.2021	30.09.2022
Prepaid Assets		
Current		
Rents payable	1,469,876	1,465,613
Meal allowances	1,402,305	1,374,514
Other	5,853,753	8,471,464
	8,725,934	11,311,591
Prepaid Liabilities		
Non-current		
Investment subsidy	272,088	263,687
	272,088	263,687
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,360,862	1,232,998
Other	2,080,178	2,237,005
	3,452,240	3,481,204
	3,724,328	3,744,891

The change in the caption Other assets prepayments essentially results from the renewal of software license contracts and insurance contracts, as well as the costs of setting up the Ulisses 2 and Ulisses 3 securitization operations.

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 recognized as revenue because the performance obligations have not yet been met as recommended by the standard.

The “Contractual liabilities” essentially refer to amounts related to stamps and prepaid postage of priority mail in the amount of 755,605 Euros (151,948 Euros on 31 December 2021), whose revenue is expected to be recognized in October 2022 (estimate of 80% of the item's value) and the remaining during 2022, and to objects invoiced and not delivered on 30 September 2022 in the express segment, in the amount of 477,393 Euros (1,208,914 Euros as of 31 December 2021), whose revenue is recognized upon delivery in the following month.

The revenue recognized in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,360,862 Euros.

No “Assets resulting from contracts” associated with the application of IFRS 15 - Revenue from contracts with customers were recognized.

12. Cash and cash equivalents

As at 31 December 2021 and 30 September 2022, cash and cash equivalents correspond to the amount 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:

	31.12.2021	30.09.2022
Cash	95,963,001	88,404,519
Slight deposits	86,975,064	76,336,274
Demand deposits at Central Banks	593,160,283	6,480,368
Deposits in other credit institutions	34,251,584	52,453,266
Term deposits	67,522,764	86,174,475
Cash and cash equivalents (Balance sheet)	877,872,696	309,848,902
Sight deposits at Bank of Portugal	(19,937,800)	—
Outstanding checks / Checks clearing	(1,002,263)	(11,176,687)
Impairment of slight and term deposits	24,913	5,573
Cash and cash equivalents (Cash flow statement)	856,957,546	298,677,789

The caption “Sight deposits at Bank of Portugal” includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of the average amount of deposits and other liabilities, over each reserve maintenance period. As at 30 September 2022, the daily average of the minimum mandatory availability for the period in force was 23,015,600 Euros.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 30 September 2022, a total amount of demand deposits of 6,480,368 Euros (31 December 2021: 593,160,283 Euros). The decrease compared to the previous period concerns to the establishment of overnight operations at the Bank of Portugal, which is recorded under the caption “other banking financial assets” (Note 9).

The caption “Outstanding checks/ Checks clearing” represents checks drawn by third parties on other credit institutions, which are in collection.

Impairment

In the year ended on 31 December 2021 and nine-months period ended 30 September 2022, the movement recorded under the caption “Impairment of sight and term deposits” (Note 13) related to the Group is detail as follows:

Group	31.12.2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	17,510	11,433	(4,028)	—	24,913
	17,510	11,433	(4,028)	—	24,913

Group	30.09.2022				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	24,913	48	(19,389)	—	5,573
	24,913	48	(19,389)	—	5,573

The Impairment losses (increases net of reversals) for the period ended 30 September 2022 in the amount of (19,341) Euros ((2,625) Euros as of 30 September 2021) were recorded under the caption “Impairment of accounts receivable (losses/reversals)”.

13. Accumulated impairment losses

During the year ended on 31 December 2021 and nine-months period ended 30 September 2022, the following movements occurred in the impairment losses:

Group	31.12.2021							Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the consolidation perimeter	Other movements	
Non-current assets								
Tangible fixed assets	19,460	—	—	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	—	—	392,936
Intangible assets	—	60,617	—	—	—	—	—	60,617
	469,768	60,617	(57,372)	—	—	—	—	473,013
Debt securities at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	—	—	2,572
Debt securities at amortised cost	175,485	32,617	(89,741)	—	(6,410)	—	—	111,953
Other non-current assets	2,538,985	—	—	—	210,025	—	—	2,749,010
Credit to banking clients	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	—	575,237	15,601,705
Other banking financial assets	3,712	555	(10,964)	—	8,406	—	—	1,709
	13,969,341	14,740,448	(7,720,309)	(343,835)	(2,753,935)	—	575,237	18,466,949
	14,439,109	14,801,065	(7,777,681)	(343,835)	(2,753,935)	—	575,237	18,939,962
Current assets								
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	—	51,648	—	39,883,599
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	—	571,071	15,488,685
Debt securities at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	—	—	623
Debt securities at amortised cost	6,505	2,492	(6,855)	—	6,410	—	—	8,551
Other current assets	10,052,551	995,992	(267,494)	(245,159)	(210,024)	—	—	10,325,865
Other banking financial assets	3,262,951	30,981	(36,623)	(1,446,399)	(8,406)	—	—	1,802,504
Slight and term deposits	17,510	11,433	(4,028)	—	—	—	—	24,913
	58,396,711	19,851,451	(10,463,967)	(3,456,286)	2,584,113	51,648	571,071	67,534,740
Non-current assets held for sale	282,778	14,234	(132,572)	—	—	—	—	164,441
	282,778	14,234	(132,572)	—	—	—	—	164,441
Merchandise	2,525,086	680,033	(743)	(72,971)	—	—	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	—	—	867,668
	3,372,417	808,331	(9,072)	(172,602)	—	—	—	3,999,073
	62,051,906	20,674,015	(10,605,611)	(3,628,888)	2,584,113	51,648	571,071	71,698,254
	76,491,016	35,475,081	(18,383,292)	(3,972,723)	(169,822)	51,648	1,146,308	90,638,217

In April 2021, Banco CTT and Sonae Financial Services started a new partnership in consumer credit through the financing of Universo card credit and the related management of exposure to credit risk. As at 31 December 2021, the credit card portfolio had a value of 298,716,076 Euros and an increase in impairment of 6,617,578 Euros, which justifies the increase in impairment increases in 2021.

Group	30.09.2022						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	
Non-current assets							
Tangible fixed assets	19,460	—	(3,335)	—	—	—	16,125
Investment properties	392,936	—	—	—	—	—	392,936
Intangible assets	60,617	—	—	—	—	—	60,617
	473,013	—	(3,335)	—	—	—	469,679
Debt securities at fair value through other comprehensive income	2,572	—	—	—	(2,572)	—	—
Debt securities at amortised cost	111,952	46,019	(25,136)	—	(54)	—	132,783
Other non-current assets	2,749,010	—	—	—	117,575	—	2,866,585
Credit to banking clients	15,601,705	12,742,281	(5,844,122)	(255,487)	(3,062,063)	101,616	19,283,930
Other banking financial assets	1,709	343	(505)	—	(973)	—	575
	18,466,949	12,788,643	(5,869,762)	(255,487)	(2,948,087)	101,616	22,283,872
	18,939,962	12,788,643	(5,873,097)	(255,487)	(2,948,087)	101,616	22,753,550
Current assets							
Accounts receivable	39,883,599	3,502,073	(1,537,575)	(531,675)	—	5,112	41,321,535
Credit to banking clients	15,488,685	18,850,525	(8,645,609)	(377,960)	3,062,063	150,328	28,528,033
Debt securities at fair value through other comprehensive income	623	97	(2,833)	—	2,572	—	459
Debt securities at amortised cost	8,552	3,539	(1,933)	—	54	—	10,212
Other current assets	10,325,865	969,355	(299,370)	(94,572)	(117,575)	—	10,783,703
Other banking financial assets	1,802,504	46,361	(4,534)	(13,927)	973	—	1,831,376
Slight and term deposits	24,913	48	(19,389)	—	—	—	5,573
	67,534,741	23,372,000	(10,511,242)	(1,018,133)	2,948,086	155,440	82,480,892
Non-current assets held for sale	164,441	8,236	(172,038)	—	—	—	638
	164,441	8,236	(172,038)	—	—	—	638
Merchandise	3,131,405	—	(67,437)	(172,098)	—	—	2,891,870
Raw, subsidiary and consumable	867,668	—	(11,791)	—	—	—	855,877
	3,999,073	—	(79,228)	(172,098)	—	—	3,747,748
	71,698,254	23,380,236	(10,762,508)	(1,190,231)	2,948,086	155,440	86,229,277
	90,638,216	36,168,879	(16,635,605)	(1,445,718)	—	257,056	108,982,826

The amounts classified as “Other movements”, with reference to 31 December 2021 and 30 September 2022, refer to the movements resulting from adjustments to POCI credits (Purchase or Originated Credit Impaired) regarding the acquisition of 321 Crédito on 1 May 2019, according to IFRS 3 - Business Combinations.

14. Equity

As at 30 September 2022, 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 2021 and 30 September 2022 the Company’s shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

31.12.2021

Shareholders		Number of Shares	% Share Capital	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⁾		10,025,000	6.683%	5,012,500
GreenWood Investors LLC ⁽³⁾	Total	10,025,000	6.683%	5,012,500
Green Frog Investments Inc	Total	7,730,000	5.153%	3,865,000
Norges Bank	Total	3,105,287	2.070%	1,552,644
Bestinver Gestión S.A. SGIIC ⁽⁴⁾	Total	3,024,366	2.016%	1,512,183
CTT, S.A. (own shares) ⁽⁵⁾	Total	1,500,001	1.000%	750,001
Remaining shareholders	Total	89,874,140	59.916%	44,937,070
TOTAL		150,000,000	100.000%	75,000,000

⁽¹⁾ Includes 19,246,815 shares 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 Director 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 Duncan Wood, Non-Executive Director of CTT, is Managing Member, exercises the voting rights not in its own name but on behalf of 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⁾ Bestinver Gestión S.A. SGIIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A.

⁽⁵⁾ Shares held by CTT following the conclusion, as at 22 June 2021, of the trading in the context of the share Buy-back Program, the main terms and conditions of which may be found in the announcement regarding the start of trading within the Buy-back Program disclosed to the market on 17 May 2021 (see press releases available on CTT website, at <https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=informacao&year=2021&search=>).

30.09.2022

Shareholders		Number of Shares	% Share Capital	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⁾		10,025,000	6.683%	5,012,500
GreenWood Investors LLC ⁽³⁾	Total	10,025,000	6.683%	5,012,500
Green Frog Investments Inc	Total	7,730,000	5.153%	3,865,000
Norges Bank	Total	3,105,287	2.070%	1,552,644
Bestinver Gestión S.A. SGIIC ⁽⁴⁾	Total	3,024,366	2.016%	1,512,183
CTT, S.A. (own shares) ⁽⁵⁾	Total	7,585,000	5.057%	3,792,500
Remaining shareholders	Total	83,789,141	55.859%	41,894,571
TOTAL		150,000,000	100 %	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, which is vice-chaired by Duarte Palma Leal Champalimaud, Non-executive Director of CTT. 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 Duncan Wood, Non-Executive Director of CTT, is Managing Member, exercises the voting rights not in its own name but on behalf of 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) Bestinver Gestión S.A. SGIIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A.
- (5) Shares held by CTT as at 30 September 2022, following the conclusion on 8 September 2022 of the share Buy-back Program, the main terms and conditions of which may be found in the announcement regarding the start of trading within the Buy-back Program disclosed to the market on 16 March 2022, (see press releases available on CTT website, at https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1).

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 recognized in reserves.

During the year 2021, the following movements were made in the caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2020	1	8	8.49
Acquisitions	1,500,000	6,404,954	4.27
Balance 31 December 2021	1,500,001	6,404,963	4.27

During the nine months period of 2022, the following movements were made in the caption "Own Shares":

	Quantity	Amount	Average Price
Balance 31 December 2021	1,500,001	6,404,963	4.27
Acquisitions	6,084,999	21,573,976	3.55
Balance 30 September 2022	7,585,000	27,978,938	3.69

At the meeting of the Company's Board of Directors held on 16 March 2022, and as communicated to the market on the same date, it was unanimously decided to approve the implementation of a buy-back program for CTT's own shares ("Buy-back Program"), including the related terms and conditions, with the sole purpose of reducing the share capital of CTT through the extinction of shares acquired under the aforementioned Program, subject to prior approval by the General Meeting of CTT.

The Buy-back Program was implemented in accordance with: (i) the terms and conditions described in the material information press release of 16 March 2022 available for consultation on the CTT website, (ii) the limits of the resolution adopted under item 5 of the Agenda of the CTT Shareholders' General Meeting held on 21 April 2021, as well as, (iii) the specific terms and conditions of the share capital reduction provided for, in the proposal for that purpose, submitted by the Board of Directors for approval by CTT Annual General Meeting held on 21 April 2022 and approved by it on the same date.

Following the above, and as approved at the General Meeting held on 21 April 2022, the maximum number of shares to be acquired under the Buy-back Program amounted to 4,650,000 CTT ordinary shares, representing up to 3.1% of the respective share capital and corresponding to the maximum number of shares that would be extinguished in the context of the capital reduction that constitutes the purpose of this program. The maximum monetary amount of the approved Buy-back Program was 18,000,000 Euros.

Subsequently, on 27 July 2022, and still within the scope of the authorization conferred at the Annual General Meeting of Shareholders held on 21 April 2022, the Board of Directors of the Company deliberated to increase the maximum pecuniary amount and number of shares that may be acquired under the share buy-back program of the Company (the "Buy-back Program") as follows:

- Maximum pecuniary amount of the Buy-back Program: it is increased by 3,600,000 Euros, now being up to 21,600,000 Euros;
- Maximum number of shares to be acquired under the Buy-back Program: it is increased by 1,900,000 shares, being now up to 6,550,000 CTT's shares, representing up to 4.37% of the respective share capital.

The other terms and conditions of the Buy-back Program approved by the Board of Directors and the 2022 Annual General Meeting and communicated on 16 March 2022 remained unchanged.

In the context of the share buy-back program as of 30 September 2022, the Company had already acquired 6,084,999 shares. Consequently, as of 30 September 2022, the Company held, as a result of the acquisition operations indicated herein, an accumulated total of 7,585,000 treasury shares, representing 5.06% of the share capital, including 1,500,001 treasury shares previously acquired, with par value of 0.50 Euros, with all inherent rights suspended under the terms of article 324 of the Commercial Companies Code.

The Buy-back Program started on 17 March 2022 and would last until 18 December 2022, however, as the purpose of the program is fulfilled, it was concluded on 8 September 2022, ending before the end of its maximum duration.

Considering that the 2022 Annual General Meeting of CTT approved only the cancellation of up to 4,650,000 own shares corresponding to 3.1% of CTT's share capital, we will proceed soon with the commercial registry of the capital reduction and cancellation of the referred number of own shares. The proposal for the approval of the capital reduction for cancellation of the remaining 1,434,999 shares acquired under the Buy-back Program is expected to be submitted to the next General Meeting as previously announced.

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 2021 and 30 September 2022, the caption “Reserves” showed the following composition:

31.12.2021					
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	83,330	50,836,597	65,919,935
Own shares acquisition	—	6,404,954	—	(6,404,954)	—
Assets fair value	—	—	(56,584)	—	(56,584)
Share Plan	—	—	—	1,215,000	1,215,000
Closing balance	15,000,000	6,404,963	26,746	45,646,642	67,078,351

30.09.2022					
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	6,404,963	26,746	45,646,642	67,078,351
Own shares acquisition	—	21,573,976	—	(21,573,976)	—
Assets fair value	—	—	(29,152)	—	(29,152)
Share Plan	—	—	—	1,215,000	1,215,000
Closing balance	15,000,000	27,978,939	(2,406)	25,287,666	68,264,199

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 2022, this caption includes the amount of 27,978,939 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 caption 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.

In the nine-months period ended 30 September 2022, a reserve in the total amount of 1,215,000 Euros was recorded related with the stock option plan, as described in the note 24 - Staff Costs.

Retained earnings

During the year ended on 31 December 2021 and nine-months period ended 30 September 2022, the following movements were made in caption “Retained earnings”:

	31.12.2021	30.09.2022
Opening balance	39,962,419	43,904,074
Application of the net profit of the prior year	16,669,309	38,404,113
Distribution of dividends (note 16)	(12,750,000)	(17,656,441)
Adjustments from the application of the equity	22,345	71,413
Closing balance	43,904,074	64,723,159

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognized in this caption.

During the year ended on 31 December 2021 and nine-months period ended 30 September 2022, the movements occurred in this caption were as follows:

	31.12.2021	30.09.2022
Opening balance	(47,600,236)	(43,998,612)
Actuarial gains/losses (note 19)	4,999,158	47,275,716
Tax effect (Note 26)	(1,397,534)	(13,234,189)
Closing balance	(43,998,612)	(9,957,085)

16. Dividends

According to the dividend distribution proposal included in the 2020 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2021, a dividend distribution of 12,750,000 Euros, corresponding to a dividend per share of 0.085 Euros, regarding the financial year ended 31 December 2020 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 0.085 Euros.

According to the dividend distribution proposal included in the 2021 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2022, a dividend distribution of 17,820,000 Euros, corresponding to a dividend per share of 0.12 Euros (amount that excludes the dividend attributable to own shares in the portfolio at that date), regarding the financial year ended 31 December 2021 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 343,559 Euros.

17. Earnings per share

During the nine-months periods ended 30 September 2021 and 30 September 2022, the earnings per share were calculated as follows:

Group	30.09.2021	30.09.2022
Net income for the period	26,308,662	28,305,860
Average number of ordinary shares	149,362,358	147,866,221
Earnings per share		
Basic	0.18	0.19
Diluted	0.18	0.19

The average number of shares is detailed as follows:

	30.09.2021	30.09.2022
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	637,642	2,133,779
Average number of shares during the period	149,362,358	147,866,221

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 2022, the number of own shares held is 7,585,000 and its average number for the year ended 30 September 2022 is 2,133,779, 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 2021 and 30 September 2022, the Debt caption showed the following composition:

	31.12.2021	30.09.2022
Non-current liabilities		
Bank loans	62,161,852	40,883,920
Lease liabilities	87,174,586	86,698,220
	149,336,438	127,582,140
Current liabilities		
Bank loans	22,169,000	29,238,213
Confirming	1,500,152	—
Lease liabilities	28,113,860	25,228,767
	51,783,012	54,466,980
	201,119,450	182,049,120

As at 30 September 2022, the interest rates applied to bank loans were between 1.00% and 1.875% (31 December 2021: 1.00% and 1.875%).

Bank loans

As at 31 December 2021 and 30 September 2022, the details of the bank loans were as follows:

	31.12.2021			30.09.2022		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	12,673,148	8,054,480	1,100,926	12,512,037	7,951,941	993,519
BBVA / Bankinter	40,375,000	6,958,272	33,121,646	33,250,000	14,128,581	18,919,915
Novo Banco	35,000,000	7,029,645	27,939,280	28,000,000	7,157,692	20,970,486
Caixa Geral de Depósitos	126,470	126,603	—	—	—	—
Banco Montepio	25,000,000	—	—	—	—	—
Bankinter Confirming	2,200,000	1,500,152	—	—	—	—
	115,374,618	23,669,152	62,161,852	73,762,037	29,238,213	40,883,920

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. As at 30 September 2022, the referred used amount, net of commissions and added by the amount of interests to be paid in the following period corresponded to 33,048,496 Euros. By the Group decision, the remaining available amount will not be used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. As at 30 September 2022, the 35 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 28,128,178 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed with Banco Montepio in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2021 no amount was used. As no available amount was used, the contract was discontinued and no amount was available on 30 September 2022.

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. As at 31 December 2021, the Group is in compliance with financial covenants.

Lease Liabilities

The Group presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	31.12.2021	30.09.2022
Due within 1 year	30,860,141	27,532,575
Due between 1 to 5 years	66,579,734	54,496,893
Over 5 years	28,808,052	42,471,712
Total undiscounted lease liabilities	126,247,928	124,501,180
Current	28,113,860	25,228,766
Non-current	87,174,586	86,698,220
Lease liabilities included in the statement of financial position	115,288,445	111,926,987

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

	30.09.2021	30.09.2022
Lease Liabilities interests (note 25)	2,304,076	2,409,098
Variable payments not included in the measurement of the lease liability	1,518,564	1,559,168

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

	30.09.2021	30.09.2022
Total of lease payments	(22,745,609)	(25,272,935)

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

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as of 31 December 2021 and 30 September 2022, is detailed as follows:

	31.12.2021	30.09.2022
Opening Balance	206,866,753	201,119,450
Changes in the consolidation perimeter	2,667,159	—
Movements without cash	35,383,531	21,426,092
<i>Contract changes</i>	26,291,146	19,109,869
<i>IFRS 16 Interests</i>	3,066,925	2,409,098
<i>Others</i>	6,025,460	(92,875)
Loans:		
Inflow	100,261,411	81,512,115
Outflow	(110,777,850)	(96,735,602)
Confirming:		
Inflow	—	—
Outflow	(2,938,473)	—
Lease liabilities:		
Inflow	—	—
Outflow	(30,343,081)	(25,272,935)
Closing balance	201,119,450	182,049,120

19. Employee benefits

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

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year for each benefit, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

However, considering the relevant variation of one of the financial assumptions of the actuarial valuation during the first half of 2022, the discount rate, essentially related to the current economic situation, as at 30 June 2022, an update was made to the actuarial study prepared with reference to 31 December 2021 by an independent entity. This update considers the revision of the discount rate, keeping the remaining assumptions constant.

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

The discount rate is determined by the Group analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 2.94% (1.42% 31 December 2021).

During the years ended 31 December 2021 and 30 September 2022, the Group liabilities presented the following movement:

	31.12.2021					Total
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	
Opening balance	271,158,313	1,431,894	325,457	9,882,604	201,592	282,999,860
Movement of the period	(7,631,699)	35,987	(56,503)	6,338,404	209,837	(1,103,974)
Closing balance	263,526,615	1,467,881	268,954	16,221,007	411,429	281,895,886

	30.09.2022					Total
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	
Opening balance	263,526,615	1,467,881	268,954	16,221,007	411,429	281,895,886
Movement of the period	(49,248,845)	(379,246)	(42,110)	(22,226)	411,429	(49,280,998)
Closing balance	214,277,770	1,088,635	226,844	16,198,781	822,857	232,614,888

The liabilities related to the caption “Other long-term employee benefits” essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction program and to the benefit End of Career Awards.

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

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

	31.12.2021	30.09.2022
Non-current liabilities	260,805,742	211,699,833
Current liabilities	21,090,144	20,915,055
	281,895,886	232,614,888

As at 31 December 2021 and 30 September 2022, the costs related to employee benefits recognized and the amount recognized directly in Other changes in equity were as follows:

	31.12.2021	30.09.2022
Costs for the period		
Healthcare	7,481,517	5,910,000
Healthcare - SAMS	126,019	97,918
Pension plan	4,203	2,811
Other long-term employee benefits	9,499,035	2,161,315
Other long-term benefits statutory bodies	209,837	411,429
	17,320,611	8,583,472
Other changes in equity		
Healthcare	(4,878,001)	(46,773,937)
Healthcare - SAMS	(88,952)	(476,623)
Pension Plan	(32,205)	(25,156)
	(4,999,158)	(47,275,716)

As at 30 September 2022, actuarial gains/losses related to financial assumptions changes reflect the discount rate review from 1.42% in 2021 to 2.94% to 2022.

Healthcare - IOS Plan and Insurance policy

CTT is responsible for financing each healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

For the years ended 31 December 2021 and 30 September 2022, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

	Total		IOS Plan		Insurance policy	
	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022
Opening balance	271,158,314	263,526,615	261,776,888	254,937,950	9,381,426	8,588,665
Service cost of the year	4,045,000	3,165,750	4,045,000	3,165,750	—	—
Interest cost of the year	3,447,000	2,744,250	3,328,000	2,655,000	119,000	89,250
Plan amendment	(10,483)	—	95,250	—	(105,733)	—
Pensioners contributions	4,917,973	3,638,726	4,647,786	3,436,086	270,187	202,640
(Payment of benefits)	(14,598,406)	(11,628,455)	(13,903,508)	(11,139,439)	(694,898)	(489,016)
(Other costs)	(554,781)	(395,178)	(531,582)	(379,047)	(23,199)	(16,131)
Actuarial (gains)/losses	(4,878,001)	(46,773,937)	(4,519,884)	(45,425,795)	(358,117)	(1,348,142)
Closing balance	263,526,615	214,277,770	254,937,950	207,250,505	8,588,665	7,027,265

The total costs for the period were recognized as follows:

	Total		IOS Plan		Insurance policy	
	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022
Staff costs/employee benefits (Note 24)	3,479,736	2,770,572	3,608,668	2,786,703	(128,932)	(16,131)
Other costs	554,781	395,178	531,582	379,047	23,199	16,131
Interest expenses (Note 25)	3,447,000	2,744,250	3,328,000	2,655,000	119,000	89,250
	7,481,517	5,910,000	7,468,250	5,820,750	13,267	89,250

As at 31 December 2021 and 30 September 2022, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (4,519,884) Euros (45,425,795) Euros were recognized in equity under Other changes in equity, net of deferred taxes of 1,268,568 Euros and 12,719,223 at 31 December 2021 and 30 September 2022, respectively.

At at 30 September 2022, regarding the IOS plan, the amount of actuarial (gains)/ losses is mainly due to the increase in the discount rate from 1.42% to 2.94%.

In what refers to the Insurance Policy, as at 31 December 2021 and 30 September 2022, the amounts of (358,117) Euros and (1,348,142) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 100,273 Euros and 377,480 Euros, respectively.

Healthcare - SAMS

The Group is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2021.

For the year ended 31 December 2021 and 30 September 2022, the movement of Group liabilities with the Healthcare – SAMS was as follows:

	31.12.2021	30.09.2022
Opening balance	1,431,894	1,467,881
Service cost of the year	107,426	82,297
Interest cost of the year	18,593	15,621
(Payment of benefits)	(1,080)	(540)
Actuarial (gains)/losses	(88,952)	(476,623)
Closing balance	1,467,881	1,088,635

The total costs for the period were recognized as follows:

	31.12.2021	30.09.2022
Staff costs/employee benefits (Note 24)	107,426	82,297
Interest expenses (Note 25)	18,593	15,621
	126,019	97,918

Pension Plan

The Group is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

For the year ended 31 December 2021 and 30 September 2022, the movement of Group liabilities with the Pension Plan was as follows:

Group	31.12.2021	30.09.2022
Opening balance	325,457	268,954
Service cost of the year	173	94
Interest cost of the year	4,030	2,717
(Payment of benefits)	(28,501)	(19,765)
Actuarial (gains)/losses	(32,205)	(25,156)
Closing balance	268,954	226,844

The total costs for the period were recognized as follows:

	31.12.2021	30.09.2022
Staff costs/employee benefits (Note 24)	173	94
Interest expenses (Note 25)	4,030	2,717
	4,203	2,811

As at 31 December 2021 and 30 September 2022, the amounts of (32,205) Euros and (25,156) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 7,230 Euros and 6,415 Euros, respectively.

Other long-term employee benefits

The Group assumed the commitment regarding the payment of a “End of Career award” on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called “Death Allowance resulting from Work Accidents” to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of October 15, clauses 69 and 72, respectively.

For the year ended 31 December 2021 and 30 September 2022, the movement of Group liabilities with the Other post-employment benefits related to “End Career Awards” and Death Allowance resulting from work accidents”, presented in the table below, was as follows:

	31.12.2021	30.09.2022
End of Career Awards		
Opening balance	209,851	197,170
Service cost of the year	12,899	10,425
Interest cost of the period	2,544	2,080
(Payment of benefits)	—	—
Actuarial (gains)/losses	(28,124)	(34,950)
Closing balance	197,170	174,725
Death Allowance resulting from Work Accidents		
Opening balance	6,797	6,829
Service cost of the year	712	599
Interest cost of the period	84	69
(Payment of benefits)	—	—
Actuarial (gains)/losses	(764)	(669)
Closing balance	6,829	6,827
Total	203,999	181,552

The total costs for the period were recognized as follows:

	31.12.2021	30.09.2022
Staff costs/employee benefits (Note 24)		
End of Career Awards	12,899	24,525
Death Allowance resulting from Work Accidents	712	71
	13,611	24,596
Interest expenses (Note 25)		
	2,628	2,149
	16,239	22,447

Additionally, in certain situations, the Group has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity.

For the years ended 31 December 2021 and 30 September 2022, the movement of Group liabilities with other long-term employee benefits, was as follows:

	31.12.2021	30.09.2022
Suspension of contracts, redeployment and release of employment		
Opening balance	2,754,747	9,493,686
Interest cost of the period	27,227	117,145
Liabilities relative to new beneficiaries	8,550,491	2,960,729
Transfers - Provisions (Note 20)	—	1,250,000
(Payment of benefits)	(2,658,170)	(3,090,547)
Actuarial (gains)/losses	819,390	(115,229)
Closing balance	9,493,686	10,615,784
Telephone subscription fee		
Opening balance	414,119	383,961
Interest cost of the period	5,076	3,841
(Payment of benefits)	(43,865)	(29,395)
Actuarial (gains)/losses	8,631	(29,749)
Closing balance	383,961	328,658
Pension for work accidents		
Opening balance	6,458,399	6,113,602
Interest cost of the period	81,216	62,856
(Payment of benefits)	(447,405)	(304,996)
Actuarial (gains)/losses	21,392	(815,815)
Closing balance	6,113,602	5,055,646
Monthly life annuity		
Opening balance	38,691	25,760
Interest cost of the period	419	206
Curtailment	—	—
(Payment of benefits)	(11,191)	(8,602)
Actuarial (gains)/losses	(2,159)	(222)
Closing balance	25,760	17,141
Total	16,017,008	16,017,229

At at 30 September 2022, the caption “Transfers - Provisions” refers to the transfer of an amount from the caption “Provisions”, due to the new agreements made in 2022, as explained in note 20.

During the years ended 31 December 2021 and 30 September 2022, the total costs for the year were recognized as follows:

	31.12.2021	30.09.2022
Staff costs/employee benefits (Note 24)		
Suspension of contracts, redeployment and release of employment	1,369,881	2,845,500
Telephone subscription fee	8,631	(29,749)
Pension for work accidents	21,392	(815,815)
Monthly life annuity	(2,159)	(222)
Suspension and Early-Retirement Agreements (Note 20)	8,000,000	—
	9,397,745	1,999,714
Interest expenses (Note 25)	113,938	184,047
	9,511,684	2,183,761

The liabilities related to new beneficiaries on 30 September 2022, in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimization process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

As at 31 December 2021, the amount relating to “Suspension and Early-Retirement Agreements” of 8,000,000 Euros is explained in detail in Note 20 - Provisions, Guarantees provided, Contingent Liabilities and Commitments and in Note 24 - Staff Costs.

Other long-term benefits for the Statutory Bodies

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism.

The main features of the plan and the accounting impacts are explained in detail in note 24 - Staff costs.

20. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the year ended on 31 December 2021 and nine-months period ended 30 September 2022 in order to face legal proceedings and other liabilities arising from past events the Group recognized provisions, which showed the following movement:

Group	31.12.2021						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	
Non-current provisions							
Litigations	3,003,416	1,254,601	(1,383,155)	(90,046)	49,983	—	2,834,799
Restructuring	1,083,347	—	(964,524)	(123,823)	—	5,000	—
Other provisions	10,402,877	686,564	(3,623,942)	(83,435)	(67,983)	—	7,314,082
Commitment provisions	—	211,465	(67,125)	—	169,822	—	314,163
Sub-total - caption							
"Provisions (increases)/ reversals"	14,489,641	2,152,630	(6,038,746)	(297,304)	151,822	5,000	10,463,043
Restructuring	163,800	9,341,409	(13,145)	(36,328)	(8,000,000)	—	1,455,737
Other provisions	2,762,913	41,951	—	(44,123)	—	—	2,760,741
	17,416,354	11,535,990	(6,051,891)	(377,755)	(7,848,178)	5,000	14,679,520

Group	30.09.2022						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	
Non-current provisions							
Litigations	2,834,799	1,082,215	(1,003,238)	(110,603)	213,598	—	3,016,771
Onerous contracts	—	453,598	—	(197,708)	—	—	255,890
Other provisions	7,314,082	1,470,145	(4,566,405)	(91,140)	(213,598)	—	3,913,084
Commitment provisions	314,163	39,615	(72,781)	—	—	—	280,997
Sub-total - caption "Provisions (increases)/ reversals"	10,463,043	3,045,574	(5,642,424)	(399,452)	—	—	7,466,741
Restructuring	1,455,737	55,993	(50,000)	—	(1,250,000)	(102,344)	109,386
Other provisions	2,760,741	337,397	—	—	—	—	3,098,137
	14,679,520	3,438,963	(5,692,424)	(399,452)	(1,250,000)	(102,344)	10,674,263

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 1,297,051 Euros as at 30 September 2021 and 2,596,850 Euros as at 30 September 2022.

A provision should only be used for expenditures for which the provision was originally recognized, so the Group reverse the provision when it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle the obligation.

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 1,383,155 Euros as at 31 December 2021 and 1,003,238 Euros as at 30 September 2022, essentially results from lawsuits whose decision, which was made known in the course of 2021 or 2022, 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).

Onerous contracts

The provision for onerous contracts is intended to cover contracts in which the unavoidable costs of meeting the obligations of the contracts exceed the economic benefits that are expected to be received under them, amounting at 30 September 2022 the amount of 255,890 euros.

Other provisions

As at 30 September 2022, the amount of 3,780,356 Euros provisioned in previous years to cover possible contingencies related to labour litigation actions not included in the current court proceedings, related to remuneration differences that could be claimed by workers, was fully reversed, as it is understood that the probability of outflows associated with these contingencies is currently remote.

As at 30 September 2022, a provision is recognized in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 (“Law on Competition Defense”) and article 101^o of the Treaty on the Functioning of the European Union (“TFUE”). This notification amounts to 3,148,845 Euros and has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, Tourline (currently designated as CTT Expresso branch in Spain) submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted by Tourline. 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 and it is not possible to anticipate a deadline for resolution.

The amount provisioned in 321 Crédito, S.A. amounting to 896,915 Euros as at 30 September 2022 (741,641 Euros at 31 December 2021) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 30 September 2022, in addition to the previously mentioned situations, this caption also includes:

- the amount of 537,510 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 664,872 Euros, which results from the assessment carried out by management regarding the possibility of materializing contingent amounts to be paid to third parties under the scope of contracts entered into;
- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labor legal proceeding;
- the amount of 2,130,036 Euros to cover costs of operational vehicles restoration;
- the amount of commitments for guarantees provided to third parties to cover promotional contests in the amount of 590,060 Euros.

Commitments provisions

Commitments provisions refer to provisions for indirect credit, amounting to 280,997 Euros in the period ended 30 September 2022 (31 December 2021: 314,163 Euros).

Restructuring

In June 2021, CTT approved a new HR optimization program considering the need to optimize teams. This program presumed the launch of a Voluntary Exit Program based on the signing of Suspension or Pre-Retirement Agreements. As at 31 December 2021, a provision in the amount of 9,341,409 Euros was booked, which was recognized under Staff costs caption in the income statement. As at 31 December 2021, regarding the agreements performed at this date, an amount of 8,000,000 Euros was transferred to the caption employee benefits in the statement of financial position. As at 30 September 2022, regarding the agreements performed during 2022, an amount of 1,250,000 Euros was transferred to the caption employee benefits in the statement of financial position.

Guarantees provided

As at 31 December 2021 and 30 September 2022, the Group has provided bank guarantees to third parties as follows:

	31.12.2021	30.09.2022
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	2,917,205	4,389,246
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	1,022,834	1,022,834
MARATHON (Closed investment fund)	432,000	810,435
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000
Courts	339,230	339,230
EUROGOLD (Real estate company)	—	318,299
CIVILRIA (Real estate company)	224,305	224,305
TRANSPORTES BERNARDO MARQUES , S.A.	220,320	220,320
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Via Direta	150,000	150,000
Municipalities	118,658	118,658
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal)	68,895	68,895
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	68,386
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
GNB Companhia de seguros vida SA (Insurance company)	25,000	25,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384
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
Other entities	16,144	16,144
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
DOLCE VITA TEJO (Real Estate Company)	13,832	13,832
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
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160
Consejería Salud (Local Health Service/Spain)	4,116	4,116
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	3,719
O Feliz - Real State Company	369,932	—
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	—
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	—
	13,867,543	15,635,616

Bank guarantees

As at 30 September 2022, the bank guarantees provided in favor of “Autoridade Tributária e Aduaneira” (Portuguese Tax and Customs Authority), in a global amount of 4,389,246 Euros, were essentially provided for the suspension of tax enforcement proceedings.

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the Company’s services, 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 2021 and 30 September 2022.

CTT provided a bank guaranty, on behalf of CTT Expresso branch in Spain, 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 2021 and 30 September 2022., the Group subscribed promissory notes amounting to approximately 41.9 thousand Euros and 48.7 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group engaged guarantee insurances in the total amount of 4,778,115 Euros (31 December 2021: 4,226,910 Euros), with the purpose of guaranteeing the fulfilment of contractual obligations assumed by third parties. 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.

21. Accounts payable

As at 31 December 2021 and 30 September 2022, the caption “Accounts payable” showed the following composition:

	31.12.2021	30.09.2022
Current		
Advances from customers	2,368,197	2,228,373
CNP money orders	51,157,113	134,485,285
Suppliers	88,144,917	91,148,332
Invoices pending confirmation	12,256,372	11,339,654
Fixed assets suppliers	7,008,092	3,546,698
Invoices pending confirmation (fixed assets)	6,300,825	2,074,452
Values collected on behalf of third parties	8,911,160	10,431,028
Postal financial services	156,371,620	131,208,005
Deposits	594,183	648,284
Charges	2,200,392	14,102,274
Compensations	881,108	1,150,542
Postal operators - amounts to be settled	1,586,135	1,874,026
Amounts to be settled to third parties	1,919,132	769,810
Amounts to be settled in stores	495,269	1,013,688
Other accounts payable	10,109,816	5,408,022
	350,304,332	411,428,472

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 financial year. The increase noted on 30 September 2022 is essentially related to the exceptional measures to support families program implemented by the government, which provides the payment of an exceptional supplement to pensioners, in the amount of 50% of the amount of the pension paid in October.

Postal financial services

This caption records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period. The decrease seen is mainly due to the reduction observed in the amounts charged for taxes, since in 2021 there was a flexibilization of the tax calendar by the tax authority, which allowed the delivery of the tax related to the periodic VAT returns of the month December 2021, for the monthly regime, could be carried out until 30 December, which resulted in temporarily higher balances to be delivered.

22. Banking clients' deposits and other loans

As at 31 December 2021 and 30 September 2022, the composition of the caption Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2021	30.09.2022
Sight deposits	1,485,969,930	1,628,685,156
Term deposits	223,067,357	193,141,433
Savings deposits	412,474,058	455,435,677
	2,121,511,345	2,277,262,265

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 mobilized 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.

For the nine-months period ended 30 September 2022 the average rate of return on customer funds was 0.02% (31 December 2021: 0.02%).

As at 31 December 2021 and 30 September 2022, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2021					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	1,898,443,987	—	—	—	—	1,898,443,987
Term deposits	—	106,310,120	116,757,237	—	—	223,067,357
	1,898,443,987	106,310,120	116,757,237	—	—	2,121,511,345

	30.09.2022					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	2,084,120,833	—	—	—	—	2,084,120,833
Term deposits	—	101,573,558	91,567,875	—	—	193,141,433
	2,084,120,833	101,573,558	91,567,875	—	—	2,277,262,265

23. Income taxes receivable /payable

As at 30 September 2022, the caption reflects the difference between the estimated income tax regarding the nine-month period ended 30 September 2022 and the amounts already paid regarding payments on account and additional payments on account.

24. Staff costs

During nine-months periods ended 30 September 2021 and 30 September 2022, the composition of the caption Staff Costs was as follows:

	30.09.2021	30.09.2022
Remuneration	203,983,740	205,636,979
Employee benefits	3,558,993	6,571,333
Indemnities	8,721,784	1,078,488
Social Security charges	43,432,518	43,972,397
Occupational accident and health insurance	2,711,872	2,963,337
Social welfare costs	5,175,387	5,804,981
Other staff costs	97,982	105,287
	267,682,275	266,132,801

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

During the nine-months periods ended 30 September 2021 and 30 September 2022, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were:

Company	30.09.2021				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,941,140	107,143	14,850	14,000	2,077,133
Annual variable remuneration	—	—	—	—	—
	1,941,140	107,143	14,850	14,000	2,077,133
Long-term remuneration					
Defined contribution plan RSP	151,992	—	—	—	151,992
Long-term variable remuneration	398,408	—	—	—	398,408
	550,400	—	—	—	550,400
	2,491,540	107,143	14,850	14,000	2,627,533

Company	30.09.2022				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	1,949,266	118,929	14,850	14,000	2,097,045
Annual variable remuneration	—	—	—	—	—
	1,949,266	118,929	14,850	14,000	2,097,045
Long-term remuneration					
Defined contribution plan RSP	148,275	—	—	—	148,275
Long-term variable remuneration	1,086,429	—	—	—	1,086,429
	1,234,704	—	—	—	1,234,704
	3,183,970	118,929	14,850	14,000	3,331,749

Long-term variable remuneration

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term, which replaces the Regulation in force at that date. This regulation changes the assumptions for the annual variable remuneration (AVR) attribution and changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism.

Similarly, the Board of Directors put in place a stock options program addressed to CTT's top management, using the same terms of the program approved for the governing bodies members.

The LTVR model through participation in CTT's stock option plan, also depends on the Company's performance and aims to align interests with this performance in a long-term, as follows:

- a. The plan sets out the number of options allocated that may be exercised by the Plan's participants (the CEO, the CFO, the remaining executive Directors and the Top Manager), as detailed:

Tranche	Number of options - per participant			Strike Price
	CEO	CFO	Other executive administrators	
1	700.000	400.000	300.000	€ 3.00
2	700.000	400.000	300.000	€ 5.00
3	700.000	400.000	300.000	€ 7.50
4	700.000	400.000	300.000	€ 10.00
5	700.000	400.000	300.000	€ 12.50

- b. Awarding, also through the Plan, of 5 tranches of options that differ exclusively by their different strike price;
- c. The number of shares to be received depends on the difference between the strike price and the market price, i.e., the average price, weighted by trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions held in the 45 days prior to the exercise date (i.e. 1 January 2023);
- d. The LTVR attributed under the plan is subject to the positive evolution of the share price and the positive performance of the Company and to eligibility conditions related to the non-verification of the situations that give rise to the application of the adjustment mechanisms mentioned below and material breaches of the terms of the plan;
- e. The plan also provides for mechanisms for deferring the exercise of options and retaining shares which result from the combination of two aspects: (i) deferral of exercise date of all options (1 January 2023 considering the end of the 2020/2022 term of office); and (ii) the establishment of a retention period by the Company of part of the shares allocated (throughout the period from the exercise date and the fifth trading day immediately following the end of the month after the date of approval of the accounts for 2024 at the annual general meeting to be held in 2025, or as of 31 May 2025 whichever occurs later).
- f. The Plan for Members of the Statutory Bodies, as a rule, provides for 25% of net cash settlement and 75% of net share settlement of the options, without prejudice to the fact that, on an exceptional basis and in a scenario where the number of own shares held by CTT is not sufficient, the Plan provides for the Remuneration Committee to establish a remuneration mechanism through the awarding of a cash amount and the net cash settlement of the options whose net share settlement is not possible. The plan for governing bodies members provides for 100% of net shares settlement of the options.

The fair value of the options granted was determined through a study carried out by an independent entity on the grant date. The model used for the valuation of the stock plan was the Monte Carlo simulation model.

The amount related to the share plan recognized as at 31 December 2021 regarding members of the Statutory Bodies and top management, amounted to 1,626,429 Euros, with the financial settlement component, recognized under the caption “Employee benefits”, in the amount of 411,431 Euros and the component of settlement in equity instruments recognized under the caption “Other reserves”, in the amount of 1,215,000 Euros. In the nine-months period ended 30 September 2022, the amount recognized in personnel costs amounted to 1,626,429 Euros, of which 411,429 Euros corresponds to the cash settlement component and 1,215,000 Euros corresponds to the equity instrument settlement component.

Following the calculation carried out by an independent entity on 31 December 2021, an amount of 1,447,419 Euros was calculated by reference to the Remuneration Regulation as an estimate of annual variable remuneration for the members of the Governing Bodies, recognized in expenses of the period in 2021. As at 30 September 2022, the final amount to be settled was calculated, and 50% of the amount has already been settled, as stipulated in the Remuneration Regulation.

For the nine-months periods ended 30 September 2021 and 30 September 2022, the caption Staff costs includes the amounts of 390,548 Euros and 235,422 Euros related to expenses with workers' representative bodies.

For nine-months period ended 30 September 2022, the average number of staff of the Group was 12,638 (12,224 employees for the period ended 30 September 2021).

25. Interest expenses and Interest income

For the nine-months periods ended 30 September 2021 and 30 September 2022, the caption Interest Expenses had the following detail:

	30.09.2021	30.09.2022
Interest expenses		
Bank loans	1,308,270	1,155,614
Lease liabilities	2,304,076	2,409,098
Other interest	—	166,097
Interest costs from employee benefits	2,678,229	2,948,784
Other interest costs	95,927	252,261
	6,386,502	6,931,854

During the nine-months periods ended 30 September 2021 and 30 September 2022, the caption Interest income was detailed as follows:

	30.09.2021	30.09.2022
Interest income		
Deposits in credit institutions	11,736	13,914
Other supplementary income	3,357	—
	15,093	13,914

26. Income tax for the period

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

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais, S.A. and CTT IMO – Sociedade Imobiliária, S.A. as a result of the option for the Special Regime for the Taxation of Groups of Companies (“RETGS”) application. The remaining companies are taxed individually. The entities 321 Crédito – Instituição Financeira de Crédito S.A. and CTT Soluções Empresariais, S.A. integrated the RETGS in the previous financial year. The entity CTT IMO – Sociedade Imobiliária, S.A. integrated the RETGS in this financial year.

Reconciliation of the income tax rate

For the nine-months periods ended 30 September 2021 and 30 September 2022, the reconciliation between the nominal rate and the effective income tax rate was as follows:

	30.09.2021	30.09.2022
Earnings before taxes (a)	37,436,674	35,902,027
Nominal tax rate	21.0%	21.0%
	7,861,702	7,539,426
Tax Benefits	(204,179)	(212,699)
Accounting capital gains/(losses)	(197,241)	(3,358)
Tax capital gains/(losses)	41,551	1,677
Equity method	350,580	36,648
Provisions not considered in the calculation of deferred taxes	(14,655)	119,179
Impairment losses and reversals	97,749	60,019
Compensation for insurable events	94,846	133,416
Depreciation and car rental charges	19,459	18,846
Credits uncollectible	43,010	36,937
Difference between current and deferred tax rates	(7,871)	112,937
Fines, interest, compensatory interest and other charges	14,904	10,171
Other situations, net	571,365	1,356,176
Adjustments related with - autonomous taxation	614,198	447,793
Adjustments related with - undistributed variable remuneration	92,848	6,531
Tax losses without deferred tax		
SIFIDE tax credit	(512,416)	(2,154,501)
Insufficiency / (Excess) estimated income tax	247,774	(994,973)
Subtotal (b)	9,113,625	6,514,225
(b)/(a)	24.34%	18.14%
Adjustments related with - Municipal Surcharge	617,804	409,077
Adjustments related with - State Surcharge	1,267,637	696,833
Income taxes for the period	10,999,065	7,620,135
Effective tax rate	29.38%	21.22%
Income taxes for the period		
Current tax	11,388,547	3,259,159
Deferred tax	(124,840)	7,510,450
SIFIDE tax credit	(512,416)	(2,154,501)
Insufficiency / (Excess) estimated income tax	247,774	(994,973)
	10,999,065	7,620,135

For the nine-month period ended on 30 September 2021, the caption “SIFIDE Tax Credit” refers to the reimbursement of SIFIDE for the year 2018. For the nine-months period ended 30 September 2022, the caption “SIFIDE Tax Credit” refers to the SIFIDE tax credit for the year 2021 (1,528,260 Euros) and the remaining is related to Banco CTT for the years 2020 and 2021. The caption Insufficient/(Excess) estimated income tax essentially books the income tax excess estimate for the year 2021, in the net amount of (748,577) Euros.

Deferred taxes

As at 31 December 2021 and 30 September 2022, the balance related to deferred tax assets and liabilities was composed as follows:

	31.12.2021	30.09.2022
Deferred tax assets		
Employee benefits - healthcare	73,832,987	60,022,194
Employee benefits - pension plan	68,583	51,431
Employee benefits - other long-term benefits	4,208,731	4,485,226
Impairment losses and provisions	4,139,032	2,754,430
Tax losses carried forward	2,078,911	2,068,837
Impairment losses in tangible fixed assets	481,187	552,415
Long-term variable remuneration (Board of directors)	455,400	1,116,446
Land and buildings	343,652	343,652
Tangible assets' tax revaluation regime	1,282,862	1,042,325
Other	363,742	635,414
	87,255,087	73,072,370
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	1,684,213	1,480,994
Suspended capital gains	658,042	7,360,596
Non-current assets held for sale	42,718	—
PPA Movements - NewSpring Services	—	412,558
Other	42,540	248,904
	2,427,513	9,503,052

The deferred tax asset related to Tangible assets tax revaluation regime was recognized following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 30 September 2022 the deferred tax asset amounts to 1,042,235 Euros.

The increase in the item "Others" essentially refers to the deferred tax associated with the caption "results of assets and liabilities at fair value through profit or loss", the amount of which in the current period resulted in the recognition of the respective deferred tax.

As at 30 September 2022, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.2 million Euros and 0.4 million Euros, respectively.

During the years ended 31 December 2021 and 30 September 2022, the movements which occurred under the deferred tax captions were as follows:

	31.12.2021	30.09.2022
Deferred tax assets		
Opening balances	87,891,869	87,255,087
Changes in the consolidation perimeter		
Effect on net profit	(745,695)	(692,973)
Employee benefits - healthcare	3,037	(10,738)
Employee benefits - pension plan	1,022,295	279,542
Employee benefits - other long-term benefits	(797,419)	(1,384,597)
Impairment losses and provisions	1,291,917	(10,073)
Tax losses carried forward	72,431	(2,002)
Impairment losses in tangible fixed assets	—	—
Long-term variable remuneration (Board of directors)	401,422	661,046
Land and buildings	(12,118)	—
Tangible assets' tax revaluation regime	(320,715)	(240,537)
Other	(154,405)	344,058
Effect on equity		—
Employee benefits - healthcare	(1,390,302)	(13,072,241)
Employee benefits - pension plan	(7,230)	(55,039)
Closing balance	87,255,087	73,072,370

	31.12.2021	30.09.2022
Deferred tax liabilities		
Opening balances	2,793,698	2,427,513
Changes in the consolidation perimeter		
Effect on net profit	(270,958)	(203,219)
Revaluation of tangible fixed assets before IFRS adoption	(26,149)	6,702,554
Suspended capital gains	(40,292)	(42,718)
Other	16,344	(2,441)
Effect on equity		—
Fair Value Reserve	(13,384)	(6,261)
Other	(31,746)	105,611
Others		—
PPA movements - NewSpring Services	—	522,013
Closing balance	2,427,513	9,503,052

The tax losses carried forward are, essentially, related to the losses of the subsidiaries Tourline and Transporta which were merged by incorporation into CTT Expresso, S.A., in 2019, and are detailed as follows:

Group	31.12.2021		30.09.2022	
	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	75,434,282	—	77,485,272	
CTT Expresso/Transporta	13,747,683	2,075,283	13,269,266	2,057,947
Total	89,181,965	2,075,283	90,754,539	2,057,947

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 (available for reporting until 2023, 2024 and 2026, respectively), the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years

(available for reporting until 2030, 2031 and 2032, respectively) and the tax losses of the years 2015, 2016, 2017, 2018, 2019, 2020 and 2021 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history.

Regarding to CTT Expresso/ Transporta, the tax losses presented refer to the losses of Transporta for the years 2014 and 2015 and 2017 and 2018, since in 2019 this company was incorporated into CTT Expresso, which can be reported in the next 14 years (previously 12 years, but extended to 14 years under exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic), for the years 2014 and 2015 and 7 years (previously 5 years, but extended to 7 years within the scope of exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic) for the years 2017 and 2018. The recognition of deferred tax assets related to Transporta's tax losses is supported by the estimate of future taxable profits of CTT Expresso, based on the company's 8-year business plan (ie, until 2029).

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015 (in the amounts of 4,536,810 Euros and 3,068,088 Euros, available for reporting until 2028 and 2029, respectively), for which a favourable response was obtained from the Tax Authority during 2021.

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 2.73 million Euros.

SIFIDE

Until 2021, the Group recognized the tax credit related to SIFIDE upon the actual receipt of the declaration from the certifying commission of the expenses eligibility presented in the application.

Currently, and considering the history associated with this reality, the Group started to recognize, in the period to which the investments relate, an estimate of the tax credit that was submitted for certification by the competent authority (ANI - National Innovation Agency).

Regarding to R&D expenses incurred in the 2019 financial year, during the 2021 period, a tax credit of 753,235 Euros was attributed by the Certifying Committee.

Regarding to R&D expenses incurred in the 2020 financial year, with the submission of the application, these amounted to approximately 5,304,741 Euros, with the possibility of benefiting from an income tax deduction estimated at 3,850,195 Euros. During the first three months of the current year, a tax credit of 310,239 Euros was attributed by the Certifying Committee, in relation to the 2020 financial year, and the Group is awaiting receipt of the declarations regarding the remaining amount.

Regarding the expenses incurred with R&D by the Group in the year 2021, with the application submission, these amounted to 6,474,190 Euros and the Group will have the possibility of benefiting from a deduction in corporate income tax estimated at 3,816,703 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 2018 and onwards may still be reviewed and corrected.

The Board of Directors 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 2022.

27. Related parties

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies' managers 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, subsidiaries companies' managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies' managers qualified shareholders or by the persons referred to in (i). For this purpose, "control" is considered to exist when an investor is exposed or holds rights in relation to variable results through its relationship with it and has the capacity to affect those results through the power it exercises over the investee. 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 resolution of Board of Directors, preceded by a prior favorable opinion of Audit Committee, except when included in the normal company's business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million Euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

The other related parties' transactions are approved by Executive Committee, to the extent of the related delegation of powers, and subject to subsequent examination by the Audit Committee.

For the nine-months periods ended 30 September 2021 and 30 September 2022, the following transactions took place and the following balances existed with related parties:

Group	30.09.2021					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	12,750,000	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	218,750	14,145	770,017	82,604	—	—
Members of the (Note 24)						
Board of Directors	—	—	—	1,941,140	—	—
Audit Committee	—	—	—	107,143	—	—
Remuneration Committee	—	—	—	14,850	—	—
General Meeting	—	—	—	14,000	—	—
	218,750	14,145	770,017	2,159,737	12,750,000	—

Group	30.09.2022					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends	Financial investments / Increase in share capital
Shareholders	—	—	—	—	17,656,441	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	195,784	207,905	353,236	263,305	—	—
Members of the (Note 24)						
Board of Directors	—	—	—	1,949,266	—	—
Audit Committee	—	—	—	118,929	—	—
Remuneration Committee	—	—	—	14,850	—	—
General Meeting	—	—	—	14,000	—	—
	195,784	207,905	353,236	2,360,350	17,656,441	—

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received.

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

The remunerations attributed to the members of the statutory bodies of CTT, S.A. are disclosed in note 24 – Staff Costs.

28. Other information

On 23 December 2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The new concession agreement thus came into force and will have a duration of approximately seven years – until 31 December 2028.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the universal postal service under sustainable economic conditions, promoting a better

balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

Pursuant to the new concession agreement of 6 January 2022 and Decree-Law no. 22-A/2022 published on 7 February 2022, the first year of the agreement is the transition period, hence, the prices of the services included in the universal postal service offer shall respect a maximum annual average variation of 6.80%, which considers the decline in mail volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021. The special prices of the postal services included in the universal postal service offer applicable to bulk mail senders were also updated on 7 March 2022. These updates correspond to an average annual price variation of 5.84% for the year 2022.

While some impacts of the pandemic persist in 2022, CTT continued to periodically report the status of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service until 21 February 2022 in the wake of the end of the state of calamity and beginning of the state of alert that was in force until 30 September 2022.

By deliberations dated 6 May 2022 and 6 July 2022, ANACOM granted CTT's requests regarding the deduction of the records of mail items in all national flows directly affected by the COVID-19 pandemic in the 2nd half of 2021, for the purposes of calculating the Quality of Service Indicators (QSI) of the year 2021, and in the months of January and February 2022, for the purposes of calculating the QSI of the year 2022.

On 27 July 2022, a Convention was signed between the sector regulator (ANACOM), the Directorate-General for the Consumer (DGC) and the universal service provider (CTT), defining the criteria to be applied to the pricing of postal services included in the basket of the universal postal service for the three-year period 2023-2025, in accordance with the provisions of article 14(4) of Law no. 17/2012 of 26 April (Postal Law), as amended by Decree-Law no. 22-A/2022 of 7 February, which has been notified to the Government.

The scope of the Convention thus covers the services of letter mail, parcels, and newspapers and periodicals which are part of the universal postal service offer, including registered mail services used in legal or administrative proceedings, and not applying to special prices of postal services included in the universal service offer applicable to bulk mail senders (subject to the specific regime provided for in article 14-A of the Postal Law).

The main features of the pricing of the services covered by the Convention are as follows:

- The maintenance of a maximum annual variation of the prices of the basket of services covered by the Convention, which will be ascertained as per the following formula:
$$\text{CPI} - \Delta\text{Volumes} * (1 - \text{VC}) - \text{E} + \text{K}.$$

The referred maximum annual price variation thus takes into consideration historical figures relative to the inflation rate (CPI) in the last 12 months, the variation in volumes (Δ Volumes) excluding an indicator of the weight of variable costs (VC) in total costs associated to the SPU (value defined at 16% for each year) and an efficiency factor (E) associated to CTT's activity within the USO (value defined at 0.5 percentage points for each year). In the event of significant contextual changes related to the conditions for the provision of the universal postal service, the application of an additional factor (K) is foreseen, the value of which shall be determined by agreement, upon proposal of any of the parties that integrate the Convention.

- The definition for each price of a maximum annual variation of 15% and a maximum overall variation of 30% for the period from 2023 to 2025.
- The setting of a maximum annual variation of 4 cents for the price of ordinary domestic mail up to 20 grams, used by the occasional segment.
- The continued application of the principle of uniform tariffs, with the application of a single price throughout the territory, to domestic letter mail items up to 50 grams sent by users in the occasional segment and in registered mail items of the service of judicial and other postal notifications weighing up to 50 grams.
- The provision by CTT, free of charge, in the national and international service, of mail dispatches for the blind and partially sighted, with the exception of airmail surcharges, if any.

On 28 June 2022, CTT was notified of ANACOM's decision which granted CTT's application for deferring the date for the entry into force of ANACOM's decision of 29 April 2021 on the delivery of postal items at premises other than the domicile.

With regard to the legal proceedings relating to ANACOM's Decision regarding the quality of service parameters and performance targets applicable to the universal postal service provision, dated of July 2018, CTT was notified of the Government's appeal against the decision of the Arbitration Court to the South Administrative Central Court, which considered that the Arbitration Court should have considered itself incompetent to judge both of CTT's requests¹⁰. The administrative proceedings brought against ANACOM, the first one regarding the same decision and the second one concerning the December 2018 resolution regarding the new measurement procedures to be applied to the quality of service indicators, had no relevant developments. There were no developments following the presentation of defence in the administrative proceedings initiated against CTT on 30 July 2021 and 30 August 2021, for four administrative offences related to the measurement of quality of service indicators (QSI) relating to events occurred in 2016 and 2017 (partially contested in the above-mentioned administrative action brought against ANACOM in March 2019).

Following ANACOM's proposal submitted in 2018 to the government to enforce contractual fines in the amount of 786 thousand euros within the scope of the Universal Postal Service Concession Agreement, based on an alleged breach of contract obligations during 2015, 2016 and 2017, following the Grantor's decision that additional evidence was presented, CTT was notified of the decision to apply fines

¹⁰. This decision of December 2021 declared the court incompetent to rule on the merit of the referred quality of service parameters and performance targets and their application, (due to the lack of necessary passive litigation, given that ANACOM, entity responsible for the decision, was not a party to the proceedings). However, with respect to the claim for compensation, the court recognized that ANACOM's decision embodied an abnormal and impressionable change of circumstances, causing damages amounting to 1,869,482 euros. On 19 January 2022, CTT was notified of the State's appeal to the South Administrative Central Court, considering that the arbitration court should have considered itself incompetent to judge both requests.

amounting to 753 thousand euros. CTT will appeal against this decision by constituting an arbitration court, under the terms of the concession agreement.

On 18 January 2022, CTT was notified of the action brought against the Company by the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) before the Competition, Regulation & Supervision Court. The action against CTT for abuse of dominant position, in particular for refusal of access to its postal network, since 2012 to the day the alleged illegal conduct ceases. Claims were also made for damages estimated at 69.5 million euros to 158 million euros by Vasp and between 9.5 million euros and 31 million euros by Iberomail, to be ascertained in the course of the proceedings. The lawsuit also requests the conviction of CTT to immediately cease the anti-competitive practices, giving Vasp and Iberomail access to its postal distribution network for their products, at the access points and in the manner intended by those companies, or in the conditions that the Court deems necessary for the access offer to be, in the opinion of those companies, viable. In this context, it should be recalled that, following VASP's complaint to the Competition Authority on 21 November 2014, the proceedings then opened were subject to a decision to close the proceedings, with the imposition of commitments on 5 July 2018. CTT follows the best market practices and considers the request to be totally unfounded, and as such the Company presented its contestation on 29 March 2022. There are no relevant developments in this regard.

On 6 April 2022, ANACOM decided to impose a fine of 153,750 euros on CTT for twenty-six administrative offences related to the non-compliance with postal network density targets and minimum service offers that occurred in 2015 and 2016. CTT disagrees with this decision and filed an appeal against it on 6 May. The trial took place in September and a final decision is expected.

Impact of geopolitical events in Ukraine

The Geopolitical events in Ukraine, military actions taken by Russia and the response of several countries, namely the Europe and the United States, in the form of economic sanctions, are currently affecting global markets, logistics chains and economic developments in general, intensifying the inflationary pressures that had already been observed, with a particular impact on the price of energy goods. Although the Group has no direct exposure to Russian entities, the conflict may also have indirect impacts that, at the present time, cannot be estimated with a reasonable degree of confidence.

However, in order to face the current economic context, the Group has adopted some mechanisms that aim to mitigate the adverse impacts that arise, namely:

- a. Diversification in terms of contracted suppliers;
- b. Diversification of the Group's offer of goods and services;
- c. Contractual protection of the supply prices of some energy goods, namely fuel;
- d. Control and efficiency initiatives in internal cost management; and
- e. As mentioned above, following the definition of criteria for setting prices for the universal service basket to be implemented by CTT for the period 2023-2025, a negotiation process was developed by the Convention designated for this purpose (ANACOM, DGC and CTT), having reached a principle of agreement regarding the draft text, which was under public consultation

until 15 July 2022. The price formation criteria consider indicators such as historical amounts related to the inflation rate (CPI) verified in the last 12 months and the variation in volumes.

29. Subsequent events

On 31 October 2022, CTT - Correios de Portugal, S.A. incorporated the subsidiary CTT IMO Yield, S.A. The business purpose of this company is the leasing and management of real estate, as well as the purchase and sale of real estate. As disclosed in note 4 above, this company was incorporated with the purpose of owning and managing CTT's real estate yield portfolio and will essentially comprise (1) properties associated with CTT's retail network and (2) warehouses and logistics centres and delivery offices of CTT's operational network in Portugal.

With the exception of the above, after 30 September 2022 and up to the date that the financial statements were approved for issue, no relevant or material facts have occurred in the Group's activity that have not been disclosed in the notes to the financial statements.