

Integrated Report

1st Half 2021



committed to deliver

Table of Contents

1. INTRODUCTION TO CTT	7
1.1. KEY FIGURES	7
1.2. EXTERNAL AWARDS AND DISTINCTIONS	10
2. STRATEGIC BACKGROUND	13
2.1. REGULATORY FRAMEWORK	13
2.2. STRATEGIC LINES	15
2.3. SUSTAINABLE DEVELOPMENT GOALS	16
2.4. CORPORATE ETHICS	17
2.5. RISK MANAGEMENT	17
3. CTT BUSINESS UNITS	23
3.1. MAIL	23
3.2. EXPRESS & PARCELS	25
3.3. BANCO CTT	26
3.4. FINANCIAL SERVICES & RETAIL	27
3.5. FUTURE PERSPECTIVES	27
4. PERFORMANCE	31
4.1. FINANCIAL CAPITAL	31
4.2. HUMAN CAPITAL	37
4.3. INTELLECTUAL CAPITAL	41
4.4. SOCIAL CAPITAL	42
4.5. NATURAL CAPITAL	42
5. CORPORATE GOVERNANCE	49
6. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	61
7. DECLARATION OF CONFORMITY	119
8. AUDIT REPORT	125
9. INVESTOR SUPPORT	129
10. CONTACTS	131



01

Introduction to CTT

committed to deliver



1. INTRODUCTION TO CTT

1.1. Key Figures

1.1.1. Economic and financial indicators

€ thousand or %, except otherwise indicated

	'1H20	'1H21	Δ 21/20
Revenues ⁽¹⁾	349,168	412,784	18.2%
Operating costs (EBITDA) ⁽²⁾	313,478	355,476	13.4%
EBITDA ⁽³⁾	35,689	57,307	60.6%
Depreciation & amortization ⁽⁴⁾	30,034	28,613	-4.7%
Recurring operating costs	343,513	384,089	11.8%
Recurring EBIT	5,655	28,694	407.4%
Specific items	788	-2,316	-394.1%
Operating costs	344,300	381,773	10.9%
EBIT	4,867	31,011	537.1%
EBT	-1,031	25,660	»
Net profit before non-controlling interests	-1,928	17,255	994.9%
Net profit for the period ⁽⁵⁾	-1,984	17,187	966.1%
Earnings per share (euro) ⁽⁶⁾	-0.01	0.11	967.3%
EBITDA margin	10.2%	13.9%	3.7 p.p.
EBIT margin	1.4%	7.5%	6.1 p.p.
Net profit margin	-0.6%	4.2%	4.7 p.p.
Capex	10,903	11,734	7.6%
Operating cash flow	3,896	37,829	870.9%
Free cash flow	-556	31,298	5724.8%

	'31.12.20	'30.06.21	Δ 21/20
Cash and cash equivalents	518,180	654,743	26.4%
Adjusted cash	135,424	143,998	6.3%
Assets	2,894,903	3,096,592	7.0%
Equity	150,275	148,787	-1.0%
Liabilities	2,744,628	2,947,806	7.4%
Share capital	75,000	75,000	0.0%
Number of shares	150,000,000	150,000,000	0.0%

⁽¹⁾ Excluding specific items.

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

⁽³⁾ Excluding depreciation & amortization and specific items.

⁽⁴⁾ Depreciation & amortization were positively impacted in 1H21 by the revision of the useful life of some assets.

⁽⁵⁾ Attributable to equity holders.

⁽⁶⁾ Considering 149,800,684 as the average number of shares. As of 30.06.21 CTT held 1,500,001 own shares.

1.1.2. Operating indicators

	'1H20	'1H21	Δ 21/20
Mail			
Addressed mail volumes (million items)	263.0	249.8	-5.0%
Transactional mail	228.3	216.0	-5.4%
Editorial mail	15.1	14.7	-2.4%
Advertising mail	19.6	19.1	-2.8%
Unaddressed mail volumes (million items)	183.2	222.1	21.3%
Express & Parcels			
Portugal (million items)	12.4	16.2	30.6%
Spain (million items)	11.3	20.4	80.7%
Financial Services & Retail			
Payments (number of transactions; millions)	763.6	854.6	11.9%
Savings and insurance (subscriptions; €m)	1,935.2	2,342.7	21.1%
Banco CTT			
Number of current accounts	488,931	543,230	11.1%
Customer deposits (€k)	1,511,891.2	1,906,651.6	26.1%
Savings book, net (off-balance)	378,808.3	549,457.3	45.0%
Mortgage loans book, net (€k)	472,689.5	564,048.5	19.3%
Auto loans and leasing book, net (€k)	514,594.9	602,346.8	17.1%
Universe credit card book, net (€k)	-	185,496.7	-
Consumer credit production (off-balance) (€k)	14,167.4	19,247.0	35.9%
Payments (number of transactions; millions)	20.4	20.0	-1.7%
Loan-to-Deposit ratio (including 321 Crédito)	65.4%	70.7%	5.3 p.p.
Number of branches	212	212	0.0%
Cost of risk	160.0 p.b.	110.0 p.b.	-50.0 p.b.
Staff			
Headcount as of 30 June	12,015	12,261	2.0%
Staff (FTE) ⁽¹⁾	12,157	12,164	0.1%
Retail, Transport and Distribution networks			
CTT access points	2,354	2,374	0.8%
Retail network (post offices)	547	566	3.5%
Postal agencies	1,807	1,808	0.1%
Payshop agents	4,902	5,241	6.9%
Postal delivery offices	226	223	-1.3%
Postal delivery routes	4,651	4,576	-1.6%
Fleet (number of vehicles)	3,996	3,925	-1.8%

⁽¹⁾ FTE = Full-time equivalent

1.1.3. Sustainability indicators

	'1H20	'1H21	Δ 21/20
Customers			
Customer satisfaction (%)	85.2	84.5	-0.7 p.p
Staff			
Number of accidents	407	380	-6.6%
Training (hours)	58,243	104,364	79.2%
Women in management positions (1 st management level) (%)	20.4	13.0	-7.4 p.p
Community/Environment			
Value chain - contracts with environmental criteria (%)	96.1	98.6	2.5 p.p.
Total CO ₂ emissions, scopes 1 and 2 (kton.) ⁽¹⁾	7.9	8.3	4.3%
Energy consumption (TJ) ⁽¹⁾	177.9	181.6	2.1%
Eco-friendly vehicles	321	336	4.7%
Weight of Eco product range in Direct Mail line (%) ⁽²⁾	48.9	44.4	-4.5 p.p
Investment in the Community (€k)	474.0	273.0	-42.4%

⁽¹⁾ Update of 1H20 data. 1H21 provisional data, including green energy.

⁽²⁾ Volumes.

1.2. External Awards and Distinctions

In the 1st half of 2021, CTT obtained the following awards and distinctions:

Trusted Brand

For the 14th time, CTT was distinguished as one of the Trusted Brands of the Portuguese population, in a study carried out by Reader's Digest magazine, achieving first place in the "Postal and Logistics Services" category, with 81% of the votes.

Marketeer Awards 2021

CTT won the "Corporate Brands" category at the 13th edition of the Marketeer Awards, which are designed to distinguish the best in marketing, advertising and communications in Portugal.

World Philatelic Award

CTT won the prestigious World Post & Parcel Awards 2021, in the category "Best World Philatelic Campaign of the Year" with the Graphene Implant Philatelic Souvenir Sheet that reveals Miguel Torga's poem, "Contágio" (Contagion).

National Sustainability Award

The Project "A Tree for the Forest" was distinguished by the National Sustainability Award 20|30 with an honorable mention, in the category Sustainability Communication. This was the 1st edition of the award, promoted by Jornal de Negócios to distinguish companies and organizations that stand out for their performance and good sustainability practices in the environmental, social and governance areas.

Five Stars Award for Banco CTT

Banco CTT's Customer Service was considered by the Portuguese as Five Stars, obtaining a 73.7% satisfaction rating among the five banks evaluated in the same category. This is an award given by U-Scout Lda, in the category "Banking – Customer Service".



02

Strategic background

committed to deliver



2. STRATEGIC BACKGROUND

2.1. Regulatory Framework

2.1.1 Postal Sector

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. In February 2021, CTT triggered a formal procedure aimed at resolving the issues related to the sustainability of the current concession agreement, in particular with respect to the years 2020 and 2021. In this context, following the Government's understanding that the appropriate mechanism for the resolution of the referred issues is arbitration, on 11.06.2021, CTT initiated arbitration proceedings against the Portuguese Government, in its capacity as Grantor of the concession. Such proceeding aims to protect CTT's rights, specifically: (a) the impact and contractual effects, as those of a compensatory nature (which CTT calculates at around €23m), of the pandemic associated with COVID-19, as well as the public measures adopted in this context, particularly in light of the clauses of the Concession Agreement which regulate changes of circumstance; and (b) the legality, impacts and contractual effects, as those of a compensatory nature (which CTT calculates at around €44m), of the decision to extend the Agreement contained in paragraph a) of article 35-W of Decree-Law no. 10-A/2020, of 13 March, as amended by Decree-Law no. 106-A/2020, of 30 December.

The aforementioned amounts are those that CTT considers it is entitled to in accordance with currently available data and are subject to updating, assessment and decision in the proceedings that are now being initiated.

The working group set up by the Government to review the evolution of the universal postal service under the terms of the Postal Act, as well as to assess the need to introduce adjustments in the scope of the universal service and the obligations of its provider, has completed the stakeholder hearing process. The phase of analyzing the results of the hearings and drawing up conclusions is underway.

As the international public health emergency continues, Portugal remained in a state of emergency until 30.04.2021, followed by a declaration of disaster situation, which is still in force. As in the previous year, CTT continues to implement the public health rules issued by the competent authorities and adopted the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. CTT continues to periodically submit an update on the situation of the postal network to the Government, as a counterparty in the agreement, and to

ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The proposal regarding the **prices of the universal postal service** submitted by CTT on 17.02.2021 was approved by ANACOM by its resolution of 25.03.2021¹. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01.04.2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

The **special prices of the postal services included in the universal postal service offer** applicable to bulk mail senders were also updated² on 01.04.2021 following a proposal presented to the Regulator on 25.03.2021. The aforementioned updates correspond to an average annual price change of 1.72% for 2021, and also take into account the increase in the prices of the reserved services (services for the transmission of judicial and other postal notifications) and of the special prices of bulk mail.

On 23.07.2021, CTT was notified of ANACOM's decision rejecting CTT's request to redefine the price formation criteria for the universal postal service established by the Price Deliberation for the three-year period ended in 2020.

On 29.04.2021, ANACOM approved several decisions relative to the provision of the universal postal service after the term of the current concession. These decisions refer to: (i) the criteria setting the formation of the prices of the universal postal service; (ii) the quality of service parameters and performance targets associated with provision of the universal service; (iii) the concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service; (iv) the methodology for calculating the net costs of the universal service; (v) the information to be provided by the universal service provider(s) to the users; and (vi) the delivery of postal items at premises other than the domicile.

On 17.06.2021, ANACOM approved for prior hearing the draft decision to be issued by ANACOM, for the purposes of article 16(4) of Law 17/2012, of 26 April, arising from the audit to the results of CTT's cost accounting system for the 2018 financial year, as well as the stipulations for system improvement resulting from the aforementioned audit and the consolidation of all stipulations and recommendations in a single document. The stipulations 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 December 2021.

On 24.06.2021, ANACOM stipulated the cost of capital rate to be taken into account in CTT's cost accounting system results in 2021, which was set at 7.4712%, under the terms of the methodology approved by that authority in 2019.

¹ Pursuant to the criteria setting the formation of the prices defined by a decision of ANACOM of 12.07.2018, complemented by a decision of 05.11.2018, under article 14(3) of Law No. 17/2012, of 26 April (Postal Act), amended by Decree-Law No. 160/2013, of 19 November, and by Law No. 16/2014, of 4 April.

² See article 14-A of the Postal Act as amended by article 4 of Decree-Law No. 160/2013, of 19 November.

2.1.2 Financial Sector

As in 2020, the 1st half of 2021 was especially marked by the COVID-19 pandemic crisis. The regulatory changes registered in this period reflect the legislator's continued concern with guaranteeing financing for companies and families, as well as adapting to the new challenges posed by the pandemic in terms of business continuity. Furthermore, legislative solutions published last year regarding the insurance activity and the internal organization of credit institutions were developed and materialized in the 1st half of 2021.

Following the publication in 2020 of the moratorium rules at European and national level, Banco de Portugal Circular Letter no. CC/2021/00000001 was published in January 2021. This Letter reflected the need to update the deadline for joining and applying the general payment moratoria, given that many economic agents continue to be severely affected by the pandemic crisis. Under these new terms, the extension of the end date for joining and applying moratoria is now allowed until 31 March 2021. However, two restrictions have been introduced concerning (i) the 9-month cap requirement on the overall length of the payment holiday, applicable to moratoria granted after 30 September 2020 and (ii) the requirement for institutions to document their plans for the assessment of unlikelihood to pay of obligors subject to a general payment moratorium. These amendments are reflected in the reactivation of the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02). The EBA has seized the opportunity of the re-activation of these Guidelines to introduce a new moratorium concept and to amend the existing moratoria.

In order to increase the operational resilience of the financial sector, in March 2021, the Banco de Portugal published Instruction no. 4/2021 on the management and reporting, by payment services providers, of operational and security risks. This Instruction aimed to implement the requirements contained in the EBA Guidelines on Information and Communication Technology (ICT) and security risks (EBA/GL/2019/04), including the duty to report the annual assessment of the operational and security risks of the payment services provided. These requirements materialize in (i) a greater specification of expectations for ICT risk oversight, (ii) a clarity of responsibilities of senior management and the

second and third line of defense in this regard, and (iii) the strengthening of operational resilience in cybersecurity matters.

After the publication in 2020 of Banco de Portugal Notice no. 3/2020 regulating the governance and internal control systems and defining the minimum standards on which the organizational culture of the entities subject to supervision by Banco de Portugal should be based, it was clear that it applied to credit institutions and holding companies subject to supervision by Banco de Portugal, with no provision for its applicability to payment institutions and electronic money institutions. As a result, Notice no. 2/2021 of Banco de Portugal was published, determining the partial application of the 2020 notice to these entities, namely in terms of internal control system and risk management.

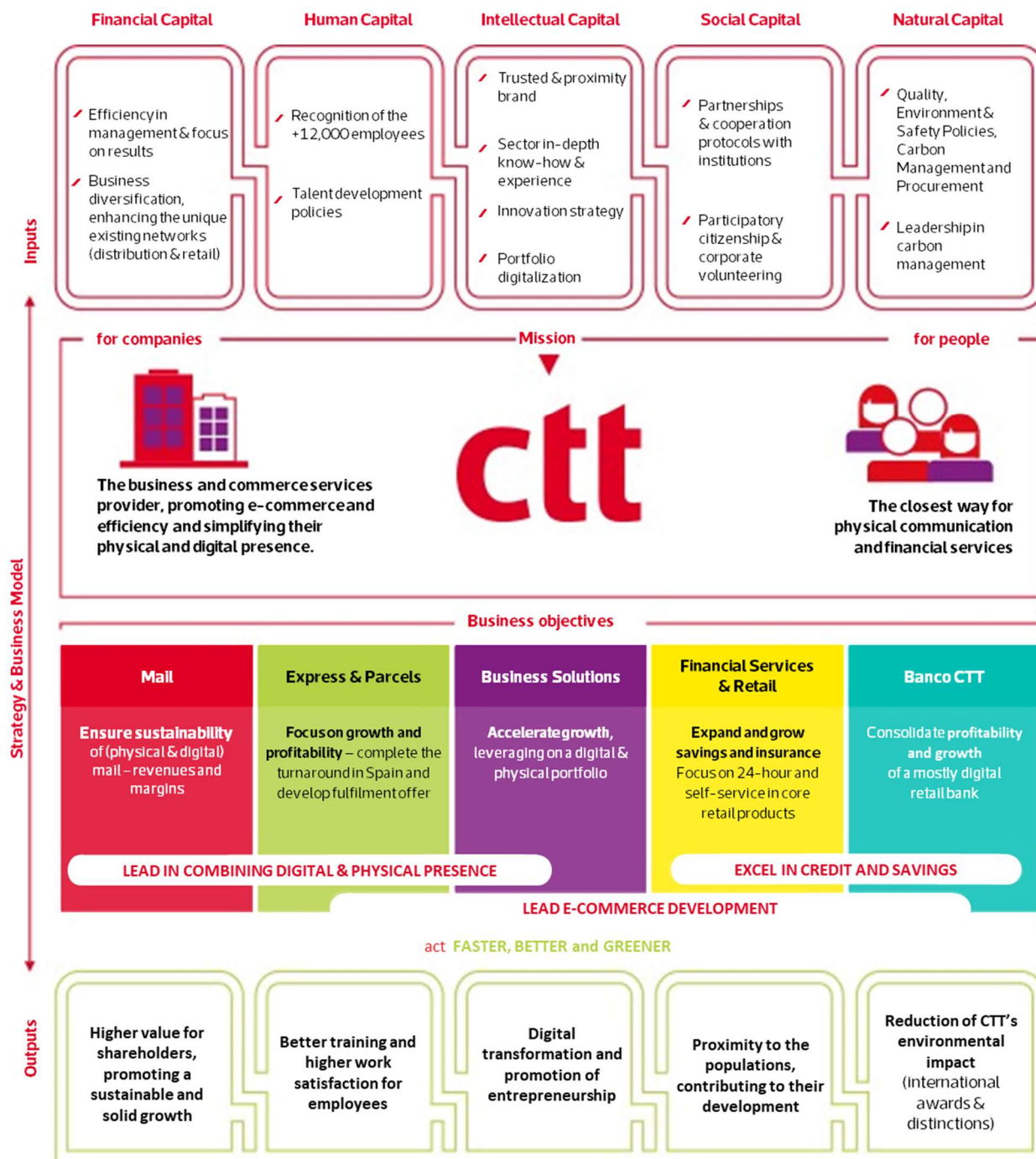
In the area of insurance and following the publication at the end of 2020 of Regulatory Standard 13/2020-R, the Insurance and Pension Funds Supervisory Authority (ASF) published Circular Letter 1/2021 of 6 April, and the reporting by obliged entities, including insurance intermediaries, is now implemented, particularly with respect to (i) the information on insurance intermediaries and ancillary insurance intermediaries used in the distribution of insurance products, (ii) the publication of annual financial statements, (iii) the list of persons directly involved in insurance distribution and (iv) the report on complaints management.

The regulatory agenda was also marked by the publication of Banco de Portugal Notice no. 4/2021 which regulates the registration, organization and operation of branches and branch extensions, particularly with regard to the sharing of physical and human resources with other entities. It was set forth therein that the space allocated to a branch, when shared with other entities, must be clearly delimited and easily identifiable, in order to guarantee the confidentiality of information. To this end, it is essential to ensure the exclusive use by the institution of the technical, material and advertising means allocated to the activity through the branch or branch extension in shared space.

Finally, at the end of the 1st half of 2021 the EBA published the Revised Guidelines on major incident reporting under PSD2 (EBA/GL/2021/03), which are due to come into force in January 2022.

2.2. Strategic Lines

We connect people and companies, committed to deliver!



2.3. Sustainable Development Goals

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

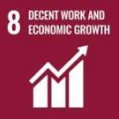
CTT, in addition to aligning its environmental management strategy with the priority SDG for the sector, derived from a study by IPC – International Post Corporation, mapped and prioritized the SDG for its value chain, using the SDG Compass methodology, developed by the WBCSD, UN Global Compact and GRI.

CTT commitments are aligned with these global goals, with a view to a balance between the creation of economic value and the preservation of the planet and of human dignity.

Hence, this year CTT subscribed to the ten principles of the United Nations Global Compact, which relate to Human Rights, Labor Practices, Environmental Practices and Anti-Corruption, and expressed the intention to support and disseminate these principles within its sphere of influence.

CTT is committed to ensuring that the Ten Principles are reflected in the organization's strategy, culture and day-to-day operations, and to engaging in cooperative projects that promote the broader development goals of the United Nations, in particular the Sustainable Development Goals.

The table below presents the performance level of the 1st half of 2021 vis-à-vis the goals defined by CTT for this year.

	Good health and well-being Focused on road accident goals Road accidents reduced by 6.6% Fatal accidents: 0 Road Safety Program – with around 9,500 participants		Quality education Focused on training goals Volume of training: 104k hours Training effort rate of 1%
	Affordable and clean energy Focused on renewable energy and energy efficiency goals Acquisition of 100% electricity from renewable sources		Decent work and economic growth Focused on goals related to labor conditions and access to financial services Consolidate the banking business 494 participants and 1,151 hours training on Prevention of Money Laundering
	Sustainable cities and communities Focused on electric mobility Entry into operation of 15 new electric vehicles Expansion of deliveries and customers adhering to the Green Deliveries service carried out with electric vehicles		Responsible consumption and production Focused on the eco portfolio Carbon-neutral green mail and express mail offer Launch of a pilot project for reusable packaging aimed at e-commerce customers, a pioneer in Portugal
	Global climate action Focused on carbon management, compliance with international norms and environmental education Align CTT carbon goals (SBT) with the global ambition to limit global warming to 1.5°C by 2030 Operational efficiency: 0.8% more addressed mail, express mail and parcels items delivered per km traveled by CTT own fleet		Peace, justice and strong institutions Focused on anti-corruption and bribery, governance and ethics, and engagement with stakeholders 627 employees trained on the Codes of Conduct of CTT, CTT Subsidiaries and Banco CTT; Code of Good Conduct to Prevent and Fight Harassment at the Workplace Communication article for internal stakeholders

2.4. Corporate Ethics

CTT Group's operating principles include a set of ethical values that are reflected in its Code of Conduct, including individual rules of conduct to be respected within the group in the relationships established, both internally and with external stakeholders.

To be noted is also the "Code of Good Conduct for the Prevention and Combat of Harassment", whereby the measures disclosed therein recognize the importance of promoting a healthy work environment that elevates the dignity of all employees.

The Ethics Committee is responsible for monitoring and supervising the application of those codes, as well as assessing the communications of irregularities related to non-compliance of the rules of conduct. This year, four communications were analyzed.

In the field of combating corruption, procedures are in place for the identification of active and passive perpetrators of situations of bribery and corruption with a view to their legal and penal framework, where denunciations and complaints are investigated, and procedures and practices that provide or configure irregular and corrupt behaviors are analyzed.

In the development of investigative actions, there were two employment contracts of permanent and fixed-term employees that were terminated (one for illicit appropriation of a client's cash by a permanent female worker and another for theft/tampering of postal items by a fixed-term male employee).

Additionally, preventive procedures are in place regarding money laundering and terrorist financing, whereby 18 communications were reported to the competent authorities (Central Department of Investigation and Criminal Action of the Attorney General's Office and the Judicial Police Financial Information Unit) involving financial operations amounting to approximately 2.6 million euros.

2.5. Risk Management

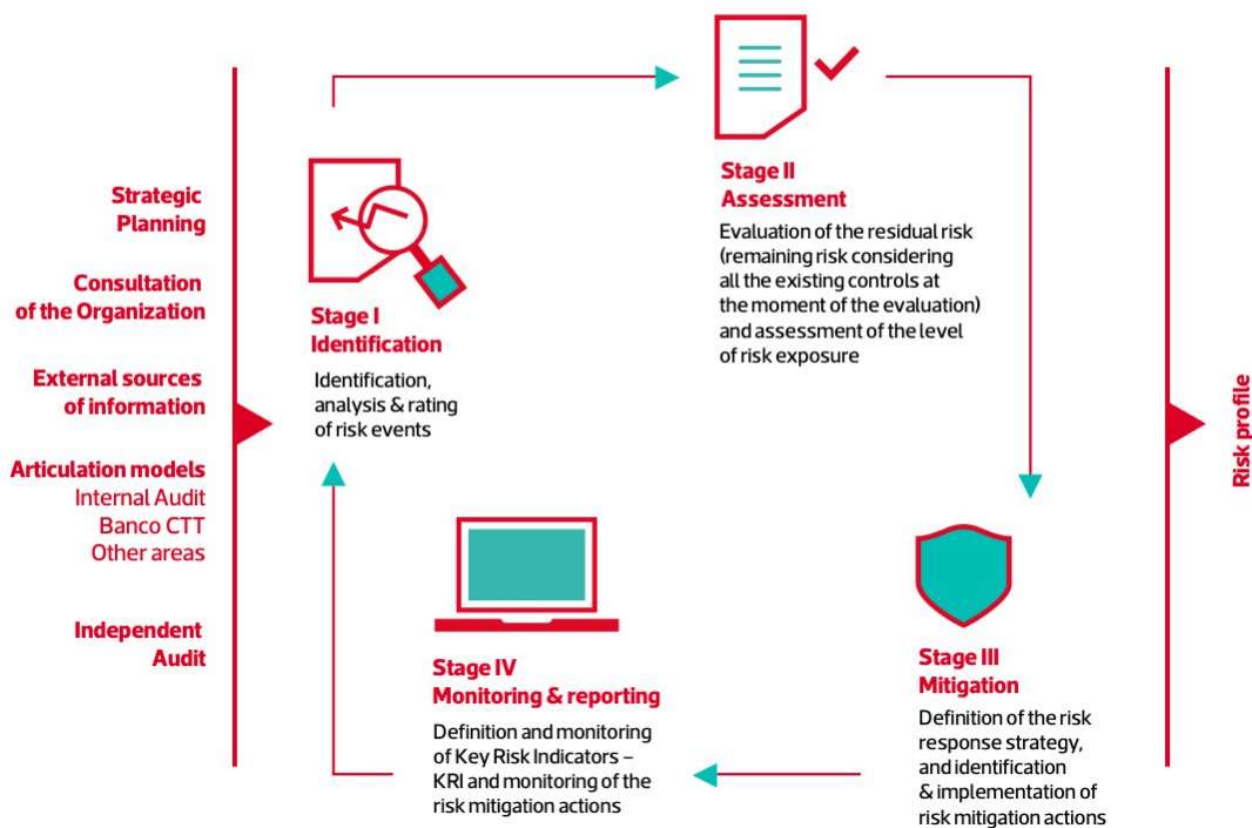
2.5.1. Description of the risk management process

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

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

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

Integrated Risk Management System



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

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

The evolution of CTT's main risks (those with higher level of exposure) is monitored in Stage IV through **Key Risk Indicators (KRI)**. The KRI act as a barometer of CTT's current level of exposure to risks and alert, in a timely manner, to possible changes in the probability of occurrence and/or impact of the risk event. Each KRI has a defined **objective** and a **tolerance level**. Surpassing this tolerance level could mean that CTT will incur financial losses that are higher than expected (value-at-risk), thus requiring the adoption of immediate response measures. In some cases, in order to maximize the effectiveness of the KRI, programmed action plans are defined *a priori* with specific mitigation measures whose implementation depends on whether or not the tolerance levels defined for the KRI are surpassed.

2.5.2. Risks faced by CTT

During the 1st half of 2021, CTT's activity continued to be affected by the COVID-19 pandemic. For this reason, most of the risks that have received the most attention are precisely those where the pandemic is a factor in increasing exposure:

Impacted business	Risk Rationale
  	Iberian CEP (Courier, Express & Parcels) challenge Category: Strategic risk CTT's strategy for the Express & Parcels (E&P) business aims at developing and consolidating its position as a strong and reference Iberian operator, reinforcing its leading position in the domestic market and increasing its scale in Spain. In this context, two risk factors assume particular importance. On the one hand, the successful implementation of the turnaround plan in Spain, which is crucial given the size and speed of growth of the Spanish market. On the other hand, the uncertainties that remain regarding the evolution of the e-commerce growth rate (and consequently the E&E market) after the strong increase during the pandemic.
  	Public image Category: Strategic risk CTT's image and reputation and the trust of Customers, investors and other stakeholders in the brand are key factors for success. For this reason, the occurrence of events triggering negative media pressure on CTT's image may result in materially adverse effects on the company's business and results. In this domain, CTT is particularly committed to its response capacity in the context of the pandemic, as well as to the commitment to demanding levels of quality of service provided to its customers.
  	Cybersecurity Category: Operational risk Cybercrime is one of the most serious economic and national security challenges that governments around the world face. Given the increasing dependence on information technology in CTT's business, security and protection of information is therefore a very critical issue. Today, the growth in volume and sophistication of cyber attacks in a pandemic context is of particular concern. In fact, the mandatory implementation of remote work in the services where it was possible, placed more than 2k employees accessing from home to CTT's internal network, increasing the level of exposure to this risk.
  	Continuity of the business Category: Operational risk The occurrence of certain adverse, unpredictable and unavoidable events, beyond CTT's control, may affect IT systems, facilities and people, ultimately leading to business stoppage. The lack of a prompt and coordinated reaction may prolong the interruption in time, causing considerable financial losses as well as irreparable damage to the reputation and image of the company. During the pandemic, in a test of the resilience of its operations, CTT never failed to ensure the provision of services to its customers, always with a very low level of disturbance.
  	Workers' health and well-being Category: Operational risk The safety and well-being of workers is a priority for CTT. In this sense, since the beginning of the pandemic, several preventive measures were implemented in order to safeguard the health and safety of workers. However, the issue of mental health has been gaining more and more relevance. It is already certain that the interruption of normal work routines and conditions, isolation and economic uncertainty are factors that trigger an increase in cases of anxiety and depression. In this scenario, it is important to evaluate the impacts associated with a possible lack of response from mental health support systems, which may translate into high socioeconomic consequences resulting from increased levels of absenteeism and/or decreased productivity.

Impacted business	Risk Rationale	
  	Increased digitalization and the substitution of physical mail by other forms of digital communication has led to a continuous decline in postal volumes over the past decade. The effects of the pandemic on the economy have further accelerated this trend, with demand for mail services at historic lows. Although doubts remain about a possible post-pandemic slowdown, this reality continues to put pressure on CTT's revenues (still relatively dependent on the Mail business) and will force the company, in a logic of sustainability, to rethink the current operating models in order to adapt them to drastically lower volumes.	E-substitution Category: External risk
  	As the provider of the Universal Postal Service, CTT operates in an intensely regulated environment and is subject to a significant number of legal and regulatory requirements concerning pricing, parameters of the provision of the universal service and quality of service. The change of these requirements, their application or their interpretation may lead to a significant increase in the costs associated with their compliance and the consequent adverse effect on CTT's results. Also in terms of the configuration of the execution aspects of the future concession agreement, an increase in the level of demand and complexity of the conditions and obligations that will be defined and presented cannot be ruled out.	Regulatory changes Category: External risk
  	Researchers have long warned that pandemic outbreaks may occur with increasing frequency. As the current COVID-19 pandemic has shown, such phenomena have the capacity to cause high economic and social damage while inducing the emergence of new risks and increasing exposure to existing risks. With the exception of the Express & Parcels business, most CTT businesses were negatively affected by this pandemic. The duration of its impact will continue to depend on several exogenous factors, namely the emergence and severity of new waves/variants, the effectiveness of vaccines, the maintenance of lockdown and circulation restriction measures, and, in general, the capacity for economic recovery at both the national and international level.	Epidemics (COVID-19) Category: External risk
  	CTT's activity implies direct and indirect environmental impacts, namely the depletion of energy resources of fossil origin, the emission of atmospheric pollutants, in particular greenhouse gas emissions, the consumption of natural resources (e.g., paper and water), potential soil contamination and effluents due to waste produced by CTT as well as noise emission. Risks arise from reputation damage due to a perception of CTT as an environmentally unfriendly company.	Environmental damage Category: Strategic risk



03

Business units

committed to deliver



3. CTT BUSINESS UNITS

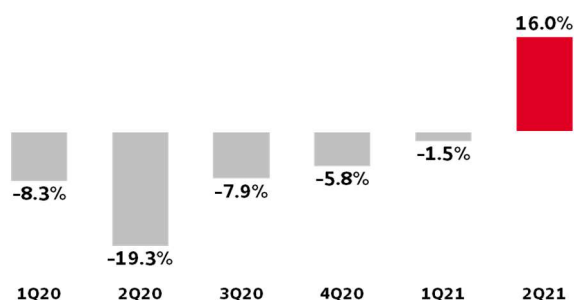
Economic activity in 1H21 showed a recovery, although relevant restrictions are still imposed on the population and the economic activities, whose return to normality has been greatly influenced by the emergence of new variants of the Coronavirus SARS-CoV-2 that triggered the COVID-19 pandemic.

3.1. Mail

Revenues of the Mail business unit reflect a consistent recovery that began after 2Q20, with 2Q21 posting a €15.0m growth (+16.0% y.o.y.).

Evolution of mail revenues

(Δ% vs. the same period of the previous year)



Mail volumes

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
million items								
Transactional mail	228.3	216.0	-12.3	-5.4%	102.0	108.9	6.9	6.8%
Advertising mail	19.6	19.1	-0.6	-2.8%	8.5	9.0	0.5	5.5%
Editorial mail	15.1	14.7	-0.4	-2.4%	7.5	7.5	0.0	-0.1%
Addressed mail	263.0	249.8	-13.2	-5.0%	118.1	125.4	7.4	6.2%
Unaddressed mail	183.2	222.1	39.0	21.3%	67.8	130.1	62.4	92.1%

In 1H21, **transactional mail** volumes declined by 5.4%, but there was a year-on-year recovery in most of the other products, especially **registered mail** (+11.0%) and **green mail** (+16.0%). The decline in domestic **ordinary mail** was 7.7%, with contractual clients of the banking and insurance segments continuing to make the biggest contribution to this evolution.

It should, however, be noted that the main impact of the lockdown enacted as part of the fight against the COVID-19 pandemic was felt in 2Q20, while in 2021 the main impact of the lockdown occurred in the first quarter. Thus, revenue evolution in 1Q21 was penalized by this effect, while in 2Q21 revenue growth benefited from the comparable base of 2Q20.

In 1H21, **Mail revenues** grew by €13.3m (+6.6%) vis-à-vis 1H20 to €216.1m. This was a solid performance, given the economic context and the secular trend in Mail services and resulted mostly from higher **transactional mail** revenues (+€12.3m; +7.1% y.o.y.), which benefited from the contribution of higher value-added mail items, which also have a higher value per item, leading to a lower dependence on ordinary mail – whose weight in revenues decreased from 37% in 1H20 to 34% in 1H21 – and a greater importance of registered mail and international inbound mail, whose weight in revenues grew from 34% in 1H20 to 37% in 1H21. Simultaneously, there was a positive influence of advertising mail (+€0.5m; +5.9% y.o.y.), editorial mail (+€0.2m; +2.8% y.o.y.), universal service parcels (+€1.2m; +46.1% y.o.y.), philately and other mail products and services (+€0.2m; +6.2% y.o.y.), which was only attenuated by the decrease in business solutions (-€1.2m; -14.3% y.o.y.).

The evolution of **international mail** continued to be strongly influenced by the COVID-19 pandemic that caused a bottleneck in the international air logistics network, despite the improvement seen in recent months. In 1H21, **international outbound mail** volumes increased by 0.5%, while **international inbound mail** posted a decrease of 1.9%. In the latter flow, 2Q21

saw the transfer of business associated with tracked mail items to the express segment, which is starting to assume greater importance.

In **advertising mail**, as some advertisers have resumed campaigns during 2Q21, especially in the retail and consumer goods areas, the activity showed a recovery. In 1H21, **unaddressed advertising mail** volumes recorded a 21.3% y.o.y. increase while **addressed advertising mail** volumes decreased by 2.8% y.o.y. A new **Digital Media** offer accessible through the CTT website was launched at the end 1H21, enabling companies to access advertising investment packages on the main media platforms. This service was launched in partnership with Opus Opera, a company of the Omnicom Media Group, and will work as a catalyst of digitalization of Portuguese companies by removing barriers to the adoption of new technologies.

In 1H21, **business solutions** recorded revenues of €7.1m, corresponding to a decline of 14.3% y.o.y.. This is mainly a result of the significant drop in sales prices of Personal Protective Equipment and the high sales volumes achieved in 2Q20, in the context of the support that CTT gave its clients by making this equipment available in a scarce market. CTT continues to focus on expanding and optimizing its current portfolio, having launched contact center services to strengthen its offer in the field of business process outsourcing (BPO).

On 1 April, the new 2021 prices for postal services provided within the scope of the universal service came into force. These were determined in accordance with the Universal Postal Service Pricing Criteria defined by ANACOM. Prices of other postal services provided by CTT were also updated on that date.

The average variation in prices of the universal postal service³ in 1H21 was 2.55% compared to 1H20.

Eco portfolio

Green mail, a product strongly linked to convenience and environmental issues, ensuring carbon neutrality of all its products, had more than 4.1 million items sold in the first half of the year. The Eco Direct Marketing service range provides a distinctive symbol for campaigns that stand out positively for their environmental performance, by meeting various ecological criteria. Hence, the Eco Direct Mail product line represented 44.4% of total direct mail volumes in 1H21.

Philately

Although the effects of the pandemic are still very present, especially in terms of access to the CTT Retail Network, **philately** revenues amounted to €2.4m in 1H21, corresponding to a slight growth (+0.8% y.o.y.).

To be highlighted is the award obtained by the CTT philatelic souvenir sheet with a graphene insert – issued to promote hope despite the pandemic – which was considered the Best World Philatelic Campaign of the Year 2020 by the World Post & Parcel Awards 2021.

Commemorative Issues – 1 st half of 2021	
- Figures from History and Culture - King Manuel I 100 Years of the Portuguese Communist Party - Centenary of the League of Combatants 200th Anniversary of the End of the Inquisition in Portugal - World Tuberculosis Day 2021 (labels) - Centenary of the Faculties of Pharmacy: Coimbra, Lisbon and Porto - Tiger Meet 2021 - Portuguese Presidency of the Council of the European Union - Holocaust Memory 90 Years of the Madeira Regional Archive - Alfredo da Silva's 150th Birthday	National and International Events
- Europa – Endangered Wildlife - Joint issue Portugal-Singapore - Terras do Barroso – World Agricultural Heritage - The Discovery of Antarctica - Hunting in Portugal	Environment and Sustainability
Portuguese Numismatics – Self-adhesive (2nd group)	Self-adhesive

³ Including letter mail, editorial mail and parcels of the universal postal service, excluding international inbound mail.

Definitive Issue – 1st half of 2021

- Portuguese Numismatics (2nd group)

Thematic Books – 1st half of 2021

- History of Ballet in Portugal
- The Post Office – Faces and Stories

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

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

3.2. Express & Parcels

Express & Parcels revenues totaled €125.8m in 1H21, up €40.7m (+47.8% y.o.y.).

In the **Iberian market**, revenues stood at €124.3m, an increase of €40.7m (+48.6% y.o.y.). **CEP** (Courier, Express and Parcels) represented €114.4m, up 56.8% y.o.y., and volumes totaled 35.8 million items, representing a 59.6% growth over 1H20.

In **Portugal**, **Express & Parcels revenues** recorded €67.1m in 1H21, up €15.3m (+29.6% y.o.y.), and volumes totaled 16.2 million items, corresponding to a growth of 30.6% y.o.y..

The Express & Parcels business performance in Portugal in 1H21 was based on the **CEP** business growth, whose revenues amounted to €58.6m (+41.1% y.o.y.). The **cargo** business revenues stood at €4.6m (-13.6% y.o.y.), those of the **banking** documents delivery business totaled €2.3m (-31.5% y.o.y.) and those of the **logistics** business amounted to €1.2m (+2.5% y.o.y.).

The increment in the CEP business was mainly due to e-commerce (B2C), with greater relevance in the food, sports and leisure, education and culture, and consumer electronics sectors while winning a large e-commerce platform in 2Q21. The cargo and banking documents delivery businesses were the most impacted by the restrictions caused by the COVID-19 pandemic. In logistics, the anticipated departure of a major customer in 1Q21 was offset by new businesses.

During 1H21, 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 having made it available 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; and (3) the partnership with Habitat Invest that led to the first online parcels sorting center to be installed in Portugal in July 2021 in a residential building with the ambition of transforming the market and ensuring the convenience of homeowners when receiving digital parcels. Furthermore, during 1H21, 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). At the end of 1H21, CTT's parcel locker network offers 97 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 Dott marketplace⁴, launched in May 2019 in partnership with Sonae, had, as of the end of June 2021, 1.6k registered vendors on the platform and more than 5 million products available for sale. At the end of 1H21, there were circa 350k registered users (+30% vs. March 2021). This evolution evidences the strong growth and the acceleration of digitalization and e-commerce during the lockdown period.

Revenues in Spain stood at €57.2m in 1H21, up €25.3m (+79.5%) versus 1H20. Volumes totaled 20.4 million items, growing by 80.7% compared to 1H20. As a result of this growth, CTT Expresso Spain reached EBITDA breakeven in 2Q21 (€1.5m and €1.3m in 2Q21 and 1H21, respectively, on individual accounts). This performance is ahead of plan of EBITDA breakeven during 2021, disclosed in the 3Q19 earnings. In 2Q21, recurring EBIT was also breakeven, at €0.0m.

The strong growth seen in 2020 has been confirmed in 2021, with CTT Expresso Spain positioning itself as a reference operator in the Iberian urgent parcels market. The reasons why clients trust increasingly more CTT Expresso Spain to handle Iberian shipments include above-average quality of service levels, ability to treat and distribute, particularly in peak times, as well as flexibility and adaptability.

⁴ The Dott marketplace investment is accounted for by the equity method.

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 was maintained. The second phase of the mechanization process of the Madrid sorting center is already underway, which is intended to be operational in August 2021, thus following on from the investment already made which included the sorting centers of Barcelona (launched in August 2020), Madrid (launched in October 2020), and Valencia (launched in January 2021), as well as the installation of 26 new delivery offices and 9 expansions to increase capacity. To strengthen capacity and coverage in Spain, 4 new sorting centers are planned for 4Q21 and 1Q22. These investments will allow the Company to serve an increasing number of customers and prepare the operation in Spain to accommodate the growth that is anticipated for the coming quarters. This investment, together with the growth already observed and the new business processes implemented in distribution software, new partnership remuneration models and the renegotiation of existing contracts, have been leading to a decrease in variable costs and the consequent increase in the profitability of the Spanish operations.

Revenues in Mozambique stood at €1.5m in 1H21, 4.9% above 1H20. The growth achieved in 2Q21, which offset the decrease seen in 1Q21, was supported by the business in the health area (collection of biological samples). The high level of uncertainty regarding the evolution of the COVID-19 pandemic (despite the reduction or even elimination of some restrictive measures) and the political and military instability in the north of the country continue, leading to direct consequences on economic activity.

Eco portfolio

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

The Green Deliveries service, directed at business customers, enables all deliveries at the contracted locations to be made exclusively using electric vehicles which in turn allow for an improved quality of the air in cities, as the electric vehicles do not emit NO_x particles during their use. Since its launch in 2020, this service has sold more than 76k items sold, representing revenues of approximately €111k. Note should also be made of the associated carbon neutral impact, as CTT acquired 100% of the electricity from renewable sources.

CTT started a pilot project with partner customers to launch a new concept of Reusable Eco Packaging aimed at e-commerce clients. These packages are an alternative to disposable packages and allow for reduced waste and to extend their useful life, potentially up to 50 shipments.

CTT Espresso Spain launched new sustainable packaging formats that incorporate recycled and recyclable plastics. The packages also have the Blue Angel ecolabel, a German certification that proves a set of good ecological practices applied to the manufacture and operation of a product or service.

3.3. Banco CTT

Banco CTT revenues reached €45.7m in 1H21, an increase of €7.3m (+19.0%) vis-à-vis 1H20. A year-on-year growth of €5.6m (+29.5%) was recorded in 2Q21 versus €1.7m (+8.7%) in 1Q21.

The revenue growth was driven by the positive performance of **net interest income** that reached €25.7m in 1H21, €4.4m above (+20.4%) 1H20, with a 29.4% growth in 2Q21 vs. 2Q20.

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 €2.6m in 2Q21, with a net balance sheet volume of €185.5m.

Interest from **consumer credit** grew by €2.0m (+12.4%) in **auto loans and leasing** production, producing a credit portfolio net of impairments of €602.3m (+6.1% compared to December 2020). The beginning of the year continued to be affected by the temporary closure of auto dealerships due to the lockdown measures, affecting the capture of new proposals.

Interest from **mortgage loans** remained in line with the previous year, growing by €0.02m (+0.8%), with a €564.0m mortgage loan portfolio net of impairments (+7.5% vs. December 2020). Mortgage loan production amounted to €69.3m, a decrease of €15.7m (-18.5%) compared to 1H20, reflecting the effects of the economic downturn caused by the pandemic context.

Commissions received of this business unit reached €18.1m, up €3.0m (+19.5%) compared to 1H20.

To be noted are the positive contributions of the commissions received regarding **accounts and cards**, which amounted to €4.8m, an increase of €2.1m (+79.5%); **savings products** (off-balance sheet), which totaled €1.6m, growing by €0.5m (+46.3%) resulting from a net volume off-balance sheet of €549.5m, 28.1% above December 2020; **insurance**, for a total amount of €1.1m, up €0.2m (+22.1%); and **payments**, which totaled €8.0m, a growth of €0.1m (+0.7%).

Banco CTT business performance continued to allow for growth in **customer deposits** to €1,906.7m (+12.9% vs. December 2020) and in the **number of accounts** to 543k (26k more than at the end of 2020).

The **loan-to-deposit ratio** reached 70.7% at the end of 1H21.

As of 30 June 2021, there were 725 **moratoria**, corresponding to a total exposure of €40.1m (€30.8m regarding mortgage loans, €6.7m auto loans, and €2.6m other loans), representing 3.3% of the total gross credit to clients portfolio. Of the expired moratoria, there are about €2.9m in arrears of more than 30 days, which represent circa 11% of the total private moratoria expired as of 30 September 2020.

3.4. Financial Services & Retail

Financial Services & Retail revenues amounted to 23.7m in 1H21, representing an increase of €2.2m (+10.3%) compared to 1H20. The year-on-year growth recorded in 2Q21 was €3.1m (+36.1%).

Financial services (excluding other revenues) obtained revenues of €16.1m in 1H21, a decrease of €0.4m (-2.2%) versus 1H20. In 2Q21, the growth was 24.1% vs. 2Q20, broken down as follows:

- **Public debt certificates** (Savings Certificates and Treasury Certificates Savings Growth), with revenues of €12.1m, increased by €0.1m (+0.5%) versus 1H20, posting €2,341m in subscriptions (+21.1% vs. 1H20), with an average of €18.9m/day vs. €15.6m/day in the same period of the previous year.

The amount of subscriptions in 2Q21 recorded a 98.7% year-on-year growth, as a result of greater commercial dynamism, with the recapture of amounts relative to maturing certificates.

- **Capitalization insurance** products negatively impacted the evolution of revenues by €0.3m (-50.7%) compared to 1H20, due to maturity of the product portfolio.

In June, the process of widening and diversifying the offer of new investment/savings/insurance solutions began. This will allow the consolidation of the growth in the sale of financial products.

- **Money orders** revenues of €2.8m decreased by 6.3% (-€0.2m) versus 1H20, as a result of the structural effect of the changes in the means of payments for this service.
- **CTT payment services** posted revenues of €0.9m in 1H21, up €0.1m (+11.9%) vis-à-vis 1H20, benefiting from the payment of taxes at the CTT Retail Network, which reduced the structural effect of e-substitution in this service.

The **retail products and services** (excluding other revenues) obtained revenues of €7.5m in 1H21, an increase of €2.5m (+50.8%) versus 1H20, mainly due to the gambling business line (+125.5% vs 1H20) 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 restrictive measures associated with the lockdown in 2Q21 led to higher growth in retail products and

services revenues in the period than in 1Q21 (+66.7% in 2Q21 compared to +37,1% 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 store formats and the context of the retail network, as well as stimulating impulse buying. In this context, CTT launched the CTT Reading Card, which offers discounts in the purchase of books at CTT retail network, and expanded the partnership with Forall Phones to all the CTT post offices in district capital cities.

3.5. Future Perspectives

It is expected that the year 2021 will continue to be marked by the unfolding of the COVID-19 pandemic and the initiatives aimed at combating it carried out by the various governments and public health authorities. Thus, it is also expected that the economic framework will be marked by a context of high uncertainty, which will affect society in general and the Group's business, which could impact the estimates made so far. Management will continue to monitor its implications for the business, making the decisions that are timely and appropriate, and providing all necessary information to the various stakeholders.

In 2021, CTT expects to continue to deliver sustained growth, supported by the dynamism of Express & Parcels resulting from the steady growth of e-commerce, as well as the continued good performance of Banco CTT. In this context, CTT will continue to focus its investments on these areas in order to support its growth. In particular, CTT expects that: (1) the Express & Parcels and Banco CTT business units will continue to drive revenue growth, which will translate into higher profitability for the Company; (2) the continued acceleration of initiatives in the digital area will allow CTT to strengthen its competitive position as an e-commerce enabler.

Additionally, in a context where the measures to combat the COVID-19 pandemic are expected to have gradual success, CTT now forecasts reaching an EBIT above €60m in the 2021 financial year.

Given the recent progress on the unfolding of the process leading to the new concession contract, we reaffirm confidence that it will be formalized within the term of the current extension. This should improve CTT's ability to fulfil the universal service obligations under a more sustainable framework.



04

Performance

committed to deliver



4. PERFORMANCE

4.1. Financial Capital

Revenues

Revenues⁵ totaled €412.8m, an increase of €63.6m (+18.2% y.o.y.), with notable performances of the Express & Parcels business unit (+€40.7m; +47.8% y.o.y.), followed by Mail & other (+€13.4m; +6.6% y.o.y.), Banco CTT (+€7.3m; +19.0% y.o.y.), and Financial Services & Retail (+€2.2m; +10.3% y.o.y.).

Revenues

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Revenues	349.2	412.8	63.6	18.2%	169.3	207.5	38.2	22.6%
Mail & Other	204.2	217.6	13.4	6.6%	94.0	109.0	15.0	15.9%
Mail	202.8	216.1	13.3	6.6%	93.4	108.3	15.0	16.0%
Central structure	1.3	1.5	0.1	8.1%	0.7	0.6	0.0	-1.8%
Express & Parcels	85.1	125.8	40.7	47.8%	47.8	62.4	14.6	30.5%
Banco CTT	38.4	45.7	7.3	19.0%	18.9	24.5	5.6	29.5%
Financial Services & Retail	21.5	23.7	2.2	10.3%	8.5	11.6	3.1	36.1%

Operating Costs

Operating costs amounted to €381.8m in 1H21, an increase of €37.5m (+10.9% y.o.y.).

Operating Costs

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Staff costs	170.1	177.3	7.1	4.2%	81.9	88.1	6.2	7.6%
ES&S	116.3	154.6	38.3	33.0%	57.9	78.9	21.0	36.3%
Impairments & provisions	11.1	5.8	-5.3	-47.7%	8.2	3.4	-4.8	-58.5%
Other costs	16.0	17.8	1.8	11.3%	9.3	8.8	-0.5	-5.7%
Operating costs (EBITDA) ⁶	313.5	355.5	42.0	13.4%	157.3	179.2	21.9	13.9%
Depreciation & amortization	30.0	28.6	-1.4	-4.7%	15.6	14.6	-1.0	-6.2%
Specific items	0.8	-2.3	-3.1	-394.1%	0.8	-1.5	-2.2	-290.2%
Corporate restructuring costs and strategic projects	0.6	9.4	8.8	»	0.2	8.9	8.6	»
Other non-recurring revenues and costs	0.2	-11.7	-11.9	«	0.5	-10.3	-10.9	«
Operating costs	344.3	381.8	37.5	10.9%	173.7	192.3	18.7	10.8%

⁵ Excluding specific items.

⁶ 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.

Staff costs increased by €7.1m (+4.2% y.o.y.) in 1H21, mostly in the Express & Parcels (+€2.9m) and Banco CTT (+€2.2m) business units where there was a sharp growth in business. The remaining business units, i.e. Mail & other and Financial Services & Retail, posted a growth of €2.1m, driven by the steady increase in health costs (+€1.5m) due to the easing of restrictions related to the COVID-19 pandemic, and the increase in allowances (+€0.4m) and overtime work (+€0.2m) in the operational areas.

External supplies & services costs increased by €38.3m (+33.0% y.o.y.), especially with regard to: direct costs (+€32.2m), temporary work (+€2.7m), physical and technological resources (+€3.0m) and uniforms (+€0.4m), driven mainly by the growth in the Express & Parcels and Banco CTT business units.

Impairments and provisions decreased by €5.3m (-47.7% 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 €1.8m (+11.3%), due to the growth of scratch card sales (+€2.3m), which was partly offset by other direct and commercial costs (-€0.5m).

Depreciation & amortization posted a decrease of €1.4m in 1H21 (-4.7% y.o.y.), positively impacted by the revision of the

useful life of some assets (-€3.1m) and partially offset by new building lease contracts which impacted amortization (+€1.8m), due to the IFRS 16 accounting standard.

Specific items totaled -€2.3m (-€3.1m y.o.y.), explained primarily by: (i) €8.2m restructuring charge, of which €8.0m is a non-cash provision for 118 suspension agreements of employment contracts; (ii) a €14.4m capital gain 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, and (iii) expenses of €3.9m related with an initial IFRS9 adjustment with the acquisition of the credit stock of Cartão Universo, COVID-19 related costs and other one-off projects.

Recurring EBIT

In 1H21, **recurring EBIT** stood at €28.7m, up €23.0m (+407.4% y.o.y.) versus 1H20, with a margin of 7.0% (1.6% in 1H20). Note that all areas contributed favorably to recurring EBIT growth.

This performance was due to a strong recurring EBIT growth of €9.0m in Mail & other, €8.7m (+268.7%) in Express & Parcels and €4.6m (+206.9%) in Banco CTT. In the Financial Services & Retail business unit the evolution was +€0.7m (+6.6%).

Recurring EBIT by business unit

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
Recurring EBIT by business unit	5.7	28.7	23.0	407.4%	-3.6	13.6	17.3	476.4%
Mail & other	0.6	9.6	9.0	»	-4.1	4.7	8.8	213.3%
Mail	30.1	35.8	5.7	18.9%	10.0	18.2	8.2	81.9%
Central structure	-29.6	-26.2	3.4	11.3%	-14.1	-13.5	0.6	4.3%
Express & Parcels	-3.2	5.4	8.7	268.7%	0.5	2.9	2.3	430.3%
Banco CTT	-2.2	2.4	4.6	206.9%	-3.4	1.0	4.3	129.8%
Financial Services & Retail	10.6	11.3	0.7	6.6%	3.3	5.1	1.8	53.5%

€ million

Financial Results and Net Profit

The **consolidated financial results** amounted to -€5.4m, corresponding to an improvement of €0.5m (+9.3% y.o.y.).

Financial Results

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
	€ million							
Financial results	-5.9	-5.4	0.5	9.3%	-2.8	-2.7	0.1	3.9%
Financial income, net	-4.7	-4.2	0.5	10.4%	-2.2	-2.1	0.1	5.4%
Financial costs and losses	-4.7	-4.3	0.5	9.9%	-2.2	-2.1	0.1	4.6%
Financial income	0.0	0.0	0.0	323.2%	0.0	0.0	0.0	561.5%
Gains/losses in subsidiaries, associated companies and joint ventures	-1.2	-1.1	0.1	4.9%	-0.6	-0.6	0.0	-1.5%

Financial costs and losses incurred amounted to €4.3m, mainly incorporating financial costs related to post-employment and long-term employee benefits of €1.8m, interest associated to finance leases liabilities linked to the implementation of IFRS 16 for an amount of €1.5m, and interest rates for an amount of €0.9m.

In 1H21, CTT obtained a **consolidated net profit** attributable to equity holders of €17.2m, €19.2m above 1H20, positively impacted by the evolution of EBIT (+€26.1m) and financial results (+€0.5m), and negatively by the corporate income tax for the period (+€7.5m).

Investment

Capex stood at €11.7m in 1H21, corresponding to 7.6% more (+€0.8m) than in 1H20.

The Company maintained the focus of investment on the fastest growing business unit, i.e. the Express & Parcels (+€2.0m), thus ensuring support to and optimization of its activity.

Investment was reduced in the remaining business units (-€1.2m).

Cash flow

In 1H21, CTT generated an operating **cash flow** of €37.8m, an increase of €33.9m compared to 1H20.

Cash flow

	1H20	1H21	Δ	Δ%	2Q20	2Q21	Δ	Δ%
€ million								
EBITDA	35.7	57.3	21.6	60.6%	11.9	28.3	16.3	136.6%
Non-cash items*	-2.3	-9.3	-7.0	-305.8%	1.2	-4.3	-5.5	-453.4%
Specific items**	-0.8	2.3	3.1	394.1%	-0.8	1.5	2.2	290.2%
Capex	-10.9	-11.7	-0.8	-7.6%	-5.3	-5.9	-0.5	-10.3%
Δ Working capital	-17.8	-0.7	17.1	95.8%	-15.0	5.4	20.4	136.1%
Operating cash flow	3.9	37.8	33.9	870.9%	-7.9	25.0	32.9	415.4%
Employee benefits	-5.1	-6.6	-1.5	-29.5%	-1.9	-3.4	-1.5	-80.1%
Tax	0.6	0.0	-0.6	-94.7%	0.7	-0.2	-0.9	-129.7%
Free cash flow	-0.6	31.3	31.9	»	-9.2	21.4	30.5	332.8%
Debt (principal + interest)	-0.7	-2.8	-2.1	-273.8%	-0.6	-2.6	-2.0	-351.1%
Dividends	0.0	-12.8	-12.8	-	0.0	-12.8	-12.8	-
Acquisition of own shares	0.0	-6.4	-6.4	-	0.0	-6.4	-6.4	-
Financial investments	0.0	-0.8	-0.8	-	0.0	-0.8	-0.8	-
Change in adjusted cash	-1.3	8.6	9.9	756.6%	-9.7	-1.1	8.6	88.5%
Δ Liabilities related to Financial Services & other and Banco CTT, net ⁷	-34.9	128.0	162.9	467.1%	181.8	96.6	-85.2	-46.9%
Δ Other ⁸	-10.2	-0.1	10.2	99.4%	-74.5	0.7	75.1	100.9%
Net change in cash	-46.4	136.6	183.0	394.3%	97.6	96.1	-1.5	-1.5%

*Impairments, Provisions and IFRS 16 affecting EBITDA.

**Specific items affecting EBITDA.

The positive evolution of the operating **cash flow** in 1H21 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 (-€0.7m) strongly influenced by the lower impact that capex-related working capital had in this semester, as a consequence of the lower level of investment in 4Q20 compared to the same period of 2019.

⁷ 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.

⁸ 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	30.06.2021	Δ	Δ%
€ million				
Non-current assets	1,984.3	1,834.3	-150.0	-7.6%
Current assets	910.6	1,262.3	351.7	38.6%
Assets	2,894.9	3,096.6	201.7	7.0%
Equity	150.3	148.8	-1.5	-1.0%
Liabilities	2,744.6	2,947.8	203.2	7.4%
Non-current liabilities	493.4	480.6	-12.8	-2.6%
Current liabilities	2,251.2	2,467.2	216.0	9.6%
Equity and consolidated liabilities	2,894.9	3,096.6	201.7	7.0%

The key aspects of the comparison between the **consolidated balance sheet** as of 30.06.2021 and that as of 31.12.2020 are as follows:

- **Assets** grew by €201.7m, mostly due to the solid growth in Credit to banking clients (+€253.7m), especially mortgage loans and credit cards, Cash & cash equivalents (+€136.6m), following the strong increase in clients' deposits at Banco CTT, partially attenuated by the decrease in Investments in securities (-€206.4m) as a result of the disposal of securities portfolios.
- **Equity** decreased by €1.5m due to the distribution of dividends amounting to €12.8m and the acquisition of own shares in the amount of €6.4m. Conversely, the net profit attributable to the CTT Group equity holders in 1H21 is accounted for an amount of €17.2m, and there was an

increase in reserves as a result of the constitution of the reserve associated with the Share plan (€0.4m).

- **Liabilities** increased by €203.2m, underpinned by the increase in Banking clients' deposits and other loans (+€217.2m) and in Other current liabilities (+€16.0m), mostly as a consequence of the increased staff costs. Conversely, items such as Other accounts payable (-€34.3m) decreased, 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	30.06.2021	Δ	Δ%
€ million				
Non-current assets	638.8	657.2	18.4	2.9%
Current assets	484.0	454.1	-29.9	-6.2%
Assets	1,122.8	1,111.4	-11.5	-1.0%
Equity	150.3	148.8	-1.5	-1.0%
Liabilities	972.5	962.5	-10.0	-1.0%
Non-current liabilities	444.0	441.9	-2.1	-0.5%
Current liabilities	528.5	520.6	-7.9	-1.5%
Equity and consolidated liabilities	1,122.8	1,111.4	-11.5	-1.0%

The **liabilities related to employee benefits** (post-employment and long-term benefits) decreased to €279.9m in 1H21, -€3.1m compared to December 2020, as specified in the table below:

These liabilities related to employee benefits are associated with deferred tax assets amounting to €77.9m. Thus, the current amount of the liabilities related to employee benefits net of deferred tax assets associated thereto is €202.0m.

Liabilities related to employee benefits

	31.12.2020	30.06.2021	Δ	Δ%
€ million				
Total liabilities	283.0	279.9	-3.1	-1.1%
Healthcare	271.2	269.3	-1.8	-0.7%
Healthcare (321 Crédito)	1.4	1.5	0.1	4.4%
Suspension agreements	2.8	1.7	-1.1	-38.9%
Other long-term employee benefits	6.9	6.8	-0.2	-2.3%
Other long-term benefits (321 Crédito)	0.2	0.2	0.0	3.7%
Pension plan	0.3	0.3	0.0	-3.3%
Other benefits	0.2	0.1	-0.1	-62.8%
Deferred tax assets	-79.2	-77.9	1.3	1.7%
Current amount of after-tax liabilities	203.8	202.0	-1.8	-0.9%

Consolidated net debt

Consolidated net debt

	31.12.2020	30.06.2021	Δ	Δ%
€ million				
Net debt	71.4	61.7	-9.8	-13.7%
ST & LT debt	206.9	205.7	-1.2	-0.6%
of which Finance leases (IFRS16)	115.2	115.9	0.7	0.6%
Adjusted cash (I+II)	135.4	144.0	8.6	6.3%
Cash & cash equivalents	518.2	654.7	136.6	26.4%
Cash & cash equivalents at the end of the period (I)	498.8	635.4	136.6	27.4%
Other cash items	19.4	19.3	-0.1	-0.3%
Other Financial Services liabilities, net (II)	-363.4	-491.5	-128.0	-35.2%

The key aspects of the comparison between the consolidated net debt as of 30.06.2021 and that as at 31.12.2020 are as follows:

- Adjusted cash increased by €8.6m as the positive performance of the operating cash flow (+€37.8m) more than offset the payment of employee benefits (-€6.6m), debt service (-€2.8m), the payment of dividends (-€12.8m), the acquisition of own shares (-€6.4m) and supplementary capital subscriptions at Dott-branded marketplace (-€0.8m).
- Short-term & long-term debt decreased by €1.2m mainly due to the reduction in short-term bank loans of CTT Espresso's branch in Spain (-€1.9m) offset by an increase in liabilities related to lease contracts in the scope of IFRS 16 (+€0.7m).

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	30.06.2021	Δ	Δ%
€ million				
Net debt with Banco CTT under equity method	153.9	174.8	20.9	13.6%
ST & LT debt	204.7	203.8	-0.9	-0.4%
of which Finance leases (IFRS16)	113.0	114.0	1.0	0.9%
Adjusted cash (I+II)	50.8	29.0	-21.8	-42.9%
Cash & cash equivalents	286.4	214.4	-72.0	-25.1%
Cash & cash equivalents at the end of the period (I)	286.5	214.5	-72.0	-25.1%
Other cash items	0.0	0.0	0.0	-34.7%
Other Financial Services liabilities, net (II)	-235.7	-185.4	50.2	21.3%

4.2. Human Capital

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

4.2.1. Characterization of human capital

As of 30 June 2021, the **CTT headcount** (permanent and fixed-term staff) consisted of 12,261 employees, 246 more (+2.0%) than as of 30 June 2020.

Headcount

	30.06.2020	30.06.2021	Δ	Δ%
Mail & other	10,382	10,412	30	0.3%
Express & Parcels	1,175	1,361	186	15.8%
Banco CTT	420	453	33	7.9%
Financial Services & Retail	38	35	-3	-7.9%
Total, of which:	12,015	12,261	246	2.0%
Permanent	10,806	10,867	61	0.6%
Fixed-term contracts	1,209	1,394	185	15.3%
Portugal	11,487	11,607	120	1.0%
Other geographies	528	654	126	23.9%

There was an increase of 61 in the number of permanent staff and 185 in the number of staff with fixed-term contracts. This evolution was particularly impacted by the increase in the number of employees (permanent and fixed-term staff), mainly in the expanding business units, i.e. Express & Parcels (+186) and Banco CTT (+33).

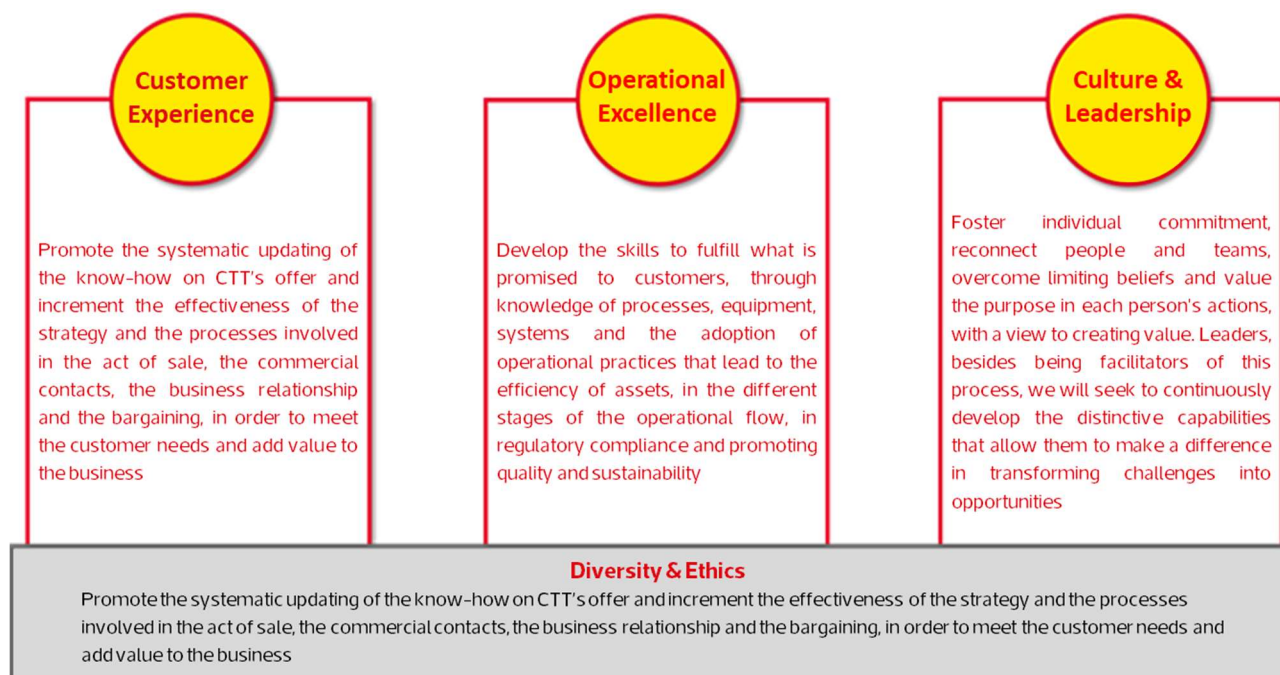
Together, the areas of operations and distribution within the basic network (5,835 employees, of whom 4,247 delivery

postmen and women) and the retail network (2,428 employees) represent circa 76% of CTT's permanent staff.

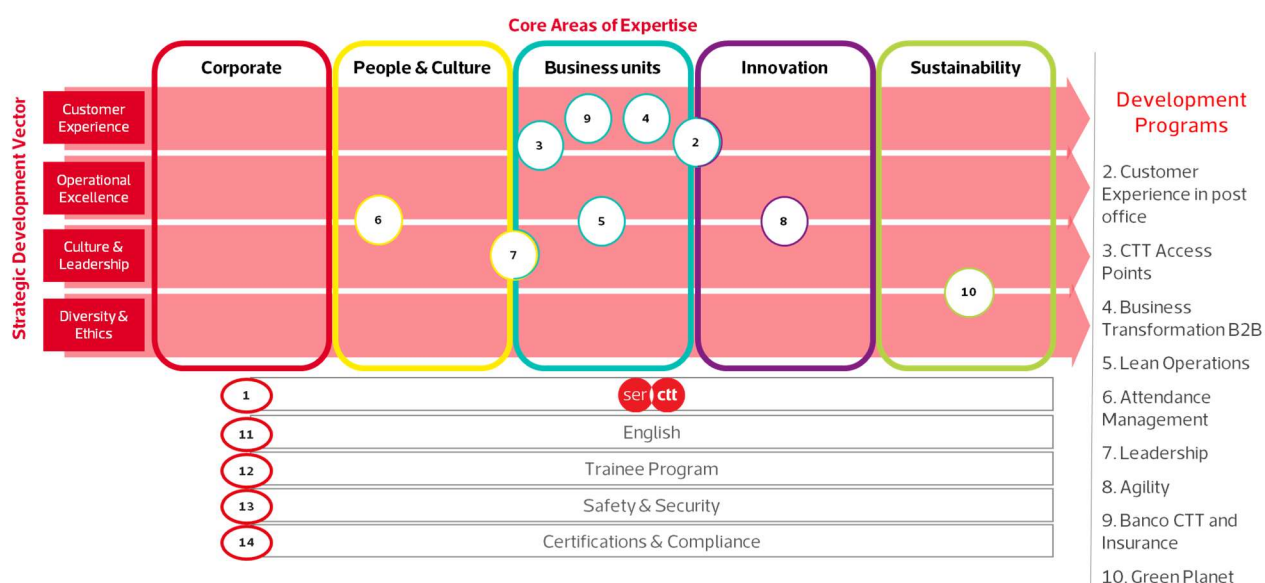
The overall absenteeism rate decreased to 7.9% (-1.0 pp). The main reasons for these absences include illness (4.5%), COVID-19 illness (1.3%), accidents (0.7%), maternity/paternity leave (0.3%), other reasons (0.7%) and union activity (0.4%).

4.2.2. Training

CTT Academy continued its activity in accordance with its strategic focus on developing the skills of CTT workers, based on the following methodological approach:



In the scope of the CTT Academy, 14 programs were carried out which incorporate the Strategic Development and Training Plan.



The highlights of the 1st half of 2021 refer to the following programs:

Ser CTT (Be CTT) in which the use of the Digital Manual and communication with new employees was consolidated, involving 384 participants and 3,727 training hours;

Customer Experience in post offices, with emphasis on the Buzz project and on the communication and training plan integrated in the marketing of financial products, on the 3 in a row campaign, which involved 2,088 participants and 3,948 training hours and has already increased the sales results of these products;

Lean Operations - in the whole vector of operational excellence, the training given to operational managers of express operations in Lean methodologies, the start of the Kaizen project for the production and distribution operations and the support in the move to new premises in Famões of the customs management line are to be highlighted. 586 participants and 1,550 training hours involved;

Attendance Management - a project for the transformation of the CTT culture, leveraged by the new version of the TELEPONTO application, fully covering all the employees of the CTT group, using the distance learning platform (*formare*), and involving 9,225 participants, in a total of 8,906 training hours;

Safety & Security, with more than 4,600 training hours and almost 1,200 participations for the general staff and with the operations-specific program on **road prevention**, involving almost 9,500 participations and 6,600 training hours, in 15 topics, this program continued to promote the reduction of

road-motivated absenteeism that reached, between 2017 and 2020, 49% less days lost per accident and 35% less in the number of accidents per km traveled.

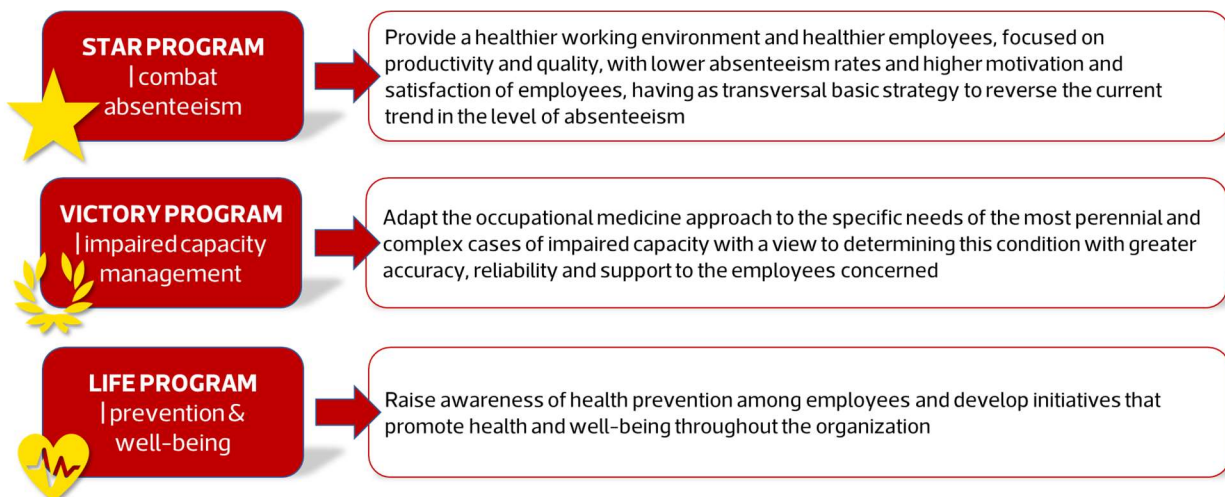
Certifications & Compliance - topics such as ethics, information security, prevention of ML/TF (money laundering and terrorist financing), RGPD (general regulation on personal data protection) continued to be disseminated which contributed, for example, to the success of the audit according to the SMETA audit methodology, renewed by CTT Expresso. Professional certifications were obtained or renewed for 1,350 employees within the scope of legislation or regulations applicable to the sectors in which CTT operates.

The training carried out covered 90% of the staff (permanent and fixed-term employees), with more than 104k hours of training having been carried out (79% up on the previous year) at an effort rate of 1% (68% up on the previous year).

4.2.3. Occupational health and safety

The year 2021 began with a new approach to Health in two separate axes: **health prevention**, in the proactive sense, avoiding the occurrence of work accidents and disease situations, and **health promotion**, in order to focus actions on improving the workers' well-being and quality of life.

In this context, 3 programs were implemented, as follows:



Awareness-raising, accident prevention and ergonomics training actions continued in postal delivery offices and in the retail network, with 112 interventions having been carried out to assess working conditions and risks in CTT establishments, including in subsidiaries.

There were 380 accidents and work-related incidents, 6.6% less than in the same period of 2020. This decrease may reflect

the pandemic containment measures implemented by the company under the internal contingency plan. The measures with the greatest impact on the decrease in the number of accidents are the reduction in the working hours of CTT post offices and the teleworking of staff from central services, as well as the reduction in working hours of workers from sorting centers, which resulted in less exposure to occupational risk, due to the absence of workers at the workplace for an important period of time.

Overall, the reasons that contributed most to the occurrence of accidents were road accidents, which include traffic accidents and pedestrian collisions, and slides/stumbles.

Additionally, as far as occupational medicine is concerned, 2,656 periodic, occasional and admission exams were performed, even though this activity was affected by the pandemic context.

4.2.4. Satisfaction and experience of the worker

CTT's People management strategy aims to improve the employee's experience, his/her level of satisfaction, his/her involvement in the organization, sense of belonging and pride in the Brand, in order to increase everyone's commitment, making each employee an ambassador of the CTT brand, and consequently improving the Customers' experience.

To improve the worker's experience, several projects were implemented this year, with emphasis on the support line for the worker and the manager, called LINE TOU CTT, which aims to provide support not only at the level of COVID-19 issues, but in all other issues such as attendance, performance evaluation, health plan, recruitment and mobility, health and safety at work. The workers responded enthusiastically to the challenge.

New staff attendance software portals (teleponto) were also implemented for employees and managers, aimed at making everyone more autonomous and responsible in managing their attendance and recording work times. These portals can be accessed from any equipment or place, requiring only an internet connection.

In order to promote everyone's involvement and knowledge about the organization, Internal Communication continued to be incremented, as well the topics that aim to make the company and its employees known, particularly a monthly one named Zoom in, which provides information on a business unit/department, what is done there and the respective teams and another one, also monthly, "Talking with", whose objective is to present employees and their interests other than the professional ones.

More partnerships and protocols with companies were established with benefits for the workers and a 10% discount for CTT workers on products purchased in the CTT retail network was launched internally.

Health and wellness actions were promoted, thinking of all those who are on the front line, but also of the employees who are working remotely, given the conditions imposed by the pandemic.

The "Deixa comigo!" (Leave it up to me!) service was created, to be used exclusively by employees who need help or have received requests for help or clarification about CTT products and services from their friends and acquaintances.

To measure the employees' satisfaction degree, as to whether CTT is the best Company to work for, as well as the quality of

their experience and the impact of policies/actions, an NPS (Net Promoter Score) was launched and will be applied every four months. It is currently being disseminated/answered by the employees.

4.2.5. Diversity and equal opportunities

Regarding equal opportunities in a prolonged pandemic situation, CTT remained focused on ensuring that all its employees felt safe. Useful information was continuously disseminated and mitigating measures for the main risks were promoted, always preserving the integrity of frontline workers and of those who can provide their services through telework.

Employees and their families were encouraged to participate in internal competitions with prizes for family enjoyment and were invited to online initiatives/practical classes for the protection of health and well-being. The "Sou CTT" (I AM CTT) partnership program with various entities continued to be promoted, offering preferential prices for workers in various areas, with special focus on health, sports and family.

Still within the scope of family and domestic balance, CTT signed in November 2020 the Pact Against Violence, an initiative of the Government and the CIG - Commission for Citizenship and Gender Equality, to combat violence against women, which has increased in a pandemic context. This year we launched the campaign #EUSOBREVIVI (#Isurvived). Our internal communication disseminated information that reached 12k workers and we published a dark post on *Esfera CTT* that reached over 16k users, generated 19,800 views and 100 reactions.

As part of the activities with Forum iGen - Organizations for Equality Forum, and the involvement with CITE - Commission for Equality in Labor and Employment, the Forum's pedagogical book, *O Longo Caminho para a Igualdade* (The Long Path to Equality), was launched, written pro bono by the writing duo, Ana Maria Magalhães and Isabel Alçada. It is iGen's first literary work aimed at readers between the ages of 10 and 13, with the assumption of raising awareness of future generations to the issue of equal opportunities for men and women in the labor market. It should be noted that this work has just been included in the National Reading Plan.

The protocol with CERC Lisboa (Cooperative for the Education and Rehabilitation of Non-adapted Citizens) was maintained, which provides labor integration experiences for disabled young people, involving 14 young adults. This CTT/CERC Lisboa partnership is a case of success with an 18-year track record. Given the current pandemic context, the provision of services is suspended.

On matters of diversity in management positions, the Board of Directors complies with the target set in the CTT Equality Plan and in Law 62/2017, as it has 33.3% of women on the Board of Directors and the Audit Committee.

4.3. Intellectual Capital

In this field, the following initiatives should be highlighted:

Boosting the Retail Network

- **Implementation** in CTT post offices of a solution that allows the purchase of retail products through a device, Tablet or LCD, focused on greater client convenience through self-service spaces, with a maximum delivery period of 48 hours at the client's home or post office;
- **Creation** of an Analytical Model for the calculation of sales indicators and profitability of retail products, allowing decisions about the amount of product to be purchased, managing risks and maximizing results.

Stimulating e-commerce

- **Installation** of first Refrigerated Parcel Locker and the first Locker in a condominium, increasing the number of available lockers;
- **Expansion** of the network of providers associated with the **CTT Now** service to increase the capillarity and coverage of the network;
- **Launch** of Plug-ins for Magento2, Prestashop, Shopify and Woocommerce that allow the automatic integration with CTT shipping systems, the generation of codes for the items, the scheduling of collections, the updating of the parcel status in the post office and delivery in specific locations, as an alternative to home delivery.

Enhancing operational aspects

- **Acquisition** of a sorting machine (Tax Machine) to make the new customs clearance process more agile and efficient, resulting from the rules in force since 01.07.2021, applicable to postal items coming from outside the EU. This provides for the completion, by the addressee, of data that are not contained in the ITMATT message. The Tax Machine complies with the business logic, centralized on a decision server. If it is necessary to contact the addressee to request payments or to fill in data missing from the digital stream, OCR (Optical Character Recognition) is used, complemented, if necessary, with VCS (Video Coding) to obtain the addressee's contact details, available in the forms attached to the item.

In the financial area

- **Participation** of Banco CTT in the Fintech365 Program, created by Microsoft for technological innovation in the financial system in partnership with Portugal Fintech, with the aim of identifying startups that carry out proof of concept in order to solve business use cases in this sector;
- **Participation** of Payshop, CTT Group's payment company, in the creation of ANIPE - National Association of Payment and Electronic Money Institutions, whose objective is to defend and represent the interests of payment and electronic money institutions.

Corporate transformation and processes

- **Launch** of the first proof of concept, involving chatbots for customer support on the Facebook channel. A chatbot is also under development on the customs clearance portal. Chatbots are also planned to be available in the remaining social media channels as well as for CTT portals.

Company-wide initiatives

- **INOV+**: platform for management of new ideas: a Pitch Day was held for the ideas selected in the 9th cycle of challenges. Start and conclusion of the 10th cycle of challenges;
- **What's Next?** – sharing of trends that may bring useful information for ongoing or future projects. Sessions were held on the topics of "Cybersecurity" and "Monetization of the data handled by Postal Operators";
- **1520 CTT StartuProgram** that pinpoints and raises awareness of startups that are aligned with CTT objectives and strategy. Several initiatives were carried out:
 - Analysis of solutions from startups that express their interest in making themselves known to CTT and dissemination of the + Innovation program to various incubators (e.g. UPTEC, IPN);
 - Partnerships with organizations (e.g. Portugal Ventures, Beta-i) and exchange of experiences with other postal operators (e.g. Swiss Post).
- **Fostering R&D:**
 - Preparation of CTT, Banco CTT, CTT Expresso and CTT Contacto applications for SIFIDE (Tax Incentive System for Corporate R&D);
 - Start of the Lockers Tuga project, which was approved in early 2021 under the P2020 program - Incentives for Productive Innovation;

- Identification of future CTT projects that may benefit from the various opportunities that are foreseen under the RRP (Resilience and Recovery Program) and/or other financial support mechanisms underway and/or to be announced.
- **Continued production** of the Postal 360 Newsletter and the 1520 Newsletter, aimed at CTT's internal and external recipients;
- **Launch** of the 5th edition of the PostEurop Innovation Award, an initiative of the Innovation Forum, a working group of that association that is chaired by CTT;

4.4. Social Capital

CTT social and environmental patronage policy has been prioritizing issues such as poverty and social exclusion, culture, language, sports for disabled, health, solidarity, biodiversity and innovation. In this semester, support focused mainly on cultural and development entities, with a total investment of €273k.

In the field of **solidarity**, CTT Expresso Spain has donated 1,200 kg of clothing to three different institutions.

In terms of the preservation of the **environment and biodiversity**, the planting actions related to "A Tree for the Forest", which had been suspended due to the pandemic-related restrictions, were resumed, although without the participation of volunteers.

In the area of **culture**, CTT celebrated the World Book Day and launched the CTT reading card, in which clients can now accumulate discounts on the purchase of books on the CTT retail network, drawing attention to the importance of books as cultural assets, essential for the development of literacy and the economy.

Despite the restrictions, the Mentoring and Tutoring **Volunteering** project continued in partnership with EPIS-Empresários pela Inclusão Social (Entrepreneurs for Social Inclusion). Eight young people at risk of school failure were supported, most of the time by electronic means. This condition triggered the creation of a monthly dynamic interaction that required the resolution of challenges between student and mentor, facilitating the emergence of topics of conversation. In June, the closing session was held by digital means and everyone was congratulated on the results obtained. In this edition, 75% of the students successfully completed the 9th grade.

The continuity of volunteering activities which require physical presence had to be suspended. Likewise, it was not possible to perform the usual blood donation at CTT headquarters with the Portuguese Institute of Blood and Transplantation (IPST).

4.4.1. Customer Satisfaction

The customers' opinion on quality of service, expressed through daily satisfaction surveys, shows that 84.5% of the respondents perceive CTT's overall quality as good or very good and consider CTT as a trustworthy company.

Some subsidiaries also surveyed their customers, in particular: CTT Expresso Spain with 78% of the end customers satisfied with the brand; and Banco CTT with 81% of very satisfied clients.

Green mail got a satisfaction rating of 83% of the business customers because of the ease of shipments, and also 83% of the companies are very satisfied with the eco-friendly support materials.

CTT continued to be attentive to the social and economic consequences that the COVID-19 pandemic has caused among the Portuguese population and worldwide and has triggered various proximity initiatives, which were to implement due to CTT's capillarity throughout the national territory.

To this end, partnerships in several areas were established, such as with: Washstation (installation of 24-hour lockers); several City Councils and Dott for online gastronomic and handicraft fairs, allowing products to be ordered; and Opus Opera to support SMEs in creating online campaigns simply and quickly. CTT also launched a pilot project with CUF for remote medical appointments in six CTT post offices, reinforcing the proximity of health care to the less mobile population and with less digital literacy, and in partnership with REDITUS, CTT began providing COVID-19 services for the Social Security Line.

These social responsibility measures reflect CTT's engagement with the community, as well as its sustainability strategy.

4.5. Natural Capital

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

The gradual opening of the society following the lockdown measures for the safety of workers adopted to tackle the COVID-19 pandemic, as well as the consolidation of the e-commerce growth trend, propelled an increase in energy consumption by CTT in the 1st half 2021 versus the same period of the previous year, estimated at circa 9.1%. The increase in electricity consumption is estimated at 1.8% in the 1st half of 2021 and in own fleet fuel consumption at 2.8%.

Fuel continues to be the main source of CTT's energy consumption (62%). The overall efficiency of the CTT fleet, measured in liters/100 km, slightly declined by 2% compared to the same period of the previous year, mainly due to a slight increase in the average age of the fleet and also to the increase

in the average weight in kg of the postal items delivered, resulting from the continuous increase in e-commerce volumes.

It should be noted that CTT has progressively shown a change in its activity profile, with increased use of larger sized vehicles as a consequence of the increased volumes of express mail and parcels.

Energy efficiency measures have been implemented in CTT buildings, mainly in the post offices and postal delivery offices, with the installation of more efficient lighting, renewal of air conditioning equipment and modernization of facilities, reinforcing the commitment to optimize energy consumption. Follow-up was also ensured of the legal obligations applicable to CTT's building stock, in terms of energy certification and energy audits.

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

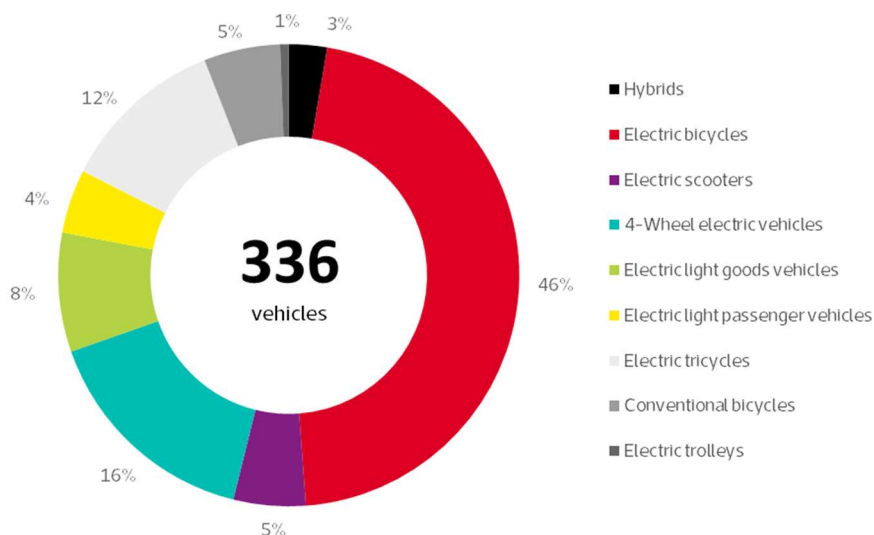
In the 1st half of the year, Guarantee of Origin certificates were purchased for CTT's electricity consumption in 2020. This mechanism is used by CTT since 2015 and guarantees that the electricity consumed by CTT in 2020 came from 100% renewable sources.

CTT has invested in a UPAC - Production Unit for Self-Consumption - at CTT Expresso's warehouse in MARL (Lisbon Region Supply Market). The installed power is 410 kWp and will allow a production of 625 MWh in the first year, which represents 36% of the site's annual consumption. The work was completed during the first semester, and it is expected that by the end of 2021 the DGE - Directorate General for Energy and Geology will allow the start of operation. The energy to be produced will be destined for CTT's consumption and, if there is a surplus, it will be injected into the network.

CTT has also regularly invested in the renewal of its conventional fleet, with an average of 3.6 years, one of the largest and newest in Portugal.

The current CTT eco-fleet is composed of 336 alternative vehicles, predominantly electric vehicles, corresponding to 9% of the total fleet. During the period under analysis, 7 more light passenger vehicles, 9 light goods vehicles and 5 scooters, totaling 15 additional electric vehicles in operation. Electric vehicles do not emit particles and NO_x during their use and, as CTT acquires 100% of electricity from renewable sources, the carbon impact of these electric vehicles is zero, contributing to better air quality in cities. Also noteworthy during the reporting period is the installation of a charging unit for electric vehicles at the postal delivery office of Arroios, in Lisbon, which will enable it to be equipped on a large scale with operational electric vehicles.

Types of alternative vehicles in CTT



The km traveled by CTT's alternative vehicle fleet increased by 129% compared to 2020, due not only to the increase in the number of this type of vehicle, but also to the optimization and expansion of the Company's activity.

As a pioneer company in the incorporation of electric vehicles in its car fleet and in the permanent innovation of its products and services, CTT tested several electric vehicles in an operational context: bicycles with bike trailers, electric trike bikes,

motorcycles, tricycles and tuk-tuks. All these vehicles, being electric, are characterized by the fact that they do not emit greenhouse gases during their use, are silent and also easier to drive (no gearbox). They contribute to the reduction of CTT's ecological footprint and mitigate the risk of traffic restrictions in urban/historic areas to conventional vehicles. This assessment is essential for future options to increase CTT's electric fleet.

There was a 4.3% increase in total CO₂ emissions (scopes 1 and 2) compared to the same period the previous year, mainly as a result of the increase in km traveled and in fuel consumption due to some recovery in economic activity and the continued growth trend in e-commerce, although there was also a sharp reduction in energy consumption in buildings for air conditioning and heating, strongly influenced by the measures taken in response to the COVID-19 pandemic.

With regard to total scope 3 emissions of CO₂, there was an increase in air transport at national level, mainly due to an increase in flights and available capacities, and a decrease in international air transport due to a lower amount of EMS product transported, as there is still a shortage of supply in this type of transport and there are countries that maintain restrictions on postal operations. There was also an increase in emissions from outsourced road transport operations in Spain.

It should also be noted that commuting by workers shows an upward trend in comparison with the same period of the previous year when the restrictions on movement enacted by the government were stronger.

Indirect emissions (scope 3) arise from indirect consumptions that occur along the value chain. These include emissions derived from outsourced road, air and sea transport, delivery by postmen on their own motorcycles and journeys between home and the workplace (commuting).

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

Also in relation to CTT's electric fleet, a pilot project for electric mobility management was concluded at the end of the semester, with a logic of management and monitoring and control of the entire operation, with the objective of contributing to an effective reduction of costs and greater operational efficiency. The project consisted in the use of a management solution, both for the vehicles and for a low power charging infrastructure. Based on the conclusions of the pilot, it will be possible to obtain concrete comparative data between the electric fleet and the internal combustion engine fleet, as well as estimate the impact that a sustained incorporation of electric vehicles will have on CTT's electric infrastructure.

Following CTT's launch of the Green Deliveries service in 2020, in response to the demand for less polluting and carbon-neutral solutions by its corporate customers, the first half of the year saw a growth in the number of vehicles and clients assigned to the project. The Green Deliveries service allows final clients to receive their parcels with CTT electric vehicles in Lisbon and

Porto in the contracted locations. CTT's electricity comes from 100% renewable sources, which makes this delivery carbon neutral. In addition, the project includes the collection of coffee capsules for recycling purposes, taking advantage of the trips made to deliver the parcels.

Raising awareness on safe driving behavior is already a topic of usual focus and relevance for CTT, given the size of its fleet and the high number of workers who travel the country's roads on a daily basis. CTT's Road Safety Program covers all dimensions where human intervention can have a positive influence, with special attention to the training and awareness of all the employees. In this scope, internal training and awareness actions were promoted.

In an initiative that aims to contribute towards more sustainable transport, CTT and Michelin signed a collaboration agreement to manage the maintenance of the tires of its own fleet of heavy and light goods vehicles. This agreement aims to implement professional tire management and maintenance services for this CTT fleet, which will ensure longer tire life and result in lower consumption, both of tires and fuel, while also reinforcing the safety of people and cargo.

In 2021, the actions planned to be carried out by CTT under the commitment "Lisbon European Green Capital 2020 – Climate Action 2030" and the Business Mobility Pact for the City of Lisbon were continued.

The commitment "Lisbon European Green Capital 2020" seeks to ensure the contribution of the different economic agents in the achievement of the goals and targets defined under the Action Plan for Sustainable Energies and the Climate and fosters a new vision of the city of Lisbon with a view to carbon neutrality by 2050. To this end, CTT submitted 14 measures in the following categories, aimed at improving the company's environmental performance: energy, mobility, water, circular economy, and citizenship and participation.

The Business Mobility Deal for the City of Lisbon is a public, voluntary, free of charge and collaborative agreement between Lisbon City Council and a group of 55 companies and institutions, aimed at actively improving mobility in the city of Lisbon, through the development of more ecological, safe and efficient mobility actions. The endorsement of this agreement publicly reinforces CTT's commitment to sustainable mobility and carbon management, in a continuous attitude of engagement, transparency and commitment.

In order to meet the expectations of its customers, CTT continues to develop its network of parcel lockers. Through these lockers, CTT e-commerce clients may pick up their parcels more conveniently and at extended hours. At the end of the 1st half of 2021, the parcel locker network was made up of 97 units nationwide, with plans to expand it by the end of the year. In operational terms, lockers allow CTT to optimize distribution operations by delivering more parcels per km travelled, with the consequent associated environmental gains.

Various articles and contents of an environmental and social nature were published in the internal magazine Revista CTT, aimed at raising the awareness of the employees. Likewise, environmental contents were also broadcast on the inhouse broadcasting channel CTT TV, at the head office building. To be

highlighted are the commemoration of the World Earth Day, the National Energy Day, World Environment Day, International Biodiversity Day, which involved various games for the employees and their families, as well as the communication of tips and suggestions on small daily habits that can be adopted to protecting the environment. E-newsletters with sustainability contents are also released to employees in the operational areas.

CTT also transmitted information on this issue through social media and the TV channel of the retail network countrywide, as well as to the digital public and to customers.



05

Corporate Governance

committed to deliver



5. CORPORATE GOVERNANCE

5.1. Corporate Bodies and Management ⁹

Board of Directors ¹⁰

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

Board of the General Meeting ¹⁰

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

Remuneration Committee ¹⁰

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

Executive Committee ¹¹

<i>Chairman:</i>	João Afonso Ramalho Sopas Pereira Bento (CEO)
<i>Members:</i>	António Pedro Ferreira Vaz da Silva
	Guy Patrick Guimarães de Goyri Pacheco (CFO)
	João Carlos Ventura Sousa
	João Miguel Gaspar da Silva (COO)

Audit Committee ¹⁰

<i>Chairwoman:</i>	Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia
<i>Members:</i>	Steven Duncan Wood
	María del Carmen Gil Marín

⁹ As of the date of approval of this Interim Integrated Report of the 1st Half of 2021.

¹⁰ Members elected at the Annual General Meeting of CTT - Correios de Portugal, S.A. (CTT) held on 29 April 2020 for the term of office 2020/2022. João Eduardo Moura da Silva Freixa submitted his resignation from the

position of Member of the Board of Directors of CTT, as communicated to the market on 10.12.2020, which took effect on 31.01.2021 as provided by law.

¹¹ Appointed by resolution of the Board of Directors of 29 April 2020 for the term of office 2020/2022.

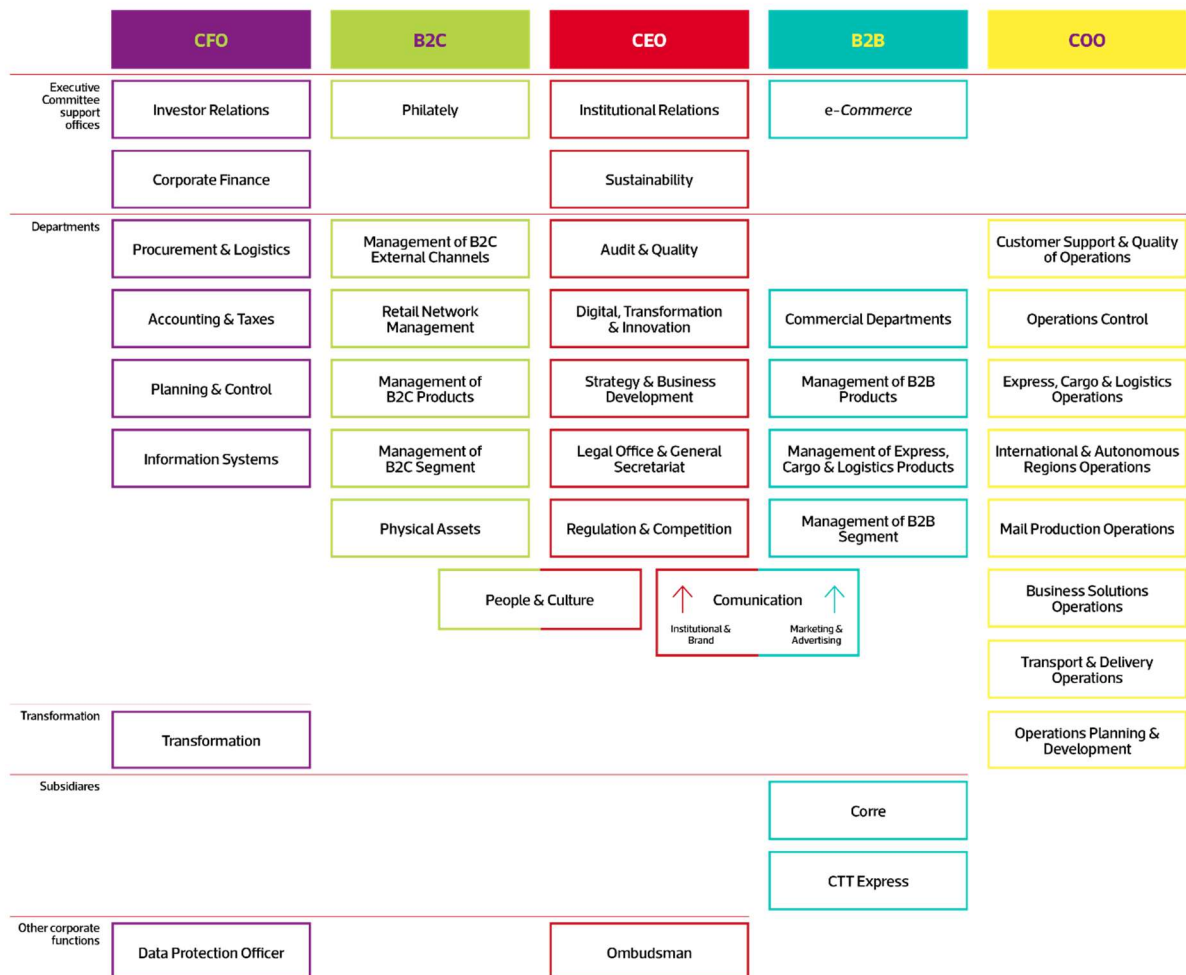
Corporate Governance, Evaluation and Nominating Committee ¹¹

Chairman: Raul Catarino Galamba de Oliveira
Members: Isabel Maria Pereira Aníbal Vaz
 Duarte Palma Leal Champalimaud

Statutory Auditor¹²

Statutory Auditor: Ernst & Young Audit & Associados – SROC, S.A., represented by Luís Pedro Magalhães Varela Mendes or by Rui Abel Serra Martins
Alternate Statutory Auditor: João Carlos Miguel Alves

Management Organization – Corporate Structure



¹² Elected at the Annual General Meeting of CTT - Correios de Portugal, S.A. (CTT) held on 29 April 2020 for the term of office 2021/2023.

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

The Company has developed internal control mechanisms which are defined in the Regulation on Assessment and Monitoring of Transactions with Related Parties and Prevention of Situations of Conflicts of Interest (the "Regulation on Related Parties"), available at www.ctt.pt, aiming at reinforcing the mechanisms for the prevention, identification and resolution of conflicts of interest and thus increase the degree of transparency and objectivity in the management of this kind of transactions.

Pursuant to the Regulation on Related Parties, all significant transactions with related parties must be approved by resolution of the Board of Directors, preceded by a prior opinion of the Audit Committee. Significant transactions are those for an amount greater than one million euros and / or carried out outside the Company's current activity and / or outside market conditions. Related parties include CTT qualified Shareholders, Senior

officers, Directors of subsidiary companies and third parties related to any of these through relevant commercial or personal interests (pursuant to the terms of IAS 24), and also CTT subsidiaries, associated companies and joint ventures. The remaining transactions with related parties are communicated to the Audit Committee for subsequent assessment.

Pursuant to the aforementioned internal control procedures in place, and for the purposes of articles 66(5)(e) and 397 of the Portuguese Companies Code, in the 1st half of 2021 no business transactions were carried out between CTT and its Directors, either directly or through an intermediary.

For the purposes of reporting as provided for in article 398 of the Portuguese Companies Code, none of the Directors of CTT have exercised, during the first half of 2021, in the Company or in companies related to it through a control or group relationship, any temporary or permanent positions under an employment contract, whether subordinate or autonomous.

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

Members of the Board of Directors	Internal Appointments	External Appointments
Raul Catarino Galamba de Oliveira	- Chairman of the Selection and Remuneration Committee of Banco CTT, S.A. - Chairman of the Selection Committee of Payshop (Portugal), S.A. - Chairman of the Selection Committee of 321 Crédito – Instituição Financeira de Crédito, S.A. - Member of the Ethics Committee of CTT - Chairman (non-executive) of the Board of Directors of CTT - Chairman of the Corporate Governance, Evaluation and Nominating Committee of CTT	- Non-executive Member of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. - Non-executive Member of the Board of Directors of José de Mello Capital, S.A. - Non-executive Member of the Board of Directors of José de Mello Saúde, S.A. - Chairman of the Board of Directors of Fundação Manuel Violante
João Afonso Ramalho Sopas Pereira Bento	- Chairman of the Board of Directors of CTT Soluções Empresariais, S.A. - Chairman of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A. - Member of the Board of Directors and Chief Executive Officer of CTT - Member of the Selection and Remuneration Committee of Banco CTT, S.A. - Member of the Selection Committee of Payshop (Portugal), S.A. - Member of the Selection Committee of 321 Crédito – Instituição Financeira de Crédito, S.A. - Chairman of the Board of the General Meeting of Correio Expresso de Moçambique, S.A. (CORRE)	- Member of the Board of Directors of the International Post Corporation (IPC) - Managing Partner at QPDM Consulting, Lda. - Member of the Board of Trustees of Fundação Alfredo de Sousa - Member of the Advisory Council of APAC Portugal – Associação de Apoio ao Preso - Member of the Board of ICF – Inclusive Community Forum – Nova SBE - Member of the Strategic Innovation Council of VdA – Vieira de Almeida & Associados, Sociedade de Advogados, RL - Member (in an individual capacity) of the General Council of IPCG (Portuguese Institute of Corporate Governance) - Permanent member of the Advisory Council of AICEP (Agency for Investment and External Trade of Portugal) - Vice-Chairman of Academia de Engenharia (acting President)

Members of the Board of Directors

Internal Appointments

External Appointments

António Pedro Ferreira Vaz da Silva

- Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- Member of the Board of Directors of Payshop (Portugal), S.A.
- Member of the Board of Directors and of the Executive Committee of CTT
- Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- Non-executive Member of the Board of Directors of Banco CTT, S.A.

Guy Patrick Guimarães de Goyri Pacheco

- Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- Non-executive Member of the Board of Directors of Banco CTT, S.A.
- Member of the Board of Directors and Chief Financial Officer (CFO) of CTT
- Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.

- Member of the Board of Directors of Finerge, S.A.
- Member of the Board of AEM (Portuguese Issuers Association)

João Carlos Ventura Sousa

- Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- Chairman of the Board of Directors of CTT Contacto, S.A.
- Member of the Board of Directors of Correio Expresso de Moçambique, S.A. (CORRE)
- Member of the Board of Directors and of the Executive Committee of CTT
- Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.

João Miguel Gaspar da Silva

- Member of the Board of Directors of CTT Soluções Empresariais, S.A.
- Member of the Board of Directors of CTT Expresso – Serviços Postais e Logística, S.A.
- Member of the Board of Directors and of the Executive Committee of CTT
- Member of the Board of Directors of CTT Contacto, S.A.

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

- Non-executive Member of the Board of Directors of CTT
- Chairwoman of the Audit Committee of CTT

- Chairwoman of the Fiscal Board of Centro Hospitalar Universitário de S. João, EPE
- Non-executive Member of the Board of Directors of SFS – Gestão de Fundos, SGOIC, S.A.
- Chairwoman of the Fiscal Board of Sogrape, SGPS, S.A.
- Non-executive Member of the Board of Directors and Member of the Audit Committee of Impresa, SGPS, S.A.
- Invited Member of the Executive Committee of Portuguese Commission of Accounting Standards
- Managing Partner of Novais, Anacoreta & Associado, SROC
- Member of the Scientific Council of the Portuguese Tax Association
- Tax Arbitrator at CAAD (Portuguese Administrative Arbitration Centre)
- Assistant Professor at Católica Porto Business School

Members of the Board of Directors

Internal Appointments

External Appointments

Steven Duncan Wood

- Member of the Audit Committee of CTT
- Non-executive Member of the Board of Directors of CTT

- Founder and Managing Member of the Builders Institute, Inc.
- Managing Member of GreenWood Performance Investors, LLC
- Founder and Managing Member of GreenWood Investors, LLC
- Advisory Board Member of Cortland Associates, Inc.

Duarte Palma Leal
Champalimaud

- Non-executive Member of the Board of Directors of CTT
- Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

- Manager of Sotaque – Assessoria de Comunicação e Traduções, Lda.
- Vice-Chairman of the Board of Directors of Manuel Champalimaud, SGPS, S.A.
- Chairman of the Strategy and Investment Committee of Manuel Champalimaud Group
- Chairman of the Board of the General Meeting of APIP (Portuguese Plastics Industry Association)

Isabel Maria Pereira Aníbal Vaz

- Non-executive Member of the Board of Directors of CTT
- Member of the Corporate Governance, Evaluation and Nominating Committee of CTT

- Member of the Board of Directors of Mota-Engil, SGPS, S.A.
- Member of the Board of Directors of Sonae Capital, SGPS, S.A.
- Chairwoman of the Board of Directors of Capital Criativo HealthCare Investments II, S.A.
- Chairwoman of the Board of Directors of Hospital da Luz – Coimbra S.A.
- Chairwoman of the Board of Directors of H.M.E. – Gestão Hospitalar, S.A.
- Member of the Board of Directors of Hospital da Luz Funchal, S.A.
- Chairwoman of the Board of Directors of Hospital da Luz – Guimarães, S.A.
- Chairwoman of the Board of Directors of GLSMED Learning Health, S.A.
- Chairwoman of the Board of Directors of Luz Saúde – Serviços, A.C.E.
- Chairwoman of the Board of Directors of Hospital da Luz – Centro Clínico da Amadora, S.A.
- Chairwoman of the Board of Directors of SGHL – Sociedade Gestora do Hospital de Loures, S.A.
- Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior, S.A.
- Chairwoman of the Board of Directors of CRB – Clube Residencial da Boavista, S.A.
- Chairwoman of the Board of Directors of Hospital da Luz – Oeiras, S.A.
- Chairwoman of the Board of Directors of Hospital da Luz, S.A. (LISBOA)
- Chairwoman of the Board of Directors of Surgicare – Unidades de Saúde, S.A.
- Chairwoman of the Board of Directors of Vila Lusitano – Unidades de Saúde, S.A.
- Chairwoman of the Board of Directors of Hospital Residencial do Mar, S.A.
- Chairwoman of the Board of Directors of Hospor – Hospitais Portugueses, S.A.
- Chairwoman of the Board of Directors of Casas da Cidade – Residências Sénior de Carnaxide, S.A.
- Member of the Board of Directors of Genomed-Diagnósticos de Medicina Molecular, S.A.

Members of the Board of Directors

Internal Appointments

External Appointments

		- Chairwoman of the Board of Directors of RML – Residência Medicalizada de Loures, SGPS, S.A. - Chairwoman of the Board of Directors of Hospital da Luz Arrábida, S.A. - Chairwoman of the Board of Directors of Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, S.A. - Chairwoman of the Board of Directors of Hospital da Luz – Aveiro, S.A. - Vice –Chairwoman of the Board of Directors and Chairwoman of the Executive Committee of Luz Saúde, S.A. - Member of the International Advisory Board of The Lisbon MBA of Nova School of Business and Economics of Universidade Nova de Lisboa
Jürgen Schröder	Non-executive Member of the Board of Directors of CTT	- Executive Partner of JS-Rat & Tat GmbH - Board Member of ISR (International School on the Rhine) (Germany) - Board Member of Marketing Club Düsseldorf (Germany)
Margarida Maria Correia de Barros Couto	- Chairwoman of the Ethics Committee of CTT - Non-executive Member of the Board of Directors of CTT	- Chairwoman of GRACE – Empresas Responsáveis – Associação - Member of the Board of Directors and Chief Executive Officer (CEO) of Fundação Vasco Vieira de Almeida - Secretary of the Board of the General Assembly of Fórum Oceano – Association of the Sea Economy - Secretary of the General Assembly of BCSD Portugal – Business Council for Sustainable Development - Chairwoman of the Board of the Associação VdA Academia
María del Carmen Gil Marín	- Non-executive Member of the Board of Directors of CTT - Member of the Audit Committee of CTT	- Executive Member of the Board of Directors of Novabase, SGPS, S.A. - Executive Member of the Board of Directors of Novabase IMS2, S.A. - Executive Member of the Board of Directors of Novabase Capital, Sociedade de Capital de Risco, S.A. - Member of the General Board of AEM (Portuguese Issuers Association) - Chairwoman of the Board of the General Meeting of Celfocus- Soluções Informáticas para Telecomunicações, S.A. - Chairwoman of the Board of the General Meeting of Novabase Enterprise Applications – Sistemas de Informação de Gestão Empresarial, S.A. - Chairwoman of the Board of the General Meeting of GLOBALEDA – Telecomunicações e Sistemas de Informação, S.A. - Member of the Board of Fórum de Investor Relations (FIR) – Associação Portuguesa de Responsáveis pelas Relações com Investidores (Portuguese Association of Investor Relations Officers) - Member of the Advisory Committee of FCR ISTART I

Members of the Board of Directors

Internal Appointments

External Appointments

Susanne Ruoff

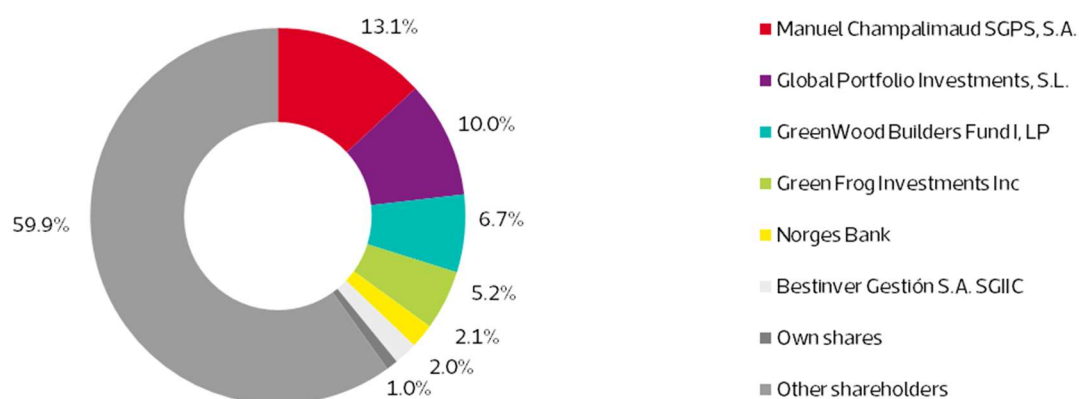
- Non-executive Member of the Board of Directors of CTT

- Member of the Board and of the Organization and Remuneration Committee of Eldora AG (Switzerland)
- Chief Executive Officer (CEO) of Ruoff Advisory GmbH (Switzerland)
- Board Advisor of Emirates Post, Dubai (UAE)
- Member of the Strategic Advisory Board of EPFL - École Polytechnique Fédérale de Lausanne (Switzerland)

5.3. Capital structure

In the 1st half of 2021, the share capital of CTT, amounting to €75,000,000, was fully subscribed and paid-up, represented by 150,000,000 ordinary shares with a nominal value of €0.50 each. These shares are registered and in book-entry form, having no different categories. All shares representing the capital of the Company are admitted to trading on the regulated market Euronext Lisbon.

As of 30 June 2021, CTT shareholder structure in terms of qualifying holdings was as follows:



5.4. Holders of qualifying holdings

At the end of the 1st half of 2021, based on the communications made to the Company, the qualifying holdings in CTT were as follows:

Shareholders		No. of shares	% Share capital	% Voting rights
Manuel Champalimaud, SGPS, S.A. ⁽¹⁾		19,330,084	12.887%	12.887%
Manuel Carlos de Melo Champalimaud		353,185	0.235%	0.235%
Manuel Carlos de Melo Champalimaud ⁽¹⁾	Total	19,683,269	13.122%	13.122%
Global Portfolio Investments, S.L. ⁽²⁾		15,057,937	10.039%	10.039%
Indumenta Pueri, S.L. ⁽²⁾	Total	15,057,937	10.039%	10.039%
GreenWood Builders Fund I, LP ⁽³⁾		10,020,000	6.680%	6.680%
GreenWood Investors LLC ⁽³⁾	Total	10,020,000	6.680%	6.680%
Green Frog Investments Inc	Total	7,730,000	5.153%	5.153%
Norges Bank	Total	3,105,287	2.070%	2.070%
Bestinver Gestión S.A. SGIC ⁽⁴⁾	Total	3,024,366	2.016%	2.016%
CTT, S.A. (own shares) ⁽⁵⁾	Total	1,500,001	1.000%	1.000%
Other shareholders	Total	89,879,140	59.919%	59.919%
TOTAL		150,000,000	100.000%	100.000%

⁽¹⁾ Includes 19,246,815 shares directly held by Manuel Champalimaud, SGPS, S.A. and 83,269 shares directly held by the members of its Board of Directors, of which Duarte Palma Leal Champalimaud, Non-executive member of the Board of Directors of CTT, is Vice-Chairman. Qualified shareholding directly and indirectly attributable to Manuel Carlos de Melo Champalimaud.

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

⁽³⁾ GreenWood Investors, LLC, of which Steven Wood, Non-Executive member of the Board of Directors of CTT, is a Managing Member exercises the voting rights not in its own name but on behalf of the fund GreenWood Builders Fund I, LP as its management company. The full chain of controlled undertakings through which the voting rights are held includes GreenWood Investors, LLC and GreenWood Performance Investors, LLC.

⁽⁴⁾ 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=>).

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

5.5. Own shares

Pursuant to the terms and limitations set forth in the resolution adopted under item 5 of the Agenda of the General Shareholders' Meeting of CTT held on 21 April 2021 granting authorization for the acquisition and transfer of own shares by the Company and its subsidiaries, and in the resolution of the Board of Directors of CTT, of 17 May 2021, under which a share buy-back program was approved, on 20 May 2021, CTT started trading in the context of said buy-back program.

Thus, in the period from 20 May to 22 June 2021, the Company has acquired shares representing CTT's share capital in Euronext Lisbon regulated market, as detailed in the table below:

Date of the transaction	Aggregated Volume (shares)	Weighted Average Price (€)	% Session's Total Volume	% Share Capital
20-05-2021	42,641	4.0070	11.28%	0.03%
21-05-2021	109,161	4.0277	26.14%	0.07%
24-05-2021	75,404	4.0093	18.88%	0.05%
25-05-2021	85,000	4.0191	29.06%	0.06%
26-05-2021	90,093	4.1853	9.48%	0.06%
27-05-2021	50,000	4.1660	7.19%	0.03%
28-05-2021	70,000	4.2129	14.57%	0.05%
31-05-2021	123,072	4.2698	29.43%	0.08%
01-06-2021	105,000	4.3138	13.68%	0.07%
02-06-2021	40,000	4.2913	12.02%	0.03%
03-06-2021	40,000	4.2438	12.77%	0.03%
04-06-2021	50,401	4.2730	12.80%	0.03%
07-06-2021	25,000	4.2900	16.57%	0.02%
08-06-2021	46,074	4.2639	17.34%	0.03%
09-06-2021	32,915	4.2807	9.09%	0.02%
10-06-2021	67,956	4.3811	12.44%	0.05%
11-06-2021	30,704	4.3338	11.70%	0.02%
14-06-2021	78,000	4.4160	12.20%	0.05%
15-06-2021	72,875	4.4499	11.80%	0.05%
16-06-2021	25,000	4.4080	7.98%	0.02%
17-06-2021	40,000	4.4150	13.92%	0.03%
18-06-2021	45,000	4.3611	8.51%	0.03%
21-06-2021	73,157	4.5391	8.11%	0.05%
22-06-2021	82,547	4.5521	11.37%	0.06%

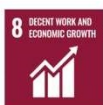
As of 30 June 2021 and on this date, CTT holds 1,500,001 own shares with the nominal value of €0.50 each, corresponding to 1.0% of the share capital, the inherent voting rights being suspended as prescribed in article 324(1)(a) of the Portuguese Companies Code.



06

Interim condensed consolidated financial statements

committed to deliver



6. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CTT - CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 30 JUNE 2021

Euros

	NOTES	31.12.2020	Unaudited 30.06.2021
ASSETS			
Non-current assets			
Tangible fixed assets	4	294,989,377	292,772,966
Investment properties	6	7,075,908	6,927,023
Intangible assets	5	58,016,961	57,601,022
Goodwill		70,201,828	70,201,828
Investments in associated companies		481	481
Investments in joint ventures		2,925,100	2,590,288
Other investments		6,394	6,394
Debt securities at fair value through other comprehensive income	8	12,273,557	7,550,031
Debt securities at amortized cost	8	453,090,517	253,084,012
Other non-current assets		1,063,789	632,144
Credit to banking clients	10	985,355,687	1,046,405,477
Other banking financial assets	9	11,422,884	8,265,987
Deferred tax assets	25	87,891,868	88,238,227
Total non-current assets		1,984,314,351	1,834,275,879
Current assets			
Inventories		6,601,999	6,399,349
Accounts receivable		153,616,009	166,469,838
Credit to banking clients	10	107,925,845	300,544,829
Prepayments	11	6,498,759	9,735,233
Debt securities at fair value through other comprehensive income	8	7,281,273	6,875,183
Debt securities at amortized cost	8	45,160,057	43,914,886
Other current assets		33,728,584	60,616,816
Other banking financial assets	9	29,456,513	11,132,627
Cash and cash equivalents	12	518,180,171	654,742,737
		908,449,210	1,260,431,498
Non-current assets held for sale		2,139,065	1,885,051
Total current assets		910,588,275	1,262,316,549
Total assets		2,894,902,626	3,096,592,428
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	66,306,219
Retained earnings	15	39,962,419	43,894,076
Other changes in equity	15	(47,600,236)	(47,600,236)
Net profit		16,669,309	17,186,714
Equity attributable to equity holders		149,951,419	148,381,810
Non-controlling interests		323,675	404,695
Total equity		150,275,094	148,786,505
Liabilities			
Non-current liabilities			
Medium and long term debt	18	164,034,127	156,770,231
Employee benefits		264,369,292	261,712,769
Provisions	19	17,416,354	25,406,496
Prepayments	11	283,289	316,569
Other banking financial liabilities	9	44,506,988	33,781,496
Deferred tax liabilities	25	2,793,698	2,632,716
Total non-current liabilities		493,403,748	480,620,277
Current liabilities			
Accounts payable	20	375,562,902	341,269,617
Banking clients' deposits and other loans	21	1,688,465,160	1,905,639,153
Employee benefits		18,630,568	18,162,555
Income taxes payable	22	1,340,420	10,270,185
Short term debt	18	42,832,626	48,900,111
Prepayments	11	3,412,059	3,202,402
Other current liabilities		99,493,397	115,516,835
Other banking financial liabilities	9	21,486,652	24,224,786
Total current liabilities		2,251,223,784	2,467,185,645
Total liabilities		2,744,627,532	2,947,805,923
Total equity and liabilities		2,894,902,626	3,096,592,428

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2021
Euros

	NOTES	Six months ended		Three months ended	
		Unaudited 30.06.2020	Unaudited 30.06.2021	Unaudited 30.06.2020	Unaudited 30.06.2021
Sales and services rendered	3	316,456,988	372,191,809	153,063,959	185,909,613
Financial margin		21,382,995	25,741,101	10,957,420	14,182,696
Other operating income		11,327,549	14,850,803	5,236,706	7,364,452
		349,167,532	412,783,714	169,258,085	207,456,762
Cost of sales		(8,710,756)	(9,234,154)	(5,732,342)	(4,269,659)
External supplies and services		(117,353,082)	(156,967,538)	(58,772,489)	(80,190,884)
Staff costs	23	(170,271,336)	(185,492,787)	(81,952,417)	(96,155,579)
Impairment of accounts receivable, net		(3,761,294)	(813,720)	(2,559,130)	38,177
Impairment of other financial banking assets		(6,403,565)	(6,300,651)	(5,783,468)	(4,883,624)
Provisions, net	19	(889,640)	(28,708)	114,061	64,889
Depreciation/ amortization and impairment of investments, net		(30,034,172)	(28,612,839)	(15,567,800)	(14,609,604)
Earnings of other financial banking assets and liabilities	3	-	14,382,705	-	12,171,894
Other operating costs		(7,462,797)	(8,720,484)	(3,412,243)	(4,505,242)
Gains/losses on disposal of assets	3	586,494	15,121	9,510	(1,316)
		(344,300,148)	(381,773,054)	(173,656,318)	(192,340,947)
		4,867,384	31,010,660	(4,398,233)	15,115,814
Interest expenses	24	(4,745,106)	(4,273,952)	(2,230,753)	(2,127,277)
Interest income	24	6,211	26,282	3,068	20,296
Gains/losses in subsidiary, associated companies and joint ventures		(1,159,003)	(1,102,769)	(601,043)	(610,188)
		(5,897,899)	(5,350,439)	(2,828,729)	(2,717,169)
Earnings before taxes		(1,030,515)	25,660,221	(7,226,962)	12,398,645
Income tax for the period	25	(897,715)	(8,404,833)	1,587,477	(3,876,808)
Net profit for the period		(1,928,230)	17,255,388	(5,639,485)	8,521,837
Net profit for the period attributable to:					
Equity holders		(1,984,332)	17,186,714	(5,665,874)	8,486,290
Non-controlling interests		56,102	68,674	26,390	35,547
Earnings per share:	17	(0.01)	0.11	(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 SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2021
Euros

	NOTES	Six months ended		Three months ended	
		Unaudited 30.06.2020	Unaudited 30.06.2021	Unaudited 30.06.2020	Unaudited 30.06.2021
Net profit for the period		(1,928,230)	17,255,388	(5,639,484)	8,521,837
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	15	(4,164)	12,347	(2,615)	13,897
Changes to fair value reserves	15	355,891	(18,716)	390,392	15,785
Other changes in equity		(50,211)	12,347	(2,416)	60,142
Other comprehensive income for the period after taxes		301,516	5,978	385,361	89,823
Comprehensive income for the period		(1,626,714)	17,261,365	(5,254,123)	8,611,660
Attributable to non-controlling interests		51,938	81,020	23,974	53,056
Attributable to shareholders of CTT		(1,678,652)	17,180,346	(5,278,097)	8,558,604

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 JUNE 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)	(29,196,933)	-	-
Actuarial gains/losses – Health Care, net from deferred taxes	15	-	-	-	2,143,908	-	-	(15,806)	(101,815)
Changes to fair value reserves	15	-	-	67,340	-	-	-	-	2,143,908
Adjustments from the application of the equity method	15	-	-	-	-	(15,806)	-	-	67,340
Net profit for the period		-	-	-	-	-	16,669,309	97,225	(15,806)
Comprehensive income for the period		-	-	67,340	2,143,908	(101,815)	16,669,309	97,225	16,766,534
Balance on 30 December 2020		75,000,000	(8)	65,919,935	(47,600,236)	39,962,419	16,669,309	323,675	18,860,162
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	-	(6,404,955)	-	-	-	-	-	(6,404,955)
Share plan	15	-	-	405,000	-	-	-	-	405,000
Comprehensive income for the period		-	(6,404,955)	405,000	-	3,919,309	(16,669,309)	-	(18,749,954)
Other movements	15	-	-	-	-	-	-	12,347	12,347
Changes to fair value reserves	15	-	-	(18,716)	-	-	-	-	(18,716)
Adjustments from the application of the equity method	15	-	-	-	-	12,347	-	-	12,347
Net profit for the period	15	-	-	-	-	-	17,186,714	68,674	17,255,388
Comprehensive income for the period		-	-	(18,716)	-	12,347	17,186,714	81,020	17,261,365
Balance on 30 June 2021 (Unaudited)		75,000,000	(6,404,963)	66,306,219	(47,600,236)	43,894,076	17,186,714	404,695	148,786,505

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

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2021
Euro

	NOTES	Unaudited 30.06.2020	Unaudited 30.06.2021
Cash flow from operating activities			
Collections from customers		310,935,758	361,228,416
Payments to suppliers		(149,815,466)	(184,032,120)
Payments to employees		(146,675,063)	(152,211,607)
Banking customer deposits and other loans		228,496,058	217,229,275
Credit to banking clients		(105,376,978)	(284,670,550)
Cash flow generated by operations		137,564,308	(42,456,586)
Payments/receivables of income taxes		615,550	32,736
Other receivables/payments		(28,193,253)	(22,461,767)
Cash flow from operating activities (1)		109,986,605	(64,885,616)
Cash flow from investing activities			
Receivables resulting from:			
Tangible fixed assets		870,185	188,750
Investment properties		55,000	-
Debt securities	8	85,432,793	271,167,683
Demand deposits at Bank of Portugal		11,731,434	-
Other banking financial assets	9	13,565,000	86,590,000
Interest income		16,220	16,774
Payments resulting from:			
Tangible fixed assets		(16,556,056)	(8,981,233)
Intangible assets		(6,191,062)	(6,716,194)
Financial investments	7	-	(767,956)
Debt securities	8	(152,334,478)	(221,420,854)
Demand deposits at Bank of Portugal		-	(2,262,500)
Other banking financial assets	9	(15,550,000)	(64,800,000)
Cash flow from investing activities (2)		(78,960,963)	53,014,470
Cash flow from financing activities			
Receivables resulting from:			
Loans obtained	18	11,259,039	33,840,063
Loans		-	27,276,701
Other credit institutions' deposits		250,000	-
Other banking financial liabilities	9	-	169,070,854
Payments resulting from:			
Loans repaid		(11,307,511)	(35,881,158)
Other credit institutions' deposits		(38,131,082)	-
Other banking financial liabilities	9	(15,168,848)	(10,721,757)
Interest expenses		(717,067)	(776,459)
Lease liabilities	18	(13,399,816)	(15,159,693)
Acquisition of own shares		-	(6,404,954)
Dividends	16	-	(12,750,000)
Cash flow from financing activities (3)		(67,215,286)	148,493,595
Net change in cash and cash equivalents (1+2+3)		(36,189,644)	136,622,449
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	378,675,925	635,449,230
Cash and cash equivalents at the end of the period		378,675,925	635,449,230
Sight deposits at Bank of Portugal		14,192,600	18,058,100
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		3,747,910	1,258,786
Impairment of slight and term deposits		(26,931)	(23,378)
Cash and cash equivalents (Balance sheet)		396,589,504	654,742,737

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

CTT – CORREIOS DE PORTUGAL, S.A.

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

TABLE OF CONTENTS

1. INTRODUCTION	66
2. SIGNIFICANT ACCOUNTING POLICIES	66
2.1 NEW STANDARDS OR AMENDMENTS ADOPTED BY THE GROUP	67
2.2 BASIS OF PREPARATION	68
3. SEGMENT REPORTING	68
4. TANGIBLE FIXED ASSETS	74
5. INTANGIBLE ASSETS	76
6. INVESTMENT PROPERTIES	78
7. COMPANIES INCLUDED IN THE CONSOLIDATION	80
8. DEBT SECURITIES	82
9. OTHER BANKING FINANCIAL ASSETS AND LIABILITIES	84
10. CREDIT TO BANKING CLIENTS	87
11. PREPAYMENTS	94
12. CASH AND CASH EQUIVALENTS	95
13. ACCUMULATED IMPAIRMENT LOSSES	96
14. EQUITY	97
15. OWN SHARES, RESERVES, OTHER CHANGES IN EQUITY AND RETAINED EARNINGS	97
16. DIVIDENDS	99
17. EARNINGS PER SHARE	99
18. DEBT	100
19. PROVISIONS, GUARANTEES PROVIDED, CONTINGENT LIABILITIES AND COMMITMENTS	102
20. ACCOUNTS PAYABLE	105
21. BANKING CLIENTS' DEPOSITS AND OTHER LOANS	106
22. INCOME TAXES RECEIVABLE / PAYABLE	106
23. STAFF COSTS	107
24. INTEREST EXPENSES AND INTEREST INCOME	109
25. INCOME TAX FOR THE PERIOD	109
26. RELATED PARTIES	112
27. OTHER INFORMATION	113
28. SUBSEQUENT EVENTS	116

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 5 August 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 2021 is taken to income the same year that the concession is granted, instead of being allocated over the duration of the contract as would be the case were the practical expedient not allowed.

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

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

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

The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of

the ongoing risk-free rate reform ('IBOR reform'). The Amendments are the results of the second phase of the IASB project that deals with the accounting implications of the IBOR reform, which originated the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued by the IASB on 26 September 2019. They complement the first phase of the project which dealt with pre-replacement accounting implications of the IBOR reform and which have been issued by the IASB in 2019.

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

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

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

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

2.2 Basis of 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)No575/2013), 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. 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 of the 1st half of 2020 and 2021 are as follows:

Thousand Euros	30.06.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	204,182	85,120	21,465	38,400	349,168
Sales and services rendered	202,398	84,841	21,229	7,989	316,457
Sales	6,926	394	3,454	-	10,774
Services rendered	195,472	84,447	17,774	7,989	305,683
Financial Margin	0	-	-	21,383	21,383
Other operating income and costs	1,784	279	237	9,028	11,328
Operating costs - EBITDA	181,448	83,754	10,732	37,545	313,478
Staff costs	145,105	12,817	1,062	11,165	170,149
External supplies and services	31,609	69,272	1,401	14,000	116,282
Other costs	8,190	942	3,032	3,829	15,993
Impairment and provisions	1,958	1,722	-	7,374	11,054
Internal services rendered	(5,414)	(999)	5,237	1,176	-
EBITDA	22,734	1,366	10,733	855	35,689
Depreciation/amortisation and impairment of investments, net	22,172	4,586	176	3,100	30,034
Recurring EBIT	562	(3,220)	10,558	(2,245)	5,655
Specific Items	540	238	0	9	788
Business restructurings	12	71	-	-	82
Strategic studies and projects costs	479	54	-	-	533
Other non-recurring income and expenses	50	113	0	9	172
EBIT	21	(3,457)	10,557	(2,254)	4,867
Financial results	-	-	-	-	(5,898)
Net financial income	-	-	-	-	(4,739)
Interest expenses	-	-	-	-	(4,745)
Interest income	-	-	-	-	6
Gains/losses in subsidiary, associated companies and joint ventures	-	-	-	-	(1,159)
Earnings before taxes and non-controlling interests (EBT)					(1,031)
Income tax for the period	-	-	-	-	898
Net profit before non-controlling interests					(1,928)
Non-controlling interests	-	-	-	-	56
Net profit attributable to shareholders of CTT					(1,984)

Thousand Euros	30.06.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	217,591	125,847	23,666	45,680	412,784
Sales and services rendered	215,452	125,536	23,464	7,740	372,192
Sales	4,413	139	6,031	-	10,583
Services rendered	211,039	125,397	17,434	7,740	361,609
Financial Margin	-	-	-	25,741	25,741
Other operating income and costs	2,139	311	201	12,199	14,851
Operating costs - EBITDA	188,654	114,991	12,357	39,473	355,476
Staff costs	147,813	15,675	601	13,200	177,288
External supplies and services	37,855	99,310	1,313	16,128	154,607
Other costs	7,230	792	5,453	4,328	17,802
Impairment and provisions	536	269	-	4,975	5,779
Internal services rendered	(4,779)	(1,054)	4,991	842	-
EBITDA	28,937	10,855	11,308	6,207	57,307
Depreciation/amortisation and impairment of investments, net	19,326	5,425	54	3,807	28,613
Recurring EBIT	9,611	5,430	11,254	2,399	28,694
Specific Items	9,278	424	1	(12,019)	(2,316)
Business restructurings	8,015	174	-	-	8,189
Strategic studies and projects costs	843	-	-	380	1,223
Other non-recurring income and expenses	420	250	1	(12,399)	(11,729)
EBIT	333	5,006	11,253	14,419	31,011
Financial results	-	-	-	-	(5,350)
Net financial income	-	-	-	-	(4,248)
Interest expenses	-	-	-	-	(4,274)
Interest income	-	-	-	-	26
Gains/losses in subsidiary, associated companies and joint ventures	-	-	-	-	(1,103)
Earnings before taxes and non-controlling interests (EBT)					25,660
Income tax for the period	-	-	-	-	8,405
Discontinued operations results	-	-	-	-	-
Net profit before non-controlling interests					17,255
Non-controlling interests	-	-	-	-	69
Net profit attributable to shareholders of CTT					17,186

In the first six months of the period ended 30 June 2021, the amount recorded as specific items amounts to -€2.3m (-€3.1m compared to 1H20), detailed as follows: (i) corporate restructuring of €8.2m, which reflects the provision of €8.0m booked to carry out around 118 suspension of employment contracts agreements, (ii) strategic projects of €1.2m and (iii) other income and expenses of -€11.7m, of which stands out the gain of €14.4m generated by the public debt securities sales to optimize the Banco CTT's financial position finance in the context of the launching of the partnership with Sonae related with the Universo card and iv) expenses related to the COVID-19 pandemic, namely €0.6m in personal protection equipment, nebulizations, temperature measurement and cleaning reinforcement.

The revenues are detailed as follows:

Thousand Euros	30.06.2020	30.06.2021
Mail	204,182	217,591
Transactional mail	173,092	185,430
Editorial mail	6,435	6,617
Parcels (USO)	2,652	3,876
Advertising mail	8,606	9,116
Philately	2,422	2,440
Business Solutions	8,309	7,124
Other	2,666	2,988
Express & Parcels	85,120	125,847
Portugal	51,807	67,121
Parcels	41,491	58,555
Cargo	5,380	4,649
Banking network	3,360	2,301
Logistics	1,185	1,215
Other	391	400
Spain	31,880	57,223
Mozambique	1,434	1,503
Financial Services & Retail	21,465	23,666
Savings & Insurance	12,616	12,390
Money orders	3,007	2,818
Payment services	780	872
Retail Products and Services	4,952	7,469
Other	111	116
Bank	38,400	45,680
Financial margin	21,383	25,741
Interest income	22,123	26,197
Interest expense	(740)	(456)
Comissions received	15,479	18,600
Credits	1,853	1,910
Savings & Insurance	2,046	2,768
Accounts and Cards	3,286	5,392
Payments	8,295	8,512
Other comissions received	(2)	17
Other	1,539	1,339
	349,168	412,784

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

Nature	30.06.2020				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Postal Services	186,295,551	-	-	-	186,295,551
Express services	-	84,840,910	-	-	84,840,910
Merchandising products sales	-	-	1,028,294	-	1,028,294
PO Boxes	-	-	695,075	-	695,075
International mail services (*)	16,102,554	-	-	-	16,102,554
Financial Services fees	-	-	19,505,165	29,372,433	48,877,599
"Sales and Services rendered" and "Financial Margin" total	202,398,105	84,840,910	21,228,535	29,372,433	337,839,983

(*) Inbound Mail

Nature	30.06.2021				
	Mail and others	Express & Parcels	Financial Services & Retail	Bank & Payments	Total
Postal Services	196,520,639	-	-	-	196,520,639
Express services	-	125,535,616	-	-	125,535,616
Merchandising products sales	-	-	1,128,937	-	1,128,937
PO Boxes	-	-	817,933	-	817,933
International mail services (*)	18,931,329	-	-	-	18,931,329
Financial Services fees	-	-	21,517,394	33,481,063	54,998,457
"Sales and Services rendered" and "Financial Margin" total	215,451,968	125,535,616	23,464,264	33,481,063	397,932,910

(*) Inbound Mail

The assets by segment are detailed as follows:

Assets (Euros)	31.12.2020					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	19,192,607	5,634,469	166,504	28,879,018	4,144,364	58,016,961
Tangible fixed assets	239,053,222	48,425,431	74,351	3,151,484	4,284,888	294,989,376
Investment properties	-	-	-	-	7,075,908	7,075,908
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	87,891,868	87,891,868
Accounts receivable	-	-	-	-	153,616,009	153,616,009
Credit to bank clients	-	-	-	1,093,281,532	-	1,093,281,532
Debt securities 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)	30.06.2021					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	20,623,037	5,992,828	162,763	27,343,493	3,478,901	57,601,022
Tangible fixed assets	237,702,515	49,733,255	77,846	2,940,046	2,319,305	292,772,966
Investment properties	-	-	-	-	6,927,023	6,927,023
Goodwill	6,161,326	2,955,753	-	61,084,749	-	70,201,828
Deferred tax assets	-	-	-	-	88,238,227	88,238,227
Accounts receivable	-	-	-	-	166,469,838	166,469,838
Credit to bank clients	-	-	-	1,346,950,306	-	1,346,950,306
Debt securities at fair value through other comprehensive income	-	-	-	14,425,214	-	14,425,214
Debt securities at amortized cost	-	-	-	296,998,898	-	296,998,898
Other banking financial assets	-	-	-	19,398,614	-	19,398,614
Other assets	6,675,230	11,325,233	29,878,105	6,219,550	25,882,586	79,980,705
Cash and cash equivalents	-	17,663,386	-	431,155,111	205,924,240	654,742,737
Non-current assets held for sale	-	-	-	1,885,051	-	1,885,051
	271,162,108	87,670,455	30,118,714	2,208,401,032	499,240,120	3,096,592,428

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

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

	30.06.2021					Total
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	
Intangible assets	2,966,221	1,729,422	9,028	1,245,939	-	5,950,610
Tangible fixed assets	14,115,838	5,504,642	-	350,164	152,026	20,122,671
	17,082,059	7,234,064	9,028	1,596,104	152,026	26,073,280

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

- "Intangible assets" (3,478,901 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" (2,319,305 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" (6,927,023 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- "Deferred tax assets" (88,238,227 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" (166,469,838 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" (25,882,586 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” (205,924,240 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)	30.06.2021				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Non-current debt	130,008,025	25,534,685	43,449	1,184,071	156,770,231
Bank loans	67,924,373	-	-	-	67,924,373
Lease liabilities	62,083,653	25,534,685	43,449	1,184,071	88,845,858
Current debt	34,979,668	13,190,838	28,955	700,650	48,900,111
Bank loans	14,125,000	7,721,901	-	-	21,846,901
Lease liabilities	20,854,668	5,468,937	28,955	700,650	27,053,210
	164,987,693	38,725,524	72,404	1,884,720	205,670,342

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

Thousand Euros	30.06.2020	30.06.2021
Revenue - Portugal	260,292	281,254
Revenue - other countries	56,165	90,938
	316,457	372,192

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 54,502 thousand euros.

4. Tangible fixed assets

During the year ended 31 December 2020 and six-month period ended 30 June 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	-	-	-	-	-	-	-	-	19,301,526	19,301,526
Closing balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,817	231,178,507	881,820,624
Accumulated depreciation										
Opening balance	3,737,406	219,979,639	132,705,076	3,356,342	62,408,163	24,278,473	-	-	108,932,275	555,397,374
Depreciation for the period	-	9,351,195	6,428,855	58,602	2,588,994	1,316,488	-	-	24,474,381	44,218,535
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)	(8,975)	(6,138)	-	-	-	(99,940)
Closing balance	3,723,758	227,546,378	138,324,287	3,395,091	64,977,312	20,231,065	-	-	128,613,895	586,811,787
Accumulated impairment										
Opening balance	-	-	-	-	-	24,172	-	-	-	24,172
Other variations	-	-	-	-	-	(4,712)	-	-	-	(4,712)
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	31,756,069	111,569,503	30,127,737	207,812	5,663,798	5,842,383	6,019,646	1,237,817	102,564,612	294,989,377

30.06.2021										
	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	-	460,579	1,993,655	13,168	412,439	405,563	2,020,063	478,336	-	5,783,802
New contracts	-	-	-	-	-	-	-	-	14,338,869	14,338,869
Disposals	-	-	(649,914)	(931)	-	-	-	-	(90,317)	(741,162)
Transfers and write-offs	9,352	2,923,216	16,364	-	(126,306)	(288,016)	(2,887,101)	-	(22,196)	(374,487)
Adjustments	-	3,746	122,120	7,082	7,649	4,612	-	-	(90)	145,119
Other movements	-	-	-	-	-	23,750	-	-	(133,048)	(109,298)
Closing balance	35,489,179	342,503,421	169,934,450	3,622,222	70,934,891	26,238,817	5,152,608	1,716,154	245,271,724	900,863,467
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	-	4,448,453	3,259,858	30,395	801,186	646,401	-	-	13,123,139	22,309,433
Disposals	-	-	(61,707)	(988)	-	-	-	-	-	(617,460)
Transfers and write-offs	602	2,920	7,064	-	(126,306)	(285,824)	-	-	(82,462)	(484,007)
Adjustments	-	1,275	58,254	3,385	6,276	4,294	-	-	-	73,484
Closing balance	3,724,360	231,999,026	141,032,392	3,428,484	65,658,468	20,595,936	-	-	141,632,375	608,071,041
Accumulated impairment										
Opening balance	-	-	-	-	-	19,460	-	-	-	19,460
Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	19,460	-	-	-	19,460
Net Tangible fixed assets	31,764,819	110,504,395	28,902,058	193,738	5,276,423	5,623,422	5,152,608	1,716,154	103,639,349	292,772,966

The depreciation recorded in the **Group** amounting to 22,309,433 Euros (21,244,402 Euros on 30 June 2020), is booked under the heading “Depreciation/amortization and impairment of investments, net”.

In the **Group** as at 30 June 2021, Land and natural resources and Buildings and other constructions include 506,585 Euros (552,634 Euros as at 31 December 2020), related to land and property in co-ownership with MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force, after the latest amendments of 31 December 2013 at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported on CTT's accounting records and the statement of Directorate General of Treasury and Finance (“Direção Geral do Tesouro e Finanças”), the entity responsible for the Information System of Public Buildings (“Sistema de Informação de Imóveis do Estado” – SIIE) believes that CTT's assets do not include any public or private domain assets of the Portuguese State.

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

In the first half of 2021, the Group reviewed the useful lives of some tangible fixed assets' classes, standing out the computer equipment from office equipment class, extending them, essentially, from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its

current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the depreciation for the six-months period ended 30 June 2021 of 452 thousand euros and an estimated decrease for the year 2021 of 880 thousand euros.

During the year ended 30 June 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 Espresso.

Basic equipment:

The amount related to acquisitions mainly refers to the parcel sorting machines acquisition in the approximate amount of 1,187 thousand Euros by CTT Espresso.

Office equipment:

The amount related to acquisitions mainly refers to the acquisition of several micro-computer equipment for an approximate amount of 144 thousand Euros at CTT and the acquisition of several micro-computer equipment for an approximate amount of 96 thousand Euros for CTT Espresso.

Other tangible assets:

In the acquisitions caption are mainly booked prevention and safety equipment in the approximate amount of 175 thousand Euros at CTT.

Tangible fixed assets in progress:

The tangible fixed assets in progress of the Group as at 30 June 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

	30.06.2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	13,724,832	614,036	-	14,338,869
Transfers and write-offs	(70,556)	(19,761)	-	(90,317)
Terminated contracts	(22,196)	-	-	(22,196)
Adjustments	(90)	-	-	(90)
Other movements	(133,048)	-	-	(133,048)
Closing balance	211,519,109	32,277,588	1,475,027	245,271,724
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	9,582,679	3,424,024	116,436	13,123,139
Transfers and write-offs	(70,569)	(11,894)	-	(82,462)
Terminated contracts	(22,196)	-	-	(22,196)
Closing balance	126,780,110	13,922,255	930,009	141,632,375
Net Tangible fixed assets	84,738,999	18,355,333	545,018	103,639,349

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 13,123,139 Euros (11,350,910 Euros on 30 June 2020), is booked under the heading "Depreciation/amortization and impairment of investments, net".

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

In the six-month period ended 30 June 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 June 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 June 2021, amounts to 1,755,425 Euros.

5. Intangible assets

During the year ended 31 December 2020 and six-month period ended 30 June 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

30.06.2021						
	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	-	1,163,408	521,389	-	4,265,813	5,950,610
Disposals	-	(255,750)	-	-	-	(255,750)
Transfers and write-offs	-	4,861,660	(102,919)	-	(4,861,660)	(102,919)
Adjustments	-	-	68,584	-	-	68,584
Closing balance	4,380,552	139,485,469	17,762,790	444,739	8,612,791	170,686,341
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	-	107,008,855
Amortization for the period	637	5,495,449	646,729	-	-	6,142,816
Transfers and write-offs	-	-	(102,919)	-	-	(102,919)
Adjustments	-	-	36,567	-	-	36,567
Closing balance	4,378,904	96,172,167	12,089,509	444,739	-	113,085,319
Net intangible assets	1,648	43,313,302	5,673,281	-	8,612,791	57,601,022

The amortization in the **Group** for the six-month period ended 30 June 2021, amounting to 6,142,816 Euros (8,587,673 Euros as at 30 June 2020) was recorded under "Depreciation / amortization and impairment of investments, net".

In the first half of 2021, the Group reviewed the useful lives of some intangible assets' classes, standing out the application software, belonging to computer software class, extending them from 3 to 6 years. The review of the useful life was carried out based on the analysis of the historical effective average use of the assets assigned to the underlying class, considering its current estimated economic life. Changes in useful lives are booked prospectively. The impact of this change results in a decrease in the amortization for the six-months period ended 30 June 2021 of 3,054 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 six-months period ended 30 June 2021, from Intangible assets in progress to Computer software refer to IT projects, which were completed during the period.

The amounts of 481,562 Euros and 450,503 Euros were capitalized in computer software or intangible assets in progress as at 30 June 2020 and 30 June 2021, respectively, and are related to **Group** staff costs incurred in the development of these projects.

During the six-months period ended 30 June 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 Espresso of, "Microserv" software in the approximately amount of 276 thousand euros, "Sales Force" software in the approximately amount of 67 thousand euros and "Integração e Processos" software in the approximately amount 83 thousand euros.

Industrial property:

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

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

	Group
New Payment Platform	2,395,217
OneBiller Solution	825,171
Demiminis - software	481,954
CRM - software	427,642
Business Mail - Rev Assurance - software	370,467
Business Mail - Software	210,180
	4,710,631

The payment platform is a new payment solution for Payhshop and it is expected to come into production in a phased manner in the third quarter of 2021. This asset was acquired in 2020 and required a deeply survey work, infrastructure model, security and interfaces with existing systems.

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 June 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 six-month period ended 30 June 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 six-months period ended 30 June 2021, amounts to 2,722,491 Euros.

6. Investment properties

As at 31 December 2020 and 30 June 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
30.06.2021			
	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	-	113,939	113,939
Transfers and write-offs	(602)	(37,363)	(37,965)
Closing balance	201,908	8,822,435	9,024,343
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	3,946,249	6,927,023

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 six-month period ended on 30 June 2021, of 113,939 Euros (128,293 Euros on 30 June 2020) was recorded in the caption "Depreciation/amortization and impairment of investments, net".

For the six-months period ended on 30 June 2021, the rents amount charged by the **Group** for properties and equipment leases classified as investment properties was 11,045 Euros (30 June 2020: 10,439 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 June 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 June 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			30.06.2021		
			Percentage of ownership Direct	Indirect	Total	Percentage of ownership Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	-	-	-	-	-
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	-	100	100	-	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, Edifício 24, n.º 1097, 3.º Piso, Bairro da Polana Maputo - Mozambique	50	-	50	50	-	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Av. D. João II N.º 13 1999-001 Lisboa	100	-	100	100	-	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av. Conselheiro Fernando de Sousa, 19 13.º Esq 1070-072 Lisboa	25	75	100	25	75	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7.º B 1050-083 Lisboa	-	100	100	-	100	100

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

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

In December 2020, CTT and a group of its subsidiaries subscribed shares 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 shares' 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.

Joint ventures

As at 31 December 2020 and 30 June 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			30.06.2021		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	-	49	49	-	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	-	51	51	-	51
MKTPlace - Comércio Eletrónico, S.A ("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 and the remaining will occur in July and October 2021 in the amount of 621,069 euros and 916,537 euros, respectively.

Associated companies

As at 31 December 2020 and 30 June 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			30.06.2021		
			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 Mensajería, SLU), which currently has no activity.

Structured entities

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

Name	Constitution Year	Place of issue	% Economic Interest	Consolidation Method
Ulisses Finance No.1 ^(*)	2017	Portugal	23.9%	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.

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

	31.12.2020	30.06.2021
Cash and cash equivalents	9,896,409	19,632,335
Other banking financial liabilities (Debt securities issued)	44,517,924	33,790,413

In the consolidated financial statements at 30 June 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.

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. 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 six-month period ended 30 June 2021, the structured entity Next Funding No.1 was included in the consolidation perimeter.

8. Debt securities

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

	31.12.2020	30.06.2021
Non-current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	860,281	542,068
Bonds issued by other entities	11,413,276	7,007,963
	12,273,557	7,550,031
Financial assets at amortized cost		
Government bonds	450,600,878	253,184,048
Bonds issued by other entities	2,665,125	-
Impairment	(175,486)	(100,036)
	453,090,517	253,084,012
	465,364,074	260,634,043
Current		
Financial assets at fair value through other comprehensive income ⁽¹⁾		
Government bonds	6,760,199	5,527,871
Bonds issued by other entities	521,074	1,347,312
	7,281,273	6,875,183
Financial assets at amortized cost		
Government bonds	39,973,188	33,391,934
Bonds issued by other entities	5,193,374	10,528,612
Impairment	(6,505)	(5,660)
	45,160,057	43,914,886
	52,441,330	50,790,069
	517,805,404	311,424,112

⁽¹⁾ As at 31 December 2020 and 30 June 2021 includes the amount of 9,429 Euros and 5,684 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 June 2021 is detailed as follows:

	31.12.2020			31.12.2020			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			31.12.2020			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

	30.06.2021			30.06.2021			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	2,488,473	3,039,397	5,527,871	542,068	-	542,068	6,069,939
Bonds issued by other entities							
National	4,637	1,342,675	1,347,312	7,007,963	-	7,007,963	8,355,275
	2,493,110	4,382,073	6,875,183	7,550,031	-	7,550,031	14,425,214

⁽¹⁾ As at 30 June 2021 includes the amount of 5,684 Euros regarding Accumulated impairment losses.

	30.06.2021			30.06.2021			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	5,579,589	1,114,426	6,694,015	69,325,041	101,654,958	170,979,999	177,674,014
Foreign	13,700,670	12,997,250	26,697,919	8,114,470	74,089,579	82,204,049	108,901,969
Bonds issued by other entities							
National	9,000,683	1,527,929	10,528,612	-	-	-	10,528,612
	28,280,941	15,639,605	43,920,546	77,439,511	175,744,537	253,184,048	297,104,594

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

	30.06.2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	-	(1,960)	-	(983)	2,975
Financial assets at amortized cost	175,486	2,772	(74,982)	-	(3,240)	100,036
	181,404	2,772	(76,942)	-	(4,223)	103,011
Current assets						
Financial assets at fair value through other comprehensive income	3,511	-	(1,785)	-	983	2,709
Financial assets at amortized cost	6,505	157	(4,242)	-	3,240	5,660
	10,016	157	(6,027)	-	4,223	8,369
Financial assets at fair value through other comprehensive income	9,429	-	(3,745)	-	-	5,684
Financial assets at amortized cost	181,991	2,929	(79,224)	-	-	105,696
	191,420	2,929	(82,969)	-	-	111,380

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 six-month period ended 30 June 2021, they are detailed as follows:

	31.12.2020 Stage 1	30.06.2021 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)	(3,354)
Decrease due to derecognition repayments and disposals	-	(391)
Impairment - Financial assets at fair value through other comprehensive income	9,429	5,684

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

	31.12.2020 Stage 1	30.06.2021 Stage 1
Opening balance	225	9,429
Change in period:		
ECL income statement change for the period	9,204	(3,745)
Impairment - Financial assets at fair value through other comprehensive income	9,429	5,684

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

	31.12.2020 Stage 1	30.06.2021 Stage 1
Opening balance	173,353	181,991
Change in period:		
Increases due to origination and acquisition	11,139	2,929
Changes due to change in credit risk	1,636	(64,399)
Decrease due to derecognition repayments and disposals	(4,136)	(14,825)
Impairment - Financial assets at amortized cost	181,991	105,696

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

	31.12.2020 Stage 1	30.06.2021 Stage 1
Opening balance	173,353	181,991
Change in period:		
ECL income statement change for the period	8,639	(76,296)
Impairment - Financial assets at amortized cost	181,991	105,696

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 June 2021, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2020	30.06.2021
Non-current assets		
Loans to credit institutions	11,424,488	8,264,106
Impairment	(3,712)	(2,685)
Other	2,107	4,566
	11,422,884	8,265,987
Current assets		
Investments in credit institutions	20,000,635	2,350,000
Loans to credit institutions	7,504,875	6,519,234
Impairment	(23,980)	(2,874)
Other	5,213,955	5,488,747
Impairment	(3,238,971)	(3,222,481)
	29,456,513	11,132,627
	40,879,397	19,398,614
Non-current liabilities		
Debt securities issued	44,506,988	33,781,496
	44,506,988	33,781,496
Current liabilities		
Debt securities issued	10,936	8,918
Other	21,475,716	24,215,869
	21,486,652	24,224,786
	65,993,640	58,006,282

Investments in credit institutions and Loans to credit institutions

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

	31.12.2020	30.06.2021
Up to 3 months	12,872,862	2,097,109
From 3 to 12 months	14,632,648	6,772,126
From 1 to 3 years	10,462,768	8,264,106
Over 3 years	961,721	-
	38,929,998	17,133,340

Investments in credit institutions presented an average annual rate of 1.012% over the six-month period (31 December 2020: 1.179%).

Impairment

The impairment losses, for the year ended 31 December 2020 and six-month period ended 30 June 2021, are detailed as follows:

31.12.2020						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
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
30.06.2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	649	(11,340)	-	9,664	2,685
	3,712	649	(11,340)	-	9,664	2,685
Current assets						
Investments and loans in credit institutions	23,980	695	(12,137)	-	(9,664)	2,874
Other	3,238,971	-	(16,490)	-	-	3,222,481
	3,262,951	695	(28,627)	-	(9,664)	3,225,355
	3,266,663	1,344	(39,967)	-	-	3,228,040

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

	31.12.2020	30.06.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
Increases due to origination and acquisition	22,911	1,344
Changes due to change in credit risk	(161,468)	(2,035)
Decrease due to derecognition repayments and disposals	(47,303)	(21,443)
Impairment	27,692	5,559

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

	31.12.2020	30.06.2021
	Stage 1	Stage 1
Opening balance	213,552	27,692
Change in period:		
ECL income statement change for the period	(185,860)	(22,133)
Impairment	27,692	5,559

Debt securities issued

This caption showed the following composition:

	31.12.2020	30.06.2021
Securitizations	44,517,924	33,790,413
	44,517,924	33,790,413

As at 31 December 2020 and 30 June 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

30.06.2021					
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.	19,680,067	19,690,029
Ulisses Finance No.1 – Class B	July 2017	July 2033	Euribor 1M + 160 b.p.	7,000,000	6,998,296
Ulisses Finance No.1 – Class C	July 2017	July 2033	Euribor 1M + 375 b.p.	7,100,000	7,102,088
				33,780,067	33,790,413

The movement of this item in the year ended 31 December 2020 and the six-month period ended 30 June 2021 is as follows:

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

30.06.2021					
	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	-	(10,721,757)	(5,753)	33,790,413
	44,517,924	-	(10,721,757)	(5,753)	33,790,413

The scheduling by maturity regarding this caption is as follows:

31.12.2020							
	Current			Non-current			Total
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	
Securitizations	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

30.06.2021							
	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	
Securitizations	8,918	-	8,918	-	33,781,496	33,781,496	33,790,413
	8,918	-	8,918	-	33,781,496	33,781,496	33,790,413

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

	31.12.2020	30.06.2021
Performing loans	1,101,441,373	1,361,435,846
Mortgage Loans	525,082,831	564,613,935
Auto Loans	568,273,557	601,580,635
Credit Cards	-	188,314,873
Leasings	6,936,643	5,809,304
Overdrafts	1,148,342	1,117,099
Overdue loans	8,505,242	9,222,045
Overdue loans - less than 90 days	1,008,648	973,593
Overdue loans - more than 90 days	7,496,594	8,248,452
	1,109,946,614	1,370,657,890
Credit risk impairment	(16,665,082)	(23,707,584)
	1,093,281,532	1,346,950,306

The maturity analysis of the Credit to bank clients as at 31 December 2020 and 30 June 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

	30.06.2021								Total
	Current				Non-current				
	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	-	4,027,625	12,142,239	-	16,169,864	32,808,674	515,635,397	548,444,071	564,613,935
Auto Loans	-	25,190,068	68,130,758	7,010,430	100,331,256	173,371,932	334,887,877	508,259,809	608,591,065
Credit Cards	-	188,314,873	-	228,953	188,543,826	-	-	-	188,543,826
Leasings	-	339,780	1,350,745	205,220	1,895,745	2,434,386	1,684,394	4,118,780	6,014,525
Overdrafts	1,117,099	-	-	1,156,309	2,273,408	-	-	-	2,273,408
Other credits	-	-	-	621,133	621,133	-	-	-	621,133
	1,117,099	217,872,345	81,623,742	9,222,045	309,835,231	208,614,992	852,207,668	1,060,822,659	1,370,657,890

As of 30 June 2021, a gross credit amount of 188,543,826 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	30.06.2021
Fixed rate	528,330,964	751,054,264
Floating rate	581,615,650	619,603,627
	1,109,946,614	1,370,657,890
Credit risk impairment	(16,665,082)	(23,707,584)
	1,093,281,532	1,346,950,306

As at 31 December 2020 and 30 June 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

	30.06.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	570,458,872	955,170	571,414,042	(1,769,317)	569,644,725
Other guaranteed Loans	586,699,399	3,387,884	590,087,283	(12,854,510)	577,232,772
Unsecured Loans	204,277,575	4,878,991	209,156,566	(9,083,757)	200,072,809
	1,361,435,846	9,222,045	1,370,657,890	(23,707,584)	1,346,950,306

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

	30.06.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	564,613,935	-	564,613,935	(565,433)	564,048,502
Auto Loans	601,580,635	7,010,430	608,591,065	(18,868,664)	589,722,402
Credit Cards	188,314,873	228,953	188,543,826	(2,818,193)	185,725,632
Leasings	5,809,304	205,220	6,014,524	(283,678)	5,730,846
Overdrafts	1,117,099	1,156,309	2,273,408	(1,008,691)	1,264,717
Other credits	-	621,133	621,133	(162,926)	458,208
	1,361,435,846	9,222,045	1,370,657,890	(23,707,584)	1,346,950,306

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

	30.06.2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies					
Agriculture, forestry and fishing	3,225,716	28,031	3,253,747	(83,768)	3,169,979
Mining and quarrying	481,372	245	481,617	(3,657)	477,960
Manufacturing	5,574,189	100,577	5,674,766	(147,903)	5,526,864
Water supply	152,171	5,712	157,883	(6,008)	151,875
Construction	9,440,044	338,592	9,778,636	(389,692)	9,388,944
Wholesale and retail trade	9,847,024	537,658	10,384,681	(372,510)	10,012,171
Transport and storage	3,658,432	81,047	3,739,479	(127,455)	3,612,024
Accommodation and food service activities	3,749,974	34,366	3,784,340	(147,719)	3,636,621
Information and communication	555,380	1,459	556,838	(5,768)	551,071
Financial and insurance activities	306,038	2,368	308,407	(3,995)	304,412
Real estate activities	1,567,420	9,704	1,577,124	(30,717)	1,546,407
Professional, scientific and technical activities	1,607,830	9,312	1,617,142	(41,290)	1,575,852
Administrative and support service activities	3,452,206	312,350	3,764,556	(159,409)	3,605,147
Education	721,282	973	722,255	(10,596)	711,660
Human health services and social work activities	1,473,207	15,311	1,488,517	(36,476)	1,452,041
Arts, entertainment and recreation	841,113	23,752	864,865	(47,587)	817,278
Other services	4,536,819	50,754	4,587,573	(144,913)	4,442,660
Individuals					
Mortgage Loans	564,719,761	-	564,719,761	(569,166)	564,150,595
Consumer Loans	745,525,867	7,669,836	753,195,703	(21,378,957)	731,816,746
	1,361,435,846	9,222,045	1,370,657,890	(23,707,584)	1,346,950,306

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

	31.12.2020	30.06.2021
Stage 1	1,026,604,019	1,249,544,427
Gross amount	1,030,765,765	1,255,224,489
Impairment	(4,161,745)	(5,680,063)
Stage 2	49,989,172	67,668,911
Gross amount	52,213,747	70,318,612
Impairment	(2,224,575)	(2,649,702)
Stage 3	16,688,341	29,736,969
Gross amount	26,967,103	45,114,789
Impairment	(10,278,762)	(15,377,820)
	1,093,281,532	1,346,950,306

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 June 2021 are presented below:

31.12.2020	Gross carrying amount						
	Gross carrying amount	Productives		Of which: instruments with a significant credit risk increase (*)	Non-productives		Entries to non-productive exposures
		Productives	Of which: exposures subject to restructuring measures		Non-productives	Of which: reduced payment probability not due or due ≤ 90 days	
Loans and advances subject to a moratoria	40,389,848	40,040,953	-	820,687	348,894	-	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	-	276,320
of which: small and medium-sized companies	8,115,476	7,808,860	-	701,065	306,615	-	276,320
of which: secured by commercial real estate	2,793,523	2,705,329	-	-	88,194	-	88,194

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

30.06.2021	Gross carrying amount						
	Gross carrying amount	Productives		Of which: instruments with a significant credit risk increase (*)	Non-productives		Entries to non-productive exposures
		Productives	Of which: exposures subject to restructuring measures		Non-productives	Of which: reduced payment probability not due or due ≤ 90 days	
Loans and advances subject to a moratoria	40,132,268	39,552,367	-	4,788,923	579,902	-	334,083
of which: families	30,878,649	30,844,315	-	3,951,548	34,333	-	34,333
of which: secured by residential properties	30,872,304	30,837,970	-	3,951,548	34,333	-	34,333
of which: non-financial companies	9,253,620	8,708,051	-	837,375	545,568	-	299,750
of which: small and medium-sized companies	7,999,451	7,499,549	-	651,852	499,902	-	299,750
of which: secured by commercial real estate	2,583,485	2,295,056	-	-	288,429	-	88,277

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

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

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

30.06.2021	Accumulated impairment, fair value accumulated negative changes resulting from credit risk					
	Productives			Non-productives		
	Accumulated impairment	Productives	Of which: exposures subject to restructuring measures	Of which: instruments with a significant credit risk increase (*)	Non-productives	Of which: reduced payment probability not due or due ≤ 90 days
Loans and advances subject to a moratoria	(387,035)	(171,386)	-	(64,483)	(215,650)	(179,667)
of which: families	(87,464)	(77,291)	-	(48,522)	(10,173)	-
of which: secured by residential properties	(87,424)	(77,251)	-	(48,522)	(10,173)	-
of which: non-financial companies	(299,571)	(94,094)	-	(15,960)	(205,477)	(179,667)
of which: small and medium-sized companies	(242,912)	(60,610)	-	(12,397)	(182,302)	(161,141)
of which: secured by commercial real estate	(134,583)	(38,129)	-	-	(96,454)	(96,454)

(*) 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 June 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	-	-	-	-

30.06.2021	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	7,066	88,166,818							
Loans and advances subject to a moratoria	4,400	70,698,460	45,668,302	30,566,191	36,478,971	3,653,298	-	-	-
of which: families		60,443,194	35,825,086	29,564,546	27,723,847	3,154,801	-	-	-
of which: secured by residential properties		35,805,365	35,805,365	4,933,061	27,717,502	3,154,801	-	-	-
of which: non-financial companies		10,255,265	9,843,215	1,001,645	8,755,124	498,496	-	-	-
of which: small and medium-sized companies		8,923,324	8,531,188	923,873	7,640,310	359,141	-	-	-
of which: secured by commercial real estate		2,791,000	2,791,000	207,515	2,583,485	-	-	-	-

To identify/assess the latent risks of the contracts covered by defaults, including the signs of alteration identification of the IFRS 9 stage and/or unlikelihood to pay, in addition to the signs identification provided in circular letter 62/2018, which continue running for the entire portfolio and are agnostic to the defaults existence or not, Banco CTT has developed a methodology for monitoring credits targeted for defaults that is based on a set of factors that identify contracts that are more likely to be facing structural and non-circumstantial difficulties, grouping the portfolio according to the low, medium, high and very high risk level.

Contracts that have achieved a high or very high risk rating are considered stage 2.

On 30 June 2021, the impact resulting from this stage aggravation resulted in 42,942 euros of impairment.

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

30.06.2021				
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	35,385,589	4,917,150	579,902	40,882,640
Impairment	(107,333)	(66,270)	(215,650)	(389,253)
Net Amount	35,278,256	4,850,879	364,252	40,493,388

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

	31.12.2020	30.06.2021
Amount of future minimum payments	7,458,032	6,250,217
Interest not yet due	(521,389)	(440,913)
Present value	6,936,643	5,809,304

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

	31.12.2020	30.06.2021
Due within 1 year	1,763,456	1,747,125
Due between 1 to 5 years	4,601,281	3,584,579
Over 5 years	1,093,295	918,513
Amount of future minimum payments	7,458,032	6,250,217

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

	31.12.2020	30.06.2021
Individuals	773,163	744,915
Home	96,094	100,892
Others	677,069	644,023
Companies	6,163,480	5,064,389
Equipment	314,966	214,912
Real Estate	5,848,514	4,849,478
	6,936,643	5,809,304

Impairment losses

During the year ended 31 December 2020 and six-month period ended 30 June 2021, the movement in the Group under the Accumulated impairment losses caption (Note 13) was as follows:

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

	30.06.2021						Closing balance
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	
Non-current assets							
Credit to banking clients	11,245,242	7,756,703	(3,852,956)	(18,412)	(1,214,056)	500,661	14,417,182
	11,245,242	7,756,703	(3,852,956)	(18,412)	(1,214,056)	500,661	14,417,182
Current assets							
Credit to banking clients	5,419,841	4,998,403	(2,482,837)	(11,865)	1,044,234	322,625	9,290,402
	5,419,841	4,998,403	(2,482,837)	(11,865)	1,044,234	322,625	9,290,402
	16,665,083	12,755,106	(6,335,792)	(30,277)	(169,822)	823,287	23,707,584

The impairment losses of Credit to banking clients (increases net of reversals) in the **Group** for the six-month period ended 30 June 2021, amounting to 6,419,314 Euros (7,494,139 Euros at 30 June 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 six-month period ended 30 June 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

	30.06.2021			
	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	2,788,778	1,237,073	270,692	4,296,544
Changes due to change in credit risk	(920,817)	(655,562)	4,811,169	3,234,790
Changes due to modifications without derecognition	-	-	-	-
Decrease due to derecognition repayments and disposals	(618,926)	(95,036)	(398,060)	(1,112,022)
Write-offs	-	-	(30,277)	(30,277)
Changes due to update in the institution's methodology for estimation	-	-	-	-
Transfers to:				
Stage 1	621,402	(279,743)	(341,659)	-
Stage 2	(157,050)	1,618,239	(1,461,189)	-
Stage 3	(131,235)	(1,524,938)	1,656,174	-
Foreign exchange and other	(63,834)	125,094	592,206	653,466
Impairment	5,680,063	2,649,702	15,377,820	23,707,584
<i>Of which: POCI</i>	-	-	1,167,288	1,167,288

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

	30.06.2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	4,161,745	2,224,575	10,278,763	16,665,083
Change in period:				
ECL income statement change for the period	1,249,037	486,475	4,683,801	6,419,314
Stage transfers (net)	333,116	(186,442)	(146,674)	-
Write-offs	-	-	(30,277)	(30,277)
Write-off recoveries	-	-	-	-
Foreign exchange and other	(63,836)	125,094	592,206	653,464
Impairment	5,680,063	2,649,702	15,377,820	23,707,584

11. Prepayments

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

	31.12.2020	30.06.2021
Assets prepayments		
Current		
Rents payable	1,500,004	1,792,899
Meal allowances	1,441,931	1,419,518
Other	3,556,825	6,522,816
	6,498,759	9,735,233
Liabilities prepayments		
Non-current		
Investment subsidy	283,289	277,688
Other	-	38,881
	283,289	316,569
Current		
Investment subsidy	11,201	11,201
Contractual liabilities	1,310,217	1,749,603
Other	2,090,641	1,441,598
	3,412,059	3,202,402
	3,695,348	3,518,971

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 948,815 euros (696,738 euros on 31 December 2020), whose revenue is expected to be recognized in July 2021 (estimate of 80% of the item's value) and the remaining during 2021, and to objects invoiced and not delivered on 30 June 2021 in the express segment, in the amount of 800,788 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 June 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	30.06.2021
Cash	77,580,872	74,760,600
Demand deposits	189,516,082	115,437,391
Deposits at Central Banks	167,502,343	297,394,544
Deposits at other credit institutions	27,737,696	110,174,044
Term deposits	55,843,177	56,976,158
Cash and cash equivalents (Balance sheet)	518,180,171	654,742,737
Demand deposits at Banco de Portugal	(15,795,600)	(18,058,100)
Checks for collection / Checks clearing	(3,575,300)	(1,258,786)
Impairment of Demand and term deposits	17,510	23,378
Cash and cash equivalents (Cash flow statement)	498,826,782	635,449,230

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 June 2021, a total amount of demand deposits of 297,394,544 Euros (31 December 2020: 167,502,343 Euros), of which 18,058,100 Euros (31 December 2020: 15,795,600 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Banco de Portugal.

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

Impairment

In the year ended 31 December 2020 and six-month period ended 30 June 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

	30.06.2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Demand and term deposits	17,510	7,693	(1,825)	-	23,378
	17,510	7,693	(1,825)	-	23,378

The impairment losses (increases net of reversals) of demand and term deposits in the **Group** for the six-month period ended 30 June 2021, amounting to 5,868 Euros (7,007 Euros at 30 June 2020) was recorded under the heading Impairment of accounts receivable, net.

13. Accumulated impairment losses

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

31.12.2020							
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	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	169,441	29,756	(15,650)	-	(2,144)	-	181,403
Other non-current assets	2,099,796	-	-	-	439,189	-	2,538,985
Credit to banking clients	2,591,449	8,993,653	(2,226,654)	(507,412)	92,954	2,301,249	11,245,241
Other banking financial assets	166,249	3,071	(27,984)	-	(137,625)	-	3,712
	5,026,935	9,026,481	(2,270,288)	(507,412)	392,374	2,301,249	13,969,341
	5,800,251	9,026,481	(2,573,836)	(507,412)	392,374	2,301,249	14,439,109
Current assets							
Accounts receivable	37,981,832	5,390,793	(2,014,668)	(1,724,114)	-	-	39,633,843
Credit to banking clients	1,386,750	4,334,649	(1,073,175)	(244,556)	(92,954)	1,109,127	5,419,841
Debt securities	4,136	4,372	(636)	-	2,144	-	10,016
Other current assets	8,341,734	1,886,462	(85,730)	(275,680)	185,765	-	10,052,551
Other banking financial assets	4,229,759	52,729	(1,157,163)	-	137,626	-	3,262,950
Demand and term deposits	19,923	551	(2,965)	-	-	-	17,509
	51,964,134	11,669,556	(4,334,338)	(2,244,350)	232,581	1,109,127	58,396,710
Non-current assets held for sale	184,609	99,640	(1,470)	-	-	-	282,778
	184,609	99,640	(1,470)	-	-	-	282,778
Merchandise	2,116,305	513,486	-	(104,705)	-	-	2,525,086
Raw, subsidiary and consumable	725,188	131,708	(7,310)	(2,255)	-	-	847,331
	2,841,493	645,194	(7,310)	(106,960)	-	-	3,372,417
	54,990,236	12,414,389	(4,343,118)	(2,351,310)	232,581	1,109,127	62,051,906
	60,790,487	21,440,870	(6,916,953)	(2,858,722)	624,955	3,410,377	76,491,014
30.06.2021							
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	19,460	-	-	-	-	-	19,460
Investment properties	450,308	-	(16,499)	-	-	-	433,809
	469,768	-	(16,499)	-	-	-	453,269
Debt securities at fair value through other comprehensive income	5,918	-	(1,960)	-	(983)	-	2,975
Debt securities at amortized cost	-	-	-	-	-	-	-
Other non-current assets	2,538,985	-	-	-	63,107	-	2,602,092
Credit to banking clients	11,245,241	7,756,703	(3,852,956)	(18,410)	(1,214,056)	500,661	14,417,182
Other banking financial assets	3,712	649	(11,340)	-	9,664	-	2,685
	13,969,342	7,760,124	(3,941,237)	(18,410)	(1,145,509)	500,661	17,124,970
	14,439,110	7,760,124	(3,957,736)	(18,410)	(1,145,509)	500,661	17,578,239
Current assets							
Accounts receivable	39,633,843	2,405,313	(1,908,229)	(797,509)	-	-	39,333,418
Credit to banking clients	5,419,841	4,998,403	(2,482,837)	(11,865)	1,044,234	322,625	9,290,402
Debt securities at fair value through other comprehensive income	3,511	-	(1,785)	-	983	-	2,710
Debt securities at amortized cost	-	-	-	-	-	-	-
Other current assets	10,052,551	470,513	(159,746)	(218,569)	(63,107)	-	10,081,642
Other banking financial assets	3,262,951	695	(28,627)	-	(9,664)	-	3,225,355
Demand and term deposits	17,509	7,693	(1,825)	-	-	-	23,378
	58,396,711	7,882,774	(4,587,290)	(1,027,943)	975,686	322,625	61,962,564
Non-current assets held for sale	282,778	74,304	(11,154)	-	-	-	345,928
	282,778	74,304	(11,154)	-	-	-	345,928
Merchandise	2,525,086	434,522	-	(25,516)	-	-	2,934,092
Raw, subsidiary and consumable	847,331	59,964	-	(99,631)	-	-	807,664
	3,372,417	494,486	-	(125,147)	-	-	3,741,756
	62,051,906	8,451,564	(4,598,445)	(1,153,090)	975,686	322,625	66,050,248
	76,491,016	16,211,688	(8,556,181)	(1,171,500)	(169,823)	823,287	83,628,488

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 June 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 June 2021, refer to the movements resulting from adjustments to POCL 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 June 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.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.4 of the Integrated Report.

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 six-month period ended 30 June 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 June 2021	1,500,001	6,404,962	4.270

As at 30 June 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 June 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

30.06.2021					
	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	-	6,404,954	-	(6,404,954)	-
Assets fair value	-	-	(18,716)	-	(18,716)
Share Plan	-	-	-	405,000	405,000
Closing balance	15,000,000	6,404,962	64,614	44,836,643	66,306,219

Legal reserves

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

Own shares reserve (CTT, S.A.)

As at 30 June 2021, this caption includes the amount of 6.404.962 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 six-month period ended 30 June 2021, a reserve in the total amount of 405,000 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 six-month period ended 30 June 2021, the following movements were made in the **Group** heading Retained earnings:

	31.12.2020	30.06.2021
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)	12,347
Other movements	(86,009)	-
Closing balance	39,962,419	43,894,076

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

	31.12.2020	30.06.2021
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 six-months period ended 30 June 2020 and 30 June 2021, the earnings per share were calculated as follows:

	30.06.2020	30.06.2021
Net income for the period	(1,984,332)	17,186,714
Average number of ordinary shares	149,999,999	149,800,684
Earnings per share		
Basic	(0.01)	0.11
Diluted	(0.01)	0.11

The average number of shares is detailed as follows:

	30.06.2020	30.06.2021
Shares issued at beginning of the period	150,000,000	150,000,000
Own shares effect	1	199,316
Average number of shares during the period	149,999,999	149,800,684

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

As at 30 June 2021, the number of own shares held is 1.500.001 and its average number for the year ended 30 June 2021 is 199,316, 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 June 2021, Debt of the **Group** showed the following composition:

	31.12.2020	30.06.2021
Non-current liabilities		
Bank loans	74,799,925	67,924,373
Lease liabilities	89,234,203	88,845,858
	164,034,127	156,770,231
Current liabilities		
Bank loans	16,856,747	21,846,901
Lease liabilities	25,975,879	27,053,210
	42,832,626	48,900,111
	206,866,753	205,670,342

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

	31.12.2020			30.06.2021		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	11,250,000	9,731,747	-	11,250,000	7,721,901	-
BBVA / Bankinter	75,000,000	7,125,000	40,075,774	47,500,000	7,125,000	40,160,561
Novo Banco	35,000,000	-	34,724,151	35,000,000	7,000,000	27,763,812
Banco Montepio	25,000,000	-	-	25,000,000	-	-
BIM - (Mozambique)	40,928	-	-	40,166	-	-
	146,290,928	16,856,747	74,799,925	118,790,166	21,846,901	67,924,373

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. Regarding 31 December 2018, the amount of 25 million Euros was used, presented in the balance sheet net of commission in the amount of 24,276,250 Euros. As at 30 June 2021 the referred amount corresponded to 47,285,561 Euros. By a company decision, the remaining available amount was not used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. Regarding 30 June 2021, the 35 million Euros were used and are presented in the balance sheet net of commission in the amount of 34,763,812 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 30 June 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	30.06.2021
Due within 1 year	31,651,641	28,816,565
Due between 1 to 5 years	83,337,641	71,792,005
Over 5 years	18,964,112	24,962,495
Total undiscounted lease liabilities	133,953,395	125,571,066
Current	25,975,879	27,053,210
Non-current	89,274,939	88,845,858
Lease liabilities included in the statement of financial position	115,250,818	115,899,068

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

	30.06.2020	30.06.2021
Lease liabilities interests (note 24)	1,641,275	1,545,247
Variable payments not included in the measurement of the lease liability	1,631,095	1,024,331

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

	30.06.2020	30.06.2021
Total of lease payments	(13,399,816)	(15,159,693)

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

	31.12.2020	30.06.2021
Opening Balance	175,411,501	206,866,753
Movements without cash	60,096,573	16,004,378
<i>New contracts + IFRS 16 Interests</i>	59,773,852	15,948,381
<i>Others</i>	322,721	55,997
Loans:		
Inflow	21,293,090	33,840,063
Outflow	(21,405,813)	(35,881,158)
Lease liabilities:		
Inflow	-	-
Outflow	(28,528,597)	(15,159,693)
Closing balance	206,866,753	205,670,342

19. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the year ended 31 December 2020 and six-month period ended 30 June 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					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
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

Group	30.06.2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current provisions						
Litigations	3,003,416	602,308	(458,991)	(34,147)	-	3,112,586
Restructuring	1,083,347	-	-	(67,715)	-	1,015,632
Other provisions	10,402,877	129,935	(413,784)	(44,236)	-	10,074,792
Guarantees provided to customers	-	182,793	(13,551)	-	169,822	339,064
Sub-total - caption "Provisions (increases)/reversals"	14,489,641	915,035	(886,326)	(146,098)	169,822	14,542,074
Restructuring	163,800	8,015,000	-	(85,000)	-	8,093,800
Other provisions	2,762,913	23,750	-	(16,041)	-	2,770,622
	17,416,354	8,953,785	(886,326)	(247,139)	169,822	25,406,496

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to 889,640 Euros as at 30 June 2020 and 28,708 Euros as at 30 June 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 458,991 Euros as at 30 June 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. For this purpose, the provision booked was increased by 8,000,000 Euros, which was recognized under Personnel costs in the income statement.

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 June 2021, the provision amounts to 1,015,632 Euros and the variation is explained by the amount used in the current period.

Other provisions

As at 30 June 2021 the provision, in the **Group** to cover any contingencies relating to labor litigation proceedings not included in the current court proceedings related to remuneration differences and attendance bonuses that can be claimed by workers, amounts to 6,437,629 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 June 2021, a provision is recognized in CTT Espresso 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 Espresso 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 1,221,521 Euros as at 30 June 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 June 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 550,000 Euros which arise from the assessment made by the management regarding the possibility of tax contingencies;
- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Espresso, 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 June 2021, to 339,064 Euros.

Guarantees provided

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

Description	Group	
	31.12.2020	30.06.2021
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comissão Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	2,282,510	2,261,290
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886
AMBIMOBILIÁRIA- INVESTIMENTOS E NEGÓCIOS, S.A. (Real estate company)	480,000	480,000
EUROGOLD (Real estate company)	694,464	406,080
Courts	260,610	281,830
TRANSPORTES BERNARDO MARQUES, S.A.	223,380	223,380
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000
Municipalities	118,658	118,658
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	85,056
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658
Refer (Public service for the management of the national railway network infrastructure)	16,460	16,460
Other entities	16,144	16,144
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	11,000
Águas do Porto, E.M (Services of Water Supply and Sanitation of the city of Porto)	10,720	10,720
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160
Consejería Salud (Local Health Service/Spain)	4,116	4,116
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	3,719
EMARP - Empresa de Águas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	3,100
O Feliz - Imobiliária (Real estate company)	381,553 -	
CIVILRIA (Real estate company)	224,305 -	
Solred (Repsol's fuel cards)	80,000 -	
Companhia Carris de Ferro de Lisboa, EM, SA (Portuguese Railway company)	55,000 -	
ADAM - Águas do Alto Minho (Services of Water Supply and Sanitation of the Region of Alto Minho)	466 -	
	12,355,172	11,325,464

Guarantees for lease Contracts

According to the terms of some lease contracts of the buildings occupied by the Company's services, at the moment that the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2020 and 30 June 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 June 2021, the **Group** subscribed promissory notes amounting to approximately 75.3 thousand Euros and 40.2 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

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

The **Group** engaged guarantee insurances in the total amount of 2,617,645 Euros, respectively (31 December 2020: 1,033,163 Euros), with the purpose of guaranteeing the fulfillment of contractual obligations assumed by third parties.

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

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

20. Accounts payable

As at 31 December 2020 and 30 June 2021, the heading Accounts payable showed the following composition:

	31.12.2020	30.06.2021
Current		
Advances from customers	3,054,584	3,093,667
CNP money orders	88,916,523	97,531,545
Suppliers	87,287,994	90,209,166
Invoices pending confirmation	7,955,395	12,495,790
Fixed assets suppliers	5,808,358	2,944,331
Invoices pending confirmation (fixed assets)	5,688,925	2,742,365
Values collected on behalf of third parties	6,546,335	6,901,590
Postal financial services	154,324,605	110,534,249
Deposits	567,215	602,225
Charges	1,859,349	2,293,497
Compensations	581,798	713,693
Postal operators - amounts to be settled	1,722,118	2,813,779
Amounts to be settled to third parties	4,282,230	1,107,407
Amounts to be settled in stores	495,476	635,315
Other accounts payable	6,471,998	6,650,996
	375,562,902	341,269,617

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year. The increase noted on 30 June 2021 is related to the vacation allowance payment that occurs during this period.

Postal financial services

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

21. Banking clients' deposits and other loans

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

	31.12.2020	30.06.2021
Demand deposits	1,207,038,127	1,341,309,551
Term deposits	178,175,790	204,374,887
Savings deposits	303,251,244	359,954,714
	1,688,465,160	1,905,639,153

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

As at 31 December 2020 and 30 June 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

	30.06.2021					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	1,701,264,265	-	-	-	-	1,701,264,265
Term deposits	-	92,006,921	112,367,966	-	-	204,374,887
	1,701,264,265	92,006,921	112,367,966	-	-	1,905,639,153

22. Income taxes receivable /payable

As at 30 June 2021 the caption reflects the estimated income tax regarding 2020, which has not yet been paid, as well as the estimated income tax regarding the six-month period ended 30 June 2021.

23. Staff costs

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

	30.06.2020	30.06.2021
Remuneration	134,012,853	139,582,569
Employee benefits	2,148,088	2,146,704
Indemnities	470,758	8,405,619
Social Security charges	29,440,691	29,797,412
Occupational accident and health insurance	2,181,713	2,058,571
Social welfare costs	1,960,586	3,412,808
Other staff costs	56,648	89,105
	170,271,336	185,492,787

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

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

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

	30.06.2021				
	Board of Directors	Audit Committee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	1,435,998	79,286	9,900	-	1,525,184
Annual variable remuneration	-	-	-	-	-
	1,435,998	79,286	9,900	-	1,525,184
Long-term remuneration					
Defined contribution plan RSP	49,425	-	-	-	49,425
Long-term variable remuneration	98,408	-	-	-	98,408
	147,833	-	-	-	147,833
	1,583,831	79,286	9,900	-	1,673,017

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).
- As a rule, the Plan provides for a 25% net cash settlement and a 75% 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 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 June 2021 amounts to 480,000 Euros, with the net cash settlement component recognized in the caption "Employee benefits" long-term, in the amount of 75,000 Euros and the net share settlement component recognized in the caption "other reserves", in the amount of 405,000 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 June 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 June 2020 and 30 June 2021, the **Group** caption Staff costs includes the amounts of 260,596 Euros and 250,197 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 30 June 2021, the average number of staff of the **Group** was 12,113 employees (12,031 employees in the year ended 30 June 2020).

24. Interest expenses and Interest income

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

	30.06.2020	30.06.2021
Interest expenses		
Bank loans	827,127	886,913
Lease liabilities	1,641,275	1,545,247
Other interest	2	-
Interest costs from employee benefits	2,230,292	1,785,486
Other interest costs	46,411	56,307
	4,745,106	4,273,952

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

	30.06.2020	30.06.2021
Interest income		
Deposits in credit institutions	6,211	7,841
Other supplementary income	-	18,442
	6,211	26,282

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 June 2020 and 30 June 2021, the reconciliation between the nominal rate and the effective income tax rate of the **Group** was as follows:

	30.06.2020	30.06.2021
Earnings before taxes (a)	-1,030,515	25,660,221
Nominal tax rate	21.0%	21.0%
	(216,408)	5,388,646
Tax Benefits	(194,979)	(138,593)
Accounting capital gains/(losses)	(125,794)	(8,073)
Tax capital gains/(losses)	71,591	4,033
Equity method	243,391	231,581
Provisions not considered in the calculation of deferred taxes	374,604	25,843
Impairment losses and reversals	315,749	65,192
Compensation for insurable events	21,613	73,751
Depreciation and car rental charges	20,876	12,973
Credits uncollectible	7,258	13,152
Fines, interest, compensatory interest and other charges	23,227	8,964
Other situations, net	(469,697)	409,755
Adjustments related with - autonomous taxation	280,463	424,114
Adjustments related with - undistributed variable remuneration	898,639	-
SIFIDE tax credit	-	(216,176)
Insufficiency / (Excess) estimated income tax	(821,163)	825,000
Subtotal (b)	429,370	7,120,162
(b)/(a)	-41.67%	27.75%
Adjustments related with - Municipal Surcharge	141,302	404,490
Adjustments related with - State Surcharge	327,043	880,181
Income taxes for the period	897,715	8,404,833
Effective tax rate	-87.11%	32.75%
Income taxes for the period		
Current tax	1,521,731	8,268,159
Deferred tax	197,147	(472,149)
SIFIDE tax credit	-	(216,176)
Insufficiency / (Excess) estimated income tax	(821,163)	825,000
	897,715	8,404,833

In the six-month period ended 30 June 2021, the caption "SIFIDE tax credit" refers to the reimbursement of SIFIDE regarding to the year 2018.

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".

Deferred taxes

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

	31.12.2020	30.06.2021
Deferred tax assets		
Employee benefits - healthcare	75,968,984	75,456,664
Employee benefits - pension plan	73,758	66,069
Employee benefits - other long-term benefits	3,186,436	2,366,452
Impairment losses and provisions	4,936,452	7,037,058
Tax losses carried forward	786,994	510,247
Impairment losses in tangible fixed assets	408,756	444,313
Long-term variable remuneration	53,978	134,400
Land and buildings	355,770	355,770
Tangible assets' tax revaluation regime	1,603,577	1,443,219
Other	517,163	424,036
	87,891,868	88,238,227
Deferred tax liabilities		
Revaluation of tangible fixed assets before IFRS	1,955,171	1,864,114
Suspended capital gains	703,836	682,934
Non-current assets held for sale	83,010	42,718
Other	51,682	42,951
	2,793,698	2,632,716

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 June 2021 the deferred tax asset amounts to 1,443,219 Euros.

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

	31.12.2020	30.06.2021
Deferred tax assets		
Opening balances	89,329,806	87,891,868
Effect on net profit		
Employee benefits - healthcare	(104,541)	(512,320)
Employee benefits - pension plan	-	(7,689)
Employee benefits - other long-term benefits	317,812	(819,984)
Impairment losses and provisions	(90,940)	2,100,606
Tax losses carried forward	(502,991)	(276,747)
Impairment losses in tangible fixed assets	22,946	35,557
Long-term variable remuneration (Board of directors)	53,978	-
Share plan	-	80,422
Land and buildings	(1,039)	-
Tangible assets' tax revaluation regime	(320,715)	(160,358)
Other	52,981	(115,607)
Effect on equity		
Employee benefits - healthcare	(766,465)	-
Employee benefits - pension plan	(10,910)	-
Other	(88,054)	22,479
Closing balance	87,891,868	88,238,227

	31.12.2020	30.06.2021
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)	(16,922)
Suspended capital gains	(33,845)	(91,057)
Other	-	(40,291)
Effect on equity		
Fair Value Reserve	19,645	(3,980)
Other	31,895	(8,732)
Closing balance	2,793,698	2,632,716

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:

	31.12.2020		30.06.2021	
Group	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
CTT - Expresso, S.A., branch in Spain	72,471,042	-	72,471,042	-
CTT Expresso/Transporta	6,142,786	783,366	6,142,786	506,619
Total	78,613,828	783,366	78,613,828	506,619

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 and 2019 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history. The **Group** will continue to monitor during 2021 the compliance with the new approved business plan, which foresees an increase in revenues and profitability of the Express operation in Spain, reassessing whether the compliance degree with the defined purposes allows to ensure of those amounts' recoverability and the possibility of deferred tax assets recognition.

Regarding CTT Expresso/Transporta the tax losses refer to the years 2017 and 2018 of the company Transporta, which was merged in CTT Expresso during the year 2019 and may be carried forward in the next 7 years (previously 5 years but extended to

7 years due to the exceptional measures approved to deal with adverse consequences caused by the pandemic COVID-19). The recognition of deferred tax assets related to Transporta's tax losses carried forward was supported by the estimate of CTT Expresso's future taxable profits, based on the company's five-year business plan (until 2025).

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015 (in the amounts of 4,536,810 Euros and 3,068,088 Euros, available for reporting until 2028 and 2029, respectively), which are still awaiting an answer from the Tax Authority. Upon a favorable answer to the request submitted, an asset may be recognized in the future for deferred taxes on those tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.5 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 June 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 June 2020 and 30 June 2021, the following transactions took place and the following balances existed with related parties, regarding the **Group**:

30.06.2020					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	-
Group companies					
Associated companies	2,489	-	5,507	47,677	-
Jointly controlled	614,767	-	621,040	-	-
Members of the (Note 23)					
Board of Directors	-	9,287	-	1,144,681	-
Audit Committee	-	-	-	80,596	-
Remuneration Committee	-	-	-	22,010	-
General Meeting	-	-	-	14,000	-
	617,256	9,287	626,547	1,308,964	-

30.06.2021					
	Accounts receivable	Accounts payable	Revenues	Costs	Dividends
Shareholders	-	-	-	-	12,750,000
Group companies					
Associated companies	-	-	-	-	-
Jointly controlled	234,888	45,178	563,196	62,904	-
Members of the (Note 23)					
Board of Directors	-	-	-	1,435,998	-
Audit Committee	-	-	-	79,286	-
Remuneration Committee	-	-	-	9,900	-
General Meeting	-	-	-	-	-
	234,888	45,178	563,196	1,588,088	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. In February 2021, CTT triggered a formal procedure aimed at resolving the issues related to the sustainability of the current concession agreement, in particular with respect to the years 2020 and 2021. In this context, following the Government's understanding that the appropriate mechanism for the resolution of the referred issues is arbitration, on 11.06.2021, CTT initiated arbitration proceedings against the Portuguese Government, in its capacity as Grantor of the concession. Such proceeding aims to protect CTT's rights, specifically: (a) the impact and contractual effects, as those of a compensatory nature (which CTT calculates at around €23m), of the pandemic associated with COVID-19, as well as the public

measures adopted in this context, particularly in light of the clauses of the Concession Agreement which regulate changes of circumstance; and (b) the legality, impacts and contractual effects, as those of a compensatory nature (which CTT calculates at around €44m), of the decision to extend the Agreement contained in paragraph a) of article 35-W of Decree-Law no. 10-A/2020, of 13 March, as amended by Decree-Law no. 106-A/2020, of 30 December.

The aforementioned amounts are those that CTT considers it is entitled to in accordance with currently available data and are subject to updating, assessment and decision in the proceedings that are now being initiated.

As the international public health emergency continues, Portugal remained in a state of emergency until 30.04.2021, followed by a declaration of disaster situation, which is still in force. As in the previous year, CTT continues to implement the public health rules issued by the competent authorities and adopted the necessary and appropriate measures to protect workers and customers while ensuring the functioning and continuity of postal services. CTT continues to periodically submit an update on the situation of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service.

The proposal regarding the prices of the universal postal service submitted by CTT on 17.02.2021 was approved by ANACOM by its resolution of 25.03.2021. The prices underlying this proposal, which complied with the defined principles and criteria of price formation, entered into force on 01.04.2021. This update corresponded to an average annual change in the price of the basket of letter mail, editorial mail and parcels services of 1.35%, not including the offer of the universal postal service to bulk mail senders, to whom special prices apply.

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

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

On 23.07.2021, CTT was notified of ANACOM's decision rejecting CTT's request to redefine the price formation criteria for the universal postal service established by the Price Deliberation for the three-year period ended in 2020.

On 29.04.2021, ANACOM approved several decisions relative to the provision of the universal postal service after the term of the current concession. These decisions refer to: (i) the criteria setting the formation of the prices of the universal postal service; (ii) the quality of service parameters and performance targets associated with provision of the universal service; (iii) the concept of unreasonable financial charge for purposes of compensation of the net cost of the universal postal service; (iv) the methodology for calculating the net costs of the universal service; (v) the information to be provided by the universal service provider(s) to the users; and (vi) the delivery of postal items at premises other than the domicile.

On 17.06.2021, ANACOM approved for prior hearing the draft decision to be issued by ANACOM, for the purposes of article 16(4) of Law 17/2012, of 26 April, arising from the audit to the results of CTT's cost accounting system for the 2018 financial year, as well as the stipulations for system improvement resulting from the aforementioned audit and the consolidation of all stipulations and recommendations in a single document. The stipulations 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 December 2021.

On 24.06.2021, ANACOM stipulated the cost of capital rate to be taken into account in CTT's cost accounting system results in 2021, which was set at 7.4712%, under the terms of the methodology approved by that authority in 2019.

The legal proceedings relating to ANACOM's Decision regarding the parameters of quality of service and performance objectives applicable to the provision of the universal postal service, issued in July 2018, are still pending. In the arbitration proceeding brought against the Portuguese State, and it is the grantor in the Concession Agreement, evidence was produced and the final allegations made; hence, a decision is pending. The administrative proceedings brought against ANACOM, the first one regarding the same decision and the second concerning the December 2018 resolution regarding the new measurement procedures to be

applied to the quality of service indicators, had no relevant developments. The process related to the proposal to enforce eleven contractual fines, initiated in 2018 by ANACOM, within the scope of the Universal Postal Service Concession Agreement, based on alleged breaches of contract obligations during 2015, 2016 and 2017 is still pending a decision. On 30.07.2021, ANACOM initiated new administrative proceedings against CTT for four administrative offenses related to the measurement of quality of service indicators (QSI), relating to events occurred in 2016 and 2017, partially contested in the administrative action brought against ANACOM in March 2019, relating to the December 2018 resolution on the new measurement procedures to be applied to QSI. The deadline for CTT to reply is in progress.

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 quarter, the economic situation has shown a positive change with the containment measures lifting, although there are still some restrictions imposed on the population and economic activities, whose process of returning to normality has been greatly influenced by the emergence of new strains of the COVID-19 virus.

The information currently available, points to a recovery in activity compared to the previous quarter. The beginning of the deconfinement process, with the consequent reopening to the public of restaurants, non-essential commerce and cultural events, as well as the return to on-site education – reflected in an increase in mobility indicators. Compared to the previous quarter, the most affected sectors by confinement, in particular those related to tourism and non-essential commerce, are expected to register significant growth, still maintaining an activity well below that observed in 2019.

In the second quarter of 2021, a recovery in economic activity is expected with the vaccination spread.

The COVID-19 pandemic continued to affected consumers and companies, however, the **Group** maintained its activity in operation, simultaneously seeking to preserve the value of traditional services and continued to invest in new businesses, more linked to digital platforms and e-commerce. In the first semester of 2021, there was a growth in operating income and EBIT, driven mainly by the growth from Expresso and Parcels business followed by Mail and Others, Banco CTT 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 June 2021, there were 725 moratoria, corresponding to € 40.1 M (€ 30.8 million in mortgage loans, € 6.7 M in auto loans and € 2.6 M in other loans), representing 3.3% 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 11% of the moratoria total number completed on 30 September 2020.
- Analysis of whether there are additional signs of impairment arising from the impacts of COVID-19 on the results of the various businesses of the **Group**, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognized;
- Review of the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;

- Monitoring of the evolution of compliance with the financing covenants. No situations of default were identified.

Although the 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 16 June 2021, CTT, through its subsidiary CTT Soluções Empresariais, S.A., entered into an agreement for the acquisition of the total share capital of NewSpring Services, S.A. and its holding HCCM- Outsourcing Investment, S.A., companies operating in the Business Process Outsourcing (BPO) and Contact Center market, for the amount of 7 million Euros (Enterprise Value) due at the closing of the transaction, with earnouts 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.

This transaction is part of CTT's portfolio diversification strategy and the acceleration of growth in its business units, in particular the consolidation of the Business Solutions platform.

The acquisition is subject to a set of conditions precedent, including the non-opposition of the Portuguese Competition Authority (AdC), which occurred on 23 July 2021. On that date, the Board of Directors of AdC adopted a decision not to oppose this operation, considering that it is not likely to create significant barriers to effective competition in the identified relevant markets.

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



07

Declaration of conformity

committed to deliver

DECLARATION OF CONFORMITY

Pursuant to article 246(1)(c) of the Portuguese Securities Code, the members of the Board of Directors and of the Audit Committee of CTT - Correios de Portugal, S.A. ("CTT") identified below hereby state that, to the best of their knowledge, the interim condensed consolidated accounts relative to the first half of 2021 were prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of CTT and the companies included in its consolidation perimeter, and that the interim report faithfully presents the important events which occurred in the first half of 2021 and their impact on the interim condensed consolidated accounts, as well as the main risks and uncertainties for the second half of the year.

Lisbon, 5 August 2021

The Board of Directors

Non-Executive Chairman of the Board of Directors

Raul Catarino Galamba de Oliveira

Chief Executive Officer (CEO)

João Afonso Ramalho Sopas Pereira Bento

Member of the Board of Directors and of the Executive Committee

António Pedro Ferreira Vaz da Silva

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

Guy Patrick Guimarães de Goyri Pacheco

Member of the Board of Directors and of the Executive Committee

João Carlos Ventura Sousa

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

João Miguel Gaspar da Silva

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

Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

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

Steven Duncan Wood

Non-Executive Member of the Board of Directors

Duarte Palma Leal Champalimaud

Non-Executive Member of the Board of Directors

Isabel Maria Pereira Aníbal Vaz

Non-Executive Member of the Board of Directors

Jürgen Schröder

Non-Executive Member of the Board of Directors

Margarida Maria Correia de Barros Couto

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

María del Carmen Gil Marín

Non-Executive Member of the Board of Directors

Susanne Ruoff

(SIGNED ON THE ORIGINAL)



08

Audit report

committed to deliver

*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Limited review report on the condensed consolidated financial statements

Introduction

We have performed a limited review on the interim condensed consolidated financial statements of CTT - Correios de Portugal, S.A. (the Group), which comprise the consolidated statement of financial position as at 30 June 2021 (showing a total of 3,096,592,428 Euros and a shareholder's equity total of 148,786,505 Euros, including a consolidated net profit of 17,186,714 Euros), consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended, and the notes to the interim condensed consolidated financial statements which includes a summary of significant accounting policies.

Board of Directors responsibilities

The Board of Directors is responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34), and for the design and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements which are free from material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with the International Standard on Review Engagements 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and other rules and technical and ethical requirements issued by the Institute of Statutory Auditors. Those standards require that our work is performed in order to conclude that nothing has come to our attention that causes us to believe that the condensed consolidated financial statements have not been prepared in all material respects in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34).

A review of financial statements is a limited assurance engagement. The procedures performed consisted primarily of making inquiries of management and others within the Entity and its subsidiaries, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of CTT - Correios de Portugal, S.A., as at 30 June 2021, have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34).

Lisbon, 5 August 2021

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (n.º 178)
Represented by:

(Signed)

Luís Pedro Magalhães Varela Mendes - ROC nr. 1841
Registered with the Portuguese Securities Market Commission under license nr. 20170024



09

Investor support

committed to deliver

9. INVESTOR SUPPORT

CTT investor support is carried out by the **Investor Relations** department, a team of 5 people managed by Peter Tsvetkov until the end of the semester and by Nuno Vieira as of 1 July 2021.

9.1. Contacts

E-mail: investors@ctt.pt
Telephone: +351 210 471 087
Fax: +351 210 471 996

9.2. Press releases and disclosure of financial information

During the 1st half of 2021, CTT's disclosure of material information to the market consisted of:

- The Integrated Report 2020, as well as consolidated results presentations and press releases regarding the 2020 financial year and the 1st quarter of 2021; and
- 19 press releases with material information (including 7 on the transactions carried out in the context of the share buy-back program, and the annual and quarterly results press releases and presentations), 11 press releases regarding qualifying holdings in CTT, 3 concerning management transactions of CTT shares and 1 on the payment of dividends. In total, 34 communications to the market were produced in the period.

9.3. Events

Throughout the semester, CTT took part in several events, all of which were held online due to the COVID-19 pandemic, as follows:

- 7 conferences – hosted by the brokers ODDO BHF in January and by Caixa Banco de Investimento (CaixaBI) in March and May, by Banco Santander in February and Banco Renta4 in April, respectively, and in June the conferences organised by Goldman Sachs and the Bank of America;
- 2 roadshows – organized by JB Capital Markets and CaixaBank BPI in March and May, respectively, which were attended by investors from Spain, Portugal and the United Kingdom;
- 16 virtual meetings – with individual institutional investors from the USA, Germany, South Africa, Israel, Luxembourg, Estonia and the United Kingdom, as well as Spain and Portugal.

The events mentioned above allowed CTT to contact around 85 capital market agents throughout the semester.

9.4. Financial calendar

CTT financial calendar for the 2nd half of 2021 foresees the following corporate events:

Financial Calendar 2H21

Event	Date
1 st half 2021 Results and Integrated Interim Report	5 August 2021*
9 Months 2021 Results	4 November 2021*

* After market close.

10. CONTACTS

HEADQUARTERS

Avenida D. João II, no. 13

1999-001 Lisboa

PORTUGAL

Telephone: +351 210 471 836

Fax: +351 210 471 994

Customers

CTT Line +351 210 471 616

Workdays from 08:30 am till 07:30 pm

www.ctt.pt/ajuda/contacto

Market Relations Representative

Guy Pacheco

Investor Relations Department

Nuno Vieira

Email: investors@ctt.pt

Telephone: +351 210 471 087

Fax: +351 210 471 996

Media

Communication Department

Media Advisory

Cátia Cruz Simões

Email: gabinete.imprensa@ctt.pt

Telephone: +351 210 471 800

Website

www.ctt.pt



committed to deliver