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ctt

Consolidated Results

1st Quarter 2021

committed to deliver

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

1st QUARTER 2021 CONSOLIDATED RESULTS

- Revenues¹ grew by 14.1% in 1Q21 to **€205.3m**, an increase of **€25.4m** compared to 1Q20, accelerating a growth trend that started in 3Q20 and 4Q20 (+0.3% and +5.1%, respectively). Notable is the performance of the Express & Parcels business unit with **€26.1m (+70.1%)** growth in revenues, which, together with Banco CTT's posted growth of **+€1.7m (+8.7%)**, more than offset the decline of **€1.6m (-1.4%)** in the revenues of the Mail & other business unit and of **€0.9m (-6.7%)** in the Financial Services & Retail business unit.
- Express & Parcels continued to break records, posting **€63.4m** in revenues in 1Q21, driven by the strong performance of the Iberian region, as Spain delivered on the results of the outlined strategy, growing by **€15.5m (+127.8%)** and Portugal grew by **€10.7m (+43.8%)**.
- Recurring EBIT amounted to **€15.0m** in 1Q21, corresponding to an increase of **€5.8m (+62.2%)** versus 1Q20, with significant growth of **€6.3m (+167.4%)** in Express & Parcels, **€0.3m (+26.6%)** in Banco CTT and **€0.2m (+5.2%)** in Mail & other, which offset the less positive performance of Financial Services & Retail of **-€1.1m (-14.8%)**.
- Operating cash flow stood at **€12.8m** in 1Q21, up **€1.0m (+8.5%)** vis-à-vis 1Q20.
- Net profit⁵ of **€8.7m**, **€5.0m (+136.3%)** more than in 1Q20.

Consolidated Results

	€ million			
	1Q20	1Q21	Δ	Δ%
Revenues ¹	179.9	205.3	25.4	14.1%
Mail & other	110.2	108.6	-1.6	-1.4%
Mail	109.5	107.8	-1.7	-1.5%
Central Structure	0.7	0.8	0.1	17.7%
Express & Parcels	37.3	63.4	26.1	70.1%
Banco CTT	19.5	21.2	1.7	8.7%
Financial Services & Retail	13.0	12.1	-0.9	-6.7%
Operating costs (EBITDA) ²	156.2	176.3	20.1	12.9%
EBITDA ³	23.7	29.1	5.3	22.3%
Depreciation & amortization ⁴	14.5	14.0	-0.5	-3.2%
Recurring EBIT	9.3	15.0	5.8	62.2%
Specific items	0.0	-0.8	-0.9	«
EBIT	9.3	15.9	6.6	71.5%
Financial results (+/-)	-3.1	-2.6	0.4	14.2%
Income tax for the period	2.5	4.5	2.0	82.2%
Non-controlling interests	0.0	0.0	0.0	11.5%
Net profit for the period ⁵	3.7	8.7	5.0	136.3%

¹ Excluding specific items.

² In 2021 and in the same period of the previous year (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant this standard. See note in section 2. Other Highlights on the change of the calculation of EBITDA in 2021.

³ Excluding depreciation & amortization and specific items. See note in section 2. Other Highlights on the change of the calculation of EBITDA in 2021.

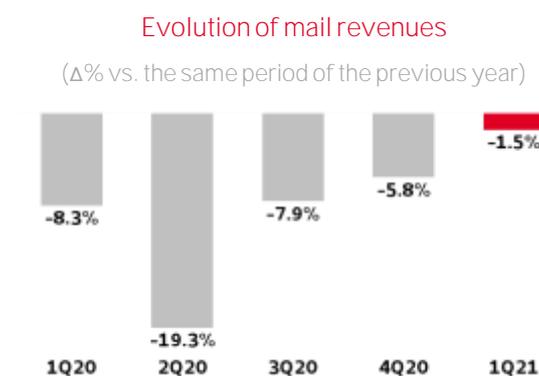
⁴ Depreciation & amortization were positively impacted in 1Q21 by the revision of the useful life of some assets.

⁵ Attributable to equity holders.

1. Operational and Financial Performance

Mail

The Mail business unit was structurally impacted by the downward trend in mail volumes due to digitalization and changes in consumer habits, as well as by the effects of the general lockdown, especially in January (as the lockdown began in mid-January 2021 and ran through the entire quarter) – the revenues performance shows a consistent recovery that started after 2Q20:



In 1Q21, Mail revenues reached **€107.8m**, only **€1.7m** below (-1.5%) those of 1Q20. This decline stems mostly from transactional mail (-**€2.4m**; -2.5%), but the quarterly revenues benefited from the contribution of higher-value mail items, with a lower dependence on ordinary mail – whose weight in revenues decreased from 37% (1Q20) to 33% (1Q21) – and a greater importance of registered mail and international inbound mail, whose weight in revenues grew from 35% (1Q20) to 38% (1Q21).

This change in profile is particularly important when the average prices of registered mail and international inbound mail are **€2.2 and €1.1, respectively, higher than the average price of ordinary mail**, in addition to registered mail and international inbound mail being less exposed to the digitalization processes that have significantly impacted the evolution of mail volumes.

Mail volumes

	1Q20	1Q21	Δ	Δ%
Transactional mail	126.2	107.1	-19.2	-15.2%
Advertising mail	11.1	10.1	-1.0	-9.2%
Editorial mail	7.6	7.2	-0.4	-4.6%
Addressed mail	144.9	124.4	-20.5	-14.2%
Unaddressed mail	115.4	92.0	-23.4	-20.3%

million items

In 1Q21, transactional mail declined by 15.2%, due to declines in most products, except for green mail (+30.8%). The decline in ordinary domestic mail reached 18.0% and contractual clients of the banking and insurance segment continued to be those who contributed most to this evolution.

The pandemic effect continued to cause a bottleneck in the international air logistics network, negatively influencing international mail flows as well as the cost of this type of transport. The decrease in international outbound mail was 9.0% in 1Q21, while international inbound mail posted a decrease of 7.2%. Despite the decline in volumes, the change in the profile of the items in conjunction with the increase in prices, especially in the international inbound mail, allowed for a growth in revenues.

The advertising mail business was negatively affected by the suspension of mailing campaigns in the first two months of the year due to the lockdown, although there was some pick-up in the month of March. Thus, addressed advertising mail volumes recorded a 9.2% decline and unaddressed advertising mail volumes posted a decrease of 20.3%.

In 1Q21, business solutions recorded revenues of **€3.6m, (+41.5%)** versus 1Q20. This growth was the result of a larger and optimized offer and an intense commercial drive, launched at the end of 1Q20.

Philately revenues amounted to **€1.1m** in 1Q21, corresponding to a reduction of **€0.2m (12.9%)** vis-à-vis 1Q20. To be highlighted is, however, the 54.4% growth in revenues in March 2021, compared to the previous month.

The average variation in prices of the universal postal service⁶ in 1Q21 was 2.51% compared to 1Q20.

Express & Parcels

The Express & Parcels revenues totaled a record amount of **€63.4m** in 1Q21, up **€26.1m (+70.1%)** versus 1Q20.

In the Iberian market, revenues stood at **€62.7m**, an increase of 71.7% versus 1Q20, and volumes totaled 18.2 million items, representing an 87.3% growth over 1Q20.

In Portugal, revenues recorded **€35.1m** in 1Q21, up 43.8% vis-à-vis 1Q20, and volumes totaled 8.5 million items, corresponding to a growth of 50.9% over 1Q20.

The business performance in Portugal in 1Q21 is based on the CEP (Courier, Express and Parcels) business growth, whose revenues amounted to **€30.6m (+61.8%)**. The cargo business revenues stood at **€2.5m (-9.9%)**, those of the banking documents delivery business totaled **€1.2m (-32.7%)** and those of the logistics business amounted to **€0.6m (-15.4%)**.

The effects of restrictions due to the COVID-19 pandemic continued to strongly impact **the items' profile, with a** reduction in B2B volumes and, in contrast, a strong boost in e-commerce activity (B2C), with a very relevant growth in the food, sports and leisure, education and culture, and consumer electronics sectors. The cargo and banking documents delivery businesses were the most impacted by the restrictions.

The Dott marketplace⁷, launched in May 2019 in partnership with Sonae, had, as of the end of March 2021, 1,610 registered vendors on the platform, more than 4.5 million products available for sale and 270k registered users, with the GMV (gross merchandise volume) indicator posting a 122% growth compared to 1Q20. This evolution evidences the strong growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at **€27.6m in 1Q21, 127.8%** above 1Q20. Volumes totaled 9.7 million items, growing by 137.2% compared to 1Q20.

In 1Q21, the strong growth strategy started in 2020 was reaffirmed, as CTT Express positions itself as a reference operator in the Iberian urgent parcels market. CTT Express continues to gain the trust of large national and international customers, attracted by a consistent improvement in quality of service and the capacity and flexibility of the Company's commercial offer. The strong volumes growth was mainly due to new major clients gained as of August 2020.

⁶ Including letter mail, editorial mail and parcels of the universal postal service, excluding international inbound mail.

⁷ The Dott marketplace investment is accounted for by the equity method in the consolidated financial statements of CTT – Correios de Portugal, S.A..

The strategy of investing in technology and innovation, as well as the opening of new sorting centers have been, and will continue to be in 2021, an important pillar in the operational implementation of the Iberian strategy.

Revenues in Mozambique stood at €0.7m in 1Q21, 5.6% below 1Q20. 1Q21 was characterized by a high level of uncertainty regarding the evolution of COVID-19, with the imposition of restrictive measures, the impacts of natural disasters and the recent worsening of the political and military instability in the north of the country, with direct consequences on economic activity.

Banco CTT

Banco CTT revenues reached €21.2m in 1Q21, a growth of **€1.7m (+8.7%)** vis-à-vis 1Q20, of which **€17.2m** originated in Banco CTT and 321 Crédito (**+€2.3m; +15.7%**) and **€3.9m** in the Payments segment (**-€0.6m; -14.0%**).

The revenue growth was driven by the positive performance of net interest income that reached **€11.6m (€4.4m** from Banco CTT and **€7.2m** from 321 Crédito) in **1Q21, €1.1m** above (+10.9%) 1Q20. The loans-to-deposits ratio reached 62.7% at the end of 1Q21.

Net commissions of this business unit grew by **€0.7m (+9.7%)**, positively impacted by **Banco CTT's commissions** received of **+€1.3m (+47.9%)**, as a result of the **€0.9m** growth (+763.4%) in accounts and cards, as in April 2020 debit card commissions started to be charged, and also due to insurance and retirement savings plans, which grew by **€0.4m (+51.8%)**.

Commissions received from Payments fell by **€0.8m (-17.5%)**. The largest declines occurred in the payment of tolls and invoices, strongly affected by the reduction in demand for transactional services in the payments area during the period of the restrictive measures imposed by the state of emergency.

The volume of auto loan **production stood at €40.6m** in 1Q21 (-18.9% compared to 1Q20), with a credit portfolio **net of impairments of €593.7m** (+5.9% compared to December 2020). The beginning of the year continued to be strongly affected by the temporary closure of auto dealerships because of the lockdown measures, affecting the capture of new proposals.

The net mortgage loan portfolio stood at **€548.0m (4.5%** above that of December 2020). The mortgage loan production amounted to **€36.4m**, a decrease of **€9.9m (-21.5%)** compared to 1Q20, reflecting the effects of the economic downturn caused by the pandemic context.

The stock of savings products (off-balance sheet of Banco CTT) reached **€479.5m**, up 11.8% compared to December 2020.

Banco CTT business performance continued to allow for growth in customer deposits to **€1,797.9m (+6.4%** vs. December 2020) and in the number of accounts to 529k (12k more than at the end of 2020).

As of 31 March 2021, there were 769 moratoria, corresponding to **a total exposure of €42.4m (€33.0m regarding mortgage loans, €6.5m auto loans, and €2.8m other loans)**, representing 3.7% of the total gross credit portfolio. Of the expired moratoria, **there are about €2.5m in arrears** of more than 30 days, which represent circa 10% of the total private moratoria expired as of 30 September 2020 and occur in the auto loans segment.

Financial Services & Retail

The Financial Services & Retail revenues amounted to **€12.1m** in 1Q21 (**€8.4m** relative to Financial Services products and **€3.6m** to Retail products), representing a decrease of **€0.9m** (-6.7%) compared to 1Q20.

Financial products **obtained revenues of €8.4m** in 1Q21, a decrease of **€1.8m** (-18.0%) versus 1Q20, broken down as follows:

- Public debt certificates (Savings Certificates and Treasury Certificates Savings Growth), with revenues of **€6.6m, decreased by €1.7m** (-20.9%) versus 1Q20, posting **€1,192.5m** in subscriptions (-12.0% vs. 1Q20).

This decrease in subscriptions stems from the excellent results obtained in January 2020, when the amounts subject to recapture (due to maturity of the certificates) were very high (circa **€1,500m**), which compares to **€385m** this year. However, this quarter was the strongest in the last 4, excluding the first quarter of 2020.

On the other hand, also in January 2020, the terms of the contract between CTT and the Portuguese Treasury and Debt Management Agency - IGCP, E.P.E. changed, which negatively impacted the revenues thereafter.

- Capitalization insurance **products negatively impacted the change in revenues by €0.1m** (-50.7%) compared to 1Q20, due to maturity of the product portfolio.
- Money orders revenues decreased to **€1.5m**, down 2.6% (**-€0.04m**) versus 1Q20, as a result of the structural effect of the changes in the means of payments for this service.
- CTT payment services posted revenues of **€0.2m** in 1Q21, up **€0.05m (+32.6%)** vis-à-vis 1Q20, benefiting from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this type of service.

The retail products and services obtained revenues of **€3.6m** in 1Q21, an increase of **€1.0m (+37.1%)** vs. 1Q20, posting a positive evolution throughout the quarter (+3.7% compared to January 2020, +33.4% compared to February 2020 and +85.2% compared to March 2020). This growth is mainly due to the sales of "scratch cards" and personal protection products.

The restrictive measures in the 2021 lockdown period, such as the limitation of people's movement and the impossibility of selling some retail products, although the post offices were allowed to remain open, led to a greater decline in revenues, namely from the air transport subsidy (Azores and Madeira) and other products.

CTT has been strengthening its position in order to leverage return to growth after the lockdown period, by selling new book issues and launching exclusive CTT collections, as well as retail products suited to the premises and to the context of the retail network.

Operating Costs

Operating costs totaled **€189.4m**, an increase of **€18.8m (+11.0%)** vis-à-vis 1Q20.

Operating Costs

	1Q20	1Q21	Δ	Δ%
				€ million
Staff costs	88.3	89.2	0.9	1.0%
ES&S	58.4	75.7	17.3	29.7%
Impairments and provisions	2.8	2.4	-0.5	-16.4%
Other operating costs	6.7	9.0	2.3	35.0%
Operating costs (EBITDA) ⁸	156.2	176.3	20.1	12.9%
Depreciation & amortization	14.5	14.0	-0.5	-3.2%
Specific items	0.0	-0.8	-0.9	<<
Corporate restructuring and strategic projects	0.4	0.6	0.2	49.8%
Other non-recurring revenues and costs	-0.4	-1.4	-1.0	294.5%
Operating costs	170.6	189.4	18.8	11.0%

Staff costs increased **€0.9m (+1.0%)** in 1Q21 due to the **Express & Parcels (+€1.3m)** and **Banco CTT (+€0.6m)** business units. This increase was partly offset by the **€1.0m** decrease in staff costs in the remaining business units, i.e. Mail & other and Financial Services.

External supplies & services costs increased by **€17.3m (+29.7%)** due to increased direct costs (+€15.7m) and costs related to temporary work (+€1.7m), driven mainly by the growth in the Express & Parcels business unit.

Impairments and provisions costs decreased by **€0.5m (-16.4%)**, as a result of the changes in the credit risk matrices.

Other operating costs grew by **€2.3m (+35.0%)**, mostly due to the performance of the costs associated to sales of the new partnership businesses, lottery, merchandising and ATM fees (+€2.2m).

Depreciation & amortization posted a decrease of **€0.5m (-3.2%)** versus 1Q20, which was positively impacted by the revision of the useful life of some assets (-€2.0m) and partially offset by new building lease contracts which impacted amortization (+€1.1m), due to the IFRS 16 accounting standard.

Specific items totaled **-€0.8m**, broken down as follows: (i) **€0.1m** in corporate restructuring (+€0.1m vs. 1Q20); (ii) **€0.4m** in strategic projects (+€0.1m), including **€0.2m** in studies to support the renegotiation of the new concession agreement and **€0.2m** in consultancy services; and (iii) other revenues and costs of **-€1.4m (-€1.0m)**, especially the **€2.2m capital gain generated by the sale of public debt securities** by Banco CTT to fund the capital requirements for the Universo credit card partnership with Sonae, as well as **€0.3m** regarding costs associated with Banco CTT's new partnerships, and costs related to the COVID-19 pandemic, in particular **€0.4m in personal protection equipment, nebulization, temperature measurement and extra cleaning services**.

Staff

As of 31 March 2021, the CTT headcount (permanent and fixed-term staff) consisted of 12,096 employees, 86 more (+0.7%) than as of 31 March 2020.

⁸ In 2021 and in the same period of the previous year (proforma), operating costs (EBITDA) include impairments and provisions and the impact of the leases covered by IFRS 16 being presented pursuant this standard.

Headcount

	31.03.2020	31.03.2021	Δ	Δ%
Mail & other	10,471	10,259	-212	-2.0%
Express & Parcels	1,088	1,360	272	25.0%
Banco CTT	411	443	32	7.8%
Financial Services & Retail	40	34	-6	-15.0%
Total, of which:	12,010	12,096	86	0.7%
Permanent	10,826	10,819	-7	-0.1%
Fixed-term contracts	1,184	1,277	93	7.9%
Portugal	11,532	11,452	-80	-0.7%
Other geographies	478	644	166	34.7%

There was a decrease in the number of staff (permanent and fixed-term staff) in the Mail & other (-212) and the Financial Services & Retail (-6) business units which did not offset the increase in the expanding business units, i.e. Express & Parcels (+272) and Banco CTT (+32).

Together, the areas of operations and distribution within the basic network (5,702 employees, of whom 4,271 delivery postmen and women) and the retail network (2,295 employees) represent circa 74% of CTT's permanent staff.

Recurring EBIT

In 1Q21, recurring EBIT stood at **€15.0m**, up **€5.8m (+62.2%)** versus 1Q20, with a margin of 7.3% (5.2% in 1Q20).

This performance was due to a strong EBIT growth of **€6.3m (+167.4%)** in **Express & Parcels**, **€0.3m (+26.6%)** in Banco CTT and **€0.2m (+5.2%)** in Mail & other, which compensated the less positive evolution of **-€1.1m (-14.8%)** in the Financial Services & Retail business unit.

Recurring EBIT by business unit

	1Q20	1Q21	Δ	Δ%
Recurring EBIT by business unit	9.3	15.0	5.8	62.2%
Mail & other	4.7	4.9	0.2	5.2%
Mail	20.1	17.6	-2.5	-12.4%
Central Structure	-15.4	-12.7	2.7	17.8%
Express & Parcels	-3.8	2.5	6.3	167.4%
Banco CTT	1.1	1.4	0.3	26.6%
Financial Services & Retail	7.2	6.2	-1.1	-14.8%

Financial Results and Net Profit

The consolidated financial results amounted to **-€2.6m**, corresponding to an improvement of **€0.4m (+14.2%)** versus 1Q20.

Financial Results

	1Q20	1Q21	Δ	Δ%
Financial results	-3.1	-2.6	0.4	14.2%
Financial income, net	-2.5	-2.1	0.4	14.8%
Financial costs and losses	-2.5	-2.1	0.4	14.6%
Financial income	0.0	0.0	0.0	90.5%
Gains / losses in subsidiaries, associated companies and joint ventures	-0.6	-0.5	0.1	11.7%

Financial costs and losses incurred amounted to **€2.1m**, mainly incorporating financial costs related to post-employment and long-term employee benefits of **€0.9m**, interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of **€0.8m**, and interest rates for an amount of **€0.5m**.

In 1Q21, CTT obtained a consolidated net profit attributable to the equity holders of **€8.7m**, **€5.0m** above (+136.3%) 1Q20, positively impacted by the evolution of EBIT (+**€6.6m**) and financial results (**+€0.4m**), and negatively by the corporate income tax for the period (**+€2.0m**).

Investment

Capex stood at **€5.9m**, corresponding to 5.1% more (**+€0.3m**) than in 1Q20.

The Company continued to focus investment on the growth business units, particularly Express & Parcels (**€3.7m**) and Banco CTT (**€0.8m**), thus ensuring support to and optimization of their activities. Investment was reduced in the remaining business units, particularly in the Mail business unit (**€1.4m**).

Cash flow

In 1Q21, CTT generated an operating cash flow of **€12.8m**, an improvement of **€1.0m** compared to 1Q20.

	Cash flow		
	1Q20	1Q21	€ million Δ
Adjusted EBITDA	20.2	24.9	4.6
EBITDA	23.7	29.1	5.3
Non-cash items*	-3.5	-5.0	-1.5
Specific items**	-0,0	0.8	0.9
Capex	-5.6	-5.9	-0.3
Δ Working capital	-2.8	-6.1	-3.3
Operating cash flow	11.8	12.8	1.0
Employee benefits	-3.2	-3.1	0.0
Tax	-0,0	0.2	0.3
Free cash flow	8.7	9.9	1.3
Debt (principal + interest)	-0.2	-0.3	-0.1
Change in own cash	8.5	9.7	1.2
Δ Liabilities related to Financial Services & Retail and Banco CTT, net⁹	-216.7	31.4	248.1
Δ Other¹⁰	64.2	-0.7	-65.0
Net change in cash	-144.0	40.4	184.4

* Impairments, provisions and IFRS 16 affecting EBITDA.

** Specific items affecting EBITDA.

The negative evolution of the change in working capital vs. 1Q20 (**-€3.3m**) resulted mainly from an advance in receivables that occurred in 1Q20 and was normalized in the following quarter, a situation that did not take place in 1Q21.

⁹ 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.

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

Consolidated Balance Sheet

Consolidated Balance Sheet

	31.12.2020	31.03.2021	Δ	€ million Δ%
Non-current assets	1,984.3	1,988.5	4.2	0.2%
Current assets	910.6	978.1	67.5	7.4%
Assets	2,894.9	2,966.6	71.7	2.5%
Equity	150.3	159.0	8.7	5.8%
Liabilities	2,744.6	2,807.6	62.9	2.3%
Non-current liabilities	493.4	488.3	-5.1	-1.0%
Current liabilities	2,251.2	2,319.3	68.0	3.0%
Equity and Liabilities	2,894.9	2,966.6	71.7	2.5%

The key aspects of the comparison between the consolidated balance sheet as of 31.03.2021 and that as of 31.12.2020 are as follows:

- Assets grew by **€71.7m**, mostly due to the growth in Credit to banking clients (**+€32.9m**), especially in mortgage loans, Cash & cash equivalents (**+€40.4m**), following the strong increase in clients' deposits at Banco CTT, and Accounts receivable (**+€6.5m**), partially compensated by the decrease in Debt securities (**-€11.3m**) as a result of the disposal of securities portfolios.
- Equity increased by **€8.7m** due to the net profit attributable to the CTT Group equity holders in 1Q21 for an amount of €8.7m.
- Liabilities increased by **€62.9m**, with emphasis on the increase in **Banking clients' deposits and other loans (+€109.0m)** and Other current liabilities (**+€14.2m**), mostly as a consequence of the increased staff costs. Conversely, items such as Other accounts payable (**-€57.6m**) decreased, following the reduction in the subscriptions of Treasury Certificates and in the amounts traded in Money orders and Taxes.

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

Consolidated Balance Sheet excluding the full consolidation of Banco CTT recognized by the equity method

	31.12.2020	31.03.2021	Δ	€ million Δ%
Non-current assets	638.8	649.3	10.5	1.6%
Current assets	484.0	445.0	-39.1	-8.1%
Assets	1,122.8	1,094.2	-28.6	-2.5%
Equity	150.3	159.1	8.7	5.8%
Liabilities	972.5	935.2	-37.3	-3.8%
Non-current liabilities	444.0	444.4	0.4	0.1%
Current liabilities	528.5	490.8	-37.7	-7.1%
Equity and Liabilities	1,122.8	1,094.2	-28.6	-2.5%

The liabilities related to employee benefits (post-employment and long-term benefits) decreased to **€281.8m** in 1Q21, **-€1.2m** compared to December 2020, as specified in the table below:

Liabilities related to employee benefits

	31.12.2020	31.03.2021	Δ	Δ%
Total liabilities	283.0	281.8	-1.2	-0.4%
Healthcare	271.2	270.5	-0.7	-0.3%
Healthcare (321 Crédito)	1.4	1.5	0.0	2.2%
Suspension agreements	2.8	2.2	-0.6	-20.5%
Other long-term employee benefits	6.9	6.8	-0.1	-1.2%
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	1.9%
Pension plan	0.3	0.3	0.0	-1.7%
Other benefits	0.2	0.4	0.2	74.4%

Consolidated net debt

Consolidated net debt

	31.12.2020	31.03.2021	Δ
Net debt	71.4	63.4	-8.0
ST & LT debt	206.9	208.5	1.7
Of which Finance leases (IFRS 16)	115.2	116.7	1.4
Own cash (I+II)	135.4	145.1	9.7
Cash & cash equivalents	518.2	558.6	40.4
Cash & cash equivalents at the end of the period (I)	498.8	540.0	41.1
Other cash items	19.4	18.6	-0.7
Other Financial Services liabilities, net (II)	-363.4	-394.8	-31.4

The key aspects of the comparison between the consolidated net debt as of 31.03.2021 and that as at 31.12.2020 are as follows:

- Own cash increased by **€9.7m** as the positive performance of the operating cash flow (+€12.8m) more than offset the payment of employee benefits (-€3.1m) and debt service (-€0.3m).
- Short-term & long-term debt increased by **€1.7m** mainly due to the increase in the liabilities related to lease contracts in the scope of IFRS 16 (+€1.4m).

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

Consolidated net debt excluding the full consolidation of Banco CTT recognized by the equity method

	31.12.2020	31.03.2021	Δ
Net debt with Banco CTT under equity method	153.9	159.4	5.5
ST & LT debt	204.7	206.5	1.8
Of which Finance leases (IFRS 16)	113.0	114.6	1.6
Own cash (I+II)	50.8	47.1	-3.7
Cash & cash equivalents	286.4	232.6	-53.8
Cash & cash equivalents at the end of the period (I)	286.5	232.6	-53.9
Other cash items	0.0	0.0	0.0
Other Financial Services liabilities, net (II)	-235.7	-185.5	50.2

2. Other Highlights

CHANGES TO THE INFORMATION REPORTING STRUCTURE

As of 2021 the calculation of EBITDA was simplified with the inclusion of impairments and provisions, and the impact of the leases covered by IFRS 16 being presented pursuant this standard. As such, the only difference between EBITDA and EBIT is depreciation & amortization and Specific Items.

The impacts of this simplification are reflected in the presentation of the comparative for 2020 in the Group's main indicators, as presented below:

	€ million
EBITDA 2020	90.5
Impairments and provisions	15.3
IFRS 16	-28.4
EBITDA 2020 (Proforma)	103.6

REGULATORY ISSUES

The universal postal service concession agreement, which was due to expire on 31.12.2020, was extended until 31.12.2021 by Decree-Law 106-A/2020 of 30 December. In February 2021, CTT triggered a formal procedure to resolve the issues related to the sustainability of the current concession agreement, in particular requiring compensation for the unilateral extension. The work to determine the specific amounts to be claimed is being finalized. The working group set up by the Government to review the evolution of the universal postal service under the terms of the Postal Act, as well as to assess the need to introduce adjustments in the scope of the universal service and the obligations of its provider, has completed the stakeholder hearing process. The phase of analyzing the results of the hearings and drawing up conclusions is underway.

As the international public health emergency continues, Portugal remained in a state of emergency for most of the quarter, and CTT, under the force majeure clause of the concession agreement, continued to implement the public health rules issued by the competent authorities as it had done in the previous year. The Company also adopted the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. CTT continues to periodically submit an update on the situation 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.

The proposal regarding the prices of the universal postal service submitted by CTT on 17.02.2021 was approved by ANACOM by its resolution of 25.03.2021¹¹. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01.04.2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

The special prices of the postal services included in the universal postal service offer applicable to bulk mail senders were also updated¹² on 01.04.2021 following a proposal presented to the Regulator on 25.03.2021.

The aforementioned updates correspond to an average annual price change of 1.72% for 2021, and also take into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

¹¹ Pursuant to the criteria setting the formation of the prices defined by a decision of ANACOM of 12.07.2018, complemented by a decision of 05.11.2018, under article 14(3) of Law No. 17/2012, of 26 April I (Postal Act), amended by Decree-Law No. 160/2013, of 19 November, and by Law No. 16/2014, of 4 April.

¹² See article 14-A of the Postal Act as amended by article 4 of Decree-Law No. 160/2013, of 19 November.

OUTLOOK FOR THE 2021 FINANCIAL YEAR

Repositioning the business for further growth:

- Higher contribution from both Express & Parcels and Banco CTT will keep fueling revenues growth, translating into improving profitability;
- Continued acceleration of the digital initiatives will further strengthen CTT's competitive position;
- The COVID-19 pandemic-related uncertainty is gradually fading away;
- Given the above-mentioned dynamics, CTT now expects to achieve around €60m in EBIT in FY21.

3. Subsequent Events

On 1 April 2021, Banco CTT strengthened its position in the consumer credit segment through a partnership with Sonae Financial Services, valid for five years and oriented towards the long term, whereby Banco CTT has become the sole lender regarding the Cartão Universo credit book. This card currently has approximately 850k subscribers and a market share exceeding 13%.

The General Meeting of CTT Shareholders was held on 21 April 2021, and the following items, among others, were approved:

- Proposal for the appropriation of results and distribution to the shareholders of **€12,750,000** in dividends, corresponding to **€0.085** per share;
- Proposal to allocate a maximum amount of **€2,840,951** (already considered in the 2020 individual financial statements) to CTT employees as profit sharing;
- Remuneration policy of the members of CTT's management and supervisory bodies for the term of office underway and the stock options plan on CTT shares to be awarded to the Executive Directors of CTT.

On 3 May 2021, ANACOM released six decisions relative to the terms and conditions to be associated to the provision of the universal service (USO) and the terms under which the USO will be provided by the universal service provider(s) designated after the current concession. These decisions to a large extent retain the content of the draft decisions, particularly with regard to:

- The criteria setting the formation of the prices of the universal postal service;
- The quality of service parameters and performance targets associated with provision of the universal postal service;
- The delivery of postal items at premises other than the domicile;
- The concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service;
- The methodology for calculating the net costs of the universal postal service (CLSU); and
- The information to be provided by the universal service provider(s) to the users.

Final Note

This press release is based on CTT – Correios de Portugal, S.A. interim condensed consolidated financial statements for the 1st quarter of 2021, which are attached.

Lisbon, 6 May 2021

The Board of Directors

This information to the market and the general public is made under the terms and for the purposes of article 248 of the Portuguese Securities Code. It is also available on CTT's Investor Relations website at: https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?language_id=1.

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Disclaimer

This document has been prepared by CTT – Correios de Portugal, S.A. (the “Company” or “CTT”) exclusively for communication of the financial results of the 1st quarter of 2021 and has a merely informative nature. This document does not constitute, nor must it be interpreted as, an offer to sell, issue, exchange or buy any financial instruments (namely any securities issued by CTT or by any of its subsidiaries or affiliates), nor any kind of solicitation, recommendation or advice to (di)invest by CTT, its subsidiaries or affiliates.

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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.

3 months report 2021

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 2020 AND 31 MARCH 2021
 Euros

	NOTES	31.12.2020	Unaudited 31.03.2021
ASSETS			
Non-current assets			
Tangible fixed assets	4	294,989,377	295,690,831
Investment properties	6	7,075,908	6,983,988
Intangible assets	5	58,016,961	57,426,189
Goodwill		70,201,828	70,201,828
Investments in associated companies		481	481
Investments in joint ventures		2,925,100	2,432,520
Other investments		6,394	6,394
Debt securities	8	465,364,074	442,853,504
Other non-current assets		1,063,789	592,513
Credit to banking clients	10	985,355,687	1,015,482,818
Other banking financial assets	9	11,422,884	9,989,815
Deferred tax assets	25	87,891,868	86,817,260
Total non-current assets		1,984,314,351	1,988,478,141
Current assets			
Inventories		6,601,999	6,135,856
Accounts receivable		153,616,009	160,103,260
Credit to banking clients	10	107,925,845	110,688,117
Deferrals	11	6,498,759	9,231,766
Debt securities	8	52,441,330	63,639,778
Other current assets		33,728,584	39,123,939
Other banking financial assets	9	29,456,513	28,574,168
Cash and cash equivalents	12	518,180,171	558,600,955
		908,449,210	976,097,840
Non-current assets held for sale		2,139,065	2,015,816
Total current assets		910,588,275	978,113,656
Total assets		2,894,902,626	2,966,591,797
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(8)
Reserves	15	65,919,935	65,920,180
Retained earnings	15	39,962,419	56,636,917
Other changes in equity	15	(47,600,236)	(47,600,236)
Net profit		16,669,309	8,700,423
Equity attributable to equity holders		149,951,419	158,657,276
Non-controlling interests		323,675	361,990
Total equity		150,275,094	159,019,266
Liabilities			
Non-current liabilities			
Medium and long term debt	18	164,034,127	165,554,321
Employee benefits		264,369,292	263,431,480
Provisions	19	17,416,354	17,275,326
Deferrals	11	283,289	317,318
Other banking financial liabilities	9	44,506,988	39,004,176
Deferred tax liabilities	25	2,793,698	2,726,635
Total non-current liabilities		493,403,748	488,309,256
Current liabilities			
Accounts payable	20	375,562,902	317,935,623
Banking clients' deposits and other loans	21	1,688,465,160	1,797,440,785
Employee benefits		18,630,568	18,396,562
Income taxes payable	22	1,340,420	5,082,100
Short term debt	18	42,832,626	42,969,904
Deferrals	11	3,412,059	3,525,575
Other current liabilities		99,493,397	113,727,125
Other banking financial liabilities	9	21,486,652	20,185,602
Total current liabilities		2,251,223,784	2,319,263,275
Total liabilities		2,744,627,532	2,807,572,531
Total equity and liabilities		2,894,902,626	2,966,591,797

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2021

Euros

		Unaudited 31.03.2020	Unaudited 31.03.2021
Sales and services rendered	3	163,393,029	186,282,196
Financial margin		10,425,575	11,558,405
Other operating income		6,090,843	7,486,351
		179,909,447	205,326,952
Cost of sales		(2,978,414)	(4,964,495)
External supplies and services		(58,580,593)	(76,776,653)
Staff costs	23	(88,318,919)	(89,337,208)
Impairment of accounts receivable, net		(1,202,164)	(851,897)
Impairment of other financial banking assets		(620,097)	(1,417,027)
Provisions, net	19	(1,003,701)	(93,597)
Depreciation/amortization and impairment of investments, net		(14,466,372)	(14,003,235)
Earnings of other financial banking assets and liabilities		-	2,210,811
Other operating costs		(4,050,554)	(4,215,242)
Gains/losses on disposal of assets		576,984	16,437
		(170,643,830)	(189,432,107)
		9,265,617	15,894,845
Interest expenses	24	(2,514,353)	(2,146,675)
Interest income	24	3,143	5,986
Gains/losses in subsidiary, associated companies and joint ventures		(557,960)	(492,581)
		(3,069,170)	(2,633,270)
Earnings before taxes		6,196,447	13,261,575
Income tax for the period	25	(2,485,192)	(4,528,025)
Net profit for the period		3,711,255	8,733,550
Net profit for the period attributable to:			
Equity holders		3,681,542	8,700,423
Non-controlling interests		29,712	33,127
Earnings per share:	17	0.02	0.06

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

CTT-CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2021

Euros

	NOTES	Unaudited 31.03.2020	Unaudited 31.03.2021
Net profit for the period		3,711,254	8,733,550
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(1,549)	5,189
Changes to fair value reserves	15	(34,501)	245
Other changes in equity		(47,795)	5,189
Other comprehensive income for the period after taxes		(83,845)	10,623
Comprehensive income for the period		3,627,409	8,744,172
Attributable to non-controlling interests		27,964	38,315
Attributable to shareholders of CTT		3,599,445	8,705,858

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 2020 AND 31 MARCH 2021
 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 2019		75,000,000	(8)	65,852,595	(49,744,144)	10,867,301	29,196,933	242,255	131,414,932
Appropriation of net profit for the year of 2019		-	-	-	-	29,196,933	(29,196,933)	-	-
Other movements	15	-	-	-	-	(86,009)	-	(15,806)	(101,815)
Actuarial gains/losses - Health Care, net from deferred taxes	15	-	-	-	2,143,908	-	-	-	2,143,908
Changes to fair value reserves	15	-	-	67,340	-	-	-	-	67,340
Adjustments from the application of the equity method	15	-	-	-	-	(15,806)	-	-	(15,806)
Net profit for the period		-	-	-	-	-	16,669,309	-	16,669,309
Comprehensive income for the period		-	-	67,340	2,143,908	(101,815)	16,669,309	97,225	18,860,162
Balance on 30 December 2020		75,000,000	(8)	65,919,935	(47,600,236)	39,962,419	16,669,309	323,675	150,275,094
Balance on 1 January 2021		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 restated for the year of 2020		-	-	-	-	16,669,309	(16,669,309)	-	-
Other movements	15	-	-	-	-	16,669,309	(16,669,309)	-	-
Changes to fair value reserves	15	-	-	245	-	-	-	5,189	5,189
Adjustments from the application of the equity method	15	-	-	-	-	5,189	-	-	245
Net profit for the period		-	-	-	-	-	8,700,423	-	8,700,423
Comprehensive income for the period	15	-	-	245	-	5,189	8,700,423	33,126	8,733,549
Balance on 31 March 2021 (Unaudited)		75,000,000	(8)	65,920,180	(47,600,236)	56,636,917	8,700,423	361,990	159,019,266

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

CTT-CORREIOS DE PORTUGAL S.A.
 CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2021
 Euro

	NOTES	Unaudited 31.03.2020	Unaudited 31.03.2021
Cash flow from operating activities			
Collections from customers		170,876,488	174,785,584
Payments to suppliers		(75,017,977)	(90,526,442)
Payments to employees		(71,730,818)	(71,374,011)
Banking customer deposits and other loans		99,263,786	108,980,349
Credit to banking clients		(59,303,089)	(34,111,022)
Cash flow generated by operations		64,088,390	87,754,459
Payments/receivables of income taxes		(49,456)	230,297
Other receivables/payments		(130,225,354)	(38,169,898)
Cash flow from operating activities (1)		(66,186,421)	49,814,857
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		760,185	78,750
Debt securities	8	12,960,871	36,486,622
Other banking financial assets	9	3,365,000	26,770,000
Interest income		9,344	10,178
Payments resulting from:			
Tangible fixed assets		(7,890,962)	(5,116,682)
Intangible assets		(4,880,088)	(4,127,028)
Debt securities	8	(29,021,384)	(23,650,000)
Demand deposits at Bank of Portugal		(63,507,823)	(1,123,500)
Other banking financial assets	9	(900,000)	(24,800,000)
Cash flow from investing activities (2)		(89,104,856)	4,528,341
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	5,804,019	3,713,901
Payments resulting from:			
Loans repaid		(5,810,011)	(3,729,908)
Other credit institutions' deposits		(37,881,082)	-
Other banking financial liabilities	9	(8,531,092)	(5,500,582)
Interest expenses		(187,281)	(244,625)
Lease liabilities	18	(6,356,790)	(7,443,849)
Cash flow from financing activities (3)		(52,962,236)	(13,205,064)
Net change in cash and cash equivalents (1+2+3)		(208,253,513)	41,138,134
Cash and equivalents at the beginning of the period		414,865,569	498,826,782
Cash and cash equivalents at the end of the period	12	206,612,056	539,964,916
Cash and cash equivalents at the end of the period			
Sight deposits at Bank of Portugal		89,431,857	16,919,100
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		2,952,961	1,725,533
Impairment of sight and term deposits		(20,822)	(8,594)
Cash and cash equivalents (Balance sheet)		298,976,052	558,600,955

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

CTT – CORREIOS DE PORTUGAL, S.A.

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

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1. Introduction

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

These financial statements were approved by the Board of Directors and authorized for issue on 6 May 2021.

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 2020, except for the new standards and amendments effective from 1 January 2021.

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:

- Covid-19-Related Rent Concessions Amendment to IFRS 16 - In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications, so that, for example, the amount of rent forgiven on or before 30 June 2021 is taken to income the same year that the concession is granted, instead of being allocated over the duration of the contract as would be the case were the practical expedient not allowed.

The Amendment is applied for annual reporting periods beginning on or after 1 June 2020.

The Group did not register a significant impact from this amendment.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) - In August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of the ongoing risk-free rate reform ('IBOR reform'). **The Amendments are the results of the second phase of the IASB project that deals with the accounting implications of the IBOR reform, which originated the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first phase of the project which dealt with pre-replacement accounting implications of the IBOR reform and which have been issued by the IASB in 2019.**

The Amendments is applied retrospectively for annual periods beginning on or after 1 January 2021.

The Group did not register a significant impact from this amendment.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - IASB has issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) ('the Amendments') on 25 June 2020. The objective of the Amendments is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e., from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

These changes affect only insurance companies, so do not have impact on the Group Financial Statements.

2.2 Basis of presentation

The interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IAS / IFRS") as adopted by the European Union as at 1 January 2021, 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 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 to be presented under the terms of this standard. 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. and CTT, S.A. excluding:
 - Business related to postal financial services and retail products - Financial Services & Retail;
 - The payments business related with the collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.
- Express & Parcels – includes CTT Expresso, CORRE and Fundo Inovação Techtree;
- Financial Services & Retail - Postal Financial Services and the sale of products and services in the retail network of CTT, S.A.;
- Bank – Banco CTT, S.A., Payshop, 321 Crédito and CTT's payments business (mentioned above).

The 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 various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. 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) previously unallocated, are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of the 1st quarter of 2020 and 2021 are as follows:

Thousand Euros	31.03.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	110,170	37,300	12,966	19,474	179,909
Sales and services rendered	108,870	37,115	12,831	4,577	163,393
Sales	1,763	161	1,781	-	3,705
Services rendered	107,107	36,953	11,050	4,577	159,688
Financial Margin	0	-	-	10,426	10,426
Other operating income and costs	1,299	185	135	4,471	6,091
Operating costs - EBITDA	94,742	38,907	5,618	16,896	156,163
Staff costs	75,472	6,480	596	5,746	88,294
External supplies and services	19,108	31,520	665	7,064	58,356
Other costs	2,762	541	1,623	1,761	6,687
Impairment and provisions	349	887	-	1,590	2,826
Internal services rendered	(2,950)	(520)	2,735	736	-
EBITDA	15,428	(1,607)	7,348	2,578	23,746
Depreciation/amortisation and impairment of investments, net	10,739	2,158	100	1,470	14,466
Recurring EBIT	4,689	(3,765)	7,248	1,107	9,280
Specific Items	(34)	38	0	10	14
Business restructurings	5	20	-	-	25
Strategic studies and projects costs	343	-	-	-	343
Other non-recurring income and expenses	(382)	18	0	10	(354)
EBIT	4,723	(3,803)	7,248	1,097	9,266
Financial results					(3,069)
Net financial income					(2,511)
Interest expenses					(2,514)
Interest income					3
Gains/losses in subsidiary, associated companies and joint ventures					(558)
Earnings before taxes and non-controlling interests (EBT)					6,196
Income tax for the period					2,485
Net profit before non-controlling interests					3,711
Non-controlling interests					30
Net profit attributable to shareholders of CTT					3,682

Thousand Euros	31.03.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	108,615	63,446	12,100	21,166	205,327
Sales and services rendered	107,278	63,243	11,986	3,775	186,282
Sales	2,483	80	2,915	-	5,477
Services rendered	104,796	63,163	9,071	3,775	180,805
Financial Margin	-	-	-	11,558	11,558
Other operating income and costs	1,337	203	114	5,833	7,486
Operating costs - EBITDA	94,417	58,161	5,895	17,801	176,274
Staff costs	74,753	7,804	351	6,314	89,221
External supplies and services	17,365	50,069	599	7,629	75,663
Other costs	4,092	381	2,628	1,926	9,028
Impairment and provisions	412	478	-	1,473	2,363
Internal services rendered	(2,205)	(570)	2,317	459	-
EBITDA	14,198	5,285	6,205	3,365	29,053
Depreciation/amortisation and impairment of investments, net	9,263	2,746	30	1,964	14,003
Recurring EBIT	4,935	2,538	6,175	1,402	15,050
Specific Items	684	293	0	(1,822)	(845)
Business restructurings	15	92	-	-	107
Strategic studies and projects costs	400	-	-	44	444
Other non-recurring income and expenses	268	201	0	(1,866)	(1,396)
EBIT	4,251	2,245	6,174	3,224	15,895
Financial results					(2,633)
Net financial income					(2,141)
Interest expenses					(2,147)
Interest income					6
Gains/losses in subsidiary, associated companies and joint ventures					(493)
Earnings before taxes and non-controlling interests (EBT)					13,262
Income tax for the period					4,528
Discontinued operations results					-
Net profit before non-controlling interests					8,734
Non-controlling interests					33
Net profit attributable to shareholders of CTT					8,700

In the first three months of the period ended 31 March 2021, the amount of -0.8 M €, recognized in specific items, is detailed as follows: (i) business restructuring of 0.1 M € (+0.1 M € compared with the three-month period ended 31 March 2020), (ii) strategic projects of 0.4 M € (+0.1 M €), which include 0.2 M € of expenses with studies to support the new concession contract renegotiation and 0.2 M € of advisory services, and (iii) other income and losses of -1.4 M € (-1.0 M €), of which stand out the income of 2.2 M € generated by the government debt securities for capital relocation to finance the partnership with Sonae on

the Universo card, 0.3 M € related to expenses associated with new partnerships of the CTT Bank, and expenses related to the COVID-19 pandemic, namely 0.4 M € in personal protective equipment, nebulization, temperature inspection and cleanings reinforcement.

The revenues are detailed as follows:

Thousand Euros	31.03.2020	31.03.2021
Mail	110,170	108,615
Transactional mail	94,950	92,545
Editorial mail	3,279	3,284
Parcels (USO)	1,443	1,943
Advertising mail	5,087	4,273
Philately	1,301	1,133
Business Solutions	2,509	3,550
Other	1,600	1,886
Express & Parcels	37,300	63,446
Portugal	24,434	35,142
Parcels	18,912	30,591
Cargo	2,819	2,541
Banking network	1,771	1,192
Logistics	671	567
Other	261	251
Spain	12,111	27,592
Mozambique	755	713
Financial Services & Retail	12,966	12,100
Savings & Insurance	8,634	6,751
Money orders	1,494	1,456
Payments	141	186
Retail	2,654	3,640
Other	43	66
Bank	19,474	21,166
Net interest income	4,089	4,391
Interest income	4,354	4,575
Interest expense	(266)	(184)
Fees & commissions income	2,797	4,137
Own products	1,715	2,589
Consumer credit & insurance	1,083	1,548
Payments & other	4,612	3,939
321 Crédito	7,976	8,700
	179,909	205,327

The revenue detail, regarding Sales and Services rendered and financial margin, for the year ended 31 March 2020 and 31 March 2021, by the revenue's sources, are detailed as follows:

Nature	31.03.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	100,208,161	-	-	-	100,208,161
Express services	-	37,114,712	-	-	37,114,712
Merchandising products sales	-	-	356,930	-	356,930
PO Boxes	-	-	340,558	-	340,558
Prepaid mobile phone recharges	-	-	-	-	-
International mail services (*)	8,662,271	-	-	-	8,662,271
Financial Services fees	-	-	12,133,055	15,002,916	27,135,971
"Sales and Services rendered" and "Financial Margin" total	108,870,432	37,114,712	12,830,544	15,002,916	173,818,604

(*) Inbound Mail

Nature	31.03.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	97,518,039	-	-	-	97,518,039
Express services	-	63,243,092	-	-	63,243,092
Merchandising products sales	-	-	623,861	-	623,861
PO Boxes	-	-	417,056	-	417,056
Prepaid mobile phone recharges	-	-	-	-	-
International mail services (*)	9,760,291	-	-	-	9,760,291
Financial Services fees	-	-	10,944,692	15,333,568	26,278,260
"Sales and Services rendered" and "Financial Margin" total	107,278,331	63,243,092	11,985,610	15,333,568	197,840,601

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	19,192,607	5,634,469	166,504	28,879,018	4,144,364	58,016,961
Tangible fixed assets	239,053,222	48,425,431	74,351	3,151,484	4,284,888	294,989,376
Investment properties	-	-	-	-	7,075,908	7,075,908
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	87,891,868	87,891,868
Accounts receivable	-	-	-	-	153,616,009	153,616,009
Credit to bank clients	-	-	-	1,093,281,532	-	1,093,281,532
Debt securities	-	-	-	517,805,404	-	517,805,404
Other banking financial assets	-	-	-	40,879,397	-	40,879,397
Other assets	6,137,166	7,559,469	17,349,976	4,973,905	14,804,590	50,825,106
Cash and cash equivalents	-	12,543,023	-	231,741,308	273,895,841	518,180,172
Non-current assets held for sale	-	-	-	2,139,065	-	2,139,065
	270,544,321	77,118,145	17,590,831	1,983,935,861	545,713,468	2,894,902,626

Assets (Euros)	31.03.2021					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	20,438,794	5,775,020	159,455	28,067,563	2,985,358	57,426,189
Tangible fixed assets	240,069,869	49,254,220	85,896	3,159,530	3,121,317	295,690,831
Investment properties	-	-	-	-	6,983,988	6,983,988
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	86,817,260	86,817,260
Accounts receivable	-	-	-	-	160,103,260	160,103,260
Credit to bank clients	-	-	-	1,126,170,935	-	1,126,170,935
Debt securities	-	-	-	506,493,283	-	506,493,283
Other banking financial assets	-	-	-	38,563,982	-	38,563,982
Other assets	5,955,956	10,101,590	15,585,442	5,056,209	20,824,272	57,523,469
Cash and cash equivalents	-	16,768,113	-	326,010,197	215,822,645	558,600,955
Non-current assets held for sale	-	-	-	2,015,816	-	2,015,816
	272,625,945	84,854,696	15,830,793	2,096,622,264	496,658,099	2,966,591,797

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

	31.12.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	5,530,649	2,385,548	25,062	6,028,632	-	13,969,891
Tangible fixed assets	27,883,190	18,892,388	26,759	829,679	488,906	48,120,922
	33,413,839	21,277,937	51,821	6,858,311	488,906	62,090,814

	31.03.2021					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	1,016,129	680,892	375	580,341	-	2,277,737
Tangible fixed assets	8,505,168	2,974,137	-	282,909	-	11,762,213
	9,521,297	3,655,028	375	863,249	-	14,039,950

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

- “Intangible assets” (2,985,258 Euros): the unallocated amount is related to the intangible assets in progress, which have been allocated to the underlying segment in the moment they become firm assets;
- “Tangible fixed assets” (3,121,317 Euros): This amount corresponds to tangible fixed assets in progress and advances payments to suppliers, which will be allocated to the respective segment at the time of the transfer to firm assets;
- “Investment properties” (6,938,988 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- “Deferred tax assets” (86,817,260 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 25- Income tax for the period. Bearing in mind that 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” (160,103,260 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” (20,824,272 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 deferrals 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 (215,822,645 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 (payment business), 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)	31.12.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	135,280,954	27,330,780	45,727	1,376,666	164,034,127
Bank loans	74,799,925	-	-	-	74,799,925
Lease liabilities	60,481,029	27,330,780	45,727	1,376,666	89,234,203
Current debt	27,225,711	14,773,659	25,114	808,142	42,832,626
Bank loans	7,125,000	9,731,747	-	-	16,856,747
Lease liabilities	20,100,711	5,041,912	25,114	808,142	25,975,879
	162,506,664	42,104,439	70,841	2,184,808	206,866,753

Other information (Euros)	31.03.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	138,152,196	26,087,873	51,383	1,262,869	165,554,321
Bank loans	75,027,009	-	-	-	75,027,009
Lease liabilities	63,125,187	26,087,873	51,383	1,262,869	90,527,311
Current debt	27,525,700	14,624,949	28,852	790,404	42,969,904
Bank loans	7,125,000	9,715,739	-	-	16,840,739
Lease liabilities	20,400,700	4,909,210	28,852	790,404	26,129,165
	165,677,895	40,712,822	80,235	2,053,273	208,524,225

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

Thousand Euros	31.03.2020	31.03.2021
Revenue - Portugal	138,225	141,665
Revenue - other countries	25,168	44,617
	163,393	186,282

The financial statements are subject to seasonality, however this does not affect comparability between identical periods in a given year.

There are nonetheless atypical / non-recurring factors that may affect comparability between equal periods of the several years such as the number of working days of the period (mobile holidays or weekend holidays), special events (elections, promotional campaigns for clients) which may impact the revenue to increase / decrease from one period to another.

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 27,455 thousand euros.

4. Tangible fixed assets

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the Group were as follows:

	31.12.2020									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,580,031	338,964,540	156,184,436	3,603,651	69,355,884	29,646,684	3,491,573	2,414,000	179,623,789	818,864,586
Acquisitions	-	504,793	5,889,978	18,383	1,360,619	1,017,256	9,231,168	1,445,666	-	19,467,863
New contracts	-	-	-	-	-	-	-	-	28,653,059	28,653,059
Disposals	-	-	-	-	-	-	-	-	-	(879,492)
Transfers and write-offs	(8,099)	(149,792)	(698,530)	(11,218)	(11,852)	-	-	-	(35,817)	(7,833,550)
Terminated contracts	-	-	-	-	-	-	-	-	(4,765,898)	(4,765,898)
Revaluations	-	-	-	-	-	-	-	-	8,401,849	8,401,849
Adjustments	-	(5,565)	(142,681)	(3,553)	(32,734)	795,215	-	-	-	610,682
Revaluations lease terms	-	-	-	-	-	-	-	-	-	19,301,526
Closing balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,817	231,178,507	881,820,624
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Depreciation for the period	-	9,351,195	6,428,855	58,602	2,588,994	1,316,488	-	-	24,474,381	44,218,515
Disposals	(460)	(95,058)	(680,459)	(11,218)	(11,275)	-	-	-	-	(798,470)
Transfers and write-offs	(13,188)	(1,687,893)	(90,136)	(4,359)	405	(5,357,759)	-	-	(26,863)	(7,139,794)
Terminated contracts	-	-	-	-	-	-	-	-	(4,765,898)	(4,765,898)
Adjustments	-	(1,504)	(79,048)	(4,276)	(8,975)	(6,138)	-	-	-	(99,940)
Closing balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	-	-	128,613,895	586,811,787
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	(4,712)	-	-	-	(4,712)
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	31,756,069	111,569,503	30,127,737	207,812	5,663,798	5,842,383	6,019,646	1,237,817	102,564,612	294,989,377

	31.03.2021									
	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	1,237,817	231,178,507	881,820,624
Acquisitions	-	120,601	1,676,844	32,064	165,963	129,592	1,193,907	273,360	-	3,592,332
New contracts	-	-	-	-	-	-	-	-	8,169,878	8,169,878
Disposals	-	-	(219,834)	(975)	-	-	-	-	-	(220,809)
Transfers and write-offs	9,352	1,554,806	7,064	(975)	270,939	(280,195)	(1,474,748)	-	-	872,118
Adjustments	-	2,646	104,453	(13,939)	5,640	3,258	-	-	-	102,058
Other movements	-	-	-	-	-	-	-	-	(133,048)	(133,048)
Closing balance	35,489,179	340,793,934	170,020,551	3,620,053	71,083,652	25,945,564	5,738,806	1,511,177	239,215,337	893,418,252
Accumulated depreciation										
Opening balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	-	-	128,613,895	586,811,787
Depreciation for the period	-	2,203,659	1,647,904	15,245	372,167	332,194	-	-	6,423,712	10,994,881
Disposals	-	-	(189,712)	(388)	-	-	-	-	-	(190,160)
Transfers and write-offs	602	37,363	7,064	(388)	270,939	(278,003)	-	-	-	37,965
Adjustments	-	900	42,736	2,388	4,433	3,033	-	-	-	53,488
Closing balance	3,724,360	229,788,299	139,832,219	3,412,335	65,624,850	20,288,289	-	-	135,037,608	597,707,961
Accumulated impairment										
Opening balance	-	-	-	-	-	19,460	-	-	-	19,460
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	31,764,819	111,005,634	30,188,332	207,717	5,458,802	5,637,814	5,738,806	1,511,177	104,177,729	295,690,831

The depreciation recorded in the Group amounting to 10,994,881 Euros (10,254,193 Euros on 31 March 2020), is booked under the heading “Depreciation/amortization and impairment of investments, net”.

In the Group as at 31 March 2021, Land and natural resources and Buildings and other constructions include 514,609 Euros (552,634 Euros as at 31 December 2020), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force, after the latest amendments of 31 December 2013 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 on 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) believes 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.

In the first quarter of 2021, the Group reviewed the useful lives of some tangible fixed assets’ classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. The review of the useful life

was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the three-months period ended 31 March 2021 of 233 thousand euros and an estimated decrease for the year 2021 of 880 thousand euros.

During the year ended 31 March 2021, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

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

Basic equipment:

The acquisitions amount mainly relates to the acquisition of parcel sorting machines in the amount of 1,160 thousand Euros by CTT Expresso.

Tangible fixed assets in progress:

The tangible fixed assets in progress of the Group as at 31 March 2021 mainly includes operational facilities improvements, namely, stores, postal distribution centers and production and logistics centers.

Rights of Use

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

	31.12.2020			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	157,442,425	20,652,319	1,529,045	179,623,789
New contracts	15,254,946	13,349,576	48,537	28,653,059
Transfers and write-offs	(35,817)	-	-	(35,817)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Remeasurements	8,401,849	-	-	8,401,849
Remeasurements lease terms	19,301,526	-	-	19,301,526
Closing balance	198,020,167	31,683,313	1,475,027	231,178,507
Accumulated depreciation				
Opening balance	101,657,089	6,678,395	596,791	108,932,275
Depreciation for the period	18,004,732	6,150,313	319,337	24,474,381
Transfers and write-offs	(26,863)	-	-	(26,863)
Terminated contracts	(2,344,761)	(2,318,583)	(102,554)	(4,765,898)
Closing balance	117,290,196	10,510,125	813,574	128,613,895
Net Tangible fixed assets	80,729,971	21,173,188	661,454	102,564,612
	31.03.2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	8,097,969	71,909	-	8,169,878
Other movements	(133,048)	-	-	(133,048)
Closing balance	205,985,088	31,755,222	1,475,027	239,215,337
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	4,653,597	1,707,953	62,163	6,423,712
Closing balance	121,943,793	12,218,078	875,737	135,037,608
Net Tangible fixed assets	84,041,295	19,537,143	599,291	104,177,729

As at 31 December 2020, the Remeasurements lease terms caption is related to the application of the new interpretation issued by IFRIC Committee, that changed the understanding of the lease-term definition.

The depreciation recorded, in the Group, in the amount of 6,423,712 Euros (5,328,933 Euros on 31 March 2020), is booked under the heading “Depreciation/amortization and impairment of investments, net”.

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

In the three-month period ended 31 March 2021, no interest on loans was capitalized, in the Group, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

According to the analysis of impairment signs with reference to 31 March 2021, 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.

CTT has in progress an analysis for the possible constitution of a real estate investment fund for its real estate fixed assets profitability. The final and updated evaluations for the actual market conditions corresponding to these assets will only be carried out after the decision to implement this initiative, which will determine the selection of the assets to be part of the fund.

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

The Group contractual commitments, related to Tangible fixed assets at 31 March 2021, amounts to 1,881,984 Euros.

5. Intangible assets

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the movements which occurred in the main categories of the Group Intangible assets, as well as the respective accumulated amortization, were as follows:

31.12.2020						
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	113,876,654	16,848,440	444,739	16,088,740	151,639,125
Acquisitions	-	1,918,046	580,006	-	11,471,839	13,969,891
Transfers and write-offs	-	17,921,450	(50,300)	-	(18,271,063)	(399,913)
Adjustments	-	-	(102,410)	-	(80,876)	(183,287)
Closing balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Accumulated amortization						
Opening balance	4,376,994	74,396,033	10,408,714	444,739	-	89,626,480
Amortization for the period	1,273	16,684,697	1,201,314	-	-	17,887,283
Transfers and write-offs	-	(404,012)	(50,300)	-	-	(454,312)
Adjustments	-	-	(50,597)	-	-	(50,597)
Closing balance	4,378,267	90,676,717	11,509,131	444,739	-	107,008,855
Net intangible assets	2,285	43,039,433	5,766,604	-	9,208,639	58,016,961
31.03.2021						
	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	-	458,904	492,811	-	1,326,022	2,277,737
Transfers and write-offs	-	2,673,666	-	-	(2,673,666)	-
Adjustments	-	-	48,446	-	-	48,446
Closing balance	4,380,552	136,848,721	17,816,993	444,739	7,860,994	167,351,999
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	-	107,008,855
Amortization for the period	319	2,572,217	318,595	-	-	2,891,132
Adjustments	-	-	25,823	-	-	25,823
Closing balance	4,378,586	93,248,935	11,853,550	444,739	-	109,925,810
Net intangible assets	1,966	43,599,787	5,963,443	-	7,860,994	57,426,189

The amortization in the Group for the three-month period ended 31 March 2021, amounting to 2,891,132 Euros (4,146,261 Euros as at 31 March 2020) was recorded under "Depreciation / amortization and impairment of investments, net".

In the first quarter of 2021, the Group reviewed the useful lives of some **intangible assets'** classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the three-months period ended 31 March 2021 of 1,750 thousand euros and an estimated decrease for the year 2021 of 5,586 thousand euros.

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

The transfers occurred in three-months period ended 31 March 2021, from Intangible assets in progress to Computer software refer to IT projects, which were completed during the referred periods.

The amounts of 770,903 Euros and 184,461 Euros were capitalized in computer software or intangible assets in progress as at 31 December 2020 and 31 March 2021, respectively, and are related to Group staff costs incurred in the development of these projects.

During the three-months period ended 31 March 2021, the most significant movements of the Group companies in Intangible assets were the following:

Computer software:

In the acquisition caption are mainly booked the acquisitions, by CTT Expresso of, "Microserv" software in the approximately amount of 276 thousand euros and "Integração e Processos" software in the approximately amount 48 thousand euros.

Industrial property:

In the acquisition caption are mainly booked the acquisition, by CTT, of "Citrix" licenses in the amount of 321 thousand euros and "Security & performance analytics" licenses in the amount of 169 thousand euros.

As at 31 March 2021 the Group Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	<u>Group</u>
New Payment Platform	2,202,175
OneBiller Solution	822,583
CRM - Software	343,098
SAP Hana & Hybris Billing	318,268
Interconnect - Software	313,246
MiddleWare	262,868
Management information - Software	234,599
Business Mail - Software	226,068
	<u>4,722,905</u>

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 2021.

According to the analysis of impairment signs with reference to 31 March 2021, no events or circumstances were identified that indicate that the amount for which the Group's intangible assets are recorded may not be recovered.

Regarding the economic period of 2020, the Group is still identifying and quantifying the expenses incurred, as disclosed in Note 25.

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

In the three-month period ended 31 March 2021, no interest on loans were capitalized, in the Group, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

Contractual commitments regarding the Group, for the three months period ended 31 March 2021, amounts to 2,480,635 Euros.

6. Investment properties

As at 31 December 2020 and 31 March 2021, the Group has the following assets classified as investment properties:

	31.12.2020		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,312,358	15,009,771	18,322,129
Disposals	(15,801)	(66,406)	(82,207)
Transfers and write-offs	(104,524)	(1,660,814)	(1,765,338)
Closing balance	3,192,033	13,282,551	16,474,584
Accumulated depreciation			
Opening balance	213,853	9,706,133	9,919,985
Depreciation for the period	-	235,404	235,404
Disposals	(85)	(21,759)	(21,844)
Transfers and write-offs	(11,259)	(1,173,919)	(1,185,178)
Closing balance	202,509	8,745,858	8,948,368
Accumulated impairment			
Opening balance	-	749,144	749,144
Impairment for the period	-	(298,836)	(298,836)
Closing balance	-	450,308	450,308
Net Investment properties	2,989,524	4,086,384	7,075,908
31.03.2021			
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,192,033	13,282,551	16,474,584
Transfers and write-offs	(9,352)	(80,058)	(89,409)
Closing balance	3,182,682	13,202,493	16,385,175
Accumulated depreciation			
Opening balance	202,509	8,745,858	8,948,368
Depreciation for the period	-	56,974	56,974
Transfers and write-offs	(602)	(37,363)	(37,965)
Closing balance	201,908	8,765,470	8,967,377
Accumulated impairment			
Opening balance	-	450,308	450,308
Impairment for the period	-	(16,499)	(16,499)
Closing balance	-	433,809	433,809
Net Investment properties	2,980,774	4,003,214	6,983,988

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 2020 which were conducted by independent entities, amounts to 11,956,192 Euros.

In the period ended 31 December 2020, the caption Transfers and Write-offs includes the amount of 1,765,338 Euros, is related to the transfer for tangible fixed assets, as well as the corresponding accumulated depreciations of 1,185,178 Euros of a group of properties that were again assigned to the operational activity of the Group.

Depreciation for the three-month period ended on 31 March 2021, of 56,974 Euros (64,382 Euros on 31 March 2020) was recorded in the caption “Depreciation/amortization and impairment of investments, net”.

For the three-months period ended on 31 March 2021, the rents amount charged by the Group for properties and equipment leases classified as investment properties was 5,373 Euros (31 March 2020: 5,066 Euros).

For the year ended 31 December 2020, impairment losses, amounting to (298,836) Euros, were recorded in the caption “Depreciation/amortization and impairment of investments, net” and are explained by the market value increase observed in some buildings and the properties transferred to tangible fixed assets, as mentioned above.

For the period ended 31 March 2021, impairment losses, amounting to (16,499) 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 2020 and 31 March 2021, 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	31.12.2020			31.03.2021		
			Percentage of ownership		Total	Percentage of ownership		Total
			Direct	Indirect		Direct	Indirect	
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. (“CTT Expresso”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. (“Payshop”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. (“CTT Con”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Soluções Empresariais, S.A. (“CTT Sol”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	-	100	-	-
Correio Expresso de Moçambique, S.A. (“CORRE”)	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Mozambique	50	-	50	50	-	50
Banco CTT, S.A. (“BancoCTT”)	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Fundo Inovação TechTree (“TechTree”)	Portugal	Av. Conselheiro Fernando de Sousa, 19 13.º Esq 1070-072 Lisboa	25	75	100	25	75	100
321 Crédito - Instituição Financeira de Crédito, S.A. (“321 Crédito”)	Portugal	Av. Duque d’Ávila, 46, 7.º B 1050-083 Lisboa	-	100	100	-	100	100

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

On 9 October 2020, the Group established the entity CTT – Soluções Empresariais, S.A., operating in the area of providing advisory services for business and supporting companies’ management and administration and was included in the consolidation perimeter in 2020.

In December 2020, CTT, CTT Expresso, CTT Contacto and CTT Soluções Empresariais, subscribed equal shares of an investment fund, Tech Tree. These entities have the possibility of benefit from the Tax Incentive System for Research &

Business Development (SIFIDE), through the shares' subscription of this investment fund, intended to finance companies dedicated mainly to research and development. This entity was included in the consolidation perimeter in 2020.

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 (ten million 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 (two hundred and eighty-six million and four hundred thousand euros) increased to 296,400,000 euros (two hundred and ninety-six million and four hundred thousand euros).

Joint ventures

As at 31 December 2020 and 31 March 2021, the Group held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	31.12.2020			31.03.2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	-	51	51	-	51
MKTPlace - Comércio Eletrónico, S.A ("MKTPlace")	Portugal	Rua Eng.ª Ferreira Dias 924 Esc. 5 Porto	50	-	50	50	-	50

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

Associated companies

As at 31 December 2020 and 31 March 2021, the Group held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	31.12.2020			31.03.2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL ^(*)	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL ^(*)	Spain	Málaga - Spain	-	30	30	-	30	30

^(*) Company held by CTT Expresso - Serviços Postais e Logística, S.A. branch in Spain (until 2018 was held by Tourline Mensajeria, 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	21.4%	Full
Chaves Funding No.8 ^(*)	2019	Portugal	100%	Full

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

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

	31.12.2020	31.03.2021
Cash and cash equivalents	9,896,409	10,122,507
Other banking financial liabilities (Debt securities issued)	44,517,924	39,013,581

Changes in the consolidation perimeter

In 2020, the consolidation perimeter includes the entity CTT – Soluções Empresariais, S.A., established on 9 October 2020, and the Investment Fund Techtree whose shares were subscribed by CTT, CTT Expresso, CTT Contacto and CTT Soluções Empresariais, in equal parts at the end of 2020.

During the three-month period ended 31 March 2021, there were no changes in the consolidation perimeter.

8. Debt securities

As at 31 December 2020 and 31 March 2021, the caption Debt securities, in the Group, showed the following composition:

	31.12.2020	31.03.2021
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	860,281	856,249
Bonds issued by other entities	11,413,276	8,056,109
	12,273,557	8,912,358
Financial assets at amortized cost		
Government bonds	450,600,878	434,107,982
Bonds issued by other entities	2,665,125	-
Impairment	(175,486)	(166,835)
	453,090,517	433,941,147
	465,364,074	442,853,504
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	6,760,199	6,725,860
Bonds issued by other entities	521,074	1,852,439
	7,281,273	8,578,299
Financial assets at amortized cost		
Government bonds	39,973,188	43,989,919
Bonds issued by other entities	5,193,374	11,098,011
Impairment	(6,505)	(26,451)
	45,160,057	55,061,480
	52,441,330	63,639,778
	517,805,404	506,493,283

⁽¹⁾ As at 31 December 2020 and 31 March 2021 includes the amount of 9,429 Euros and 7,465 Euros, respectively, regarding Accumulated impairment losses.

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 2020 and 31 March 2021 is detailed as follows:

	31.12.2020						Total
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Financial assets at fair value through other comprehensive income ⁽¹⁾							
Government bonds							
National	45,271	6,714,928	6,760,199	860,281	-	860,281	7,620,481
Bonds issued by other entities							
National	521,074	-	521,074	11,413,276	-	11,413,276	11,934,350
	566,345	6,714,928	7,281,273	12,273,557	-	12,273,557	19,554,830

⁽¹⁾ As at 31 December 2020 includes the amount of 9,429 Euros regarding Accumulated impairment losses.

	31.12.2020						Total
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Financial assets at amortized cost							
Government bonds							
National	4,492,510	13,931,350	18,423,860	60,600,346	209,854,020	270,454,366	288,878,226
Foreign	993,484	20,555,844	21,549,328	24,543,252	155,603,260	180,146,511	201,695,839
Bonds issued by other entities							
National	5,193,374	-	5,193,374	2,665,125	-	2,665,125	7,858,500
	10,679,369	34,487,193	45,166,562	87,808,724	365,457,279	453,266,003	498,432,565

	31.03.2021						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	1,512,710	5,213,149	6,725,860	856,249	-	856,249	7,582,108
Bonds issued by other entities							
National	5,460	1,846,979	1,852,439	8,056,109	-	8,056,109	9,908,548
	1,518,170	7,060,128	8,578,299	8,912,358	-	8,912,358	17,490,656

⁽¹⁾ As at 31 March 2021 includes the amount of 7,465 Euros regarding Accumulated impairment losses.

	31.03.2021						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	18,626,311	3,526,675	22,152,985	99,019,106	155,199,173	254,218,279	276,371,265
Foreign	6,807,175	15,029,760	21,836,934	24,540,169	155,349,533	179,889,702	201,726,637
Bonds issued by other entities							
National	938	11,097,073	11,098,011	-	-	-	11,098,011
	25,434,423	29,653,507	55,087,931	123,559,275	310,548,706	434,107,982	489,195,913

The impairment losses, for the year ended 31 December 2020 and three-month period ended 31 March 2021, are detailed as follows:

	31.12.2020					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	225	5,878	(101)	-	(84)	5,918
Financial assets at amortized cost	169,217	23,878	(15,549)	-	(2,060)	175,486
	169,442	29,756	(15,650)	-	(2,144)	181,404
Current assets						
Financial assets at fair value through other comprehensive income	-	3,487	(60)	-	84	3,511
Financial assets at amortized cost	4,136	885	(576)	-	2,060	6,505
	4,136	4,372	(636)	-	2,144	10,016
Financial assets at fair value through other comprehensive income	225	9,365	(161)	-	-	9,429
Financial assets at amortized cost	173,353	24,763	(16,125)	-	-	181,991
	173,578	34,128	(16,286)	-	-	191,420

	31.03.2021					Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	0	(1,001)	-	(1,113)	3,804
Financial assets at amortized cost	175,486	19,456	(9,707)	-	(18,400)	166,835
	181,404	19,457	(10,708)	-	(19,513)	170,639
Current assets						
Financial assets at fair value through other comprehensive income	3,511	0	(964)	-	1,113	3,661
Financial assets at amortized cost	6,505	3,085	(1,539)	-	18,400	26,451
	10,016	3,085	(2,503)	-	19,513	30,112
Financial assets at fair value through other comprehensive income	9,429	0	(1,965)	-	-	7,465
Financial assets at amortized cost	181,991	22,541	(11,246)	-	-	193,286
	191,420	22,542	(13,211)	-	-	200,751

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the year ended 31 December 2020 and three-month period ended 31 March 2021, they are detailed as follows:

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	225	9,429
Change in period:		
Increases due to origination and acquisition	9,365	-
Changes due to change in credit risk	(161)	(1,797)
Decrease due to derecognition repayments and disposals	-	(168)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	9,429	7,465

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

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	225	9,429
Change in period:		
ECL income statement change for the period	9,204	(1,964)
Stage transfers (net)	-	-
Disposals	-	-
Utilizations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at fair value through other comprehensive income	9,429	7,465

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the year ended 31 December 2020 and three-month period ended 31 March 2021, they are detailed as follows:

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	173,353	181,991
Change in period:		
Increases due to origination and acquisition	11,139	22,330
Changes due to change in credit risk	1,636	(10,621)
Decrease due to derecognition repayments and disposals	(4,136)	(414)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortized cost	181,991	193,286

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

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	173,353	181,991
Change in period:		
ECL income statement change for the period	8,639	11,295
Stage transfers (net)	-	-
Disposals	-	-
Utilizations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment - Financial assets at amortized cost	181,991	193,286

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

9. Other banking financial assets and liabilities

As at 31 December 2020 and 31 March 2021, the Group headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2020	31.03.2021
Non-current assets		
Investments in credit institutions	-	-
Loans to credit institutions	11,424,488	9,987,316
Impairment	(3,712)	(3,245)
Other	2,107	5,743
	11,422,884	9,989,815
Current assets		
Investments in credit institutions	20,000,635	20,000,044
Loans to credit institutions	7,504,875	6,969,586
Impairment	(23,980)	(6,795)
Other	5,213,955	4,833,920
Impairment	(3,238,971)	(3,222,587)
	29,456,513	28,574,168
	40,879,397	38,563,982
Non-current liabilities		
Debt securities issued	44,506,988	39,004,176
	44,506,988	39,004,176
Current liabilities		
Debt securities issued	10,936	9,405
Other	21,475,716	20,176,197
	21,486,652	20,185,602
	65,993,640	59,189,778

Investments in credit institutions and Loans to credit institutions

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

	31.12.2020	31.03.2021
Up to 3 months	12,872,862	19,822,828
From 3 to 12 months	14,632,648	7,146,802
From 1 to 3 years	10,462,768	9,636,713
Over 3 years	961,721	350,603
	38,929,998	36,956,946

Impairment

The impairment losses, for the year ended 31 December 2020 and three-month period ended 31 March 2021, are detailed as follows:

	31.12.2020					Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	
Non-current assets						
Investments and loans in credit institutions	166,249	3,071	(27,984)	-	(137,625)	3,712
	166,249	3,071	(27,984)	-	(137,625)	3,712
Current assets						
Investments and loans in credit institutions	47,303	19,840	(180,787)	-	137,625	23,980
Other	4,182,457	32,889	(976,375)	-	-	3,238,971
	4,229,760	52,729	(1,157,162)	-	137,625	3,262,951
	4,396,009	55,800	(1,185,146)	-	-	3,266,663

	31.03.2021					Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	
Non-current assets						
Investments and loans in credit institutions	3,712	716	(6,421)	-	5,238	3,245
	3,712	716	(6,421)	-	5,238	3,245
Current assets						
Investments and loans in credit institutions	23,980	1,499	(13,446)	-	(5,238)	6,795
Other	3,238,971	-	(16,384)	-	-	3,222,587
	3,262,951	1,499	(29,830)	-	(5,238)	3,229,382
	3,266,663	2,215	(36,251)	-	-	3,232,627

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the year ended 31 December 2020 and three-month period ended 31 March 2021, they are detailed as follows:

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
Increases due to origination and acquisition	22,911	2,215
Changes due to change in credit risk	(161,468)	(5,144)
Decrease due to derecognition repayments and disposals	(47,303)	(14,723)
Write-offs	-	-
Changes due to update in the institution's methodology for estimation	-	-
Foreign exchange and other	-	-
Impairment	27,692	10,040

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

	31.12.2020	31.03.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
ECL income statement change for the period	(185,860)	(17,652)
Stage transfers (net)	-	-
Disposals	-	-
Utilizations during the period	-	-
Write-offs	-	-
Write-off recoveries	-	-
Foreign exchange and other	-	-
Impairment	27,692	10,040

Debt securities issued

This caption showed the following composition:

	31.12.2020	31.03.2021
Securitized	44,517,924	39,013,581
	44,517,924	39,013,581

As at 31 December 2020 and 31 March 2021 the Debt securities issued are analyzed as follows:

31.12.2020						
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value	
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M+ 85 b.p.	30,401,824	30,429,037	
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M+ 160 b.p.	7,000,000	6,992,378	
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M+ 375 b.p.	7,100,000	7,096,509	
				44,501,824	44,517,924	

31.03.2021						
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value	
Ulisses Finance No.1 – Class A	July 2017	July 2033	Euribor 1M+ 85 b.p.	24,901,242	24,918,687	
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M+ 160 b.p.	7,000,000	6,995,570	
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M+ 375 b.p.	7,100,000	7,099,323	
				39,001,242	39,013,581	

The movement of this item in the year ended 31 December 2020 and the three-month period ended 31 March 2021 is as follows:

31.12.2020					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	76,077,368	-	(31,148,098)	(411,346)	44,517,924
	76,077,368	-	(31,148,098)	(411,346)	44,517,924

31.03.2021					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	-	(5,500,582)	(3,761)	39,013,581
	44,517,924	-	(5,500,582)	(3,761)	39,013,581

The scheduling by maturity regarding this caption is as follows:

	31.12.2020						
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Securitized	10,936	-	10,936	-	44,506,988	44,506,988	44,517,924
	10,936	-	10,936	-	44,506,988	44,506,988	44,517,924

	31.03.2021						
	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	9,405	-	9,405	-	39,004,176	39,004,176	39,013,581
	9,405	-	9,405	-	39,004,176	39,004,176	39,013,581

The caption other current liabilities primarily record the banking operations' balances pending of financial settlement.

10. Credit to banking clients

As at 31 December 2020 and 31 March 2021, the Group caption Credit to banking clients was detailed as follows:

	31.12.2020	31.03.2021
Performing loans	1,101,441,373	1,136,162,380
Mortgage Loans	525,082,831	548,577,070
Auto Loans	568,273,557	579,993,013
Leasings	6,936,643	6,542,356
Overdrafts	1,148,342	1,049,941
Other credits	-	-
Overdue loans	8,505,242	8,854,754
Overdue loans - less than 90 days	1,008,648	844,325
Overdue loans - more than 90 days	7,496,594	8,010,429
	1,109,946,614	1,145,017,133
Credit risk impairment	(16,665,082)	(18,846,198)
	1,093,281,532	1,126,170,935

The maturity analysis of the Credit to bank clients as at 31 December 2020 and 31 March 2021 is detailed as follows:

	31.12.2020					Non-current			Total	
	At sight	Current			Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years		Total
		Due within 3 months	Over 3 months and less than 1 year	Overdue Loans						
Mortgage loans	-	3,678,902	10,649,699	12	14,328,613	29,885,595	480,868,635	510,754,230	525,082,842	
Auto Loans	-	24,671,168	62,937,327	6,623,827	94,232,322	163,219,651	317,445,413	480,665,063	574,897,386	
Leasings	-	364,790	1,390,217	209,623	1,964,630	3,068,253	2,113,383	5,181,635	7,146,265	
Overdrafts	1,148,342	-	-	1,044,947	2,193,289	-	-	-	2,193,289	
Other credits	-	-	-	626,832	626,832	-	-	-	626,832	
	1,148,342	28,714,860	74,977,243	8,505,242	113,345,686	196,173,498	800,427,430	996,600,928	1,109,946,614	

	31.03.2021					Non-current			Total	
	At sight	Current			Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years		Total
		Due within 3 months	Over 3 months and less than 1 year	Overdue Loans						
Mortgage loans	-	3,867,409	11,461,127	-	15,328,536	31,592,426	501,656,108	533,248,534	548,577,070	
Auto Loans	-	25,179,959	64,235,278	6,811,950	96,227,186	166,585,715	323,992,063	490,577,778	586,804,964	
Leasings	-	344,053	1,311,195	237,892	1,893,141	2,893,850	1,993,256	4,887,106	6,780,247	
Overdrafts	1,049,941	-	-	1,183,193	2,233,134	-	-	-	2,233,134	
Other credits	-	-	-	621,719	621,719	-	-	-	621,719	
	1,049,941	29,391,421	77,007,600	8,854,754	116,303,716	201,071,991	827,641,426	1,028,713,418	1,145,017,133	

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

	31.12.2020	31.03.2021
Fixed rate	528,330,964	540,741,908
Floating rate	581,615,650	604,275,225
	1,109,946,614	1,145,017,133
Credit risk impairment	(16,665,082)	(18,846,198)
	1,093,281,532	1,126,170,935

As at 31 December 2020 and 31 March 2021, the analysis of this caption by type of collateral, is presented as follows:

	31.12.2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	531,954,585	924,100	532,878,686	(1,513,304)	531,365,381
Other guaranteed Loans	562,616,191	3,766,660	566,382,851	(10,183,295)	556,199,556
Unsecured Loans	6,870,596	3,814,481	10,685,078	(4,968,483)	5,716,595
	1,101,441,373	8,505,242	1,109,946,614	(16,665,082)	1,093,281,532

	31.03.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	555,071,545	964,051	556,035,596	(1,720,840)	554,314,756
Other guaranteed Loans	565,707,277	3,278,677	568,985,954	(11,275,113)	557,710,841
Unsecured Loans	15,383,558	4,612,026	19,995,584	(5,850,246)	14,145,338
	1,136,162,380	8,854,754	1,145,017,133	(18,846,198)	1,126,170,935

The credit type analysis of the caption, as at 31 December 2020 and 31 March 2021 is detailed as follows:

	31.12.2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,080
Auto Loans	568,273,557	6,623,827	574,897,385	(14,657,207)	560,240,178
Leasings	6,936,643	209,623	7,146,266	(282,076)	6,864,190
Overdrafts	1,148,342	1,044,947	2,193,289	(1,105,137)	1,088,152
Other credits	-	626,832	626,832	(121,900)	504,932
	1,101,441,373	8,505,242	1,109,946,614	(16,665,082)	1,093,281,532

	31.03.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	548,577,070	-	548,577,070	(590,054)	547,987,016
Auto Loans	579,993,013	6,811,950	586,804,962	(16,843,985)	569,960,978
Leasings	6,542,356	237,892	6,780,248	(290,131)	6,490,117
Overdrafts	1,049,941	1,183,193	2,233,134	(987,660)	1,245,474
Other credits	-	621,719	621,719	(134,368)	487,351
	1,136,162,380	8,854,754	1,145,017,133	(18,846,198)	1,126,170,935

The analysis of credit to bank clients as at 31 December 2020 and 31 March 2021, by sector of activity, is as follows:

	31.12.2020				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,570,642	20,473	1,591,115	(46,820)	1,544,295
Mining and quarrying	257,127	421	257,548	(4,545)	253,003
Manufacturing	3,048,245	94,055	3,142,300	(105,257)	3,037,043
Water supply	143,772	5,712	149,484	(5,802)	143,682
Construction	6,186,340	325,240	6,511,580	(291,722)	6,219,858
Wholesale and retail trade	4,781,134	470,539	5,251,673	(253,496)	4,998,177
Transport and storage	1,325,020	55,757	1,380,776	(79,724)	1,301,053
Accommodation and food service activities	1,639,376	23,246	1,662,622	(67,124)	1,595,498
Information and communication	252,085	1,971	254,056	(3,273)	250,783
Financial and insurance activities	171,080	1,577	172,657	(2,918)	169,739
Real estate activities	1,353,647	11,437	1,365,084	(16,980)	1,348,104
Professional, scientific and technical activities	884,963	5,135	890,098	(31,703)	858,395
Administrative and support service activities	1,407,730	293,970	1,701,700	(95,120)	1,606,580
Education	572,582	845	573,427	(8,711)	564,717
Human health services and social work activities	805,858	14,818	820,676	(33,691)	786,984
Arts, entertainment and recreation	411,482	31,057	442,539	(36,638)	405,901
Other services	23,392,740	120,422	23,513,162	(455,112)	23,058,050
Individuals					
Mortgage Loans	525,082,831	12	525,082,842	(498,762)	524,584,080
Consumer Loans	528,154,720	7,028,553	535,183,273	(14,627,684)	520,555,589
	1,101,441,373	8,505,241	1,109,946,613	(16,665,082)	1,093,281,532

	31.03.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	1,811,417	23,506	1,834,923	(62,725)	1,772,199
Mining and quarrying	360,207	0	360,207	(3,577)	356,630
Manufacturing	3,093,420	107,194	3,200,613	(109,717)	3,090,896
Water supply	131,395	5,712	137,107	(5,806)	131,301
Construction	5,691,720	317,661	6,009,381	(301,321)	5,708,060
Wholesale and retail trade	4,569,378	489,977	5,059,356	(248,942)	4,810,414
Transport and storage	1,332,209	58,260	1,390,469	(89,671)	1,300,798
Accommodation and food service activities	1,882,832	26,490	1,909,322	(100,915)	1,808,407
Information and communication	215,087	1,459	216,546	(3,247)	213,299
Financial and insurance activities	171,069	1,802	172,871	(3,056)	169,815
Real estate activities	1,308,424	11,448	1,319,872	(17,977)	1,301,894
Professional, scientific and technical activities	823,095	6,218	829,313	(29,011)	800,302
Administrative and support service activities	1,353,365	293,176	1,646,540	(102,914)	1,543,626
Education	503,603	487	504,090	(8,420)	495,671
Human health services and social work activities	833,073	15,181	848,254	(27,792)	820,462
Arts, entertainment and recreation	378,075	30,858	408,933	(30,119)	378,814
Other services	25,121,089	130,996	25,252,086	(445,555)	24,806,530
Individuals					
Mortgage Loans	548,676,777	-	548,676,777	(591,494)	548,085,283
Consumer Loans	537,906,143	7,334,329	545,240,473	(16,663,939)	528,576,533
	1,136,162,380	8,854,754	1,145,017,133	(18,846,198)	1,126,170,935

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

	31.12.2020	31.03.2021
Stage 1	1,026,604,019	1,046,608,805
Gross amount	1,030,765,765	1,050,996,248
Impairment	(4,161,745)	(4,387,443)
Stage 2	49,989,172	52,798,566
Gross amount	52,213,747	54,456,619
Impairment	(2,224,575)	(1,658,053)
Stage 3	16,688,341	26,763,564
Gross amount	26,967,103	39,564,266
Impairment	(10,278,762)	(12,800,702)
	1,093,281,532	1,126,170,935

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

Moratoria

Decree-Law No. 10-J/2020 of 26 March laid down exceptional measures to protect credit to households, companies, private charity institutions and other entities of the social economy, as well as a special scheme of State guarantees within the scope of the COVID-19 pandemic.

In the course of 2020, this regulation was successively amended by Law no. 8/2020 of 10 April, Decree-Law no. 26/2020 of 16 June, Law no. 27-A/2020 of 24 July, and Decree-Law no. 78-A/2020 of 29 September.

Following various legislative amendments, the end of the moratorium period, initially scheduled for September 2020, was extended until September 2021. These amendments also provided for the extension of the deadline for clients to formalize their moratorium requests. The conditions of access and the types of credit covered have also been altered. The measures foreseen in the legislation described above - Public Moratoria -, translated into the granting of a grace period for principal or principal and interest to debtors of credit agreements.

In addition to the Public Moratorium, ASFAC - Association of Specialized Credit Institutions - created the ASFAC Private Moratorium, which established exceptional measures to support and protect families resulting from the financial impacts of the pandemic caused by COVID-19, similar to those provided in the Public Moratorium and applicable to 321 Crédito's auto loan portfolio.

In accordance with the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), the gross exposures and impairment of contracts with moratoria in force as of 31 December 2020 and 31 March 2021 are presented below:

31.12.2020	Gross carrying amount							
	Gross carrying amount	Productives			Non-productives			Entries to non-productive exposures
		Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤ 90 days	
Loans and advances subject to a moratoria	40,389,848	40,040,953	-	820,687	348,894	-	304,027	276,320
of which: families	31,118,478	31,118,478	-	-	-	-	-	-
of which: secured by residential properties	31,112,216	31,112,216	-	-	-	-	-	-
of which: non-financial companies	9,271,370	8,922,475	-	820,687	348,894	-	304,027	276,320
of which: small and medium-sized companies	8,115,476	7,808,860	-	701,065	306,615	-	272,227	276,320
of which: secured by commercial real estate	2,793,523	2,705,329	-	-	88,194	-	88,194	88,194
(*) since initial recognition but without credit impairment (Stage 2)								

31.03.2021	Gross carrying amount							
	Gross carrying amount	Productives			Non-productives			Entries to non-productive exposures
		Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due ≤ 90 days	
Loans and advances subject to a moratoria	42,812,732	42,383,896	-	806,704	428,835	-	306,476	372,569
of which: families	33,122,062	33,122,062	-	-	-	-	-	-
of which: secured by residential properties	33,115,682	33,115,682	-	-	-	-	-	-
of which: non-financial companies	9,690,669	9,261,834	-	806,704	428,835	-	306,476	372,569
of which: small and medium-sized companies	8,374,089	8,021,715	-	605,620	352,374	-	264,661	352,374
of which: secured by commercial real estate	2,707,774	2,572,836	-	26,863	134,938	-	96,000	134,938
(*) since initial recognition but without credit impairment (Stage 2)								

31.12.2020	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
	Accumulated impairment	Productives			Non-productives		
		Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due < 90 days
Loans and advances subject to a moratoria	(394,328)	(246,066)	-	(30,381)	(148,261)	-	(127,846)
of which: families	(67,896)	(67,896)	-	-	-	-	-
of which: secured by residential properties	(67,849)	(67,849)	-	-	-	-	-
of which: non-financial companies	(326,431)	(178,170)	-	(30,381)	(148,261)	-	(127,846)
of which: small and medium-sized companies	(195,967)	(75,642)	-	(27,386)	(120,325)	-	(106,384)
of which: secured by commercial real estate	(130,679)	(105,339)	-	-	(25,339)	-	(25,339)

(*) since initial recognition but without credit impairment (Stage 2)

31.03.2021	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
	Accumulated impairment	Productives			Non-productives		
		Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: exposures subject to restructuring measures	Of which: reduced payment probability not due or due < 90 days
Loans and advances subject to a moratoria	(420,995)	(300,599)	-	(36,158)	(120,397)	-	(101,117)
of which: families	(108,098)	(108,098)	-	-	-	-	-
of which: secured by residential properties	(108,048)	(108,048)	-	-	-	-	-
of which: non-financial companies	(312,898)	(192,501)	-	(36,158)	(120,397)	-	(101,117)
of which: small and medium-sized companies	(256,578)	(157,517)	-	(31,776)	(101,061)	-	(85,173)
of which: secured by commercial real estate	(141,390)	(114,650)	-	(7,801)	(26,740)	-	(26,363)

(*) since initial recognition but without credit impairment (Stage 2)

Requests for late payments total numbers, late payments granted (excluding withdrawals) and late payments in effect at the end of December 2020 and March 2021, are as follows:

31.12.2020	Debtors number	Gross carrying amount							
		Gross carrying amount	Of which: legislative moratoria	Of which: expired	Moratoria's residual maturity				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances that a moratoria have been offered	7,018	103,469,519	-	-	-	-	-	-	
Loans and advances subject to a moratoria	4,364	82,150,696	54,212,773	41,760,849	9,423,344	388,779	30,577,724	-	
of which: families		71,837,335	44,355,505	40,718,857	151,975	388,779	30,577,724	-	
of which: secured by residential properties		44,335,088	44,335,088	13,222,871	145,713	388,779	30,577,724	-	
of which: non-financial companies		10,313,362	9,857,268	1,041,992	9,271,370	-	-	-	
of which: small and medium-sized companies		9,130,510	8,674,417	1,015,034	8,115,476	-	-	-	
of which: secured by commercial real estate		2,958,321	2,958,321	164,798	2,793,523	-	-	-	

31.03.2021	Debtors number	Gross carrying amount							
		Gross carrying amount	Of which: legislative moratoria	Of which: expired	Moratoria's residual maturity				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans and advances that a moratoria have been offered	7,115	93,998,096	-	-	-	-	-	-	
Loans and advances subject to a moratoria	4,431	73,331,373	46,665,820	30,518,642	444,107	38,344,769	3,519,056	-	
of which: families		62,561,457	36,304,236	29,439,395	444,107	29,158,898	3,519,056	-	
of which: secured by residential properties		36,284,088	36,284,088	3,168,406	444,107	29,152,518	3,519,056	-	
of which: non-financial companies		10,769,916	10,361,584	1,079,247	-	9,185,871	-	-	
of which: small and medium-sized companies		9,371,039	8,983,636	996,951	-	8,061,054	-	-	
of which: secured by commercial real estate		2,958,296	2,958,296	250,521	-	2,707,774	-	-	

The moratorium credit portfolio by stage, as of 31 December 2020 and 31 March 2021, is details as follows:

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	39,220,267	820,687	348,894	40,389,848
Impairment	(215,685)	(30,381)	(148,261)	(394,328)
Net Amount	39,004,582	790,305	200,633	39,995,520

	31.03.2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	41,627,594	819,241	365,896	42,812,732
Impairment	(264,917)	(36,429)	(119,650)	(420,995)
Net Amount	41,362,678	782,813	246,246	42,391,736

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

	31.12.2020	31.03.2021
Amount of future minimum payments	7,458,032	7,021,501
Interest not yet due	(521,389)	(479,145)
Present value	6,936,643	6,542,356

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

	31.12.2020	31.03.2021
Due within 1 year	1,763,456	1,891,654
Due between 1 to 5 years	4,601,281	4,123,642
Over 5 years	1,093,295	1,006,205
Amount of future minimum payments	7,458,032	7,021,501

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

	31.12.2020	31.03.2021
Individuals	773,163	712,719
Home	96,094	95,324
Others	677,069	617,394
Companies	6,163,480	5,829,637
Equipment	314,966	307,124
Real Estate	5,848,514	5,522,513
	6,936,643	6,542,356

Impairment losses

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the movement in the Group under the Accumulated impairment losses caption (Note 13) was as follows:

	31.12.2020						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	
Non-current assets							
Credit to banking clients	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,242
	2,591,450	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,242
Current assets							
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
	3,978,200	13,328,302	(3,299,828)	(751,968)	-	3,410,377	16,665,083

	31.03.2021						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	
Non-current assets							
Credit to banking clients	11,245,242	2,836,674	(1,824,535)	(18,691)	454,149	537,759	13,230,599
	11,245,242	2,836,674	(1,824,535)	(18,691)	454,149	537,759	13,230,599
Current assets							
Credit to banking clients	5,419,841	1,203,999	(774,406)	(7,933)	(454,149)	228,247	5,615,599
	5,419,841	1,203,999	(774,406)	(7,933)	(454,149)	228,247	5,615,599
	16,665,083	4,040,673	(2,598,940)	(26,624)	-	766,006	18,846,198

The impairment losses of Credit to banking clients (increases net of reversals) in the Group for the three-month period ended 31 March 2021, amounting to 1,441,733 Euros (1,556,314 Euros at 31 March 2020) was recorded under the caption “Impairment of other financial banking assets”.

Regarding the movements in impairment losses by stages, in the year ended 31 December 2020 and three-month period ended 31 March 2021, they are detailed as follows:

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,062,682	871,644	1,043,873	3,978,200
Change in period:				
Increases due to origination and acquisition	1,555,460	654,163	724,897	2,934,520
Changes due to change in credit risk	558,236	(308,282)	7,606,556	7,856,509
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(225,784)	(50,462)	(486,310)	(762,556)
Write-offs	-	-	(751,967)	(751,967)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	449,964	(177,013)	(272,951)	-
Stage 2	(252,522)	934,051	(681,529)	-
Stage 3	(233,377)	(116,151)	349,528	-
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	4,161,745	2,224,575	10,278,763	16,665,083
Of which: POCI	-	-	(922,255)	(922,255)

	31.03.2021			
	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	848,952	106,094	10,319	965,365
Changes due to change in credit risk	(537,290)	(675,830)	2,436,538	1,223,418
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(525,125)	(57,167)	(164,758)	(747,050)
Write-offs	-	-	(26,624)	(26,624)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	621,575	(285,656)	(335,919)	-
Stage 2	(143,848)	1,616,537	(1,472,689)	-
Stage 3	(40,924)	(1,365,789)	1,406,713	-
Foreign exchange and other	2,357	95,290	668,360	766,006
Impairment	4,387,443	1,658,053	12,800,702	18,846,198
Of which: POCI	-	-	(888,770)	(888,770)

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

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	2,062,682	871,644	1,043,873	3,978,200
Change in period:				
ECL income statement change for the period	1,887,912	295,419	7,845,143	10,028,473
Stage transfers (net)	(35,935)	640,887	(604,952)	-
Write-offs	-	-	(751,967)	(751,967)
Write-off recoveries	-	-	-	-
Foreign exchange and other	247,087	416,625	2,746,665	3,410,377
Impairment	4,161,745	2,224,575	10,278,763	16,665,083

	31.03.2021			
	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	(213,463)	(626,903)	2,282,098	1,441,733
Stage transfers (net)	436,804	(34,909)	(401,895)	-
Write-offs	-	-	(26,624)	(26,624)
Write-off recoveries	-	-	-	-
Foreign exchange and other	2,357	95,290	668,360	766,006
Impairment	4,387,443	1,658,053	12,800,702	18,846,198

11. Deferrals

As at 31 December 2020 and 31 March 2021, the Deferrals included in current assets and current and non-current liabilities of the Group showed the following composition:

	31.12.2020	31.03.2021
Assets deferrals		
Current		
Rents payable	1,500,004	1,720,061
Meal allowances	1,441,931	1,431,890
Other	3,556,825	6,079,815
	<u>6,498,759</u>	<u>9,231,766</u>
Liabilities deferrals		
Non-current		
Investment subsidy	283,289	280,489
Other	-	36,829
	<u>283,289</u>	<u>317,318</u>
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,310,217	1,647,168
Other	2,090,641	1,867,206
	<u>3,412,059</u>	<u>3,525,575</u>
	<u>3,695,348</u>	<u>3,842,893</u>

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” recognized by the Group essentially refer to values related to stamps and prepaid postage of priority mail in the amount of 981,603 euros (696,738 euros on 31 December 2020), whose revenue is expected to be recognized in April 2021 (estimate of 80% of the item's value) and the remaining during 2021, and to objects invoiced and not delivered on 31 March 2021 in the express segment, in the amount of 665,565 euros (613,479 euros as of 31 December 2020), whose revenue is recognized upon delivery in the following month.

The revenue recognized by the Group in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,117,284 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 2020 and 31 March 2021, cash and cash equivalents correspond to the value of cash, demand 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:

	31.12.2020	31.03.2021
Cash	77,580,872	74,367,315
Demand deposits	189,516,082	185,271,055
Demand deposits at Bank of Portugal	167,502,343	260,929,630
Deposits in other credit institutions	27,737,696	27,931,448
Term deposits	55,843,177	10,101,507
Cash and cash equivalents (Balance sheet)	518,180,171	558,600,955
Demand deposits at Bank of Portugal	(15,795,600)	(16,919,100)
Outstanding checks / Checks clearing	(3,575,300)	(1,725,533)
Impairment of Demand and term deposits	17,510	8,594
Cash and cash equivalents (Cash flow statement)	498,826,782	539,964,916

The heading Demand 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 deposits and other liabilities.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 March 2021, a total amount of demand deposits of 260,929,630 Euros (31 December 2020: 167,502,343 Euros), of which 16,919,100 Euros (31 December 2020: 15,795,600 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

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 31 December 2020 and three-month period ended 31 March 2021, the movement recorded under the caption “Impairment of Demand and term deposits” (Note 1.3) related to the Group is detail as follows:

	31.12.2020				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Demand and term deposits	19,924	551	(2,965)	-	17,510
	19,924	551	(2,965)	-	17,510

	31.03.2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Demand and term deposits	17,510	229	(9,145)	-	8,594
	17,510	229	(9,145)	-	8,594

The impairment losses (increases net of reversals) of demand and term deposits in the Group for the three-month period ended 31 March 2021, amounting to 8,916 Euros (899 Euros at 31 March 2020) was recorded under the heading Impairment of accounts receivable, net.

13. Accumulated impairment losses

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the following movements occurred in the Group's impairment losses:

	31.12.2020						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	
Non-current assets							
Tangible fixed assets	24,172	-	(4,712)	-	-	-	19,460
Investment properties	749,144	-	(298,836)	-	-	-	450,308
	773,316	-	(303,548)	-	-	-	469,768
Debt securities	169,441	29,756	(15,650)	-	(2,144)	-	181,403
Other non-current assets	2,099,796	-	-	-	439,189	-	2,538,985
Credit to banking clients	2,591,449	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
Other banking financial assets	166,249	3,071	(27,984)	-	(137,625)	-	3,712
	5,026,935	9,026,481	(2,270,288)	(507,412)	392,374	2,301,249	13,969,341
	5,800,251	9,026,481	(2,573,836)	(507,412)	392,374	2,301,249	14,439,109
Current assets							
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	-	-	39,633,843
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
Debt securities	4,136	4,372	(636)	-	2,144	-	10,016
Other current assets	8,341,734	1,886,462	(85,730)	(275,680)	185,765	-	10,052,551
Other banking financial assets	4,229,759	52,729	(1,157,163)	-	137,626	-	3,262,950
Demand and term deposits	19,923	551	(2,965)	-	-	-	17,509
	51,964,134	11,669,556	(4,334,338)	(2,244,350)	232,581	1,109,127	58,396,710
Non-current assets held for sale	184,609	99,640	(1,470)	-	-	-	282,778
	184,609	99,640	(1,470)	-	-	-	282,778
Merchandise	2,116,305	513,486	-	(104,705)	-	-	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	-	-	847,331
	2,841,493	645,194	(7,310)	(106,960)	-	-	3,372,417
	54,990,236	12,414,389	(4,343,118)	(2,351,310)	232,581	1,109,127	62,051,906
	60,790,487	21,440,870	(6,916,953)	(2,858,722)	624,955	3,410,377	76,491,014
31.03.2021							
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	19,460	-	-	-	-	-	19,460
Investment properties	450,308	-	(16,499)	-	-	-	433,809
Intangible assets	-	-	-	-	-	-	-
	469,768	-	(16,499)	-	-	-	453,269
Debt securities	181,403	19,457	(10,708)	-	(19,512)	-	170,639
Other non-current assets	2,538,985	-	-	-	60,730	-	2,599,715
Credit to banking clients	11,245,241	2,836,674	(1,824,535)	(18,690)	454,149	537,759	13,230,598
Other banking financial assets	3,712	716	(6,421)	-	5,238	-	3,245
	13,969,341	2,856,847	(1,841,664)	(18,690)	500,605	537,759	16,004,197
	14,439,109	2,856,847	(1,858,163)	(18,690)	500,605	537,759	16,457,466
Current assets							
Accounts receivable	39,633,843	1,033,448	(420,073)	(299,294)	-	-	39,947,924
Credit to banking clients	5,419,841	1,203,999	(774,406)	(7,933)	(454,149)	228,247	5,615,599
Debt securities	10,016	3,085	(2,503)	-	19,513	-	30,112
Other current assets	10,052,551	344,452	(97,014)	(96,903)	(60,731)	-	10,142,355
Other banking financial assets	3,262,950	1,499	(29,830)	-	(5,238)	-	3,229,381
Demand and term deposits	17,509	229	(9,145)	-	-	-	8,593
	58,396,710	2,586,711	(1,332,970)	(404,130)	(500,605)	228,247	58,973,964
Non-current assets held for sale	282,778	83,942	(7,195)	-	-	-	359,526
	282,778	83,942	(7,195)	-	-	-	359,526
Merchandise	2,525,086	200,241	-	-	-	-	2,725,327
Raw, subsidiary and consumable	847,331	40,524	-	-	-	-	887,855
	3,372,417	240,765	-	-	-	-	3,613,182
	62,051,906	2,911,419	(1,340,165)	(404,130)	(500,605)	228,247	62,946,671
	76,491,014	5,768,265	(3,198,328)	(422,820)	-	766,006	79,404,138

As at 31 December 2020, the Group review the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits, with reformulation of the risk parameters in order to reflect in the forward-looking component the economic deterioration resulting from the situation of COVID-19, considering for this purpose the combination of the projected changes in unemployment rate and GDP. As of 31 March 2021, there were no changes compared to the review carried out in 2020.

The amounts classified as "Other movements", with reference to 31 December 2020 and 31 March 2021, 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 31 March 2021, 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 2020 and 31 March 2021 the Company's shareholders with greater than or equal to 2% shareholdings, according to the information reported, are as follows:

Shareholder	31.12.2020		
	No. of shares	%	Nominal value
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,330,084	12.887%	9,665,042
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total 19,683,269	13.122%	9,841,635
Global Portfolio Investments, S.L. ⁽²⁾	15,057,937	10.039%	7,528,969
Indumenta Pueri, S.L. ⁽²⁾	Total 15,057,937	10.039%	7,528,969
GreenWood Builders Fund I, LP ⁽³⁾	10,020,000	6.680%	5,010,000
GreenWood Investors LLC ⁽³⁾	Total 10,020,000	6.680%	5,010,000
Norges Bank ⁽⁴⁾	Total 5,250,000	3.500%	2,625,000
BBVA Asset Management, SA SGIIC ⁽⁵⁾	Total 3,495,499	2.330%	1,747,750
BPI Gestão de Activos ⁽⁶⁾	Total 3,044,307	2.030%	1,522,154
CTT, S.A. (own shares)	Total 1	0.000%	1
Other shareholders ⁽⁷⁾	Total 93,448,987	62.299%	46,724,494
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 Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member exercises the voting rights not in its own name but on behalf of the fund Greenwood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes Greenwood Investors, LLC and Greenwood Performance Investors, LLC.
- (4) As the exact amount of shares was not communicated by the shareholder, the amount presented corresponds to a calculation based on the total percentage indicated in the corresponding notification. On 05.01.2021, Norges Bank communicated an increase in its shareholding to 3.51% and on 19.01.2021 a reduction of such shareholding to 2.83%, according to the press releases on qualifying holdings available on CTT's website (https://www.ctt.pt/content/Asset/raw-data/d62924d6-0a5b-464c-b46e-232489d94acd/ficheiroPdf/Norges%20Bank%2005Jan2021_EN.pdf?bylnode=true) and (https://www.ctt.pt/content/Asset/rawdata/24d4fcd8-8fd8-45ff-b7dc-1e2ae0b9b75f/ficheiroPdf/Norges%20Bank%2019Jan2021_EN.pdf?bylnode=true).
- (5) BBVA ASSET MANAGEMENT, SA, SGIIC exercises the voting rights not in its own name but on behalf of the funds BBVA BOLSA FI, BBVA BOLSA EURO FI, BBVA BOLSA EUROPA FI and BBVA BOLSA PLUS FI as their management company. Cidessa Uno, SL is the direct controlling entity of BBVA ASSET MANAGEMENT, SA, SGIIC.
- (6) This holding corresponds to the number of shares held by Portuguese securities investment funds managed by BPI Gestão de Activos Sociedade Gestora de Fundos de Investimento Mobiliário, S.A., as well as held by portfolios regarding which BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. carries out the discretionary management, as per press release on qualifying holdings of 31.10.2019 available on CTT website (https://www.ctt.pt/content/Asset/raw-data/3284b20d-d2e6-4571-a9f2-ff6e5f2c2ad3/ficheiroPdf/BPI%2031Oct2019_EN.pdf?bylnode=true).
- (7) On 04.01.2021, Citigroup Global Markets Limited submitted a notification of major holdings in CTT as it considered that after 31 December 2020 it no longer satisfied the criteria to rely on the trading book exemption, following the United Kingdom's departure from the European Union and the conclusion of the Brexit transition period (see press release on CTT website, at <https://www.ctt.pt/grupoctt/investidores/comunicados/index?topic=participacao&year=2021&search=>). On 22.02.2021, Citigroup Global Markets Limited communicated a decrease in its shareholding to 1.9042%, so it no longer holds a qualifying shareholding in CTT (see press release on CTT website, at <https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=participacao&year=2021&search=>).

Shareholder	31.03.2021			
	No. of shares	%	Nominal value	
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,330,084	12.887%	9,665,042	
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593	
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total	19,683,269	13.122%	9,841,635
Global Portfolio Investments, S.L. ⁽²⁾	15,057,937	10.039%	7,528,969	
Indumenta Pueri, S.L. ⁽²⁾	Total	15,057,937	10.039%	7,528,969
GreenWood Builders Fund I, LP ⁽³⁾	10,020,000	6.680%	5,010,000	
GreenWood Investors LLC ⁽³⁾	Total	10,020,000	6.680%	5,010,000
Norges Bank ⁽⁴⁾	Total	4,245,000	2.830%	2,122,500
BBVA Asset Management, SA SGIIIC ⁽⁵⁾	Total	3,495,499	2.330%	1,747,750
Green Frog Investments Inc	Total	3,044,477	2.030%	1,522,239
CTT, S.A. (own shares)	Total	1	0.000%	1
Other shareholders	Total	94,453,817	62.969%	47,226,909
Total		150,000,000	100.000%	75,000,000

- (1) Includes 19,246,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 83,269 shares held by the members of its Board of Directors as at the date of the corresponding communication by the qualified shareholder on 23.03.2020. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (3) GreenWood Investors, LLC, of which Steven Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member exercises the voting rights not in its own name but on behalf of the fund GreenWood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC.
- (4) As the exact amount of shares was not communicated by the shareholder, the amount presented corresponds to a calculation based on the total percentage indicated in the corresponding notification, according to the press release on qualifying holdings of 19 January 2021, available on CTT's website at https://www.ctt.pt/contentAsset/raw-data/24d4fdb-8fd8-45ff-b7dc-1e2ae0b9b75f/ficheiroPdf/Norges%20Bank%2019Jan2021_EN.pdf?bylnode=true. On 12.04.2021, Norges Bank changed its qualifying holding in CTT and currently holds 2.32% of its share capital and voting rights (see press release available on CTT's website at https://www.ctt.pt/contentAsset/raw-data/4222f76c-a089-4c6e-999b-26e0e21e053f/ficheiroPdf/Norges%20Bank%2012abr2021_EN.pdf?bylnode=true).
- (5) On 16.04.2021, BBVA Asset Management SA SGIIIC communicated a reduction of its holdings in CTT to 1.89%, so it no longer holds a qualifying holding in the Company (see press release available on CTT's website at https://www.ctt.pt/contentAsset/raw-data/00a4ba33-ed01-4971-a67b-0d8fcb15c960/ficheiroPdf/BBVA%2016abr2021_EN.pdf?bylnode=true).

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.

As at 31 March 2021, CTT held 1 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

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

Reserves

As at 31 December 2020 and 31 March 2021, the Group's and Company's heading Reserves showed the following composition:

	31.12.2020				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	15,990	50,836,597	65,852,595
Assets fair value	-	-	67,340	-	67,340
Closing balance	15,000,000	8	83,330	50,836,597	65,919,935

	31.03.2021				
	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
Assets fair value	-	-	245	-	245
Closing balance	15,000,000	8	83,575	50,836,597	65,920,180

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 31 March 2021, this caption includes the amount of 8 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

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

Retained earnings

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the following movements were made in the Group heading Retained earnings:

	31.12.2020	31.03.2021
Opening balance	10,867,301	39,962,419
Application of the net profit of the prior year	29,196,933	16,669,309
Adjustments from the application of the equity method	(15,806)	5,189
Other movements	(86,009)	-
Closing balance	39,962,419	56,636,917

Other changes in equity

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

Thus, for the year ended 31 December 2020 and three-month period ended 31 March 2021, the movements occurred in this heading, in the Group, were as follows:

	31.12.2020	31.03.2021
Opening balance	(49,744,144)	(47,600,236)
Actuarial gains/losses	2,917,315	-
Tax effect (Note 25)	(773,407)	-
Closing balance	(47,600,236)	(47,600,236)

16. Dividends

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

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 12,750,00 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.

17. Earnings per share

For the three-months period ended 31 March 2020 and 31 March 2021, the earnings per share were calculated as follows:

	31.03.2020	31.03.2021
Net income for the period	3,681,542	8,700,423
Average number of ordinary shares	149,999,999	149,999,999
Earnings per share		
Basic	0.02	0.06
Diluted	0.02	0.06

The average number of shares is detailed as follows:

	31.03.2020	31.03.2021
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	1
Average number of shares during the period	149,999,999	149,999,999

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

As at 31 March 2021, the number of own shares held is 1 and its average number for the year ended 31 March 2020 is also 1, reflecting the fact that no acquisitions or sales/attribution have occurred in the given period.

There are no dilutive factors of earnings per share.

18. Debt

As at 31 December 2020 and 31 March 2021, Debt of the Group showed the following composition:

	31.12.2020	31.03.2021
Non-current liabilities		
Bank loans	74,799,925	75,027,009
Lease liabilities	89,234,203	90,527,312
	164,034,127	165,554,321
Current liabilities		
Bank loans	16,856,747	16,840,739
Lease liabilities	25,975,879	26,129,165
	42,832,626	42,969,904
	206,866,753	208,524,225

As at 31 March 2021, the interest rates applied to bank loans were between 1.25% and 1.875% (31 December 2020: 1.25% and 1.875%).

Bank loans and other loans

As at 31 December 2020 and 31 March 2021, the details of the Group bank loans were as follows:

	31.12.2020			31.03.2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,731,747	-	11,250,000	9,715,739	-
BBVA / Bankinter	75,000,000	7,125,000	40,075,774	47,500,000	7,125,000	40,117,729
Novo Banco	35,000,000	-	34,724,151	35,000,000	-	34,909,281
Banco Montepio	25,000,000	-	-	25,000,000	-	-
BIM - (Mozambique)	40,928	-	-	38,047	-	-
	146,290,928	16,856,747	74,799,925	118,788,047	16,840,739	75,027,009

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 31 March 2021 the referred amount corresponded to 47,242,729 Euros. By a company decision, the remaining available amount was not used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. Regarding 31 March 2021, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,909,281 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 March 2021, no amount was used.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with ratios of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the Group and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2020, 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:

	31.12.2020	31.03.2021
Due within 1 year	31,651,641	29,429,036
Due between 1 to 5 years	83,337,641	82,704,994
Over 5 years	18,964,112	23,411,905
Total undiscounted lease liabilities	133,953,395	135,545,935
Current	25,975,879	26,129,165
Non-current	89,274,939	90,527,311
Lease liabilities included in the statement of financial position	115,250,818	116,656,477

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

	31.03.2020	31.03.2021
Lease liabilities interests (note 24)	822,982	764,361
Variable payments not included in the measurement of the lease liability	952,651	480,351

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

	31.03.2020	31.03.2021
Total of lease payments	(6,356,790)	(7,443,849)

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 2020 and 31 March 2021, in the Group and the Company, are detailed as follows:

	31.12.2020	31.03.2021
Opening Balance	175,411,501	206,866,753
Movements without cash	60,096,573	9,117,328
New contracts + IFRS 16 Interests	59,773,852	9,010,628
Others	322,721	106,700
Loans:		
Inflow	21,293,090	3,713,901
Outflow	(21,405,813)	(3,729,908)
Lease liabilities:		
Inflow	-	-
Outflow	(28,528,597)	(7,443,849)
Closing balance	206,866,753	208,524,225

the Group the amount of 1,083,347 Euros. As of 31 March 2021, the provision amounts to 930,632 Euros and the variation is explained by the amount used in the current period.

Other provisions

As at 31 March 2021 the provision, in the Group to cover any contingencies relating to labor litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,568,290 Euros (6,627,110 Euros as at 31 December de 2020). The amount of the provision corresponds to the Group's best estimate for the outflow, and it is not possible to estimate the expected moment for the outflow as it depends on the moment when proceedings are initiated by the Group's employees.

As at 31 March 2021, 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 1,534,749 Euros as at 31 Mach 2021 (1,615,802 Euros at 31 December 2020) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 March 2021, in addition to the previously mentioned situations, this heading also includes in the Group:

- the amount of 238,959 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 550,000 Euros which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labor legal proceeding;
- the amount of 1,900,039 Euros to cover costs of operational vehicles restoration.

Guarantees provided

As at 31 December 2020 and 31 March 2021, the Group had provided bank guarantees to third parties as follows:

Description	Group	
	31.12.2020	31.03.2021
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comisión Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	2,282,510	2,261,290
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000
EUROGOLD (Real estate company)	694,464	406,080
Courts	260,610	281,830
TRANSPORTES BERNARDO MARQUES, S.A.	223,380	223,380
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Municipalities	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
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
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	11,000
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910
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
EMARP - Empresa de Águas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100
O Feliz - Imobiliária (Real estate company)	381,553	-
CIVILRIA (Real estate company)	224,305	-
Solred (Repsol's fuel cards)	80,000	-
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000	-
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of the Region of Alto Minho)	466	-
	12,355,172	11,325,464

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2020 and 31 March 2021, in the Group.

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

Commitments

As at 31 December 2020 and 31 March 2021, the Group subscribed promissory notes amounting to approximately 75.3 thousand Euros and 38 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The Group also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 31 March 2021.

The Group engaged guarantee insurances in the total amount of 1,426,192 Euros, respectively (31 December 2020: 1,033,163 Euros), with the purpose of guaranteeing the fulfillment 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.

20. Accounts payable

As at 31 December 2020 and 31 March 2021, the heading Accounts payable showed the following composition:

	31.12.2020	31.03.2021
Current		
Advances from customers	3,054,584	3,131,668
CNP money orders	88,916,523	88,961,532
Suppliers	87,287,994	84,323,912
Invoices pending confirmation	7,955,395	10,850,597
Fixed assets suppliers	5,808,358	3,471,263
Invoices pending confirmation (fixed assets)	5,688,925	3,277,383
Values collected on behalf of third parties	6,546,335	5,931,526
Postal financial services	154,324,605	104,199,145
Deposits	567,215	574,491
Charges	1,859,349	1,927,304
Compensations	581,798	624,670
Postal operators - amounts to be settled	1,722,118	2,112,448
Amounts to be settled to third parties	4,282,230	1,107,752
Amounts to be settled in stores	495,476	526,454
Other accounts payable	6,471,998	6,915,479
	<u>375,562,902</u>	<u>317,935,623</u>

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.

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period. The decrease seen is mainly due to the reduction observed in the subscription of savings certificates.

21. Banking clients' deposits and other loans

As at 31 December 2020 and 31 March 2021, the composition of the heading Banking clients' deposits and other loans in the Group is as follows:

	31.12.2020	31.03.2021
Demand deposits	1,207,038,127	1,270,946,058
Term deposits	178,175,790	198,228,610
Savings deposits	303,251,244	328,266,117
	1,688,465,160	1,797,440,785

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 demand 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.

As at 31 December 2020 and 31 March 2021, the residual maturity of banking client deposits and other loans, is detailed as follows:

	31.12.2020					Total
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	
Demand deposits and saving accounts	1,510,289,371	-	-	-	-	1,510,289,371
Term deposits	-	81,534,153	96,641,636	-	-	178,175,790
	1,510,289,371	81,534,153	96,641,636	-	-	1,688,465,160

	31.03.2021					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	
Demand deposits and saving accounts	1,599,212,175	-	-	-	-	1,599,212,175
Term deposits	-	90,269,500	107,959,110	-	-	198,228,610
	1,599,212,175	90,269,500	107,959,110	-	-	1,797,440,785

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

22. Income taxes receivable /payable

As at 31 March 2021 the caption reflects the estimated income tax regarding 2020, which has not yet been paid, as well as the estimated income tax regarding the three-month period ended 31 March 2021.

23. Staff costs

During the periods ended 31 March 2020 and 31 March 2021, the composition of the Group heading Staff Costs was as follows:

	31.03.2020	31.03.2021
Remuneration	69,294,726	70,204,232
Employee benefits	1,044,698	1,082,290
Indemnities	237,497	249,516
Social Security charges	15,162,563	15,167,424
Occupational accident and health insurance	1,087,970	1,022,513
Social welfare costs	1,482,983	1,578,450
Other staff costs	8,483	32,783
	88,318,919	89,337,208

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

For the three-months periods ended 31 March 2020 and 31 March 2021, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

	31.03.2020				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	631,114	47,357	13,950	-	692,421
Annual variable remuneration	-	-	-	-	-
	631,114	47,357	13,950	-	692,421
Long-term remuneration					
Defined contribution plan RSP	45,887	-	-	-	45,887
Long-term variable remuneration	-	-	-	-	-
	45,887	-	-	-	45,887
	677,001	47,357	13,950	-	738,308

	31.03.2021				Total
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	
Short-term remuneration					
Fixed remuneration	717,999	39,643	4,950	-	762,592
Annual variable remuneration	-	-	-	-	-
	717,999	39,643	4,950	-	762,592
Long-term remuneration					
Defined contribution plan RSP	49,425	-	-	-	49,425
Long-term variable remuneration	-	-	-	-	-
	49,425	-	-	-	49,425
	767,424	39,643	4,950	-	812,017

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 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:

- The plan sets out the number of options allocated that may be exercised by the CEO, the CFO and the remaining executive Directors and their allocation or strike price;
- 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);
- 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;
 - 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).

Following the study carried out by an independent entity on 31 December 2020, an amount of 201,592 Euros was calculated under the Remuneration Regulation in force at the date, which was recognized in expenses for the period 2020, that will be recalculated over the year 2021 and settled at the end of the three years, if the conditions described above for its attribution are fulfilled.

In the year ended 31 December 2020, in accordance with the applicable rules under the Remuneration Regulation for **Members of CTT's Statutory Bodies, revoked on 21 April 2021** there is no place for the payment of annual variable remuneration (AVR) to the members of Statutory Bodies.

As at 31 March 2020 and 31 March 2021, the Group heading Staff costs includes the amounts of 102,423 Euros and 108,754 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 March 2021, the average number of staff of the Group was 12,053 employees (12,118 employees in the year ended 31 March 2020).

24. Interest expenses and Interest income

For the periods ended 31 March 2020 and 31 March 2021, the heading Interest Expenses of the Group had the following detail:

	31.03.2020	31.03.2021
Interest expenses		
Bank loans	407,903	458,383
Lease liabilities	822,982	764,361
Other interest	147,095	-
Interest costs from employee benefits	1,115,146	892,743
Other interest costs	21,227	31,188
	<u>2,514,353</u>	<u>2,146,675</u>

During the periods ended 31 March 2020 and 31 March 2021, the Group heading Interest income was detailed as follows:

	31.03.2020	31.03.2021
Interest income		
Deposits in credit institutions	3,143	4,093
Other supplementary income	-	1,893
	<u>3,143</u>	<u>5,986</u>

25. Income tax for the period

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax (“IRC”) at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,000 Euros, 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., Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A. and CTT Soluções Empresariais 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. It should be noted that the entities 321 Crédito – Instituição Financeira de Crédito S.A. and CTT Soluções Empresariais, S.A. integrated the RETGS in the current financial year.

Reconciliation of the income tax rate

For the periods ended 31 March 2020 and 31 March 2021, the reconciliation between the nominal rate and the effective income tax rate of the Group was as follows:

	31.03.2020	31.03.2021
Earnings before taxes (a)	6,196,447	13,261,575
Nominal tax rate	21.0%	21.0%
	1,301,254	2,784,931
Tax Benefits	(98,465)	(68,686)
Accounting capital gains/(losses)	(124,035)	(3,698)
Tax capital gains/(losses)	71,071	1,849
Equity method	117,172	103,442
Provisions not considered in the calculation of deferred taxes	5,115	(17,021)
Impairment losses and reversals	62,380	51,956
Compensation for insurable events	21,070	40,437
Depreciation and car rental charges	3,887	6,486
Credits uncollectible	5,658	8,935
Fines, interest, compensatory interest and other charges	4,167	2,851
Other situations, net	301,066	998,019
Adjustments related with - autonomous taxation	165,276	130,283
SIFIDE tax credit	-	(216,176)
Insufficiency / (Excess) estimated income tax	(101,714)	-
Subtotal (b)	1,733,902	3,823,607
(b)/(a)	27.98%	28.83%
Adjustments related with - Municipal Surcharge	197,558	228,486
Adjustments related with - State Surcharge	553,732	475,933
Income taxes for the period	2,485,192	4,528,025
Effective tax rate	40.11%	34.14%
Income taxes for the period		
Current tax	2,189,533	3,706,665
Deferred tax	397,373	1,037,536
SIFIDE tax credit	-	(216,176)
Insufficiency / (Excess) estimated income tax	(101,714)	-
	2,485,192	4,528,025

In the three-month period ended 31 March 2021, the heading “Insufficiency / (Excess) estimated income tax” refers to the reimbursement of SIFIDE regarding to the year 2018.

Deferred taxes

As at 31 December 2020 and 31 March 2021, the balance of the Group deferred tax assets and liabilities was composed as follows:

	31.12.2020	31.03.2021
Deferred tax assets		
Employee benefits - healthcare	75,968,984	75,770,941
Employee benefits - pension plan	73,758	67,174
Employee benefits - other long-term benefits	3,186,436	2,529,973
Impairment losses and provisions	4,936,452	4,937,150
Tax losses carried forward	786,994	510,247
Impairment losses in tangible fixed assets	408,756	429,470
Long-term variable remuneration (Board of directors)	53,978	98,445
Land and buildings	355,770	355,770
Tangible assets' tax revaluation regime	1,603,577	1,523,398
Other	517,163	594,692
	87,891,868	86,817,260
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	1,955,171	1,909,642
Suspended capital gains	703,836	695,962
Non-current assets held for sale	83,010	83,010
Other	51,682	38,022
	2,793,698	2,726,635

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 31 March 2021 the deferred tax asset amounts to 1,523,398 Euros.

As at 31 March 2021, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.4 million Euros and 0.2 million Euros, respectively.

During the year ended 31 December 2020 and three-month period ended 31 March 2021, the movements which occurred under the deferred tax headings of the Group were as follows:

	31.12.2020	31.03.2021
Deferred tax assets		
Opening balances	89,329,806	87,891,868
Effect on net profit		
Employee benefits - healthcare	(104,541)	(198,043)
Employee benefits - pension plan	-	(6,584)
Employee benefits - other long-term benefits	317,812	(656,463)
Impairment losses and provisions	(90,940)	(14,419)
Tax losses carried forward	(502,991)	(276,747)
Impairment losses in tangible fixed assets	22,946	20,714
Long-term variable remuneration (Board of directors)	53,978	-
Share plan	-	44,467
Land and buildings	(1,039)	-
Tangible assets' tax revaluation regime	(320,715)	(80,179)
Other	52,981	75,727
Effect on equity		
Employee benefits - healthcare	(766,465)	-
Employee benefits - pension plan	(10,910)	-
Other	(88,054)	16,919
Closing balance	87,891,868	86,817,260
Deferred tax liabilities		
Opening balances	2,958,115	2,793,698
Effect on net profit		
Revaluation of tangible fixed assets before IFRS adoption	(182,111)	(45,529)
Suspended capital gains	(33,845)	(8,461)
Effect on equity		
Fair Value Reserve	19,645	-
Other	31,895	(13,073)
Closing balance	2,793,698	2,726,635

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

Group	31.12.2020		31.03.2021	
	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	72,471,042	-	72,471,042	-
CTT Expresso/Transporta	6,142,786	783,366	6,142,786	510,247
Total	78,613,828	783,366	78,613,828	510,247

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017, 2018 and 2019 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. The Group will continue to monitor during 2021 the compliance with the new approved business plan, which foresees an increase in revenues and profitability of the Express operation in Spain, reassessing whether the compliance degree with the defined purposes allows to ensure of those amounts' recoverability and the possibility of deferred tax assets recognition.

Regarding CTT Expresso/Transporta the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 7 years (previously 5 years but extended to 7 years due to the exceptional measures approved to deal with adverse consequences caused by the pandemic COVID-19). The recognition of deferred tax assets related to Transporta's tax losses carried forward was supported by the estimate of CTT Expresso's future taxable profits, based on the company's five-year business plan (until 2025).

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), which are still awaiting an answer from the Tax Authority. Upon a favorable answer to the request submitted, an asset may be recognized in the future for deferred taxes on those tax losses.

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

SIFIDE

Taking into consideration the historical data associated with this reality, the Group policy for recognition of fiscal credits regarding SIFIDE tend to be the recognition of the credit at the moment of the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications for tax benefits.

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

Regarding the economic period of 2020, the Group is still identifying and quantifying the expenses incurred with R&D that will integrate the application that will be submitted during the year 2021.

The gains related with I&D expenses incurred in 2019 and 2020 are not yet been recognized, since the Group only recognizes the tax credit with the effective receipt from the commission certification statement, certifying the eligibility of expenses presented in the applications.

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 of the Group 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 31 March 2021.

26. 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 the party has, directly or indirectly, the power to guide the financial and operational policies of an entity in order to obtain benefits from its activities. Additionally, "close family members" are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

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

During the periods ended 31 March 2020 and 31 March 2021, the following transactions took place and the following balances existed with related parties, regarding the Group:

	31.03.2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies					
Associated companies	4,970	8,196	3,112	24,841	-
Jointly controlled	205,061	-	203,363	-	-
Members of the (Note 23)					
Board of Directors	-	-	-	631,114	-
Audit Committee	-	-	-	47,357	-
Remuneration Committee	-	-	-	13,950	-
General Meeting	-	-	-	-	-
	210,030	8,196	206,475	717,262	-

	31.03.2021				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies	-	-	-	-	-
Associated companies	-	-	-	-	-
Jointly controlled	691,917	2,050	314,019	252,591	-
Members of the (Note 23)	-	-	-	-	-
Board of Directors	-	-	-	717,999	-
Audit Committee	-	-	-	39,643	-
Remuneration Committee	-	-	-	4,950	-
General Meeting	-	-	-	-	-
	691,917	2,050	314,019	1,015,183	-

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

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 23 – Staff Costs.

27. Other information

The universal postal service concession contract, whose term was planned for 31.12.2020 was extended until 31.12.2021 by Decree-Law no. 106-A/2020, of 30 de December. In February 2021, CTT launched a formal procedure aimed to resolving issues related to the sustainability of the current Concession Contract, in particular, requiring compensation for the unilateral extension.

Maintaining the international public health emergency situation, Portugal spent almost the entire quarter in a state of emergency, with CTT, as in the previous year, and under the force majeure clause of the Concession Contract, continued to implement public health standards issued by the competent authorities, as well as to adopt the necessary and appropriate complementary measures to protect workers and users, and to ensure the postal services functioning and continuity. CTT continues to periodically report the state of the postal network situation to the Government, as the counterparty in the contract, and to ANACOM, the regulatory authority responsible for overseeing the universal service provision.

The legal proceedings relating to the ANACOM Decision regarding the service quality parameters and performance goals applicable to the universal postal service provision, of July 2018, are subject to their terms. The arbitral action brought against the Portuguese State, as a grantor, is in the stage of producing evidence. In administrative actions brought against ANACOM, the first relating to the same decision and the second relating to the December 2018 resolution regarding the new measurement procedures to be applied to the indicators, there are no relevant developments.

The process related to the proposal to apply eleven contractual fines, initiated in 2018, under the Universal Postal Service Concession Contract, based on alleged obligations breaches resulting from the contract, which occurred during the years 2015, 2016 and 2017, after additional evidence production as determined by the Grantor, awaits a decision. On 25 March 2021, ANACOM issued a decision in two administrative offenses for alleged violation of the obligation to have a physical complaints book in the establishments to which it operates and for the alleged violation of the obligation to provide the complaints book immediately and free of charge to the users who requested it, in which CTT was acquitted of the practice of 10 administrative offenses and sentenced to pay the single fine of 82,000 euros for the practice of 16 administrative offenses. CTT will judicially challenge this decision by ANACOM.

COVID-19 Impact

The Health situation deterioration in the beginning of 2021, led to a worsening of the containment measures and the introduction of a new general confinement in Portugal, which should lead to a generalized decrease in economic activity.

However, this decrease may be more moderate than in the first quarter of 2020, due to greater resilience of economic activity, as a result of the adaptation by families and companies to the restrictive measures.

In the second quarter of 2021, a recovery in economic activity is expected with the progressive lifting of containment measures and the vaccination spread.

The COVID-19 pandemic continued to affected consumers and companies, however, the Group maintained its activity in operation, simultaneously seeking to preserve the value of traditional services and continued to invest in new businesses, more linked to digital platforms and e-commerce. In this quarter, there was even a growth in operating income and EBIT, driven mainly by the strong growth from Expresso and Parcels income and also from Banco CTT, which offset the decrease in Mail and Others and Financial Services and Retail income.

In the context of a pandemic, the Group continued to carry out the following additional analyzes:

- Within the scope of public moratoria (Decree-Law 10-J/2020 and Decree-Law 26/2020), As of 31 March 2021, there were 769 moratoria, corresponding to € 42.4 M (€ 33.0 million in mortgage loans, € 6.5 M in auto loans and € 2.8 M in other loans), representing 3.7% of the total gross credit portfolio. Of the total number of completed moratoria, there are about 2.5 M € with delays of more than 30 days, which represents about 10% of the moratoria total number completed on 30 September 2020.
- Analysis of whether there are additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the Group, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognized;
- Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;
- Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified.

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

28. Subsequent events

On 1 April 2021, CTT – Correios de Portugal, S.A., through its subsidiary Banco CTT,S.A., has concluded with SFS – Financial Services, S.A. (“Sonae Financial Services”), managing entity of the portfolio of financial products and services with the Universo brand, a partnership agreement in the credit card area, valid for a period of five years and oriented towards the long term.

Pursuant to this agreement, Banco CTT will become the sole lender regarding the Cartão Universo credit book, being responsible for managing all credit-related decisions, including approval or canceling of credit lines, according to its own credit and risks policies. Sonae Financial Services will remain responsible for the issuance and commercial development of Cartão Universo, as well as for the customer care and loyalty programs.

Cartão Universo has approximately 850,000 active subscribers and is one of the leading credit cards in Portugal in the retail segment, with a market share above 13%. This agreement will allow Banco CTT to strength its position in the consumer credit segment.

Through a market transaction, Banco CTT acquired credits of 104 million euros, with additional acquisitions foreseen through the partnership. This credit book is expected to grow to amounts greater than 300 million euros within a period of 12 months. **This operation will boost Banco CTT's capacity to generate results and will be funded by Banco CTT's available liquidity and own funds (with capacity to generate and reallocate capital).**

As mentioned in note 23, 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.

On 3 May 2021, ANACOM released six decisions relative to the terms and conditions to be associated to the provision of the universal service (USO) and the terms under which the USO will be provided by the universal service provider(s) designated after the current concession. These decisions to a large extent retain the content of the draft decisions, particularly with regard to:

- The criteria setting the formation of the prices of the universal postal service;
- The quality of service parameters and performance targets associated with provision of the universal postal service;
- The delivery of postal items at premises other than the domicile;
- The concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service;
- The methodology for calculating the net costs of the universal postal service (CLSU); and
- The information to be provided by the universal service provider(s) to the users.

With the exception of those mentioned above, after 31 March 2021 and up to the present date, no relevant or material facts have occurred in the Group's activity **that have not been disclosed in the notes to the financial statements.**