

Consolidated Results

January-September 2021



committed to deliver

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

JANUARY TO SEPTEMBER 2021 CONSOLIDATED RESULTS

- **Revenues¹** grew by 14.7% y.o.y in 9M21 to €612.9m, an increase of €78.6m y.o.y., with the notable performance of the Express & Parcels business unit which grew by €54.8m (+41.7% y.o.y.), followed by Banco CTT with +€12.3m (+20.7% y.o.y.), Mail & other with +€8.2m (+2.6% y.o.y.), and Financial Services & Retail with +€3.3m (+10.2% y.o.y.).
- **Express & Parcels** posts revenues of €186.3m in 9M21, driven by the strong performance of the Iberian region, as Spain delivered on the results of the outlined strategy, growing by €36.7m (+76.1% y.o.y.) and Portugal by €17.9m (+22.0% y.o.y.). In 9M21, Spain represented 45.6% of the Express & Parcels segment revenues, with this share growing by 8.9 p.p. y.o.y. in 9M21.
- **Recurring EBIT** amounted to €39.7m in 9M21, growing by €20.4m versus 9M20, with a margin of 6.5% (3.6% in 9M20). It should be noted that all business units contributed positively to the growth of recurring EBIT, with emphasis on Express & Parcels with +€10.7m (+292.3% y.o.y.) and Banco CTT with €5.3m.
- **Operating cash flow** stood at €51.4m in 9M21, up €35.3m y.o.y.
- **Net profit⁵** of €26.3m, €22.0m more than in 9M20, driven mainly by the increase in recurring EBIT. The net profit in 9M21 includes non-recurring effects for an amount of €5.8m.

Consolidated Results

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
Revenues¹	534.3	612.9	78.6	14.7%	185.1	200.1	15.0	8.1%
Mail & other	310.8	318.9	8.2	2.6%	106.6	101.3	-5.3	-4.9%
Mail	308.8	316.7	8.0	2.6%	105.9	100.6	-5.3	-5.0%
Central structure	2.0	2.2	0.2	9.5%	0.6	0.7	0.1	12.4%
Express & Parcels	131.5	186.3	54.8	41.7%	46.4	60.5	14.1	30.4%
Banco CTT	59.7	72.1	12.3	20.7%	21.3	26.4	5.1	23.8%
Financial Services & Retail	32.3	35.6	3.3	10.2%	10.8	11.9	1.1	10.1%
Operating costs (EBITDA)²	468.9	530.0	61.1	13.0%	155.4	174.5	19.1	12.3%
EBITDA³	65.4	82.9	17.5	26.8%	29.7	25.6	-4.1	-13.8%
Depreciation & amortization ⁴	46.1	43.2	-2.8	-6.2%	16.0	14.6	-1.4	-8.9%
Recurring EBIT	19.3	39.7	20.4	105.2%	13.7	11.0	-2.7	-19.6%
Specific items	2.1	-5.8	-7.9	-378.7%	1.3	-3.5	-4.8	-369.3%
EBIT	17.3	45.5	28.2	163.4%	12.4	14.5	2.1	16.7%
Financial results (+/-)	-8.4	-8.1	0.3	4.0%	-2.5	-2.7	-0.2	-8.7%
Income tax for the period	4.5	11.0	6.5	145.9%	3.6	2.6	-1.0	-27.5%
Non-controlling interests	0.1	0.1	0.0	49.7%	0.0	0.1	0.0	100.7%
Net profit for the period⁵	4.3	26.3	22.0	507.7%	6.3	9.1	2.8	44.5%

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 to this standard.

³ Excluding depreciation & amortization and specific items.

⁴ Depreciation & amortization were positively impacted in 9M21 by the revision of the useful life of some assets.

⁵ Attributable to equity holders.

1. OPERATIONAL AND FINANCIAL PERFORMANCE

The economic activity recovered in 9M21, although restrictions continued to be imposed on the population and the economic activities in the scope of the COVID-19 pandemic. In this context, CTT continued to present a resilient revenue growth as a result of continued investment in the transformation of its business: digitalization and e-commerce, express & parcels and business solutions.

Mail

Revenues of the Mail business unit in 3Q21 decreased by €5.3m (-5.0% y.o.y.), driven by the performance of international inbound mail, strongly influenced by the removal of the Value Added Tax (VAT) exemption on extra-EU purchases (*de minimis*) as of 1 July 2021.

In 9M21, **Mail revenues** amounted to €316.7m, corresponding to a growth of €8.0m (+2.6% y.o.y.). This resulted mostly from higher **transactional mail** revenues (+€5.0m; +1.9% y.o.y.), which benefited from the contribution of higher value-added mail items, leading to a lower dependence on **ordinary mail** – whose weight in revenues decreased from 35% in 9M20 to 33% in 9M21 – and a greater importance of **registered mail** and **international inbound mail**, whose weight in revenues grew from 35% in 9M20 to 37% in 9M21. Simultaneously, there was a positive influence of **advertising mail** (+€0.2m; +1.9% y.o.y.), **editorial mail** (+€0.1m; +0.7% y.o.y.), **universal service parcels** (+€1.0m; +22.1% y.o.y.), **philately and other mail products and services** (+€1.3m; +22.9% y.o.y.) and **business solutions** (+€0.3m; +2.7% y.o.y.), whose revenues include one month of activity of the new company **Newspring Services**.

The average variation in prices of the universal postal service⁶ in 9M21 was 2.0% y.o.y.

Mail volumes

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
Transactional mail	336.7	313.5	-23.3	-6.9%	108.5	97.5	-11.0	-10.1%
Advertising mail	28.5	26.9	-1.6	-5.7%	8.9	7.8	-1.1	-12.1%
Editorial mail	22.1	21.4	-0.7	-3.1%	7.0	6.7	-0.3	-4.7%
Addressed mail	387.3	361.7	-25.6	-6.6%	124.3	111.9	-12.4	-10.0%
Unaddressed mail	305.3	333.1	27.8	9.1%	122.2	111.0	-11.1	-9.1%

In 9M21, **transactional mail** volumes declined by 6.9%, mainly due to the declines in domestic **ordinary mail** (-7.9%), with contractual clients of the banking and insurance segments continuing to make the biggest contribution to this decline, and in **international inbound mail** (-21.5%). Noteworthy is the continued growth of **registered mail** (+10.8%) and **green mail** (+1.0%).

The worsening of the decline in **international inbound mail** in 3Q21 was greatly impacted by the entry into force as of 1 July 2021 of the regulation abolishing the exemption of VAT on mail items below €22 ("*de minimis*"), which means that every item originating in extra-EU countries is subject to customs clearance. This has affected all European countries, as a drop of about 30% in international inbound mail volumes has been observed across Europe. This change had a significant operational impact insofar as, by the end of 1H21,

more than 95% of CTT's mail volumes of extra-EU origin were exempt from VAT and customs declaration. The customs clearance process has been automated so as to respond to the new reality, and the presentation-to-customs fees were reformulated accordingly. The trend to transfer the business associated with tracked mail items to the express segment continues, mostly for items originating in China, a source that since 2019 has seen declines of around 75% for all of Europe. **International outbound mail** volumes increased by 2.6%.

In **advertising mail**, as some advertisers have resumed campaigns as of 2Q21, mainly in the retail and consumer goods areas, the activity showed some degree of recovery, especially in unaddressed advertising mail. In 9M21, **unaddressed advertising mail** volumes recorded a 9.1% y.o.y. increase while **addressed advertising mail** volumes

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

decreased by 5.7% y.o.y. In 3Q21, a new Marketing Database offer was launched to strengthen the Advertising Solutions segment.

Although restrictions in the access of customers to the CTT Retail Network were maintained in the period under analysis, **philately** revenues in 9M21 amounted to €4.0m, corresponding to a 3.5% y.o.y. growth. To be highlighted is the issue of 27 stamps of the Republic, 17 postal stationery and 3 thematic books.

Business solutions

In 9M21, **business solutions** recorded revenues of €12.8m, corresponding to an increase of 2.7% y.o.y. (+€0.3m), as a result of the integration in September 2021 of Newspring Services in CTT's Business Solutions base offer. This acquisition is part of CTT's portfolio diversification strategy and the acceleration of growth in business solutions, by combining NewSpring's expertise in Business Process Outsourcing (BPO) and Contact Center solutions with CTT's commercial network, thus creating upsell opportunities with the B2B sales channel already in place.

CTT continued to focus on expanding and optimizing its current portfolio, having launched a new version of the CTT Local Trade app, with new features for consumers and traders, as well as a Confidential Document Destruction Solution for small businesses and remote workers.

Express & Parcels

Express & Parcels revenues totaled €186.3m in 9M21, an increase of €54.8m (+41.7% y.o.y.).

In the **Iberian market**, revenues stood at €184.0m, up €54.5m (+42.1% y.o.y.). **CEP** (Courier, Express and Parcels) represented €170.1m (+51.0% y.o.y.), and volumes totaled 53.1 million items, representing a 54.2% growth over 9M20. CEP growth in the Iberian market was boosted by the good performance of the CEP operation in Spain, which continues to gain share in a growing market.

In **Portugal** in 9M21, **Express & Parcels revenues** recorded €99.1m, growing €17.9m (+22.0% y.o.y.), and volumes totaled 23.9 million items, representing a growth of 21.2% y.o.y.

The Express & Parcels business performance in Portugal in 9M21 was based on the **CEP** business growth, whose revenues amounted to €86.6m (+32.8% y.o.y.). The **cargo** business revenues totaled €6.3m (-27.0% y.o.y.), those of the **banking** documents delivery business €3.4m (-32.4% y.o.y.) and those of the **logistics** business amounted to €2.3m (+35.2% y.o.y.).

The performance of the **CEP** business was mainly related to e-commerce (B2C), with particular focus on large global

marketplaces, due to organic growth and the capture in 2Q21 of a major worldwide e-commerce platform. The “back-to-school” campaign gave a relevant contribution to this performance, not only in the CEP product line but also in **logistics**, as a result of the capture by CTT of the schoolbook logistics and distribution operation of one of the largest sales channels for this product.

In the **cargo** product line, the strong reduction in revenues is related to the outsourcing of this business segment to a partner and the renegotiation of some customers' agreements, given the impossibility of agreeing on commercial conditions that would allow for adequate profitability. This meant, for example, the full abandonment of the tire delivery service. As a result, an improvement is intended in the product margin, which in 2020 stood at -5.8% and is expected to reach a positive operating margin in 2022.

The **banking** documents delivery product line continued under pressure due to the closure of bank branches as well as, and foremost, to the reduction of collection/delivery frequency in context of continued reduction of the capillarity of banking networks and increasingly lower utilization thereof.

The growth of CEP underpinned by e-commerce, the outsourcing of the cargo operation, and the decline in the banking documents delivery product have led the Group to redesign the operational express network in order to optimize the cost structure, adapt it to the new needs of the network and capture efficiency gains.

CTT continued to invest in the development of new platforms, systems and applications aimed at promoting the adoption of e-commerce by e-sellers and e-buyers. In this context, several initiatives were launched, with emphasis on: (1) the expansion, after its launch in the United States of America and in the United Kingdom, of the CTT service International Virtual Address to online shops in Spain and other European countries that do not ship to Portugal; (2) the shipping plug-in platform that allows its customers to automate their shipments through CTT by integrating online shops created in Prestashop, Shopify, Magento and Woocommerce; (3) the partnership with Habitat Invest that led to the installation in July 2021 of the first 24-hour Locker in Portugal, in a residential building, with the ambition of transforming the market and ensuring the convenience of homeowners when receiving parcels; and (4) the partnership with Zomato offering a new home meal delivery service with more than 300 food places in Lisbon and Oporto.

Furthermore, CTT continued to roll out its **24-hour Lockers** strategy to both the general public and companies. These allow the clients to pick up their parcels with maximum convenience, 24 hours a day, every day of the week (24/7). As of this date, CTT's parcel locker network offers 147 24-hour Lockers, in various locations around the country, namely in intermodal transport platforms, shopping centers, university campuses, physical retail networks or, in the case of corporate lockers, in companies. The locker network, in

addition to increasing convenience for the end customer, has the potential to generate savings in distribution due to the concentration of multiple deliveries at a single point.

The **Dott** marketplace⁷, launched in May 2019 in partnership with Sonae, had, as of the end of September 2021, 1,878 registered vendors on the platform and more than 5.4 million products available for sale. At the end of 3Q21, there were circa 390k registered users (+10% vs. June 2021).

Revenues in Spain stood at €84.9m in 9M21, growing by €36.7m (+76.1% y.o.y.). Volumes totaled 30.1 million items, an increase of 80.4% y.o.y.

The strong growth seen in 2020 has been confirmed in 2021, with CTT Espresso Spain positioning itself as a reference operator in the Iberian urgent parcels market. The reasons why clients trust increasingly more CTT Espresso Spain to handle their shipments at Iberian level include above-average quality of service levels, ability to treat and distribute, particularly in peak times, as well as flexibility and adaptability. In this context, CTT Espresso Spain continues to consolidate its transformation process and gain share in this growing market.

The strategy of investing in new facilities, as well as in technology and innovation, to improve the quality of service and the handling and delivery processes continues. These investments allow the Company to handle a greater number of shipments and prepare the operation in Spain to accommodate the anticipated growth and face the upcoming Black Friday and Christmas campaigns. The change of premises of the Alicante and Bilbao sorting centers is expected to take place during the last quarter of the year. The investment already made, together with activity growth and new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing agreements have been leading to a reduction in unit costs for handling (-15.2%), transportation (-26.7%) and distribution (-3.2%) in 9M21 compared to the same period of the previous year, as well as a dilution of structural costs and, thus, to the consequent increase in the profitability of the Spanish operations.

CTT's ambition for the CEP operation in Spain is to increase market share and profitability. More specifically, CTT aims to grow in the B2C market through a more efficient distribution network based on its own operations, capture B2B market share through a more competitive business model in attracting franchisees, and become the benchmark operator for Iberian shipments. Consequently, **CTT aims to increase its market share in Spain to a high single-digit level**. In terms of profitability, the ambition is to continue to increase scale, in order to dilute structural costs and improve operational leverage, enhance pricing dynamics, and implement a set of Iberian projects focused on increasing productivity. In this

context, **CTT's ambition is to increase the EBIT margin to a mid to high single-digit level**.

Revenues in Mozambique in 9M21 stood at €2.4m, growing by 13.7% y.o.y. The growth achieved was supported by the business in the health area (collection of biological samples). In 3Q21, further restrictive measures were taken at national level due to the third wave of COVID-19, by some uncertainty associated with the necessary access to the number of vaccines in volume needed to address the low effective vaccination rate, and by the easing of the political and military instability in the north of the country. At a global level, constraints in the supply chain of goods and services were observed, translating into general upward price pressure, with direct consequences on the activity.

Banco CTT

Banco CTT revenues reached €72.1m in 9M21, an increase of €12.3m (+20.7% y.o.y.). 2Q21 and 3Q21 fueled this growth, with +29.5% and +23.8% y.o.y., respectively.

The revenue growth was driven by the positive performance of **net interest income** that reached €40.4m in 9M21, €7.6m above 9M20 (+23.2%), with a 29.4% y.o.y. growth in 2Q21 and 28.6% y.o.y. in 3Q21.

In April 2021, Banco CTT started a partnership with Sonae Financial Services whereby it became the sole lender for the **Cartão Universo** credit book. This business generated revenues of €6.1m in 2Q21, with a net balance sheet volume of €243.9m in September 2021.

Interest from **consumer credit** grew by €3.0m (+12.2%), as **auto loans and leasing** reached a credit portfolio net of impairments of €623.9m (+9.9% vs. December 2020).

Interest from **mortgage loans** recorded a decline of €0.2m (-5.4%), with a €578.7m mortgage loan portfolio net of impairments (+10.3% vs. December 2020). Mortgage loan production amounted to €100.4m, a decrease of €17.0m (-14.5%) compared to 9M20.

Commissions received of this business unit reached €28.8m, up €4.5m (+18.8% y.o.y.).

To be noted are the positive contributions of the commissions received regarding **accounts and cards**, which amounted to €7.7m, an increase of €3.0m (+64.2%), **savings products** (off-balance sheet), which totaled €2.9m, growing by €1.2m (+72.6%) resulting from a net volume off-balance sheet of €617.1m, 43.9% above December 2020, and **payments**, which totaled €12.9m, a growth of €0.2m (+1.9% y.o.y.).

⁷ The Dott marketplace investment is accounted for by the equity method.

Banco CTT business performance continued to allow for growth in **customer deposits** to €1,987.4m (+17.7% vs. December 2020) and in the **number of accounts** to 559k (41k more than at the end of 2020).

The **loan-to-deposit ratio** reached 72.9% at the end of 9M21.

As of 30 September 2021, there were 59 active **moratoria**, corresponding to €3.43m, which represent 0.3% of the credit to clients portfolio (€2.97m regarding mortgage loans and €0.46m auto loans). Of the expired moratoria, there are about €2.9m in arrears of more than 30 days, which represent circa 4.6% of the total private moratoria expired by 30 September 2021.

Financial Services & Retail

Financial Services & Retail revenues amounted to €35.6m in 9M21, representing an increase of €3.3m (+10.2% y.o.y.).

Financial services (excluding other revenues) obtained revenues of €23.7m in 9M21, a decrease of €0.5m (-2.2% y.o.y.), broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth), with revenues of €17.6m, decreased by €0.3m (-1.7% y.o.y.).

Hence, €3,546.2m were placed in subscriptions with an average of €18.7m/day vs. €15.1m/day in the same period of the previous year. This was the result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.

- The **remaining savings and insurance products** (capitalization insurance and other) grew by 1.4%, with the negative impact of the maturity of a part of the product portfolio being offset by the widening and diversification of the offer of new investment/savings/insurance solutions, which have reached revenues of €0.2m and €24.6m of funds handled.
- **Money orders** revenues of €4.2m decreased by 6.8% (-€0.3m y.o.y.), as a result of the structural effect of the changes in the means of payments for this service.
- **CTT payment services** posted revenues of €1.1m in 9M21, slightly above the previous year's (+2.3%). In 1H21, this product benefited from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service. However, there has been a slowdown already in 3Q21.

The **retail products and services** (excluding other revenues) obtained revenues of €11.6m in 9M21, an increase of €3.7m (+45.9% y.o.y.), mainly due to the gambling business line (+135.1% y.o.y.) driven by the sale of "scratch cards" as of 4Q20 and the progressive expansion of this sale to the whole Retail Network.

The easing of the lockdown restrictive measures has led to a gradual pickup of the Air Transport Allowance business, with a y.o.y. growth of 143.5% in 3Q21 compared to +73.8% y.o.y. in 2Q21 and -67.0% y.o.y. in 1Q21.

CTT has been strengthening its position in order to leverage return to growth after the lockdown period, by creating a product offering suited to the layout of its branches and the context of the retail network, as well as by stimulating impulse buying.

Operating Costs

Operating costs totaled €567.4m in 9M21, a growth of €50.4m (+9.8% y.o.y.).

Staff costs increased by €8.6m (+3.4% y.o.y.) in 9M21, mostly in the Express & Parcels (+€3.4m) and Banco CTT (+€2.7m), business units where there was a sharp business growth. The remaining business units, i.e. Mail & other and Financial Services & Retail, posted a growth of €1.5m, driven by the steady increase in health costs (+€1.7m) due to the easing of restrictions related to the COVID-19 pandemic, which were partly offset by a reduction in traineeships (-€0.1m). Excluding the effect of Newspring Services (€1.0m), the increase in staff costs would have been €7.7m (+3.1%).

External supplies & services costs increased by €54.9m (+30.4% y.o.y.) in the period, where the following items stand out: direct and commercial costs (+€44.4m), temporary work (+€4.3m), physical and technological resources (+€4.8m) and uniforms (+€0.4m), driven mainly by the growth in the Express & Parcels and Banco CTT business units. Excluding the effect of Newspring Services (€0.7m), the growth in external supplies & services costs would have been €54.2m (+30.1%).

Impairments and provisions decreased by €4.4m (-33.4% y.o.y.), as a result of the changes in the credit risk matrices and the improvement of the economic situation, given that the same period of the previous year was strongly impacted by the pandemic and uncertainty, mainly at the level of auto loans.

Other costs grew by €2.0m (+8.1%), due to the growth of scratch card sales (+€3.8m), which was partly attenuated by other direct and commercial costs (-€1.8m).

Depreciation & amortization posted a decrease of €2.8m in 9M21 (-6.2% y.o.y.), positively impacted by the revision of the useful life of some assets (-€5.2m), and partially offset by new building lease contracts which impacted amortization (+€1.7m), due to the IFRS 16 accounting standard.

Operating Costs

€ million

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
Staff costs	250.6	259.3	8.6	3.4%	80.5	82.0	1.5	1.9%
ES&S	180.2	235.1	54.9	30.4%	63.9	80.4	16.5	25.9%
Impairments & provisions	13.2	8.8	-4.4	-33.4%	2.2	3.0	0.9	39.9%
Other costs	24.8	26.8	2.0	8.1%	8.8	9.0	0.2	2.3%
Operating costs (EBITDA)⁸	468.9	530.0	61.1	13.0%	155.4	174.5	19.1	12.3%
Depreciation & amortization	46.1	43.2	-2.8	-6.2%	16.0	14.6	-1.4	-8.9%
Specific items	2.1	-5.8	-7.9	-378.7%	1.3	-3.5	-4.8	-369.3%
Corporate restructuring costs and strategic projects	1.5	9.9	8.3	»	0.9	0.4	-0.5	-51.7%
Other non-recurring revenues and costs	0.5	-15.6	-16.2	«	0.4	-3.9	-4.3	«
Operating costs	517.0	567.4	50.4	9.8%	172.7	185.6	12.9	7.5%

Specific items amounted to -€5.8m (-€7.9m y.o.y.), due to: (i) a capital gain of €17.8m booked in connection to the sale of public debt securities to optimize Banco CTT balance sheet against a backdrop of the rollout of the partnership with Sonae, (ii) a capital gain of €1.0m booked in connection with the sale of a building, (iii) restructuring costs of €8.4m, of which €8.0m correspond to a provision for approximately 118 suspension agreements of employment contracts, (iv) an impairment loss of €1.4m related with the initial IFRS9 adjustment with the acquisition of the credit stock of Cartão Universo, and (v) other costs related to the COVID-19 pandemic and one-off projects for an amount of €3.2m.

Staff

As of 30 September 2021, the CTT **headcount** (permanent and fixed-term staff) consisted of 12,924, an increase of 452 (+3.6%) compared to 30 September 2020. These figures incorporate the inorganic effect of Newspring Services which had an impact of 786 employees. Excluding this effect, the number of staff would be 12,138, corresponding to a decrease of 334 (-2.7% y.o.y.).

Headcount

	30.09.2020	30.09.2021	Δ	Δ%
Mail & other	10,792	11,194	402	3.7%
Express & Parcels	1,219	1,247	28	2.3%
Banco CTT	428	451	23	5.4%
Financial Services & Retail	33	32	-1	-3.0%
Total, of which:	12,472	12,924	452	3.6%
Permanent	10,779	11,189	410	3.8%
Fixed-term contracts	1,693	1,735	42	2.5%
Portugal	11,922	12,330	408	3.4%
Other geographies	550	594	44	8.0%

Excluding the inorganic effect, there was an increase in the number of staff, mainly in the expanding business units, i.e. Express & Parcels (+28) and Banco CTT (+23).

Together, the areas of operations and distribution within the basic network (5,799 employees, of whom 4,187 delivery postmen and women) and the retail network (2,421 employees) represent circa 71.3% of CTT's permanent staff. Excluding the integration of NewSpring Services, this staff would represent 74.2%.

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 to this standard.

Recurring EBIT

In 9M21, **recurring EBIT** stood at €39.7m, growing by €20.4m (+105.2% y.o.y.), with a margin of 6.5% (3.6% in 9M20). All the business units contributed favorably to recurring EBIT growth.

This performance was mainly due to the strong recurring EBIT growth of €10.7m (+292.3%) in Express & Parcels, €5.3m in Banco CTT and €3.4m (+54.3%) in Mail & other. In the Financial Services & Retail business unit the evolution was +€0.9m (+5.4%).

Despite the recurring EBIT growth, it should be noted that in the context of the loss of international inbound mail revenues, CTT is working on plans to optimize its operations. In this context, CTT is carrying out an extended mail distribution route optimization project and has already taken action in sorting centers that represent 40% of the routes. This optimization process is expected to be concluded during the year 2022.

Additionally, at the level of express & parcels operations, a renegotiation of distribution contracts is being carried out and a new dynamic planning of distribution routes is being implemented, in order to promote savings and efficiencies. There is also a wide range of projects aimed at promoting an increasingly integrated management of the mail and express & parcels networks.

At the same time, CTT continues to work on an increasing Iberian integration of its express & parcels operations, in order to benefit from the joint scale in the negotiation of purchases and in the sharing of best practices between both geographies.

Finally, it is also worth highlighting a number of cost reduction initiatives at the central structure level, which will involve introducing efficiencies in the exploitation of CTT's real estate and in the personnel structure.

Recurring EBIT by business unit

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
Recurring EBIT by business unit	19.3	39.7	20.4	105.2%	13.7	11.0	-2.7	-19.6%
Mail & Other	6.3	9.8	3.4	54.3%	5.8	0.2	-5.6	-97.1%
Mail	48.4	46.5	-1.9	-4.0%	17.7	10.7	-7.0	-39.7%
Central structure	-42.1	-36.7	5.4	12.7%	-11.9	-10.5	1.4	11.9%
Express & Parcels	-3.7	7.1	10.7	292.3%	-0.5	1.6	2.1	460.4%
Banco CTT	0.4	5.8	5.3	»	2.7	3.4	0.7	24.4%
Financial Services & Retail	16.2	17.1	0.9	5.4%	5.7	5.9	0.2	3.1%

Financial Results and Net Profit

The **consolidated financial results** amounted to -€8.1m in 9M21, corresponding to an improvement of €0.3m (+4.0% y.o.y.).

Financial Results

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
Financial results	-8.4	-8.1	0.3	4.0%	-2.5	-2.7	-0.2	-8.7%
Financial income, net	-7.3	-6.4	0.9	12.7%	-2.6	-2.1	0.4	17.0%
Financial costs and losses	-7.3	-6.4	0.9	12.6%	-2.6	-2.1	0.5	17.6%
Financial income	0.0	0.0	0.0	40.3%	0.0	0.0	0.0	-346.3%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.1	-1.7	-0.6	-55.1%	0.1	-0.6	-0.7	854.6%

Financial costs and losses incurred amounted to €6.4m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €2.7m, interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €2.3m, and interest rates for an amount of €1.3m.

CTT obtained a **consolidated net profit** attributable to equity holders of €26.3m in 9M21, €22.0m above 9M20, positively impacted by the evolution of EBIT (+€28.2m) and financial results (+€0.3m), and negatively by the corporate income tax for the period (+€6.5m).

Investment

Capex stood at €21.5m in 9M21, corresponding to 17.7% more (+€3.2m) than in 9M20.

The Company maintained the focus of investment on the fastest growing business unit, i.e. the Express & Parcels (+€2.8m), thus ensuring support to and optimization of its activity.

The remaining business units posted a more moderate growth, (+€0.5m), with special focus on information systems, postal equipment and new facilities to accommodate the new model for customs clearance of extra-EU items in response to changes in the VAT regulation for e-commerce, which came into force on 1 July 2021 throughout the EU.

Cash flow

In 9M21, CTT generated an operating cash flow of €51.4m, an increase of €35.3m y.o.y.

Cash flow

	9M20	9M21	Δ	Δ%	3Q20	3Q21	Δ	Δ%
	€ million							
EBITDA	65.4	82.9	17.5	26.8%	29.7	25.6	-4.1	-13.8%
Non-cash items*	-7.7	-13.9	-6.1	-79.4%	-5.4	-4.6	0.9	16.2%
Specific items**	-2.1	5.8	7.9	378.7%	-1.3	3.5	4.8	369.3%
Capex	-18.2	-21.5	-3.2	-17.7%	-7.3	-9.7	-2.4	-32.8%
Δ Working capital	-21.3	-2.0	19.3	90.7%	-3.5	-1.2	2.3	64.7%
Operating cash flow	16.0	51.4	35.3	220.5%	12.1	13.5	1.4	11.6%
Employee benefits	-8.3	-9.5	-1.3	-15.1%	-3.2	-3.0	0.2	7.5%
Tax	-7.9	-2.4	5.5	69.9%	-8.5	-2.4	6.1	71.7%
Free cash flow	-0.2	39.4	39.6	»	0.4	8.1	7.7	»
Debt (principal + interest)	-0.9	-10.1	-9.2	-987.8%	-0.2	-7.3	-7.2	«
Dividends	0.0	-12.8	-12.8	-	0.0	0.0	0.0	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	0.0	-6.4	-
Disposal of buildings	0.0	2.2	2.2	-	0.0	2.2	2.2	-
Financial investments	0.4	-15.0	-15.3	«	0.4	-14.2	-14.6	«
Change in adjusted organic cash	-0.7	-2.7	-1.9	-264.5%	0.6	-11.2	-11.8	«
Inorganic cash - Newspring	0.0	4.9	4.9	-	0.0	4.9	4.9	-
Change in adjusted cash	-0.7	2.3	3.0	410.1%	0.6	-6.3	-6.9	«
Δ Liabilities related to Financial Services & other and Banco CTT, net ⁹	-48.9	410.4	459.4	938.7%	-14.1	282.4	296.4	»
Δ Other ¹⁰	-7.8	2.1	9.9	127.2%	2.5	2.2	-0.3	-11.4%
Net change in cash	-57.4	414.8	472.2	822.3%	-11.0	278.2	289.3	»

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating cash flow in 9M21 resulted mainly from the positive performance of EBITDA, a level of investment equivalent to that of the previous year and an evolution of working capital (+€19.3m) strongly influenced by the positive evolution of the day-to-day business, with

particular emphasis on the more efficient management of accounts receivable, and the lower impact that working capital related to investment had in the period, as a result of the lower level of investment in 4Q20 compared to the same period of the previous year.

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	30.09.2021	Δ	Δ%
				€ million
Non-current assets	1,984.3	1,847.3	-137.1	-6.9%
Current assets	910.6	1,587.4	676.8	74.3%
Assets	2,894.9	3,434.6	539.7	18.6%
Equity	150.3	158.4	8.1	5.4%
Liabilities	2,744.6	3,276.3	531.6	19.4%
Non-current liabilities	493.4	718.2	224.8	45.6%
Current liabilities	2,251.2	2,558.1	306.8	13.6%
Equity and consolidated liabilities	2,894.9	3,434.6	539.7	18.6%

The key aspects of the comparison between the **consolidated balance sheet** as of 30.09.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €539.7m, mostly due to the strong growth in Credit to banking clients (+€354.0m), especially mortgage loans and credit cards, Cash & cash equivalents (+€414.8m), following the strong increase in clients' deposits at Banco CTT and the securitization operation carried out by 321 Crédito. This was partially attenuated by the decrease in Investments in securities (-€239.4m) as a result of the disposal of securities portfolios.
- **Equity** increased by €8.1m due to the recognition of a net profit attributable to the CTT Group equity holders in 9M21 corresponding to €26.3m and the increase in reserves as a result of the constitution of the reserve associated with the Share plan (€0.8m). On the other hand, there was the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m.
- **Liabilities** increased by €531.6m, underpinned by the increase in Banking clients' deposits and other loans (+€298.1m), and in Other banking financial liabilities (+€251.3m) arising from the securitization operation carried out by 321 Crédito, as well as the increase in Other current liabilities (+€12.5m), mostly as a consequence of increased staff costs. Conversely, there was a decrease in items such as Bank loans (-€10.2m), mostly as a result of the payment of the first tranche of the BBVA/Bankinter loan, and Other accounts payable (-€30.8m), to a large extent following the reduction in the amounts of the subscriptions of Treasury Certificates.

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

Consolidated Balance Sheet with Banco CTT under equity method

	31.12.2020	30.09.2021	Δ	Δ%
				€ million
Non-current assets	638.8	671.0	32.2	5.0%
Current assets	484.0	439.4	-44.7	-9.2%
Assets	1,122.8	1,110.4	-12.4	-1.1%
Equity	150.3	158.7	8.3	5.5%
Liabilities	972.5	951.7	-20.8	-2.1%
Non-current liabilities	444.0	430.3	-13.7	-3.1%
Current liabilities	528.5	521.4	-7.1	-1.3%
Equity and consolidated liabilities	1,122.8	1,110.4	-12.4	-1.1%

The **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €282.8m in 9M21, €0.2m less than in December 2020, as specified in the table below:

These liabilities related to employee benefits are associated with deferred tax assets amounting to €78.7m. Thus, the current amount of the liabilities related to employee benefits net of deferred tax assets associated thereto is €204.1m.

Liabilities related to employee benefits

	31.12.2020	30.09.2021	Δ	Δ%
	€ million			
Total liabilities	283.0	282.8	-0.2	-0.1%
Healthcare	271.2	268.7	-2.4	-0.9%
Healthcare (321 Crédito)	1.4	1.5	0.1	6.6%
Suspension agreements	2.8	5.2	2.5	89.3%
Other long-term employee benefits	6.9	6.6	-0.3	-3.8%
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	5.6%
Pension plan	0.3	0.3	-0.0	-5.2%
Other benefits	0.2	0.2	-0.1	-25.6%
Deferred tax assets	-79.2	-78.7	0.6	0.7%
Current amount of after-tax liabilities	203.8	204.1	0.3	0.2%

Consolidated net debt

Consolidated net debt

	31.12.2020	30.09.2021	Δ	Δ%
	€ million			
Net debt	71.4	59.0	-12.4	-17.4%
ST & LT debt	206.9	196.7	-10.2	-4.9%
of which Finance leases (IFRS16)	115.2	112.2	-3.0	-2.6%
Adjusted cash (I+II)	135.4	137.7	2.3	1.7%
Cash & cash equivalents	518.2	933.0	414.8	80.0%
Cash & cash equivalents at the end of the period (I)	498.8	911.5	412.7	82.7%
Other cash items	19.4	21.5	2.1	10.9%
Other Financial Services liabilities, net (II)	-363.4	-773.8	-410.4	-112.9%

The key aspects of the comparison between the **consolidated net debt** as of 30.09.2021 and that as at 31.12.2020 are as follows:

- Adjusted cash increased by €2.3m, as the positive performance of the operating cash flow (+€51.4m) more than offset the payment of employee benefits (-€9.5m), debt service (-€10.1m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and financial investments for an amount of €15.0m.
- Short-term & long-term debt decreased by €10.2m mainly due to the reduction in short-term bank loans of CTT (-€7.2m) following the payment of the first tranche of the BBVA/Bankinter loan and the decrease in liabilities related to lease contracts in the scope of IFRS 16 (-€3.0m).

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

Consolidated net debt with Banco CTT under equity method

	31.12.2020	30.09.2021	Δ	Δ%
	€ million			
Net debt with Banco CTT under equity method	153.9	178.8	24.9	16.2%
ST & LT debt	204.7	194.8	-9.9	-4.8%
of which Finance leases (IFRS16)	113.0	110.3	-2.7	-2.4%
Adjusted cash (I+II)	50.8	16.0	-34.8	-68.4%
Cash & cash equivalents	286.4	214.4	-72.1	-25.2%
Cash & cash equivalents at the end of the period (I)	286.5	214.4	-72.1	-25.2%
Other cash items	-0.0	-0.0	0.0	15.0%
Other Financial Services liabilities, net (II)	-235.7	-198.3	37.3	15.8%

2. OTHER HIGHLIGHTS

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 No. 106-A/2020 of 30 December.

By decision dated 02.09.2021, ratified on 06.09.2021, ANACOM approved the statement of conformity of the results of CTT's **cost accounting system** for the 2018 financial year, as well as the final decision regarding the determinations to improve the system, following the respective audit, and the report of the prior hearing. The determinations will remain in force after 2021, until the approval of a new decision on this matter, should CTT remain the universal postal service provider after 31.12.2021.

By deliberation dated 28.10.2021, ANACOM granted CTT's request regarding the deduction, in all national flows, of the **records of mail dispatches** directly affected by the COVID-19 pandemic for the purposes of calculating the Quality of Service Indicators (QSI) for the year 2021.

Sustainability

During this period, CTT continued to be active in the fight against climate change through various initiatives. For the third consecutive time, the Company joined Green Postal Day, an initiative promoted by IPC - International Post Corporation, along with 15 other postal operators. This initiative marked the positive results of the collective effort that postal operators worldwide have been putting in place to contribute to the **sustainable development goals**.

CTT has a leading position in this matter, with significant reductions of its emissions. The gradual electrification of the fleet is an integral part of the carbon management path that CTT has been following, with 22 more electric vehicles added to its fleet compared to the same period of the previous year. The km traveled by CTT's alternative vehicle fleet increased significantly when compared to 3Q20, reflecting the optimization and expansion of its activity.

In 2021, CTT workers and the general public were once again able to choose the projects for **carbon offsetting of the Express offer** in Portugal. The two winning projects "Portugal: wild animal recovery" and "Brazil: prevention of deforestation" will be allocated 2,937 tons of CO₂ that correspond to the emissions resulting from the direct activity of this service that could not be avoided. CTT offsets the carbon emissions of its Green Mail and Express offers in the national territory, at no extra cost to its customers.

As part of the **circular economy**, CTT established a partnership with To Be Green, a spin-off from the University of Minho, to create new products by processing individual protection masks against the COVID-19 pandemic discarded by workers at CTT's production and logistics centers.

Also noteworthy is the positive start of the pilot project for CTT's reusable ECO packaging, which began in July of this year and has 2 partners who have agreed to send shipments from their online stores using CTT's new packaging solution. About 20% of their e-buyers have used this more ecological solution, based on a circular economy logic, and about 60% of them have already returned the packages to CTT, which went back into circulation. It is expected that these figures will be even more significant, giving greater convenience to the package return and using technology to generate notifications to the e-buyer to return the reusable ECO packaging.

In its relationship with the workers as a stakeholder, CTT published the **Equality Plan for 2022** identifying improvement actions it considers relevant to promote the company's path in the matter, and continued to launch competitions and sign protocols with various entities with preferential prices for workers.

In the scope of CTT's involvement with society, it was not possible to promote specific volunteer actions due to the pandemic, but **volunteer mentoring** continued to be promoted with EPIS to support young people at risk of school failure. In addition, an initiative to support culture was launched, raising funds through the sale of philatelic books, having already reached the amount of 5k euros to donate to the National Center of Culture.

And its efforts have been recognized. For COTEC – Business Association for Innovation, CTT is a company that deserves the INNOVATOR 2021 Status, given its positioning in the area of **innovation**, entrepreneurship and connection to the Portuguese business fabric. CTT was also distinguished with the Transformation Prize in Deloitte's IRG Awards with the project "Support for the digitalization of local trade in Portugal", in which they choose the organizations and people who have contributed most and best to making the capital market more efficient, transparent, socially responsible and useful to the Portuguese economy and society.

3. SUBSEQUENT EVENTS

On 03.11.2021, the Council of Ministers approved the Resolution 144/2021 of 23.09.2021, which determines the opening of a direct award procedure aimed at designating **CTT as the universal postal service provider**. The current contract expires on 31.12.2021, date by which the new contract will be concluded, which will have a 7-year term. This Resolution paves the way for the definition of a new contractual framework which will enable (1) "an enhanced sensitivity of the pricing to be implemented by the concessionaire to the evolution of the postal activity and (2) "establishing high quality of service standards, aligned with the European Union best practices.". It is expected that the new concession contract, which will come into force in January 2022, will promote a framework that balances more adequately the continuity and sustainability of the fulfilment of universal postal service obligations.

FINAL NOTE

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

Lisbon, 4 November 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 website at:

https://www.ctt.pt/grupo-ctt/investidores/informacao-financeira/divulgacao-resultados?language_id=1.

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Disclaimer

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Forward-looking statements

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

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

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

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

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

9 months report 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 30 SEPTEMBER 2021

Euros

	NOTES	31.12.2020	Unaudited 30.09.2021
ASSETS			
Non-current assets			
Tangible fixed assets	4	294,989,377	290,218,862
Investment properties	6	7,075,908	6,870,056
Intangible assets	5	58,016,961	58,696,032
Goodwill		70,201,828	81,471,314
Investments in associated companies		481	481
Investments in joint ventures		2,925,100	2,689,334
Other investments		6,394	11,684
Debt securities at fair value through other comprehensive income	8	12,273,557	6,050,431
Debt securities at amortized cost	8	453,090,517	222,217,548
Other non-current assets		1,063,789	716,504
Credit to banking clients	10	985,355,687	1,082,601,001
Other banking financial assets	9	11,422,884	7,876,758
Deferred tax assets	25	87,891,868	87,835,465
Total non-current assets		1,984,314,351	1,847,255,471
Current assets			
Inventories		6,601,999	7,615,973
Accounts receivable		153,616,009	149,942,937
Credit to banking clients	10	107,925,845	364,654,169
Income taxes receivable		-	7,498
Prepayments	11	6,498,759	9,988,461
Debt securities at fair value through other comprehensive income	8	7,281,273	4,338,727
Debt securities at amortized cost	8	45,160,057	45,834,472
Other current assets		33,728,584	60,665,845
Other banking financial assets	9	29,456,513	10,719,493
Cash and cash equivalents	12	518,180,171	932,980,372
		908,449,210	1,586,747,947
Non-current assets held for sale		2,139,065	611,632
Total current assets		910,588,275	1,587,359,579
Total assets		2,894,902,626	3,434,615,050
EQUITY AND LIABILITIES			
Equity			
Share capital	14	75,000,000	75,000,000
Own shares	15	(8)	(6,404,963)
Reserves	15	65,919,935	66,692,352
Retained earnings	15	39,962,419	43,900,978
Other changes in equity	15	(47,600,236)	(47,600,236)
Net profit		16,669,309	26,308,662
Equity attributable to equity holders		149,951,419	157,896,793
Non-controlling interests		323,675	467,768
Total equity		150,275,094	158,364,561
Liabilities			
Non-current liabilities			
Medium and long term debt	18	164,034,127	147,482,536
Employee benefits		264,369,292	264,857,532
Provisions	19	17,416,354	20,085,969
Prepayments	11	283,289	314,571
Other banking financial liabilities	9	44,506,988	282,877,146
Deferred tax liabilities	25	2,793,698	2,572,403
Total non-current liabilities		493,403,748	718,190,157
Current liabilities			
Accounts payable	20	375,562,902	344,798,270
Banking clients' deposits and other loans	21	1,688,465,160	1,986,571,136
Employee benefits		18,630,568	17,928,550
Income taxes payable	22	1,340,420	10,529,069
Short term debt	18	42,832,626	49,233,851
Prepayments	11	3,412,059	2,575,608
Other current liabilities		99,493,397	112,014,175
Other banking financial liabilities	9	21,486,652	34,409,673
Total current liabilities		2,251,223,784	2,558,060,332
Total liabilities		2,744,627,532	3,276,250,489
Total equity and liabilities		2,894,902,626	3,434,615,050

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

CTT – CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2021
 Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited 30.09.2020	Unaudited 30.09.2021	Unaudited 30.09.2020	Unaudited 30.09.2021
Sales and services rendered	3	483,902,444	548,485,894	167,445,456	176,294,085
Financial margin		32,822,039	40,447,134	11,439,044	14,706,033
Other operating income		17,537,452	23,952,912	6,209,903	9,102,109
		534,261,935	612,885,940	185,094,403	200,102,226
Cost of sales		(13,320,299)	(13,869,276)	(4,609,543)	(4,635,122)
External supplies and services		(181,805,882)	(237,835,303)	(64,452,800)	(80,867,765)
Staff costs	23	(251,441,508)	(267,682,275)	(81,170,172)	(82,189,488)
Impairment of accounts receivable, net		(4,711,477)	(1,698,740)	(950,183)	(885,020)
Impairment of other financial banking assets		(7,583,228)	(9,766,395)	(1,179,663)	(3,465,744)
Provisions, net	19	(922,830)	1,297,051	(33,190)	1,325,759
Depreciation/amortization and impairment of investments, net		(46,054,866)	(43,213,815)	(16,020,694)	(14,600,976)
Earnings of other financial banking assets and liabilities	3	-	17,776,526	-	3,393,821
Other operating costs		(11,757,478)	(13,312,671)	(4,294,681)	(4,592,187)
Gains/losses on disposal of assets	3	606,778	905,878	20,284	890,757
		(516,990,790)	(567,399,020)	(172,690,642)	(185,625,966)
		17,271,145	45,486,920	12,403,761	14,476,260
Interest expenses	24	(7,309,878)	(6,386,502)	(2,564,772)	(2,112,550)
Interest income	24	10,755	15,093	4,544	(11,189)
Gains/losses in subsidiary, associated companies and joint ventures		(1,082,665)	(1,678,837)	76,338	(576,068)
		(8,381,788)	(8,050,246)	(2,483,889)	(2,699,807)
Earnings before taxes		8,889,356	37,436,674	9,919,872	11,776,453
Income tax for the period	25	(4,473,740)	(10,999,065)	(3,576,025)	(2,594,232)
Net profit for the period		4,415,616	26,437,609	6,343,847	9,182,221
Net profit for the period attributable to:					
Equity holders		4,329,478	26,308,662	6,313,811	9,121,948
Non-controlling interests		86,138	128,947	30,036	60,273
Earnings per share:	17	0.03	0.18	0.04	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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2021
 Euros

	NOTES	Nine months ended		Three months ended	
		Unaudited 30.09.2020	Unaudited 30.09.2021	Unaudited 30.09.2020	Unaudited 30.09.2021
Net profit for the period		4,415,616	26,437,609	6,343,847	9,182,221
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(6,697)	19,250	(2,533)	23,414
Changes to fair value reserves	15	436,057	(37,583)	80,166	(393,474)
Other changes in equity		(52,744)	15,147	(2,533)	65,358
Other comprehensive income for the period after taxes		376,615	(3,187)	75,099	(304,703)
Comprehensive income for the period		4,792,232	26,434,422	6,418,946	8,877,519
Attributable to non-controlling interests		79,441	144,093	27,503	92,155
Attributable to shareholders of CTT		4,712,791	26,290,329	6,391,443	8,785,364

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 30 SEPTEMBER 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	97,225	16,766,534
Comprehensive income for the period		-	-	67,340	2,143,908	(101,815)	16,669,309	81,420	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)	-	-
Dividends	16	-	-	-	-	(12,750,000)	-	-	(12,750,000)
Acquisition of own shares	15	-	(6,404,954)	-	-	-	-	-	(6,404,954)
Share plan	15	-	-	810,000	-	-	-	-	810,000
		-	(6,404,954)	810,000	-	3,919,309	(16,669,309)	-	(18,344,954)
Other movements	15	-	-	-	-	-	-	15,147	15,147
Changes to fair value reserves	15	-	-	(37,583)	-	-	-	-	(37,583)
Adjustments from the application of the equity method	15	-	-	-	-	19,250	-	-	19,250
Net profit for the period	15	-	-	-	-	-	26,308,662	128,947	26,437,609
Comprehensive income for the period		-	-	(37,583)	-	19,250	26,308,662	144,093	26,434,422
Balance on 30 September 2021 (Unaudited)		75,000,000	(6,404,963)	66,692,352	(47,600,236)	43,900,978	26,308,662	467,768	158,364,562

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

CTT – CORREIOS DE PORTUGAL, S.A.
 CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2021
 Euro

	NOTES	Unaudited 30.09.2020	Unaudited 30.09.2021
Cash flow from operating activities			
Collections from customers		468,505,577	594,295,916
Payments to suppliers		(228,102,554)	(341,012,571)
Payments to employees		(225,693,437)	(234,591,750)
Banking customer deposits and other loans		287,419,354	298,162,508
Credit to banking clients		(155,908,385)	(359,259,977)
Cash flow generated by operations		146,220,556	(42,405,874)
Payments/receivables of income taxes		(7,890,301)	(2,378,382)
Other receivables/payments		10,600,603	37,665,117
Cash flow from operating activities (1)		148,930,859	(7,119,139)
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		870,185	2,168,750
Investment properties		55,000	-
Financial investments		2,401,250	-
Investment in securities at fair value through other comprehensive income	8	32,454,855	9,000,867
Investment in securities at amortized cost	8	166,035,822	380,145,221
Demand deposits at Bank of Portugal		10,485,534	-
Other banking financial assets	9	16,470,000	24,185,000
Interest income		25,670	23,909
Payments resulting from:			
Tangible fixed assets		(20,417,359)	(11,254,837)
Intangible assets		(9,153,411)	(10,802,378)
Financial investments	7	(2,045,054)	(14,962,369)
Investment in securities at fair value through other comprehensive income	8	(57,025,122)	-
Investment in securities at amortized cost	8	(221,540,540)	(142,950,283)
Demand deposits at Bank of Portugal		-	(3,679,300)
Other banking financial assets	9	(32,050,000)	(800,000)
Cash flow from investing activities (2)		(113,433,169)	231,074,579
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	14,060,695	59,832,194
Other credit institutions' deposits		250,000	-
Other banking financial liabilities	9	-	251,500,000
Payments resulting from:			
Loans repaid		(14,118,023)	(69,801,786)
Other credit institutions' deposits		(38,131,082)	-
Other banking financial liabilities	9	(25,294,138)	(15,610,415)
Interest expenses		(901,270)	(202,572)
Lease liabilities	18	(21,029,095)	(22,745,609)
Acquisition of own shares		-	(6,404,954)
Dividends	16	-	(12,750,000)
Cash flow from financing activities (3)		(85,162,913)	183,816,856
Net change in cash and cash equivalents (1+2+3)		(49,665,223)	407,772,296
Changes in the consolidation perimeter		-	4,915,814
Cash and equivalents at the beginning of the period		414,865,569	498,826,781
Cash and cash equivalents at the end of the period	12	365,200,346	911,514,891
Cash and cash equivalents at the end of the period		365,200,346	911,514,891
Sight deposits at Bank of Portugal		15,438,500	19,474,900
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		4,947,068	2,005,465
Impairment of sight and term deposits		(19,486)	(14,885)
Cash and cash equivalents (Balance sheet)		385,566,428	932,980,372

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 4 November 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.

In the current year, a new Remuneration Regulation for Members of the Statutory Bodies was approved which changes the long-term variable remuneration (LTVR) terms to a “stock option” mechanism, whereby the Group applied the standard IFRS 2 – Share-based payments.

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

Share-based payments

The benefits granted to the executive members of the Board of Directors and CTT’s top management under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognized at fair value at the grant date.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the grant date of the benefit is recognized in a straight-line basis over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

When settlement is made in cash, the amount of these liabilities is determined at the grant date and subsequently updated, at the end of each reporting period, depending on the number of shares or stock options assigned and their fair value at the date of reporting. The liability is recorded in “Staff costs” and “Other liabilities”, in a straight-line basis between the grant date and the maturity date, in proportion to the time elapsed between those dates.

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 2022 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 January 2021.

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 preparation

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

Regarding Banco CTT, in current financial year, in the context of Capital Requirements Regulation (CRR–Regulation (EU) No 575/2013), particularly of article 178, which defines the concept of Default, new guidelines were issued by EBA, regarding the implementation of Default definition (EBA/GL/2016/07 and EBA/RTS/2016/06) with application in the years beginning after 1 January 2021.

The application of the new default concept introduced a set of changes to stabilizing and standardizing the problematic credits marking, namely the way of counting days overdue and materiality thresholds. This change in estimate was recognized in the **Group's** financial statements on a prospective basis.

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., Newspring Services, S.A., HCCM Outsourcing Investment, 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 products and services sales 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 several operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment and constituted by the Stores network and Post Offices). 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 for the first nine months of 2020 and 2021 are as follows:

Thousand Euros	30.09.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank		
Revenues	310,752	131,516	32,263	59,731		534,262
Sales and services rendered	308,210	131,111	31,900	12,681		483,902
Sales	10,537	508	5,765	-		16,810
Services rendered	297,673	130,603	26,135	12,681		467,093
Financial Margin	0	-	-	32,822		32,822
Other operating income and costs	2,542	405	363	14,227		17,537
Operating costs - EBITDA	270,689	127,868	15,781	54,522		468,860
Staff costs	213,005	19,479	1,439	16,725		250,647
External supplies and services	49,839	106,508	2,071	21,768		180,186
Other costs	12,733	1,381	4,946	5,750		24,809
Impairment and provisions	2,382	2,286	-	8,550		13,218
Internal services rendered	(7,269)	(1,785)	7,325	1,729		-
EBITDA	40,063	3,648	16,482	5,209		65,402
Depreciation/amortisation and impairment of investments, net	33,728	7,321	246	4,760		46,055
Recurring EBIT	6,335	(3,673)	16,236	449		19,347
Specific Items	1,667	403	1	5		2,076
Business restructurings	604	149	-	-		753
Strategic studies and projects costs	726	54	-	-		780
Other non-recurring income and expenses	337	200	1	5		543
EBIT	4,668	(4,077)	16,236	444		17,271
Financial results						(8,382)
Net financial income						(7,299)
Interest expenses						(7,310)
Interest income						11
Gains/losses in subsidiary, associated companies and joint ventures						(1,083)
Earnings before taxes and non-controlling interests (EBT)						8,889
Income tax for the period						4,474
Net profit before non-controlling interests						4,416
Non-controlling interests						86
Net profit attributable to shareholders of CTT						4,330

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

In the first nine months of the period ended 30 September 2021, the amount recorded as specific items amounted to -€5.8m (-€7.9m against the nine months of 30 September 2020) related to: (i) capital gain of €17.8m booked in connection to the sale of public debt securities to optimize Banco CTT balance sheet against a backdrop of the rollout of the partnership with Sonae, (ii) capital gain of €1.0m booked in connection with the sale of a building, (iii) restructuring costs of €8.4m, of which €8.0m correspond to a provision for circa 118 suspension agreements of employment contracts, (iv) impairment loss of €1.4m

related with the initial IFRS 9 adjustment with the acquisition of the credit stock of Cartão Universo, and (v) other costs related to the COVID-19 pandemic and one-off projects for an amount of €3.2m.

The revenues are detailed as follows:

Thousand Euros	30.09.2020	30.09.2021
Mail	310,752	318,906
Transactional mail	263,322	268,275
Editorial mail	9,439	9,504
Parcels (USO)	4,737	5,782
Advertising mail	13,040	13,282
Philately	3,821	3,957
Business Solutions	12,429	12,759
Other	3,965	5,347
Express & Parcels	131,516	186,346
Portugal	81,224	99,091
Parcels	65,234	86,606
Cargo	8,566	6,256
Banking network	5,007	3,387
Logistics	1,731	2,341
Other	686	501
Spain	48,218	84,898
Mozambique	2,073	2,357
Financial Services & Retail	32,263	35,555
Savings & Insurance	18,535	18,241
Money orders	4,511	4,207
Payment services	1,118	1,144
Retail Products and Services	7,982	11,644
Other	116	319
Bank	59,731	72,080
Financial margin	32,822	40,447
Interest income	33,886	41,108
Interest expense	(1,064)	(661)
Commissions received	24,703	29,456
Credits	2,871	2,992
Savings & Insurance	3,086	4,250
Accounts and Cards	5,613	8,600
Payments	13,135	13,583
Other commissions received	(2)	31
Other	2,205	2,177
	534,262	612,886

The revenue detail, regarding Sales and Services rendered and financial margin, for the period ended 30 September 2020 and 30 September 2021, by the revenue's sources, are detailed as follows:

Nature	30.09.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	280,223,265	-	-	-	280,223,265
Express services	-	131,111,047	-	-	131,111,047
Merchandising products sales	-	-	2,011,335	-	2,011,335
PO Boxes	-	-	1,063,477	-	1,063,477
International mail services (*)	27,987,126	-	-	-	27,987,126
Financial Services fees	-	-	28,824,881	45,503,352	74,328,233
"Sales and Services rendered" and "Financial Margin" total	308,210,391	131,111,047	31,899,694	45,503,352	516,724,483

(*) Inbound Mail

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

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
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 at fair value through other comprehensive income	-	-	-	19,554,830	-	19,554,830
Debt securities at amortized cost	-	-	-	498,250,574	-	498,250,574
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)	30.09.2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	20,879,500	6,269,179	161,722	27,189,408	4,196,222	58,696,032
Tangible fixed assets	229,235,856	54,503,099	71,493	2,915,644	3,492,770	290,218,862
Investment properties	-	-	-	-	6,870,056	6,870,056
Goodwill	17,430,813	2,955,753	-	61,084,749	-	81,471,314
Deferred tax assets	-	-	-	-	87,835,465	87,835,465
Accounts receivable	-	-	-	-	149,942,937	149,942,937
Credit to bank clients	-	-	-	1,447,255,170	-	1,447,255,170
Debt securities at fair value through other comprehensive income	-	-	-	10,389,158	-	10,389,158
Debt securities at amortized cost	-	-	-	268,052,020	-	268,052,020
Other banking financial assets	-	-	-	18,596,251	-	18,596,251
Other assets	10,480,452	15,491,137	33,154,161	7,648,180	14,921,851	81,695,781
Cash and cash equivalents	-	14,101,723	-	718,629,047	200,249,602	932,980,372
Non-current assets held for sale	-	-	-	611,632	-	611,632
	278,026,622	93,320,891	33,387,377	2,562,371,260	467,508,903	3,434,615,050

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

	31.12.2020					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
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

	30.09.2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intangible assets	4,958,589	2,705,665	49,616	2,600,235	-	10,314,104
Tangible fixed assets	16,500,844	13,102,274	-	606,229	310,743	30,520,090
	21,459,433	15,807,940	49,616	3,206,463	310,743	40,834,195

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

- “Intangible assets” (4,196,222 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” (3,492,770 Euros): This amount corresponds to tangible fixed assets in progress and advances payments to suppliers, which will be allocated to the related segment at the time of the transfer to firm assets;
- “Investment properties” (6,870,056 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- “Deferred tax assets” (87,835,465 Euros): These assets are mainly comprised for 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. As 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” (149,942,937 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” (14,921,851 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- “Cash and cash equivalents (200,249,602 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)	30.09.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	118,818,111	27,392,340	41,592	1,230,493	147,482,536
Bank loans	62,604,051	-	-	-	62,604,051
Lease liabilities	56,214,060	27,392,340	41,592	1,230,493	84,878,485
Current debt	34,875,226	13,647,052	26,942	684,631	49,233,851
Bank loans	14,167,157	7,724,032	-	-	21,891,189
Lease liabilities	20,708,069	5,923,020	26,942	684,631	27,342,662
	153,693,337	41,039,392	68,535	1,915,123	196,716,387

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

Thousand Euros	30.09.2020	30.09.2021
Revenue - Portugal	394,854	414,795
Revenue - other countries	89,048	133,691
	483,902	548,486

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 83,229 thousand euros.

4. Tangible fixed assets

During the year ended 31 December 2020 and nine-month period ended 30 September 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	(8,099)	(149,792)	(698,530)	(11,218)	(11,852)	-	-	-	-	(879,492)
Transfers and write-offs	(92,105)	(198,094)	7,218,821	(4,359)	(30,807)	(5,366,247)	(6,703,094)	(2,621,849)	(35,817)	(7,833,550)
Terminated contracts	-	-	-	-	-	-	-	-	(4,765,898)	(4,765,898)
Remeasurements	-	-	-	-	-	-	-	-	8,401,849	8,401,849
Adjustments	-	(5,565)	(142,681)	(3,553)	(32,734)	795,215	-	-	-	610,682
Remeasurements lease terms	-	-	-	-	-	-	-	-	19,301,536	19,301,536
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)	(50,136)	(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)	(8,075)	(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

30.09.2021										
	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	-	659,764	2,654,937	13,168	808,755	617,976	4,238,850	2,164,250	-	11,157,699
New contracts	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(7,263,817)	(21,041)	-	-	-	-	-	(7,314,861)
Transfers and write-offs	99,504	3,388,324	800,764	-	(126,306)	(311,602)	(4,202,974)	-	(101,134)	(453,425)
Remeasurements	-	-	-	-	-	-	-	-	2,578	2,578
Adjustments	-	4,176	137,157	7,930	8,569	5,142	-	-	-	162,975
Other movements	-	-	-	-	-	23,750	-	-	(133,048)	(109,298)
Changes in the consolidation perimeter	-	469,081	868,215	3,500	393,551	16,421	-	-	2,189,935	3,940,703
Closing balance	35,579,330	343,637,225	165,649,281	3,606,460	71,725,678	26,444,596	6,055,522	3,402,067	247,350,431	903,450,591
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	-	6,723,667	4,892,585	45,482	1,226,708	977,073	-	-	19,722,438	33,587,953
Disposals	-	-	(7,094,363)	(20,498)	-	-	-	-	-	(7,114,861)
Transfers and write-offs	602	2,920	7,064	-	(126,306)	(285,824)	-	-	(2,209,648)	(2,611,192)
Adjustments	-	1,444	65,403	3,852	7,019	4,796	-	-	(32)	82,482
Changes in the consolidation perimeter	-	264,751	859,406	2,139	247,118	5,949	-	-	1,169,535	2,548,897
Closing balance	3,724,360	234,539,161	137,054,382	3,426,065	66,331,851	20,933,058	-	-	147,203,392	613,212,269
Accumulated impairment										
Opening balance	-	-	-	-	-	19,460	-	-	-	19,460
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	31,854,970	109,098,064	28,594,899	180,394	5,393,827	5,492,078	6,055,522	3,402,067	100,147,040	290,218,862

The depreciation recorded in the **Group** amounting to 33,587,953 Euros (32,741,102 Euros on 30 September 2020), is booked under the heading "Depreciation/amortization and impairment of investments, net".

In the **Group** as at 30 September 2021, Land and natural resources and Buildings and other constructions include 498,561 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” – SIIIE) 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.

During the nine-months period ended 30 September 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 nine-months period ended 30 September 2021 of 683 thousand euros and an estimated decrease for the year 2021 of 880 thousand euros.

During the nine months ended 30 September 2021, the most significant movements in Tangible Fixed Assets were the following:

Buildings and other constructions:

The movements associated to acquisitions and transfers are mostly related to the capitalization of works in own and third-party buildings of CTT and CTT Expresso.

Basic equipment:

The acquisitions amount mainly refers to the acquisition of several postal equipment for an approximate value of 272 thousand Euros at CTT, the acquisition of parcel processing machines for an approximate amount of 1,187 thousand Euros at CTT Expresso and the acquisition of terminals and scanners in the amount of 239 thousand Euros from Payshop.

Office equipment:

The amount related to acquisitions mainly refers to the acquisition of several micro-computer equipment for approximately 329 thousand Euros, in CTT, the acquisition of several micro-computer equipment in the approximate amount of 124 thousand Euros and the acquisition of furniture in the approximate amount of 114 thousand Euros for CTT Expresso.

Other tangible assets:

In the acquisitions caption are mainly booked prevention and safety equipment in the approximate amount of 219 thousand Euros at CTT.

Tangible fixed assets in progress:

The tangible fixed assets in progress of the Group as at 30 September 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
30.09.2021				
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	18,053,649	1,308,742	-	19,362,391
Transfers and write-offs	(4,979,752)	(169,047)	-	(5,148,798)
Terminated contracts	(22,196)	(78,938)	-	(101,134)
Remeasurements	2,578	-	-	2,578
Changes in the consolidation perimeter	2,096,605	93,330	-	2,189,935
Other movements	(133,048)	-	-	(133,048)
Closing balance	213,038,003	32,837,401	1,475,027	247,350,431
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	14,396,699	5,162,487	163,252	19,722,438
Transfers and write-offs	(2,147,619)	(62,029)	-	(2,209,648)
Terminated contracts	(22,106)	(70,690)	-	(92,796)
Adjustments	-	(32)	-	(32)
Changes in the consolidation perimeter	1,117,563	51,971	-	1,169,535
Closing balance	130,634,733	15,591,833	976,826	147,203,392
Net Tangible fixed assets	82,403,270	17,245,568	498,201	100,147,040

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 19,722,438 Euros (17,955,320 Euros on 30 September 2020), is booked under the heading “Depreciation/amortization and impairment of investments, net”.

As of 30 September 2021, the amounts referring to “changes in the consolidation perimeter” refer to the inclusion of New Spring Services and HCCM – Outsourcing Investment.

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 nine-month period ended 30 September 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 30 September 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 30 September 2021, amounts to 682,897 Euros.

5. Intangible assets

During the year ended 31 December 2020 and nine-month period ended 30 September 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

30.09.2021						
	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	-	1,841,269	718,938	-	7,753,897	10,314,104
Disposals	-	(255,750)	-	-	-	(255,750)
Transfers and write-offs	-	9,016,779	(102,919)	-	(9,016,779)	(102,919)
Adjustments	-	-	76,460	-	-	76,460
Changes in the consolidation perimeter	-	-	432,868	1,053,154	-	1,486,022
Closing balance	4,380,552	144,318,449	18,401,083	1,497,893	7,945,756	176,543,734
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	-	107,008,855
Amortization for the period	955	8,578,396	987,124	-	-	9,566,476
Transfers and write-offs	-	-	(102,919)	-	-	(102,919)
Adjustments	-	(32)	40,990	-	-	40,959
Changes in the consolidation perimeter	-	-	281,178	1,053,154	-	1,334,332
Closing balance	4,379,222	99,255,082	12,715,505	1,497,893	-	117,847,702
Net intangible assets	1,330	45,063,368	5,685,578	-	7,945,756	58,696,032

The amortization in the **Group** for the nine-month period ended 30 September 2021, amounting to 9,566,476 Euros (13,133,072 Euros as at 30 September 2020) was recorded under “Depreciation / amortization and impairment of investments, net”.

During the period ended 30 September 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 nine-months period ended 30 September 2021 of 4,468 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 nine-months period ended 30 September 2021, from Intangible assets in progress to Computer software refer to IT projects, which were completed during the period.

The amounts of 690,493 Euros and 821,884 Euros were capitalized in computer software or intangible assets in progress as at 30 September 2020 and 30 September 2021, respectively, and are related to **Group** staff costs incurred in the development of these projects.

During the period ended 30 September 2021, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:

In acquisition caption are mainly booked the acquisitions, by CTT Expresso of, “*Microserv/Minerva*” software in the approximately amount of 360 thousand euros, “*Sales Force*” software in the approximately amount of 166 thousand euros and “*Integração e Processos*” software in the approximately amount 181 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, “*Desk Management*” licenses in the approximate amount of 163 thousand euros and “*Security & performance analytics*” licenses in the amount of 169 thousand euros.

As at 30 September 2021 the **Group** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group
De minimis - software	1,107,670
OneBiller Solution	836,456
CRM - software	729,596
Data Ignition	297,735
Digital Channels	283,296
Business Mail - Software	210,180
	3,464,933

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 30 September 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.

The amount of research and development expenses incurred by the **Group** in 2020, in the amount of 5,304,741 Euros was disclosed in Note 25.

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

In the nine-month period ended 30 September 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 nine-months period ended 30 September 2021, amounts to 3,162,389 Euros.

6. Investment properties

As at 31 December 2020 and 30 September 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
	30.09.2021		
	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	-	170,906	170,906
Transfers and write-offs	(602)	(37,363)	(37,965)
Closing balance	201,908	8,879,401	9,081,309
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	3,889,282	6,870,056

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 nine-month period ended on 30 September 2021, of 170,906 Euros (181,212 Euros on 30 September 2020) was recorded in the caption “Depreciation/amortization and impairment of investments, net”.

For the nine-months period ended on 30 September 2021, the rents amount charged by the **Group** for properties and equipment leases classified as investment properties was 22,608 Euros (30 September 2020: 15,812 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 30 September 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 30 September 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			30.09.2021		
			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.º13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. (“CTT Expresso”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. (“Payshop”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. (“CTT Con”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	100	-	100	100	-	100
CTT Soluções Empresariais, S.A. (“CTT Sol”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. (“CORRE”)	Mozambique	Av. 24 de Julho, Edifício 24, n.º1097, 3.º Piso, Bairro da Polana Maputo – Mozambique	50	-	50	50	-	50
Banco CTT, S.A. (“BancoCTT”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	100	-	100	100	-	100
Fundo Inovação TechTree (“TechTree”)	Portugal	Av. Conselheiro Fernando de Sousa, 1913º Esq 1070-072 Lisboa	25	75	100	25	75	100
321 Crédito - Instituição Financeira de Crédito, S.A. (“321 Crédito”)	Portugal	Av. Duque d’Avila, 46, 7ºB 1050-083 Lisboa	-	100	100	-	100	100
HCCM - Outsourcing Investment, S.A. (“HCCM”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	-	-	-	-	100	100
NewSpring Services, S.A. (“NSS”)	Portugal	Av. D. João II N.º13 1999-001 Lisboa	-	-	-	-	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 and a group of its subsidiaries subscribed participation units of an investment and innovation fund, Tech Tree. The subscribing entities of the fund have the possibility of benefit from the Tax Incentive System for Research & Business Development (SIFIDE), through the participation units subscription of this investment fund, intended to finance

companies dedicated mainly to research and development. Techtree fund 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 and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 euros increased to 296,400,000 euros.

On 30 August 2021, the total share capital of NewSpring Services, S.A. (“NewSpring Services”) and its holding HCCM – Outsourcing Investment, S.A. (“HCCM – Outsourcing Investment”), companies operating in the Business Process Outsourcing (BPO) and Contact Center market were acquired for an amount of 10,573,344 Euros. See impact of the acquisition on changes in the consolidation perimeter below.

Joint ventures

As at 31 December 2020 and 30 September 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			30.09.2021		
			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
Wolfspring, ACE	Portugal	Urbanização do Passil, nº 100 - A 2890-1852 Alcochete	-	-	-	-	50	50
MKTPlace - Comércio Eletrónico, S.A (“MKTP”)	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.

On 31 March 2021, the entity MKTPlace – Comércio Eletrónico, S.A. was subject to a capital increase in the form of supplementary capital, with an approved amount of 2,305,562 euros. On 12 April 2021, the amount of 767,956 euros was paid, on 1 July 2021, the amount of 621,069 euros, and the remaining will occur in October 2021 in the amount of 916,537 euros.

As of 30 September 2021, the entity Wolfspring ACE became part of the joint ventures whose interests are held by the Group. The interest in this entity is held by New Spring Services (entity that integrated the consolidation perimeter in this period) and results from a partnership with Reisswolf – Tratamento confidencial e reciclagem de dados e serviços, S.A. for the provision of services in the custody and management archive area.

Associated companies

As at 31 December 2020 and 30 September 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			30.09.2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL ^(a)	Spain	Castellon - Spain	-	25	25	-	25	25
Urpacsur, SL ^(a)	Spain	Málaga - Spain	-	30	30	-	30	30

^(a) Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline 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	26.8%	Full
Ulisses Finance No.2 (*)	2021	Portugal	0.6%	Full
Chaves Funding No.8 (*)	2019	Portugal	100%	Full
Next Funding No.1 (*)	2021	Portugal	100%	Full

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

In the consolidated financial statements at 30 September 2021, the structured entity Next Funding No.1 was included for the first time. This entity is the result of a partnership between Banco CTT and Sonae Financial Services for the financing of the Universo card and the related management of credit risk exposure. The underlying assets of the Next Funding No.1 operation were consolidated and recognized in Banco CTT's consolidated accounts, considering that Banco CTT is i) responsible for all relevant activities inherent to the management of the underlying assets, ii) has exposure to variable income and iii) has the ability to affect its variable returns through the power to manage the relevant activities.

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

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

	31.12.2020	30.09.2021
Cash and cash equivalents	9,896,409	21,872,302
Other banking financial liabilities (Debt securities issued)	44,517,924	282,894,856

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 established in December 2020.

During the nine-month period 30 September 2021, the structured entities Next Funding No.1 and Ulisses Finance No.2 was included in the consolidation perimeter.

During the period ended 30 September 2021, the consolidation perimeter was also changed following the acquisition of NewSpring Services and its holding HCCM - Outsourcing Investment. On 16 June 2021, CTT through its subsidiary CTT Soluções Empresariais, S.A. entered into a purchase agreement for the acquisition of the total share capital of these companies, operating in the Business Process Outsourcing (BPO) and Contact Center market.

The acquisition was carried out on 30 August 2021 (transaction closing date), for an initial fixed price of 7,000,000 Euros, subject to adjustments, based on the accounts prepared at the transaction close, related to the net financial debt and working capital of the acquired companies, with the acquisition price of 10,573,344 Euros. Additionally, earnouts were agreed depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

The Group incurred in expenses related to the acquisition of NewSpring Services of 170.716 Euros related to the transaction, namely financial advice and legal costs. These expenses were recorded in the External Supplies and Services item.

The Purchase Price Allocation (PPA) is ongoing and the Group is still evaluating the assumptions and criteria for the fair value assessment of the assets and liabilities acquired and will be concluded within the 12 months after the acquisition date as required by IFRS 3 – Business Combinations.

Therefore, the initial Goodwill assessed on the date of the acquisition of NewSpring Services is as follow:

	Initial recognition
Assets acquired (HCCM)	5,887,230
Liabilities acquired (HCCM)	50,992
Net assets acquired (HCCM)	5,836,238
Assets acquired (NSS)	9,875,561
Liabilities acquired (NSS)	6,995,252
Net assets acquired (NSS)	2,880,309
Net assets acquired (NSS) – CTT-SE Participation (*)	139,292
Goodwill	9,097,814
Fair Value of contingent components	4,500,000
Acquisition Price	10,573,344

(*) Acquisition by CTT-SE of 4.84% of the share capital of NSS, with the remaining 95.16% belonging to HCCM.

The contingent components are related to the earnouts described above, and their fair value is determined based on the best estimate at the operation closing date, subject to revaluation at each reporting date.

It should be noted that the calculated Goodwill was fully allocated to the NewSpring Services Cash Generating Unit, since HCCM – Outsourcing investment has as its sole activity the shareholding management in this entity.

NewSpring Services results are presented as follows (for the month of September 2021):

Income Statement – 30.09.2021		
Caption		Amount
Sales and services rendered		1,918,554
Other operating income		23,265
		1,941,818
External supplies and services		(651,117)
Staff costs		(978,053)
Depreciation/amortization and impairment of investments, net		(62,686)
Other operating costs		(27,275)
		(1,719,130)
Interest expenses		(3,282)
Gains/losses in subsidiary, associated companies and joint ventures		(9,408)
Earnings before taxes		209,998
Income tax for the period		(47,250)
Net profit for the period		162,749

8. Debt securities

As at 31 December 2020 and 30 September 2021, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2020	30.09.2021
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	860,281	88,452
Bonds issued by other entities	11,413,276	5,961,979
	12,273,557	6,050,431
Financial assets at amortized cost		
Government bonds	450,600,878	222,304,619
Bonds issued by other entities	2,665,125	-
Impairment	(175,486)	(87,071)
	453,090,517	222,217,548
	465,364,074	228,267,979
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	6,760,199	3,495,272
Bonds issued by other entities	521,074	843,456
	7,281,273	4,338,727
Financial assets at amortized cost		
Government bonds	39,973,188	20,476,240
Bonds issued by other entities	5,193,374	25,383,683
Impairment	(6,505)	(25,451)
	45,160,057	45,834,472
	52,441,330	50,173,199
	517,805,404	278,441,178

⁽¹⁾ As at 31 December 2020 and 30 September 2021 includes the amount of 9,429 Euros and 4,256 Euros, respectively, regarding Accumulated impairment losses.

The decrease in Government bonds at amortized cost is explained by the sale of securities to finance the partnership with Sonae in the Universo card.

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 30 September 2021 is detailed 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	
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						
	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	
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

	30.09.2021						
	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	
Financial assets at fair value through other comprehensive income ⁽¹⁾							
Government bonds							
National	2,733,970	761,302	3,495,272	88,452	-	88,452	3,583,724
Bonds issued by other entities							
National	3,811	839,644	843,456	5,961,979	-	5,961,979	6,805,434
	2,737,781	1,600,946	4,338,727	6,050,431	-	6,050,431	10,389,158

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

	30.09.2021						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	4,414,935	324,551	4,739,486	61,233,784	80,999,310	142,233,095	146,972,581
Foreign	2,741,041	12,995,712	15,736,753	6,104,705	73,966,820	80,071,525	95,808,278
Bonds issued by other entities							
National	14,000,282	11,383,402	25,383,683	-	-	-	25,383,683
	21,156,258	24,703,665	45,859,923	67,338,489	154,966,130	222,304,619	268,164,542

The impairment losses, for the year ended 31 December 2020 and nine-month period ended 30 September 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

	30.09.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the accounting standards	Closing balance
Non-current assets							
Financial assets at fair value through other comprehensive income	5,918	-	(3,012)	-	(427)	-	2,479
Financial assets at amortized cost	175,486	18,163	(71,919)	-	(34,659)	-	87,071
	181,404	18,163	(74,932)	-	(35,086)	-	89,550
Current assets							
Financial assets at fair value through other comprehensive income	3,511	-	(2,160)	-	427	-	1,778
Financial assets at amortized cost	6,505	5,309	(21,022)	-	34,659	-	25,451
	10,016	5,309	(23,183)	-	35,086	-	27,229
Financial assets at fair value through other comprehensive income	9,429	-	(5,173)	-	-	-	4,256
Financial assets at amortized cost	181,991	23,472	(92,942)	-	-	-	112,522
	191,420	23,472	(98,114)	-	-	-	116,778

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 nine-month period ended 30 September 2021, they are detailed as follows:

	31.12.2020	30.09.2021
	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)	(4,118)
Decrease due to derecognition repayments and disposals	-	(1,055)
Impairment - Financial assets at fair value through other comprehensive income	9,429	4,256

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

	31.12.2020	30.09.2021
	Stage 1	Stage 1
Opening balance	225	9,429
Change in period:		
ECL income statement change for the period	9,204	(5,173)
Impairment - Financial assets at fair value through other comprehensive income	9,429	4,256

For the impairment losses of financial assets at amortized cost, the movements by stages, in the year ended 31 December 2020 and nine-month period ended 30 September 2021, they are detailed as follows:

	31.12.2020	30.09.2021
	Stage 1	Stage 1
Opening balance	173,353	181,991
Change in period:		
Increases due to origination and acquisition	11,139	23,472
Changes due to change in credit risk	1,636	(75,655)
Decrease due to derecognition repayments and disposals	(4,136)	(17,286)
Impairment - Financial assets at amortized cost	181,991	112,522

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

	31.12.2020	30.09.2021
	Stage 1	Stage 1
Opening balance	173,353	181,991
Change in period:		
ECL income statement change for the period	8,639	(69,469)
Impairment - Financial assets at amortized cost	181,991	112,522

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

9. Other banking financial assets and liabilities

As at 31 December 2020 and 30 September 2021, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2020	30.09.2021
Non-current assets		
Loans to credit institutions	11,424,488	6,821,747
Impairment	(3,712)	(2,216)
Other	2,107	1,057,227
	11,422,884	7,876,758
Current assets		
Investments in credit institutions	20,000,635	2,350,000
Loans to credit institutions	7,504,875	6,364,484
Impairment	(23,980)	(1,795)
Other	5,213,955	5,251,795
Impairment	(3,238,971)	(3,244,992)
	29,456,513	10,719,493
	40,879,397	18,596,251
Non-current liabilities		
Debt securities issued	44,506,988	282,877,146
	44,506,988	282,877,146
Current liabilities		
Debt securities issued	10,936	17,710
Other	21,475,716	34,391,963
	21,486,652	34,409,673
	65,993,640	317,286,819

Investments in credit institutions and Loans to credit institutions

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

	31.12.2020	30.09.2021
Up to 3 months	12,872,862	2,712,372
From 3 to 12 months	14,632,648	6,002,113
From 1 to 3 years	10,462,768	6,821,747
Over 3 years	961,721	0
	38,929,998	15,536,232

Investments in credit institutions presented an average annual rate of 1.122% over the nine-month period (31 December 2020: 1.179%).

Impairment

The impairment losses, for the year ended 31 December 2020 and nine-month period ended 30 September 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
30.09.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	455	(13,541)	-	11,590	2,216
	3,712	455	(13,541)	-	11,590	2,216
Current assets						
Investments and loans in credit institutions	23,980	368	(10,964)	-	(11,590)	1,795
Other	3,238,971	6,021	-	-	-	3,244,992
	3,262,951	6,389	(10,964)	-	(11,590)	3,246,786
	3,266,663	6,844	(24,505)	-	0	3,249,003

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the year ended 31 December 2020 and nine-month period ended 30 September 2021, they are detailed as follows:

	31.12.2020	30.09.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
Increases due to origination and acquisition	22,911	823
Changes due to change in credit risk	(161,468)	(2,121)
Decrease due to derecognition repayments and disposals	(47,303)	(22,383)
Impairment	27,692	4,011

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

	31.12.2020	30.09.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
ECL income statement change for the period	(185,860)	(23,681)
Impairment	27,692	4,011

Debt securities issued

This caption showed the following composition:

	31.12.2020	30.09.2021
Securizations	44,517,924	282,894,856
	44,517,924	282,894,856

As at 31 December 2020 and 30 September 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

30.09.2021					
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.	14,791,409	14,796,679
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M+ 160 b.p.	7,000,000	7,000,302
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M+ 375 b.p.	7,100,000	7,104,547
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M+ 70 b.p.	203,750,000	206,237,602
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M+ 80 b.p.	10,000,000	10,000,204
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M+ 135 b.p.	20,000,000	20,001,325
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M+ 285 b.p.	11,250,000	11,252,152
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M+ 368 b.p.	3,750,000	3,750,977
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M+ 549 b.p.	1,250,000	1,250,514
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M+ 500 b.p.	1,500,000	1,500,556
				280,391,409	282,894,856

The movement of this item in the year ended 31 December 2020 and the nine-month period ended 30 September 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

30.09.2021

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	-	(15,610,415)	(5,981)	28,901,527
Ulisses Finance No.2	-	251,500,000	-	2,493,329	253,993,329
	44,517,924	251,500,000	(15,610,415)	2,487,348	282,894,856

During the period ended 30 September 2021, the movements recorded in “Issues” caption are related with a new securitization operation (Ulisses Finance No. 2) on the auto loan portfolio originated by 321 Crédito. The caption “other movements” includes an amount of 2,485,140 euros related to the issue premium of Note Class A of Ulisses Finance No.2.

The scheduling by maturity regarding this caption is 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	
Securizations	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

	30.09.2021						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	
Securizations	17,710	-	17,710	-	282,877,146	282,877,146	282,894,856
	17,710	-	17,710	-	282,877,146	282,877,146	282,894,856

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 30 September 2021, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2020	30.09.2021
Performing loans	1,101,441,373	1,463,011,735
Mortgage Loans	525,082,831	578,712,579
Auto Loans	568,273,557	629,270,188
Credit Cards	-	248,170,399
Leasings	6,936,643	5,477,841
Overdrafts	1,148,342	1,380,728
Other credits	-	-
Overdue loans	8,505,242	11,557,883
Overdue loans - less than 90 days	1,008,648	1,022,480
Overdue loans - more than 90 days	7,496,594	10,535,403
	1,109,946,614	1,474,569,618
Credit risk impairment	(16,665,082)	(27,314,448)
	1,093,281,532	1,447,255,170

The maturity analysis of the Credit to bank clients as at 31 December 2020 and 30 September 2021 is detailed as follows:

	31.12.2020								
	Current					Non-current			Total
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years	Total	
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

	30.09.2021								
	Current					Non-current			Total
	At sight	Due within 3 months	Over 3 months and less than 1 year	Overdue Loans	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Mortgage loans	-	4,413,834	12,700,214	-	17,114,048	34,362,489	527,236,042	561,598,531	578,712,579
Auto Loans	-	26,329,163	70,833,075	9,083,631	106,245,869	177,649,220	354,458,731	532,107,951	638,353,819
Credit Cards	-	248,170,399	-	411,098	248,581,498	-	-	-	248,581,498
Leasings	-	469,702	1,358,264	207,399	2,035,366	2,232,927	1,416,948	3,649,874	5,685,240
Overdrafts	1,380,728	-	-	1,233,838	2,614,565	-	-	-	2,614,565
Other credits	-	-	-	621,917	621,917	-	-	-	621,917
	1,380,728	279,383,098	84,891,554	11,557,883	377,213,262	214,244,636	883,111,720	1,097,356,356	1,474,569,618

As of 30 September 2021, a gross credit amount of 248,170,399 euros from credit cards are presented. This amount results from the partnership with Sonae Financial Services that started in the second quarter of 2021.

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

	31.12.2020	30.09.2021
Fixed rate	528,330,964	840,712,758
Floating rate	581,615,650	633,856,860
	1,109,946,614	1,474,569,618
Credit risk impairment	(16,665,082)	(27,314,448)
	1,093,281,532	1,447,255,170

As at 31 December 2020 and 30 September 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

	30.09.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	584,213,039	1,077,740	585,290,779	(1,847,892)	583,442,887
Other guaranteed Loans	613,529,839	3,726,311	617,256,150	(13,590,349)	603,665,800
Unsecured Loans	265,268,857	6,753,832	272,022,689	(11,876,206)	260,146,483
	1,463,011,735	11,557,883	1,474,569,618	(27,314,448)	1,447,255,170

The credit type analysis of the caption, as at 31 December 2020 and 30 September 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

	30.09.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	578,712,579	-	578,712,579	(572,472)	578,140,106
Auto Loans	629,270,188	9,083,631	638,353,819	(20,467,906)	617,885,914
Credit Cards	248,170,399	411,098	248,581,498	(4,717,374)	243,864,124
Leasings	5,477,841	207,399	5,685,240	(271,763)	5,413,477
Overdrafts	1,380,728	1,233,838	2,614,565	(1,053,469)	1,561,096
Other credits	-	621,917	621,917	(231,463)	390,454
	1,463,011,735	11,557,883	1,474,569,618	(27,314,448)	1,447,255,170

The analysis of credit to bank clients as at 31 December 2020 and 30 September 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

	30.09.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	3,462,119	31,439	3,493,559	(97,099)	3,396,459
Mining and quarrying	653,961	371	654,332	(4,815)	649,517
Manufacturing	5,769,378	122,730	5,892,109	(176,174)	5,715,935
Water supply	137,976	5,712	143,687	(5,987)	137,701
Construction	9,498,533	381,966	9,880,499	(422,699)	9,457,801
Wholesale and retail trade	10,120,461	480,104	10,600,565	(365,269)	10,235,296
Transport and storage	3,921,042	105,439	4,026,481	(134,080)	3,892,401
Accommodation and food service activities	3,916,081	76,621	3,992,702	(142,402)	3,850,300
Information and communication	582,722	1,582	584,304	(5,855)	578,449
Financial and insurance activities	298,680	2,911	301,591	(4,468)	297,122
Real estate activities	1,609,836	9,433	1,619,269	(26,568)	1,592,701
Professional, scientific and technical activities	1,597,500	8,051	1,605,551	(44,488)	1,561,063
Administrative and support service activities	3,523,513	330,707	3,854,220	(235,009)	3,619,211
Education	720,673	487	721,160	(10,652)	710,508
Human health services and social work activities	1,458,458	15,038	1,473,496	(37,733)	1,435,763
Arts, entertainment and recreation	827,563	70,148	897,711	(51,860)	845,851
Other services	5,133,226	61,532	5,194,759	(170,308)	5,024,450
Individuals					
Mortgage Loans	578,810,209	-	578,810,209	(574,063)	578,236,147
Consumer Loans	830,969,804	9,853,610	840,823,414	(24,804,919)	816,018,495
	1,463,011,735	11,557,883	1,474,569,618	(27,314,448)	1,447,255,170

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

	31.12.2020	30.09.2021
Stage 1	1,026,604,019	1,348,567,140
Gross amount	1,030,765,765	1,355,124,464
Impairment	(4,161,745)	(6,557,325)
Stage 2	49,989,172	67,610,267
Gross amount	52,213,747	70,857,664
Impairment	(2,224,575)	(3,247,397)
Stage 3	16,688,341	31,077,764
Gross amount	26,967,103	48,587,490
Impairment	(10,278,762)	(17,509,726)
	1,093,281,532	1,447,255,170

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.

During 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 several 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 30 September 2021 are presented below:

31.12.2020	Gross carrying amount							
	Gross carrying amount	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	Entries to non-productive exposures
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)

30.09.2021	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	
Loans and advances subject to a moratoria	3,429,883	3,429,883	-	632,043	-	-	-
of which: families	2,965,891	2,965,891	-	582,902	-	-	-
of which: secured by residential properties	2,965,891	2,965,891	-	582,902	-	-	-
of which: non-financial companies	463,991	463,991	-	49,141	-	-	-
of which: small and medium-sized companies	424,365	424,365	-	49,141	-	-	-
of which: secured by commercial real estate	-	-	-	-	-	-	-

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

The decrease observed is related to the fact that 92% of the active moratoria in December 2021 ended in September 2021. The open amounts as of 30 September 2021 refer to an extension of the deadline for the moratoria requests' formalization, which led to the receipt of requests from some customers until 31 March 2021, with a duration until to 9 months.

31.12.2020	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
	Accumulated impairment	Productives			Non-productives		Of which: reduced payment probability not due or due ≤ 90 days
		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	
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)

30.09.2021	Accumulated impairment, fair value accumulated negative changes resulting from credit risk						
	Accumulated impairment	Productives			Non-productives		Of which: reduced payment probability not due or due ≤ 90 days
		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	
Loans and advances subject to a moratoria	(12,395)	(12,395)	-	(7,524)	-	-	-
of which: families	(8,643)	(8,643)	-	(6,724)	-	-	-
of which: secured by residential properties	(8,643)	(8,643)	-	(6,724)	-	-	-
of which: non-financial companies	(3,752)	(3,752)	-	(800)	-	-	-
of which: small and medium-sized companies	(3,470)	(3,470)	-	(800)	-	-	-
of which: secured by commercial real estate	-	-	-	-	-	-	-

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

The total numbers of moratoriums requests, moratoriums granted (excluding withdrawals) and the moratoriums in force on 31 December 2020 and 30 September 2021 are presented below:

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	-	-	-	-

30.09.2021	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	7,069	86,596,625	-	-	-	-	-	-	-
Loans and advances subject to a moratoria	4,369	67,552,153	43,972,303	64,122,270	3,429,883	-	-	-	-
of which: families	-	57,460,790	34,254,453	54,494,899	2,965,891	-	-	-	-
of which: secured by residential properties	-	34,235,163	34,235,163	31,269,272	2,965,891	-	-	-	-
of which: non-financial companies	-	10,091,363	9,717,851	9,627,371	463,991	-	-	-	-
of which: small and medium-sized companies	-	8,506,057	8,151,437	8,081,692	424,365	-	-	-	-
of which: secured by commercial real estate	-	2,781,649	2,781,649	2,781,649	-	-	-	-	-

The moratorium credit portfolio by stage, as of 31 December 2020 and 30 September 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

	30.09.2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	2,797,840	632,043	-	3,429,883
Impairment	(4,872)	(7,524)	-	(12,395)
Net Amount	2,792,968	624,519	-	3,417,487

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

	31.12.2020	30.09.2021
Amount of future minimum payments	7,458,032	5,886,531
Interest not yet due	(521,389)	(408,690)
Present value	6,936,643	5,477,841

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

	31.12.2020	30.09.2021
Due within 1 year	1,763,456	1,837,885
Due between 1 to 5 years	4,601,281	3,189,684
Over 5 years	1,093,295	858,962
Amount of future minimum payments	7,458,032	5,886,531

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

	31.12.2020	30.09.2021
Individuals	773,163	686,275
Home	96,094	93,197
Others	677,069	593,078
Companies	6,163,480	4,791,566
Equipment	314,966	209,810
Real Estate	5,848,514	4,581,756
	6,936,643	5,477,841

Impairment losses

During the year ended 31 December 2020 and nine-month period ended 30 September 2021, the movement in the Group under the Accumulated impairment losses caption (Note 1.3) 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

	30.09.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	11,245,242	10,688,981	(5,363,281)	(21,058)	(2,334,448)	539,917	14,755,355
	11,245,242	10,688,981	(5,363,281)	(21,058)	(2,334,448)	539,917	14,755,355
Current assets							
Credit to banking clients	5,419,841	9,097,979	(4,564,983)	(17,924)	2,164,625	459,554	12,559,093
	5,419,841	9,097,979	(4,564,983)	(17,924)	2,164,625	459,554	12,559,093
	16,665,083	19,786,961	(9,928,263)	(38,982)	(169,822)	999,471	27,314,448

The impairment losses of Credit to banking clients (increases net of reversals) in the **Group** for the period ended 30 September 2021, amounting to 9,858,698 Euros (8,655,020 Euros at 30 September 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 nine-month period ended 30 September 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
<i>Of which: POCI</i>	-	-	922,255	922,255

	30.09.2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	4,161,745	2,224,575	10,278,763	16,665,083
Change in period:				
Increases due to origination and acquisition	3,389,835	1,948,038	1,123,924	6,461,796
Changes due to change in credit risk	(1,089,636)	(633,964)	6,093,916	4,370,316
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(293,988)	(79,751)	(599,675)	(973,415)
Write-offs	-	-	(38,982)	(38,982)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	759,931	(347,623)	(412,308)	-
Stage 2	(159,159)	1,558,402	(1,399,243)	-
Stage 3	(149,511)	(1,554,902)	1,704,413	-
Foreign exchange and other	(61,888)	132,621	758,917	829,650
Impairment	6,557,327	3,247,397	17,509,724	27,314,449
<i>Of which: POCI</i>	-	-	1,439,828	1,439,828

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

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

	30.09.2021			Total
	Stage 1	Stage 2	Stage 3	
Opening balance	4,161,745	2,224,575	10,278,763	16,665,083
Change in period:				
ECL income statement change for the period	2,006,210	1,234,323	6,618,164	9,858,697
Stage transfers (net)	451,260	(344,123)	(107,138)	-
Write-offs	-	-	(38,982)	(38,982)
Foreign exchange and other	(61,888)	132,621	758,917	829,650
Impairment	6,557,327	3,247,397	17,509,724	27,314,449

11. Prepayments

As at 31 December 2020 and 30 September 2021, the Prepayments included in current assets and current and non-current liabilities of the **Group** showed the following composition:

	31.12.2020	30.09.2021
Assets prepayments		
Current		
Rents payable	1,500,004	1,488,700
Meal allowances	1,441,931	1,413,601
Other	3,556,825	7,086,160
	6,498,759	9,988,461
Liabilities prepayments		
Non-current		
Investment subsidy	283,289	274,888
Other	-	39,683
	283,289	314,571
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,310,217	1,478,140
Other	2,090,641	1,086,268
	3,412,059	2,575,608
	3,695,348	2,890,179

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

The caption “Contractual liabilities” results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced but not yet 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 772,461 euros (696,738 euros on 31 December 2020), whose revenue is expected to be recognized in October 2021 (estimate of 80% of the item’s value) and the remaining during 2021, and to objects invoiced and not delivered on 30 September 2021 in the express segment, in the amount of 705,679 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 1,310,217 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 30 September 2021, cash and cash equivalents correspond to the amount 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	30.09.2021
Cash	77,580,872	107,997,577
Demand deposits	189,516,082	105,512,517
Deposits at Central Banks	167,502,343	650,928,664
Deposits at other credit institutions	27,737,696	31,669,003
Term deposits	55,843,177	36,872,611
Cash and cash equivalents (Balance sheet)	518,180,171	932,980,372
Demand deposits at Banco de Portugal	(15,795,600)	(19,474,900)
Checks for collection / Checks clearing	(3,575,300)	(2,005,465)
Impairment of Demand and term deposits	17,510	14,885
Cash and cash equivalents (Cash flow statement)	498,826,782	911,514,891

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 30 September 2021, a total amount of demand deposits of 650,928,664 Euros (31 December 2020: 167,502,343 Euros), of which 19,474,900 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 nine-month period ended 30 September 2021, the movement recorded under the caption “Impairment of Demand and term deposits” (Note 13) 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

	30.09.2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Demand and term deposits	17,510	809	(3,434)	-	14,885
	17,510	809	(3,434)	-	14,885

The impairment losses (increases net of reversals) of demand and term deposits in the **Group** for the period ended 30 September 2021, amounting to (2.625) Euros ((438) Euros at 30 September 2020) was recorded under the heading Impairment of accounts receivable, net.

13. Accumulated impairment losses

During the year ended 31 December 2020 and nine-month period ended 30 September 2021, the following movements occurred in the Group's impairment losses:

	31.12.2020							
	Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the consolidation perimeter	PPA Adjustments	Closing balance
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 at fair value through other comprehensive income	225	5,878	(101)	-	(84)	-	-	5,918
Debt securities at amortised cost	169,216	23,878	(15,549)	-	(2,060)	-	-	175,485
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 at fair value through other comprehensive income	-	3,487	(60)	-	84	-	-	3,511
Debt securities at amortised cost	4,136	885	(576)	-	2,060	-	-	6,505
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

	30.09.2021							
	Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current assets								
Tangible fixed assets	19,460	-	-	-	-	-	-	19,460
Investment properties	450,308	-	(16,499)	-	-	-	-	433,809
	469,768	-	(16,499)	-	-	-	-	453,269
Debt securities at fair value through other comprehensive income	5,918	-	(3,012)	-	(427)	-	-	2,479
Debt securities at amortised cost	-	-	-	-	-	-	-	-
Other non-current assets	2,538,985	-	-	-	179,726	-	-	2,718,711
Credit to banking clients	11,245,241	10,688,981	(5,363,281)	(21,058)	(2,334,448)	-	539,917	14,755,355
Other banking financial assets	3,712	455	(13,541)	-	11,590	-	-	2,216
	13,969,342	10,707,600	(5,451,753)	(21,058)	(2,178,218)	-	539,917	17,565,832
	14,439,110	10,707,600	(5,468,252)	(21,058)	(2,178,218)	-	539,917	18,019,101
Current assets								
Accounts receivable	39,633,843	3,181,135	(2,150,049)	(956,830)	214	51,648	-	39,759,961
Credit to banking clients	5,419,841	9,097,979	(4,564,983)	(17,924)	2,164,625	-	459,554	12,559,093
Debt securities at fair value through other comprehensive income	3,511	-	(2,160)	-	427	-	-	1,778
Debt securities at amortised cost	-	-	-	-	-	-	-	-
Other current assets	10,052,551	686,977	(221,504)	(228,055)	(179,726)	-	-	10,110,243
Other banking financial assets	3,262,951	6,389	(10,964)	-	(11,590)	-	-	3,246,786
Demand and term deposits	17,509	805	(3,429)	-	-	-	-	14,885
	58,396,711	12,978,595	(6,974,111)	(1,202,809)	2,008,609	51,648	459,554	65,718,197
Non-current assets held for sale	282,778	26,834	(121,825)	-	-	-	-	187,788
	282,778	26,834	(121,825)	-	-	-	-	187,788
Merchandise	2,525,086	476,790	-	(50,299)	-	-	-	2,951,577
Raw, subsidiary and consumable	847,331	113,809	-	(99,631)	-	-	-	861,509
Subproducts, waste and scrap	-	-	-	-	-	-	-	-
	3,372,417	590,599	-	(149,930)	-	-	-	3,813,086
	62,051,906	13,596,028	(7,095,936)	(1,352,739)	2,008,609	51,648	459,554	69,719,071
	76,491,016	24,303,628	(12,564,188)	(1,373,797)	(169,608)	51,648	999,471	87,738,172

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 30 September 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 30 September 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 30 September 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 September 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/contentAsset/rawdata/24d4fdb-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/contentAsset/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=>).

30.09.2021			
Shareholder	No. of shares	%	Nominal value
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾	19,330,084	12.887%	9,665,042
Manuel Carlos de Melo Champalimaud	353,185	0.235%	176,593
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total 19,683,269	13.122%	9,841,635
Global Portfolio Investments, S.L. ⁽²⁾	15,057,937	10.039%	7,528,969
Indumenta Pueri, S.L. ⁽²⁾	Total 15,057,937	10.039%	7,528,969
GreenWood Builders Fund I, LP ⁽³⁾	10,020,000	6.680%	5,010,000
GreenWood Investors LLC ⁽³⁾	Total 10,020,000	6.680%	5,010,000
Green Frog Investments Inc	Total 7,730,000	5.153%	3,865,000
Norges Bank	Total 3,105,287	2.070%	1,552,644
Bestinver Gestión S.A. SGIC ⁽⁴⁾	Total 3,024,366	2.016%	1,512,183
CTT, S.A. (own shares) ⁽⁵⁾	Total 1,500,001	1.000%	750,001
Other shareholders	Total 89,879,140	59.919%	44,939,570
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, which is vice-chaired by Duarte Palma Leal Champalimaud, Non-executive Director of CTT. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.
- (2) Global Portfolio Investments, S.L. is controlled by Indumenta Pueri, S.L..
- (3) GreenWood Investors, LLC, of which Steven 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) Bestinver Gestión S.A. SGIC is a Spanish fund management company. As such, it exercises the voting rights attached to the shares property of the investment institutions it manages and represents. Additionally, Bestinver Gestión, S.A. SGIC has been granted a power of attorney to exercise the voting rights attached to the shares under the property of the pension funds managed by Bestinver Pensiones EGFP, S.A..
- (5) Shares held by CTT following the conclusion, as of 22 June 2021, of the trading in the context of the share Buy-back Program, the main terms and conditions of which may be found in the announcement regarding the start of trading within the Buy-back Program disclosed to the market on 17 May 2021, (see press releases available on CTT website, at <https://www.ctt.pt/grupo-ctt/investidores/comunicados/index?topic=informacao&year=2021&search=>).

15. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

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

During the nine-month period ended 30 September 2021, the following movements were made in the **Group** caption "Own Shares":

	Quantity	Value	Average price
Balance at 31 December 2020	1	8	8.488
Acquisitions	1,500,000	6,404,954	4.270
Balance at 30 September 2021	1,500,001	6,404,963	4.270

As at 30 September 2021, CTT held 1.500.001 own share, with a nominal value of 0.50€, being all the inherent rights suspended pursuant to article 324 of the Portuguese Companies Code.

At the Company's Board of Directors meeting held on 17 May 2021, has unanimously approved the implementation of a CTT share buy-back program ("Buy-back program"), including its terms and conditions.

The implementation of the Buy-back Program follows the approval of the Company's Remuneration Committee's proposal for the remuneration policy and the stock options plan on CTT shares to be awarded to CTT Executive Directors ("Plan for Directors"), by the General Shareholders' Meeting of CTT held on 21 April 2021, as well as the intention of the Board of Directors to put in place a stock options program addressed to the top management of the Company ("Plan for Top Managers").

The sole purpose of the Buy-back Program is the acquisition of own shares in order to comply with the obligation to award shares representing CTT's share capital to the participants of the Plans, based on the estimated number of shares required to meet the settlement of the options currently granted under the Plan for Directors, as well as the options which the Board of Directors is planning to grant under the Plan for Top Managers.

The Buy-back Program ended on 22 June 2021. At this date, the Company held, as a result of the transactions indicated herein, an aggregated total of 1.500.001 own shares, representing 1% of its share capital.

According to the terms and conditions of the Buy-back Program, the purpose of the mentioned program is fulfilled and should be considered concluded.

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 30 September 2021, the **Group'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

	30.09.2021				
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total
Opening balance	15,000,000	8	83,330	50,836,597	65,919,935
Own shares acquisitions	-	6,404,955	-	(6,404,955)	-
Assets fair value	-	-	(37,583)	-	(37,583)
Share Plan	-	-	-	810,000	810,000
Closing balance	15,000,000	6,404,963	45,747	45,241,642	66,692,352

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 30 September 2021, this caption includes the amount of 6.404.963 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.

In the nine-month period ended 30 September 2021, a reserve in the total amount of 810,000 Euros was recorded, related to the Company's stock options program awarded to the Directors and top managers, which is fully detailed in the note 23 – Staff Costs.

Retained earnings

During the year ended 31 December 2020 and nine-month period ended 30 September 2021, the following movements were made in the **Group** heading Retained earnings:

	31.12.2020	30.09.2021
Opening balance	10,867,301	39,962,419
Application of the net profit of the prior year (Note 16)	29,196,933	16,669,309
Distribution of dividends (Note 16)	-	(12,750,000)
Adjustments from the application of the equity method	(15,806)	19,250
Other movements	(86,009)	-
Closing balance	39,962,419	43,900,978

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 nine-month period ended 30 September 2021, the movements occurred in this heading, in the **Group**, were as follows:

	31.12.2020	30.09.2021
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 nine-months period ended 30 September 2020 and 30 September 2021, the earnings per share were calculated as follows:

	30.09.2020	30.09.2021
Net income for the period	4,329,478	26,308,662
Average number of ordinary shares	149,999,999	149,362,358
Earnings per share		
Basic	0.03	0.18
Diluted	0.03	0.18

The average number of shares is detailed as follows:

	30.09.2020	30.09.2021
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	637,642
Average number of shares during the period	149,999,999	149,362,358

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

As at 30 September 2021, the number of own shares held is 1.500.001 and its average number for the period ended 30 September 2021 is 637,642, reflecting the fact that acquisitions have occurred in the given period, as mentioned in note 15.

There are no dilutive factors of earnings per share.

18. Debt

As at 31 December 2020 and 30 September 2021, Debt of the **Group** showed the following composition:

	31.12.2020	30.09.2021
Non-current liabilities		
Bank loans	74,799,925	62,604,051
Lease liabilities	89,234,203	84,878,485
	164,034,127	147,482,536
Current liabilities		
Bank loans	16,856,747	21,891,189
Lease liabilities	25,975,879	27,342,662
	42,832,626	49,233,851
	206,866,753	196,716,387

As at 30 September 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 30 September 2021, the details of the **Group** bank loans were as follows:

	31.12.2020			30.09.2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,731,747	-	12,700,000	7,724,032	1,450,000
BBVA / Bankinter	75,000,000	7,125,000	40,075,774	40,375,000	7,125,000	32,915,109
Novo Banco	35,000,000	-	34,724,151	35,000,000	7,000,000	28,112,471
Caixa Geral de Depósitos	-	-	-	168,627	42,157	126,470
Banco Montepio	25,000,000	-	-	25,000,000	-	-
BIM - (Mozambique)	40,928	-	-	40,995	-	-
	146,290,928	16,856,747	74,799,925	113,284,622	21,891,189	62,604,051

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 30 September 2021 the referred amount corresponded to 40,040,109 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. As at 30 September 2021, the 35 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 35,112,471 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 30 September 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 Net Debt ratios 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	30.09.2021
Due within 1 year	31,651,641	29,686,060
Due between 1 to 5 years	83,337,641	67,715,601
Over 5 years	18,964,112	25,303,061
Total undiscounted lease liabilities	133,953,395	122,704,722
Current	25,975,879	27,342,662
Non-current	89,274,939	84,878,485
Lease liabilities included in the statement of financial position	115,250,818	112,221,147

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

	30.09.2020	30.09.2021
Lease liabilities interests (note 24)	2,483,170	2,304,076
Variable payments not included in the measurement of the lease liability	2,314,591	1,518,564

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

	30.09.2020	30.09.2021
Total of lease payments	(21,029,095)	(22,745,609)

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 30 September 2021, in the **Group** and the **Company**, are detailed as follows:

	31.12.2020	30.09.2021
Opening Balance	175,411,501	206,866,753
Changes in the consolidation perimeter	-	2,667,159
Movements without cash	60,096,573	19,897,677
<i>IFRS 16 Interests</i>	56,502,919	16,384,881
<i>Contract changes</i>	3,270,933	2,304,076
<i>Others</i>	322,721	1,208,720
Loans:		
Inflow	21,293,090	59,832,194
Outflow	(21,405,813)	(69,801,786)
Lease liabilities:		
Inflow	-	-
Outflow	(28,528,597)	(22,745,609)
Closing balance	206,866,753	196,716,387

19. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the year ended 31 December 2020 and nine-month period ended 30 September 2021, in order to face legal proceedings and other liabilities arising from past events, the **Group** recognized provisions, which showed the following movement:

Group	31.12.2020					Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	
Non-current provisions						
Litigations	2,848,977	1,059,573	(601,790)	(350,419)	47,075	3,003,416
Restructuring	1,039,748	193,000	(142,401)	(7,000)	-	1,083,347
Other provisions	10,381,956	1,318,106	(973,191)	(6,326)	(317,668)	10,402,877
Sub-total - caption "Provisions (increases)/reversals"	14,270,681	2,570,679	(1,717,382)	(363,745)	(270,593)	14,489,641
Restructuring	679,141	227,733	-	(743,074)	-	163,800
Other provisions	2,685,556	842,101	-	(764,744)	-	2,762,913
	17,635,378	3,640,514	(1,717,382)	(1,871,563)	(270,593)	17,416,354

	30.09.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	3,003,416	959,848	(1,035,175)	(52,894)	-	-	2,875,196
Restructuring	1,083,347	-	-	(115,785)	-	53,672	1,021,234
Other provisions	10,402,877	98,136	(1,512,372)	(4,505)	-	-	8,984,135
Guarantees provided to customers	-	211,465	(18,953)	-	169,822	-	362,334
Sub-total - caption "Provisions (increases)/reversals"	14,489,641	1,269,449	(2,566,501)	(173,184)	169,822	53,672	13,242,900
Restructuring	163,800	8,065,000	-	(85,000)	(4,071,353)	-	4,072,447
Other provisions	2,762,913	23,750	-	(16,041)	-	-	2,770,622
	17,416,354	9,358,199	(2,566,501)	(274,225)	(3,901,531)	53,672	20,085,969

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 992,830 Euros as at 30 September 2020 and (1,297,051) Euros as at 30 September 2021.

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

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of 667,905 Euros as at 31 December 2020 and 1,035,175 Euros as at 30 September 2021, essentially results from lawsuits whose decision, which was made known in the course of 2020 or 2021, respectively, proved to be favorable to the **Group**, or, not being favorable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Restructuring

In June 2021, CTT approved a new HR optimization program considering the need to optimize teams. This program presumes the launch of a Voluntary Exit Program based on the signing of Suspension or Pre-Retirement Agreements, for which is expected the signing of approximately 118 agreements. In June 2021, a provision in the amount of 8,000,000 Euros was booked in the Group, which was recognized under Staff costs caption in the income statement. As at September 2021, regarding the agreements performed at this date, an amount of 4,071,353 Euros was transferred to the caption employee benefits in the statement of financial position.

The provision booked in 2018 within the Operational Transformation Plan's scope, in distribution network terms and mail handling operations, presents, after reviewing and updating underlying criteria, in the period ended on 31 December 2020, in the **Group** the amount of 1,083,347 Euros in the **Group** and has been recorded against the caption "Provisions (increase)/reversals" in the income statement. As of 30 September 2021, the provision amounts to 1,021,234 Euros and the variation is explained by the amount used in the current period.

Other provisions

As at 30 September 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 5,421,997 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 30 September 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 1,448,640 Euros as at 30 September 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 30 September 2021, in addition to the previously mentioned situations, this heading also includes in the **Group**:

- the amount of 183,959 Euros to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;
- the amount of 589,082 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 1,982,657 Euros to cover costs of operational vehicles restoration.

Guarantees provided to customers

The provision for guarantees to customers is intended to cover the risk associated with off-balance sheet exposures, in the Bank segment. The amount of the provision corresponds to the best estimate of the **Group**, which amounts, on 30 September 2021, to 362,334 Euros.

Guarantees provided

As at 31 December 2020 and 30 September 2021, the **Group** had provided bank guarantees to third parties as follows:

Description	Group	
	31.12.2020	30.09.2021
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	2,917,205
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	-	1,022,834
AMBIMOBILIÁRIA - Investimentos e negócios, S.A. (Real estate company)	480,000	480,000
MARATHON - Fundo de Investimento fechado (closed property investment)	-	432,000
EUROGOLD (Real estate company)	694,464	406,080
O Feliz - Imobiliária (Real estate company)	381,553	369,932
Courts	260,610	360,450
Transportes Bernardos Marques, S.A.	223,380	223,380
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Via Direta	-	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
GNB Companhia de seguros vida SA (Insurance company)	-	25,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
REFER (Public service for the management of the national railway network infrastructure)	16,460	16,460
Other entities	16,144	16,144
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
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 Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100
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	-
	12,355,173	14,059,766

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 30 September 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 30 September 2021, the **Group** subscribed promissory notes amounting to approximately 75.3 thousand Euros and 41 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** also assumed financial commitments (comfort letters) in the amount of 1,170,769 Euros regarding the branch of CTT Expresso in Spain which are still active as at 30 September 2021.

The **Group** engaged guarantee insurances in the total amount of 3,947,119 Euros (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 30 September 2021, the heading Accounts payable showed the following composition:

	31.12.2020	30.09.2021
Current		
Advances from customers	3,054,584	2,517,336
CNP money orders	88,916,523	91,559,323
Suppliers	87,287,994	83,331,052
Invoices pending confirmation	7,955,395	11,553,363
Fixed assets suppliers	5,808,358	4,924,963
Invoices pending confirmation (fixed assets)	5,688,925	3,325,588
Values collected on behalf of third parties	6,546,335	7,719,558
Postal financial services	154,324,605	122,134,254
Deposits	567,215	600,854
Charges	1,859,349	2,456,511
Compensations	581,798	726,059
Postal operators - amounts to be settled	1,722,118	105,048
Amounts to be settled to third parties	4,282,230	4,747,865
Amounts to be settled in stores	495,476	755,159
Other accounts payable	6,471,998	8,341,337
	375,562,902	344,798,270

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 is mainly due to the reduction observed in the amounts relating to saving certificates, partially offset by the increase in amounts related to taxes, related with the 2nd income tax advance payment.

21. Banking clients' deposits and other loans

As at 31 December 2020 and 30 September 2021, the composition of the heading Banking clients' deposits and other loans in the **Group** is as follows:

	31.12.2020	30.09.2021
Demand deposits	1,207,038,127	1,389,324,236
Term deposits	178,175,790	216,584,278
Savings deposits	303,251,244	380,662,622
	1,688,465,160	1,986,571,136

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.

The increase in this caption is related to the normal fundraising that the Bank has been managing since the beginning of its activity.

As at 31 December 2020 and 30 September 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

	30.09.2021					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	1,769,986,858	-	-	-	-	1,769,986,858
Term deposits	-	99,588,153	116,996,125	-	-	216,584,278
	1,769,986,858	99,588,153	116,996,125	-	-	1,986,571,136

22. Income taxes receivable /payable

As at 30 September 2021 the caption reflects the difference between the estimated income tax regarding the nine-month period ended 30 September 2021 and the amounts already paid regarding payments on account and additional payments on account.

23. Staff costs

During the periods ended 30 September 2020 and 30 September 2021, the composition of the **Group** heading Staff Costs was as follows:

	30.09.2020	30.09.2021
Remuneration	196,999,058	203,983,740
Employee benefits	3,703,602	3,558,993
Indemnities	722,542	8,721,784
Social Security charges	43,152,138	43,432,518
Occupational accident and health insurance	3,239,963	2,711,872
Social welfare costs	3,523,281	5,175,387
Other staff costs	100,925	97,982
	251,441,508	267,682,275

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

For the nine-months periods ended 30 September 2020 and 30 September 2021, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

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

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

Long-term variable remuneration

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

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

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

- The plan sets out the number of options allocated that may be exercised by the Plan’s participants (the CEO, the CFO, the remaining executive Directors and the Top Manager);
- Awarding, also through the Plan, of 5 tranches of options that differ exclusively by their different 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).
- The Plan for Members of the Statutory Bodies, as a rule, provides for 25% of net cash settlement and 75% of net share settlement of the options, without prejudice to the fact that, on an exceptional basis and in a scenario where the number of own shares held by CTT is not sufficient, the Plan provides for the Remuneration Committee to establish a remuneration mechanism through the awarding of a cash amount and the net cash settlement of the options whose net share settlement is not possible. The plan for governing bodies members provides for 100% of net shares settlement of the options.

The fair value of the options granted was determined through a study carried out by an independent entity on the grant date.

The total amount, regarding the share plan, recognized at 30 September 2021 amounts to 960,000 Euros, with the net cash settlement component recognized in the caption "Employee benefits" long-term, in the amount of 150,000 Euros and the net share settlement component recognized in the caption "other reserves", in the amount of 810,000 Euros (note 15).

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.

Indemnities

During the period ended 30 September 2021, this caption includes the amount of 8,000,000 Euros related to a Suspension Agreement program to be carried out within the scope of the restructuring process explained in major detail in note 19 – Provisions, Guarantees provided, Contingent liabilities.

Social welfare cost

Social welfare costs relate almost entirely to health costs incurred by the **Group** with the active workers, as well as expenses related to Health and Safety at work. The increase in social welfare cost is due to a regularization of the healthcare services utilization, due to the COVID-19 impact on the health system in the year 2020.

As at 30 September 2020 and 30 September 2021, the **Group** caption Staff costs includes the amounts of 406,183 Euros and 390,548 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 30 September 2021, the average number of **Group's** staff was 12,224 employees (12,172 employees in the year ended 30 September 2020). The employees' number of the **Group** at the end of the period amounted to 12,924 employees (12,472 on 30 September 2020).

24. Interest expenses and Interest income

For the periods ended 30 September 2020 and 30 September 2021, the heading Interest Expenses of the **Group** had the following detail:

	30.09.2020	30.09.2021
Interest expenses		
Bank loans	1,241,045	1,308,270
Lease liabilities	2,483,170	2,304,076
Other interest	169,846	-
Interest costs from employee benefits	3,345,437	2,678,229
Other interest costs	70,380	95,927
	7,309,878	6,386,502

During the periods ended 30 September 2020 and 30 September 2021, the **Group** heading Interest income was detailed as follows:

	30.09.2020	30.09.2021
Interest income		
Deposits in credit institutions	10,755	11,736
Other supplementary income	-	3,357
	10,755	15,093

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 7,500,00 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. 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 30 September 2020 and 30 September 2021, the reconciliation between the nominal rate and the effective income tax rate of the **Group** was as follows:

	30.09.2020	30.09.2021
Earnings before taxes (a)	8,889,356	37,436,674
Nominal tax rate	21.0%	21.0%
	1,866,765	7,861,702
Tax Benefits	(279,964)	(204,179)
Accounting capital gains/(losses)	(129,057)	(197,241)
Tax capital gains/(losses)	69,750	41,551
Equity method	381,826	350,580
Provisions not considered in the calculation of deferred taxes	8,783	(14,655)
Impairment losses and reversals	415,160	97,749
Compensation for insurable events	52,813	94,846
Depreciation and car rental charges	50,178	19,459
Credits uncollectible	8,120	43,010
Difference between current and deferred tax rates	-	(7,871)
Fines, interest, compensatory interest and other charges	34,703	14,904
Other situations, net	(506,670)	571,365
Adjustments related with - autonomous taxation	456,716	614,198
Adjustments related with - undistributed variable remuneration	904,893	92,848
SIFIDE tax credit	-	(512,416)
Insufficiency / (Excess) estimated income tax	(165,075)	247,774
Subtotal (b)	3,168,941	9,113,625
(b)/(a)	35.65%	24.34%
Adjustments related with - Municipal Surcharge	355,314	617,804
Adjustments related with - State Surcharge	949,486	1,267,637
Income taxes for the period	4,473,740	10,999,065
Effective tax rate	50.33%	29.38%
Income taxes for the period		
Current tax	4,366,441	11,388,547
Deferred tax	272,374	(124,840)
SIFIDE tax credit	-	(512,416)
Insufficiency / (Excess) estimated income tax	(165,075)	247,774
	4,473,740	10,999,065

In the nine-month period ended 30 September 2021, the caption “SIFIDE tax credit” refers to the reimbursement of SIFIDE regarding to the year 2018 and the Tax Credit of 2020.

In the year 2020, The **Group** recognized a tax credit in the total amount of 3,300,000 Euros as a result of the contributions made to the TechTree FCR Fund. This credit was recognized under IFRIC 23, considering its specificities and estimate of the effective probability of attribution. In the current year, under the same standard, the **Group** reassessed the estimate and concluded that the amount of 825,000 Euros would not be recoverable and therefore derecognized it. This amount is recorded under the caption “Insufficient/(Excess) of estimated income taxes”. This caption also books the excess of estimated income tax for the year 2020, in the net amount of 583,117 Euros.

Deferred taxes

As at 31 December 2020 and 30 September 2021, the balance of the **Group** deferred tax assets and liabilities was composed as follows:

	31.12.2020	30.09.2021
Deferred tax assets		
Employee benefits - healthcare	75,968,984	75,283,223
Employee benefits - pension plan	73,758	64,791
Employee benefits - other long-term benefits	3,186,436	3,325,651
Impairment losses and provisions	4,936,452	5,689,932
Tax losses carried forward	786,994	470,854
Impairment losses in tangible fixed assets	408,756	468,552
Long-term variable remuneration	53,978	268,800
Land and buildings	355,770	355,770
Tangible assets' tax revaluation regime	1,603,577	1,363,040
Other	517,163	544,854
	87,891,868	87,835,465
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	1,955,171	1,818,587
Suspended capital gains	703,836	669,836
Non-current assets held for sale	83,010	42,718
Other	51,681	41,262
	2,793,698	2,572,403

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 period ended 30 September 2021 the deferred tax asset amounts to 1,363,040 Euros.

As at 30 September 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 nine-month period ended 30 September 2021, the movements which occurred under the deferred tax headings of the **Group** were as follows:

	31.12.2020	30.09.2021
Deferred tax assets		
Opening balances	89,329,806	87,891,869
Effect on net profit		
Employee benefits - healthcare	(104,541)	(685,761)
Employee benefits - pension plan	-	(8,967)
Employee benefits - other long-term benefits	317,812	139,215
Impairment losses and provisions	(90,940)	753,480
Tax losses carried forward	(502,991)	(316,140)
Impairment losses in tangible fixed assets	22,946	59,796
Long-term variable remuneration	53,978	214,822
Land and buildings	(1,039)	-
Tangible assets' tax revaluation regime	(320,715)	(240,537)
Other	52,981	6,671
Effect on equity		
Employee benefits - healthcare	(766,465)	-
Employee benefits - pension plan	(10,910)	-
Other	(88,054)	21,017
Closing balance	87,891,868	87,835,465
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)	(136,584)
Suspended capital gains	(33,845)	(25,384)
Other	-	(40,292)
Effect on equity		
Fair Value Reserve	19,645	(8,616)
Other	31,895	(10,420)
Closing balance	2,793,698	2,572,403

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		30.09.2021	
	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT – Expresso, S.A., branch in Spain	72,471,042	-	76,229,511	-
CTT Expresso/Transporta	6,142,786	783,366	6,142,786	467,226
Total	78,613,828	783,366	82,372,296	467,226

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 following 15 years (available for reporting until 2023, 2024 and 2026, respectively), the tax losses related to 2012, 2013 and 2014 may be carried forward in the following 18 years (available for reporting until 2030, 2031 and 2032) and the tax losses of the years 2015, 2016, 2017, 2018, 2019, 2020 e 2021 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history.

Regarding 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 application submission, the expenses incurred with R&D amounted to approximately 1,422,552 Euros and the **Group** will have the possibility of benefiting from a tax deduction in corporate income tax estimated of 753,235 Euros. It should be noted that the Certifying Committee's decision on eligible expenses incurred with R&D and corresponding tax credit for 2019 is still awaited.

Regarding the expenses incurred with R&D by the **Group** in the year 2020, with the application submission, these amounted to approximately 5,304,741 Euros and the Group will have the possibility of benefiting from a deduction in corporate income tax estimated at 3,850,195 Euros.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2017 and onwards may still be reviewed and corrected.

The Board of Directors of the 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 30 September 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 30 September 2020 and 30 September 2021, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

	30.09.2020				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies					
Associated companies	-	-	6,675	63,788	-
Jointly controlled	343,583	-	845,547	500	-
Members of the (Note 23)					
Board of Directors	-	848	-	1,876,582	-
Audit Committee	-	-	-	121,998	-
Remuneration Committee	-	-	-	26,960	-
General Meeting	-	-	-	14,000	-
	343,583	848	852,221	2,103,828	-
	30.09.2021				
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	12,750,000
Group companies					
Associated companies	-	-	-	-	-
Jointly controlled	218,750	14,145	770,017	82,604	-
Members of the (Note 23)					
Board of Directors	-	-	-	1,941,140	-
Audit Committee	-	-	-	107,143	-
Remuneration Committee	-	-	-	14,850	-
General Meeting	-	-	-	14,000	-
	218,750	14,145	770,017	2,159,737	12,750,000

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 agreement, which was due to expire on 31.12.2020, was extended until 31.12.2021 by Decree-Law No. 106-A/2020 of 30 December.

By decision on 02.09.2021, ANACOM approved the conformity declaration of the results of CTT's analytical accounting system (SCA) for the year 2018, as well as the final decision on the determinations to improve the system, following the respective audit, and prior to hearing report. The determinations will remain in force after 2021, until the approval of a new decision on this matter, if CTT continues as a provider of the universal postal service after 2021.

By decision on 28.10.2021, ANACOM granted CTT's request regarding the records deduction, in all national flows, directly affected by the Covid-19 pandemic for the purposes of calculating the Quality of Service Indicators (IQS) for the year 2021.

The legal proceedings relating to the ANACOM Decision regarding the quality of service's parameters and performance targets applicable to the universal postal service provision, dated of July 2018, are in accordance with their terms. The arbitration action brought against the Portuguese State, as the grantor, is awaiting a decision. In the administrative actions brought against ANACOM, the first concerning the same decision and the second concerning the determination of December 2018 regarding the new measurement procedures to be applied to indicators, no relevant developments were registered.

The arbitration proceeding initiated, on 06.11.2021, against the Portuguese State, in the capacity of Grantor, regarding the contractual impacts and effects of the pandemic associated with COVID-19, as well as the contractual impacts and effects of the decision to extend the concession contract in year 2021, runs its terms.

The process relating to the proposal to apply eleven contractual fines, started in 2018, under the Universal Postal Service Concession Agreement, based on alleged breaches of obligations resulting from the contract, which occurred during the years 2015, 2016 and 2017, after additional production of evidence as determined by the Grantor, is still awaiting a decision. On 30.07.2021, ANACOM initiated a new administrative offense proceeding against CTT for four administrative offenses related to the measurement of quality of service's indicators (IQS), relating to facts that occurred in 2016 and 2017, partially contested in the administrative action filed against the ANACOM, in March 2019, relating to the December 2018 deliberation regarding the new measurement procedures to be applied to IQS. CTT presented its defense on 30.08.2021. On 17.09.2021, CTT was notified by ANACOM of the proposal to impose contractual fines for the same facts that led to the administrative infraction procedure instituted by ANACOM on 30.07.2021, with CTT's pronouncing being presented on 25.10.2021.

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 led to a generalized decrease in economic activity in the first

quarter of 2021. The negative impact was concentrated, specially, in private consumption and exports of services, particularly in the tourism sector.

However, this decrease was more moderated 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 and third quarter, the economic situation has shown a very positive change with the lifting of the containment measures, whose process of returning to normality has initially influenced by the emergence of new strains of the COVID-19 virus. However, the dissemination of vaccination allowed, at the end of the third quarter, an acceleration of the lifting of these restriction measures.

According to information from Banco de Portugal, after a chain reduction in the first quarter, GDP more than recovered in the second, continuing to grow in the following quarters, but at a slower pace. This recovery trajectory reflects the control of the pandemic and the spread in the vaccination process, with positive effects on the agents' confidence. The BdP projects that the Portuguese economy will grow 4.8% in 2021, approaching the pre-pandemic level at the end of the year.

Nevertheless, in the first nine months of the year 2021, 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 the period end 30 September 2021, there was a growth in operating income and EBIT, driven mainly by the remarkable growth from Expresso and Parcels business followed by Banco CTT, Mail and Others and Financial Services and Retail.

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 30 September 2021, there were 59 moratoria, corresponding to € 3.43 M (€ 2.97 million in mortgage loans and € 0.46 M in auto loans), representing 0.3% of the total gross credit portfolio. Of the total number of completed moratoria, there are about 2.9 M € with delays of more than 30 days, which represents about 4.6% of the moratoria total number completed on 30 September 2021.
- 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 uncertainty regarding the evolution of the pandemic and its effects on the economy and 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 03.11.2021, the Council of Ministers approved the Resolution 144/2021 of 23.09.2021, which determines the opening of a direct award procedure aimed at designating CTT as the universal postal service provider. The current contract expires on 31.12.2021, date by which the new contract will be concluded, which will have a 7-year term. This Resolution paves the way for the definition of a new contractual framework which will enable (1) “an enhanced sensitivity of the pricing to be implemented by the concessionaire to the evolution of the postal activity and (2) “establishing high quality of service standards, aligned with the European Union best practices.”. It is expected that the new concession contract, which will come into force in January 2022, will promote a framework that balances more adequately the continuity and sustainability of the fulfilment of universal postal service obligations.

With the exception of those mentioned above, after 30 September 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.